Susan Montee, JD, CPA
MISSOURI STATE AUDITOR

Audit Reports Released in 2007

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Susan Montee, CPA
Missouri State Auditor

December 2007

Review of 2007 Property Tax Rates

Report No. 2007-91

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Susan Montee, CPA

December 2007

YELLOW SHEET

The following report contains certification information on taxing authorities throughout Missouri.

State law requires the Missouri State Auditor to annually check all taxing jurisdictions throughout Missouri as to their compliance with the tax limitation provisions of Missouri's Hancock Amendment and with Section 137.073, RSMo. The following report shows whether or not a taxing jurisdiction has met its constitutional and statutory obligation to set an overall tax rate at a level approved by voters and within the bounds of limits set by Missouri's Constitution and the State Legislature.

IMPORTANT: The State Auditor's Office has no authority to determine or review individual tax assessments. Chapter 138, RSMo governs the appeals process for assessed valuations as they pertain to individual taxpayers.

All individual tax assessment matters are the responsibility of each county assessor and board of equalization. Appeals to the state on tax assessment matters are handled by the Missouri State Tax Commission.

All reports are available on our Web site: www.auditor.mo.gov

2007 PROPERTY TAX RATES

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
Jefferson City, MO 65102

The State Auditor's Office is required to review local property tax rates of all taxing authorities in the state annually. The primary objectives of this review were to determine (1) whether local governing boards have levied taxes in accordance with state law, and (2) in particular, whether local property tax rates have been adjusted to ensure that property reassessments are revenue neutral. Reassessments of existing property are not intended to increase property tax revenue but to equitably reallocate the existing tax burden based on the relative value of property owned by taxpayers.

For 2007, we received substantiating data and issued a finding on 4,854 property tax rates of 2,737 taxing authorities. Fifteen taxing authorities levied tax rates that exceeded the tax rate certified, resulting in over $1.3 million in excess tax levies. Although non-compliant tax rates have increased over last year, the number of taxing authorities levying a non-compliant tax rate is only approximately 0.5 percent of all taxing authorities.

Property taxes are often the main source of revenue for many of Missouri's special purpose political subdivisions and county boards. The bulk of property taxes, however, fund our public schools. General acceptance of these taxes is dependent on fair and equitable assessment practices and public understanding and input regarding the setting of rates. If the tax burden is increased without voter approval, confidence in the fairness and assessment practices is often eroded.

Susan Montee, CPA
State Auditor

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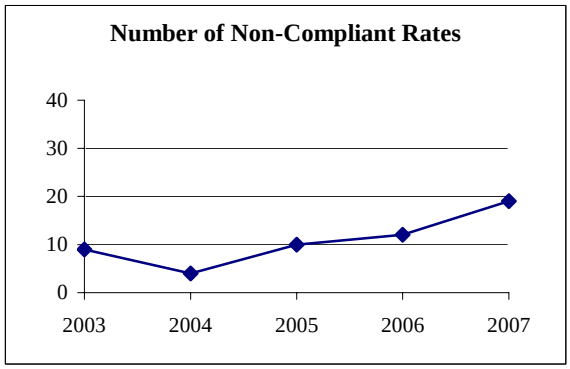
RESULTS

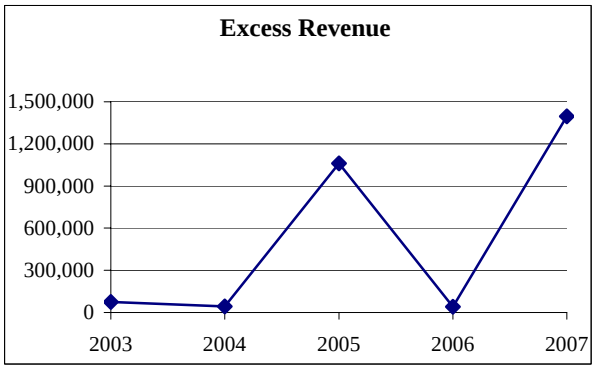
RESULTS

Taxing Authorities Generally Complied with State Property Tax Laws

The State Auditor received substantiating data and reviewed 4,854 property tax rates for 2,737 taxing authorities. Of the rates reviewed, 518 were debt service levies, 168 were new property tax rates approved by voters and, 55 were for existing property tax rates that were increased by voter approval. The remaining 4,113 levies reviewed are general types of levies. Fifteen taxing authorities (approximately one half of a percent of all taxing authorities) levied nineteen tax rates that were non-compliant. While varying factors contributed to these violations, the majority of non-compliant rates and excess revenue generated were from St. Louis County. See Table 1.2 below for a listing of the non-compliant tax rates levied. Taxing Authorities wholly in St. Louis County were required to use the four-rate system of levying a separate rate for each subclass of property. Uncertainty with the implementation of the four-rate system originates from a lack of statutory guidance on the handling of elections, recoupments, voluntary reductions, and debt service levies which were not addressed by the legislation implementing the four-rate system. In the absence of statutory guidance specifically addressing ballots posed under the four-rate system, the State Auditor's Office has reviewed all ballots under the assumption that all elections apply to all property.

The following graphs illustrate the 5 year history of non-compliant rates and revenue.





Background

The State Auditor's Office and county officials assist local government officials in determining the data necessary to complete the tax rate computations. Taxing authorities are required to file data supporting the proposed property tax rates with the county, using forms prescribed by the Auditor. The data is reviewed and a finding is returned to both the county and the taxing authority advising whether the proposed rates comply with Missouri law.

Review methodology

The 2007 tax rate ceilings were determined based on the requirements of Section 137.073, RSMo, and Article X, Section 22 of the Missouri Constitution (commonly referred to as the Hancock Amendment). The tax rate ceiling is determined annually and is adjusted to ensure revenue neutrality. The review of the tax rate ceiling is based on the assessed valuation for the entire

political subdivision and is not calculated on an individual taxpayer basis.

To ensure taxing authorities do not receive a windfall from reassessment, our review of property tax rates begins with the prior year allowed revenue. This is the maximum amount of revenue a taxing authority would have received in the prior year. Current year tax levies must be set to yield the same gross revenue as allowed in the prior year, in addition, an adjustment is made for additional revenue permitted for assessment growth that is the lower of, (1) the actual growth rate or, (2) the inflation rate, or (3) five percent. Factors such as new construction and improvements, newly added territory, newly separated territory, and changes from locally assessed to state assessed property also have an effect on the tax rate ceiling calculation. The county uses this rate to collect taxes on all property including new construction and improvements.

Voters may authorize increases beyond the set limits. Voter-approved increases are reviewed for compliance with applicable laws and stated ballot restrictions. The State Auditor's Office also reviews debt service tax rates. A tax levied to meet the annual debt service requirement is generally viewed as reasonable if the revenue to be generated plus the existing fund balance does not exceed the current payment requirements plus a reserve for the following year's payments.

The total assessed valuation of a taxing authority that is submitted by the County Clerk or a representative of the political subdivision is used in the State Auditor's Office review of property taxes. The State Auditor's Office does not review the assessed valuation of individual pieces of property, as Section 138, RSMo governs the appeals process for assessed valuations. Citizens may appeal their individual assessed valuations calculated by the County Assessor to the local Board of Equalization. Citizens not satisfied with the resolution by the Board of Equalization may appeal the decision to the Missouri State Tax Commission. Any decision of the Missouri State Tax Commission may be reviewed by a court of law.

As assessed valuations increase, tax rate ceilings generally decrease depending on the amount of the increase to produce substantially the same amount of revenue as allowed in the prior year. See *Appendixes IA & IB* for a more detailed summary of the changes in assessed valuation, by type of taxing authority and see *Appendixes IIA & IIB* for a more detailed summary of changes in tax rate ceilings, by type of taxing authority.

In addition, *Appendix III* is a map that provides a statewide geographical perspective of county valuation growth due to new construction growth and reassessment from 2006 to 2007. And *Appendix IV,* is a map that reflects the inflationary change in each county's valuation from the previous year. A significant inflationary change generally indicates a major reassessment occurred.

Organization of Report Content

Taxing authorities are listed by primary county and categorized by type of taxing authority. The counties are listed alphabetically (Adair through Wright, followed by the City of St. Louis). When a taxing authority is located in more than one county, it is listed under the primary county only.
The assessed valuations presented for taxing authorities, except school districts, include all taxable locally assessed and state assessed property. The assessed valuations presented for the school districts include only taxable locally assessed property. The abated portions of property valuations

that are not taxable under various economic development programs are omitted from the taxable assessed valuations used to compute the annual tax rate ceiling.

Sales tax rollbacks required by law for some county levies were not reviewed as part of this report. Sales tax (Proposition C) rollbacks for school levies were subjected to a limited review where it appeared the district waived all or part of the rollback without voter approval to generate additional local revenues. A majority of school districts have obtained voter approved waivers of the required sales tax rollback of their property tax. *Appendix XII* lists the 475 schools with full or partial waivers of Proposition C (sales tax) reductions. These school districts obtained voter approval to not roll back part or all of the required amount for Proposition C. The list includes 48 schools with partial Proposition C waivers and 427 schools with full Proposition C waivers. The remaining 47 school districts have not obtained voter approved waivers of the sales tax rollback and therefore are required to rollback their property tax rate.

Notable Issues in 2007

No changes in legislation or procedures occurred during 2007, however, there was an increase in non-compliant rates this year. While varying factors contributed to these violations, increased awareness of Missouri law should help alleviate them. See Table 1.2 below for a listing of the non-compliant tax rates levied.

The statutes allow the tax rate ceiling to be revised to compensate for reductions in assessments from decisions of the State Tax Commission or a judicial court or are from clerical corrections. After making revisions, a political subdivision may be permitted to levy an additional tax for up to three years to recoup the revenues it was entitled to receive for the preceding one to three year period affected by the revisions. There were two taxing authorities that recalculated and recouped lost revenues for their levies for the prior three years as allowed by the statutes.

Table 1.1 summarizes voluntary reductions taken under the four-rate system. Although the majority of levies imposed under the four-rate system did not voluntarily reduce their levy, under current statutory guidance available any and all voluntary reductions are allowable.

Table 1.1 Summary of Voluntary Reductions Taken Under the Four-Rate System

Description	# of Levies	Percentage
Voluntarily Rolled Back Each Subclass to Zero	7	3%
Voluntarily Rolled Back to Levy a Single Rate on All Property	39	15%
Voluntarily Rolled Back But Did Not Levy a Single Rate on All Property	52	20%
No Voluntary Reduction Taken on Any Subclass of Property	163	62%
Total	261	100%

Source: Tax Rate Computational Forms Submitted by Taxing Entities

Tax Rates Levied in Excess of the Tax Rate Certified

Table 1.2 lists 15 taxing authorities that levied 19 tax rates in excess of the legally permissible tax levy as provided by state law. Excess revenues collected totaled $1,394,315.

Table 1.2: Listing of Taxing Authorities Levying an Excess Tax Rate

County	Political Subdivision	Levy Purpose	Assessed Valuation	(1) Certified Rate	Actual Rate Levied	Excess Revenue	
Barry	Purdy R-II School District	Debt Service	23,520,676	0.5498	0.6947	34,081	
Caldwell	Breckenridge Township	Special Road & Bridge	6,471,779	0.2910	0.3059	964	
Knox	Knox County Ambulance	General Revenue	62,673,972	0.3396	0.3500	6,518	
		Dispatch	62,673,972	0.0291	0.0300	564	
Miller	Iberia Fire Protection District	General Revenue	28,642,053	0.2853	0.2856	86	(2)
Morgan	Barnett Spec Road Dist #3	Road & Bridge	10,834,843	0.2721	0.2803	888	
Webster	Niangua Fire Protection Dist.	General Revenue	10,711,711	0.0000	0.2500	26,779	
St. Louis	City of Charlack	General Revenue					
	Commercial Real Estate		2,657,340	0.2060	0.2170	292	
St. Louis	Clayton School District	Operating Funds					(3)
	Residential Real Estate		503,874,480	2.8536	2.8900	183,410	
	Commercial Real Estate		438,658,600	3.1884	3.2271	169,761	
	Personal Property		103,682,920	3.3923	3.4334	42,614	
St. Louis	Normandy Fire Protection	General Revenue					
	Residential Real Estate		154,032,420	1.1750	1.3300	238,750	
	Agricultural Real Estate		16,560	1.2444	1.3864	24	
St. Louis	Normandy Fire Protection	Ambulance					
	Residential Real Estate		154,032,420	0.2350	0.2660	47,750	
	Agricultural Real Estate		16,560	0.2440	0.2710	4	
St. Louis	Normandy Fire Protection	Pension					
	Residential Real Estate		154,032,420	0.0780	0.0890	16,944	
	Agricultural Real Estate		16,560	0.0790	0.0890	2	
St. Louis	Normandy Fire Protection	Dispatch					
	Residential Real Estate		154,032,420	0.0390	0.0440	7,702	
	Agricultural Real Estate		16,560	0.0370	0.0410	1	
St. Louis	Normandy School District	Operating Funds					
	Residential Real Estate		185,092,400	3.4416	3.4704	53,307	
	Agricultural Real Estate		16,560	3.5990	3.6278	5	
	Commercial Real Estate		45,894,040	4.1497	4.1785	13,217	
	Personal Property		54,109,110	4.4036	4.4324	15,583	
St. Louis	Riverview Gardens School Dist	Operating Funds					
	Residential Real Estate		208,664,740	3.5622	3.7596	411,904	
	Commercial Real Estate		23,248,800	3.7860	4.0188	54,123	
St. Louis	Robinwood West CID	General Revenue					
	Residential Real Estate		17,247,500	0.6400	0.6402	34	
St. Louis	Village of Velda Village Hills	General Revenue					(4)
	Residential Real Estate		5,391,690	0.2820	0.2860	216	
	Commercial Real Estate		246,895	0.3520	0.4900	341	
St. Louis	Wellston School District	Operating Funds					
	Commercial Real Estate		9,643,440	4.5835	5.2929	68,411	
St. Louis	Wheaton Cook Lyndhurst Light	General Revenue					
	Commercial Real Estate		1,323,820	0.1520	0.1550	40	
Total						$1,394,315	(5)

Source: Tax Rate Computational Forms Submitted by Taxing Entities

(1) The Certified Rate column represents the rates determined to be legally permissible based on the information submitted by the taxing authority. The excess tax revenue is computed by multiplying the excess tax rate (actual rate levied – certified rate) by the assessed valuation and dividing by 100.

(2) Iberia Fire Protection District has assessed valuation in Miller and Maries Counties. The district levied a compliant tax rate in Maries County but levied $0.2856 in Miller County. The non-compliant revenue is calculated using the Miller County assessed valuation only since the Maries County's portion was compliant.

(3) Clayton School District disputes the State Auditor's implementation of the Missouri Attorney General's (AG) Opinion 107-2003 as applied to the recalculation and recoupment of lost revenues from the 2003 tax rates. The School District had a voter approved increase to their tax rate that was added to the tax rate ceiling valid on the date of the election as per the AG Opinion 107-2003, but School District contends that the increase should be added to the revised tax rate that would have been valid on the date of the election.

(4) Also levied an excessive tax rate in 2006.

(5) Twenty eight taxing authorities levied a non-compliant rate due to a dispute in ballot interpretation. Each had a ballot approving a rate equal to a fraction of a cent instead of one approved in whole cents.

County	Political Subdivision	Purpose	Rate Authorized on Ballot	Rate Certified	Rate Levied	Excess Revenue
Caldwell	Kidder Township	Special Road & Bridge	.29 cents	$0.0029	$0.3177	$33,697
	Kingston Township	Special Road & Bridge	.35 cents	0.0035	0.3500	18,710
	Lincoln Township	Special Road & Bridge	.33 cents	0.0033	0.3300	17,882
	New York Township	Special Road & Bridge	.3035 cents	0.0030	0.3035	12,185
Camden	Osage Beach Fire	General Revenue	.5934 cents	0.0059	0.5934	2,571,634
Carroll	Cherry Valley Township	Special Road & Bridge	.35 cents	0.0035	0.3500	3,940
	Eugene Township	Special Road & Bridge	.35 cents	0.0035	0.3500	24,496
	Hill Township	Special Road & Bridge	.35 cents	0.0035	0.3500	14,712
	Hurricane Township	Special Road & Bridge	.35 cents	0.0035	0.3500	25,472
	Prairie Township	Special Road & Bridge	.35 cents	0.0035	0.3500	13,441
	Ridge Township	Special Road & Bridge	.35 cents	0.0035	0.3500	20,723
	Sugartree Township	Special Road & Bridge	.35 cents	0.0035	0.3500	5,767
Christian	Christian County	Senior Services	.05 cents	0.0005	0.0462	402,135
Daviess	Colfax Township	Special Road & Bridge	.25 cents	0.0025	0.2500	14,367
	Grand River Township	Special Road & Bridge	.35 cents	0.0035	0.3500	14,602
	Jackson Township	Special Road & Bridge	.35 cents	0.0035	0.3500	15,569
	Jefferson Township	Special Road & Bridge	.35 cents	0.0035	0.3500	17,486
	Lincoln Township	Special Road & Bridge	.20 cents	0.0020	0.2000	7,591
	Marion Township	Special Road & Bridge	.35 cents	0.0035	0.3500	14,945
	Monroe Township	Special Road & Bridge	.35 cents	0.0035	0.3500	10,129
	Daviess County	Senior Services	.05 cents	0.0005	0.0500	49,734
Henry	Henry County	Senior Services	.05 cents	0.0005	0.0500	136,930
Lafayette	Alma Spec Road Dist	Special Road & Bridge	.30 cents	0.0030	0.2600	28,180
	Concordia Spec Rd Dist	Special Road & Bridge	.33 cents	0.0033	0.3300	142,069
	Corder Spec Rd Dist	Special Road & Bridge	.30 cents	0.0030	0.3000	26,381
	Mayview Spec Rd Dist	Special Road & Bridge	.25 cents	0.0025	0.2500	31,318
	Lafayette County	2-W Common Rd Dist	.33 cents	0.0033	0.3300	128,667
Lewis	City of La Belle	Streets-Temp	.35 cents	0.0035	0.3500	12,465

APPENDIXES

APPENDIX IA

SUMMARY OF CHANGES IN ASSESSED VALUATION FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Number of Tax Rates: With Increases In Assessed Valuation	Number of Tax Rates: With Decreases In Assessed Valuation	Number of Tax Rates: With No Change In Assessed Valuation	Other (1)
Ambulance Districts	107	113	109	1	0	3
Hospitals	13	13	12	1	0	0
Nursing Home Districts	29	31	28	0	0	3
Public Water Supply Districts	1	1	1	0	0	0
Soil and Water Conservation Subdistricts	28	28	22	3	3	0
Drainage and Levee Districts	2	2	2	0	0	0
Special Road Districts	221	288	244	14	0	30
Municipalities	763	1,328	1,084	138	0	106
Tax Supported Public Libraries	79	86	81	0	0	5
Townships	312	817	639	82	0	96
Fire Protection Districts	340	423	359	16	0	48
Sewer Districts	8	9	9	0	0	0
Miscellaneous	29	33	29	0	0	4
Regional Recreational District	1	1	1	0	0	0
Community Improvement Districts	1	1	0	1	0	0
Special Road District Subdistricts	1	1	1	0	0	0
Transportation Development Districts	2	2	0	1	0	1
Junior Colleges	12	16	13	0	0	3
School Districts	500	848	507	17	0	324
Special School Districts	2	3	2	0	0	1
Counties	114	495	458	20	0	17
Totals	2,565	4,539	3,601	294	3	641

(1) This column includes those levies for which only the current year's assessed valuation was used in the computation of the 2007 tax rate (i.e. debt service levies, newly voted levies, and levies voted to replace expired levies), and dissolving levies. Debt service levies are included in this column because they are not subject to the Hancock limitations and therefore are not included in the analysis of levies that are subject to Hancock.

APPENDIX IB

SUMMARY OF CHANGES IN ASSESSED VALUATION FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Number of Tax Rates												
			With Increases In Assessed Valuation				With Decreases In Assessed Valuation				With No Change In Assessed Valuation				Other (1)
			Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	
Municipalities	83	127	106	17	93	28	0	5	13	69	0	84	0	9	21
Tax Supported Public Libraries	4	5	4	2	4	1	0	1	0	3	0	1	0	0	1
Fire Protection Districts	22	95	82	46	82	14	0	15	0	68	0	21	0	0	13
Sewer Districts	23	23	23	10	22	1	0	1	1	22	0	12	0	0	0
Street Light Maintenance Districts	5	5	5	0	5	1	0	0	0	4	0	5	0	0	0
Miscellaneous	10	10	8	0	10	1	0	1	0	0	2	9	0	9	0
Community Improvement Districts	2	2	1	0	0	0	0	0	1	0	0	1	0	1	1
School Districts	22	43	22	7	22	5	0	4	0	17	0	11	0	0	21
Counties	1	5	4	0	4	0	0	4	0	4	0	0	0	0	1
Totals	172	315	255	82	242	51	0	31	15	187	2	144	0	19	58

(1) This column includes those levies for which only the current year's assessed valuation was used in the computation of the 2007 tax rate (i.e. debt service levies, newly voted levies, and levies voted to replace expired levies), and dissolving levies. Debt service levies are included in this column because they are not subject to the Hancock limitations and therefore are not included in the analysis of levies that are subject to Hancock.

APPENDIX IIA

SUMMARY OF CHANGES IN TAX RATE CEILINGS FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Ceilings Same as Prior Year	Ceilings Revised Upward	Ceilings Revised Downward	Revised Due to An Election (1)	Other (2)	Debt Service Levies (3)
Ambulance Districts	107	113	37	2	72	1	0	1
Hospitals	13	13	4	2	7	0	0	0
Nursing Home Districts	29	31	10	0	18	0	1	2
Public Water Supply Districts	1	1	0	0	1	0	0	0
Soil and Water Conservation Subdistricts	28	28	8	5	15	0	0	0
Drainage and Levee Districts	2	2	0	0	2	0	0	0
Special Road Districts	221	288	111	27	121	1	26	2
Municipalities	763	1,328	366	172	682	4	12	92
Tax Supported Public Libraries	79	86	23	5	53	0	0	5
Townships	312	817	440	93	187	1	88	8
Fire Protection Districts	340	423	110	23	234	11	13	32
Sewer Districts	8	9	1	0	8	0	0	0
Miscellaneous	29	33	7	0	25	0	1	0
Regional Recreational District	1	1	0	0	1	0	0	0
Community Improvement Districts	1	1	0	1	0	0	0	0
Special Road District Subdistricts	1	1	1	0	0	0	0	0
Transportation Development Districts	2	2	0	1	0	0	1	0
Junior Colleges	12	16	2	2	9	0	0	3
School Districts	500	848	35	97	277	115	9	315
Special School Districts	2	3	1	0	0	1	0	1
Counties	114	495	136	31	310	1	14	3
Totals	2,565	4,539	1,292	461	135	2,022	165	464

(1) This column includes levies that existed in prior years and were revised due to an election, see Apendix XI. This column also includes school levies that increased due to the school board's election to implement Missouri Constitutional Amendment No. 2 approved by voters on November 3, 1998 which allows school districts to levy a minimum of $2.7500 by school board action alone.

(2) This column includes all newly voted levies which adjustments were made based on information received from the taxing authorities (see Appendix X) or to rename levies for consistency purposes.

(3) See Appendix IX for a listing of taxing authorities levying a property tax rate to pay the annual debt service requirements for general obligation bonds outstanding.

APPENDIX IIB

SUMMARY OF CHANGES IN TAX RATE CEILINGS FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Ceilings Same as Prior Year				Ceilings Revised Upward				Ceilings Revised Downward				Revised Due to An Election (1)				Other (2)	Debt Service Levies (3)
			Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.		
Municipalities	83	127	3	88	6	104	3	3	16	2	100	15	84	0	1	1	1	1	1	19
Tax Supported Public Libraries	4	5	0	3	0	4	0	0	0	0	4	1	4	0	0	0	0	0	0	1
Fire Protection Districts	22	95	2	46	4	81	0	3	7	0	79	32	70	0	1	1	1	1	0	13
Sewer Districts	23	23	0	16	0	22	1	2	1	1	22	5	22	0	0	0	0	0	0	0
Street Light Maintenance Districts	5	5	0	5	0	5	0	0	0	0	5	0	5	0	0	0	0	0	0	0
Miscellaneous	10	10	2	10	0	10	1	0	0	0	7	0	10	0	0	0	0	0	0	0
Community Improvement Districts	2	2	0	1	1	1	0	0	0	0	1	0	0	0	0	0	0	0	1	0
School Districts	22	43	0	14	0	20	0	1	3	0	18	4	16	0	4	3	3	2	1	20
Counties	1	5	0	4	0	4	0	0	0	0	4	0	4	0	0	0	0	0	0	1
Totals	172	315	7	187	11	251	5	9	27	3	240	57	215	0	6	5	5	4	3	54

(1) This column includes levies that existed in prior years and were revised due to an election, see Apendix XI. This column also includes school levies that increased due to the school board's election to implement Missouri Constitutional Amendment No. 2 approved by voters on November 3, 1998 which allows school districts to levy a minimum of $2.7500 by school board action alone.

(2) This column includes all newly voted levies which adjustments were made based on information received from the taxing authorities (see Appendix X) or to rename levies for consistency purposes.

(3) See Appendix IX for a listing of taxing authorities levying a property tax rate to pay the annual debt service requirements for general obligation bonds outstanding.

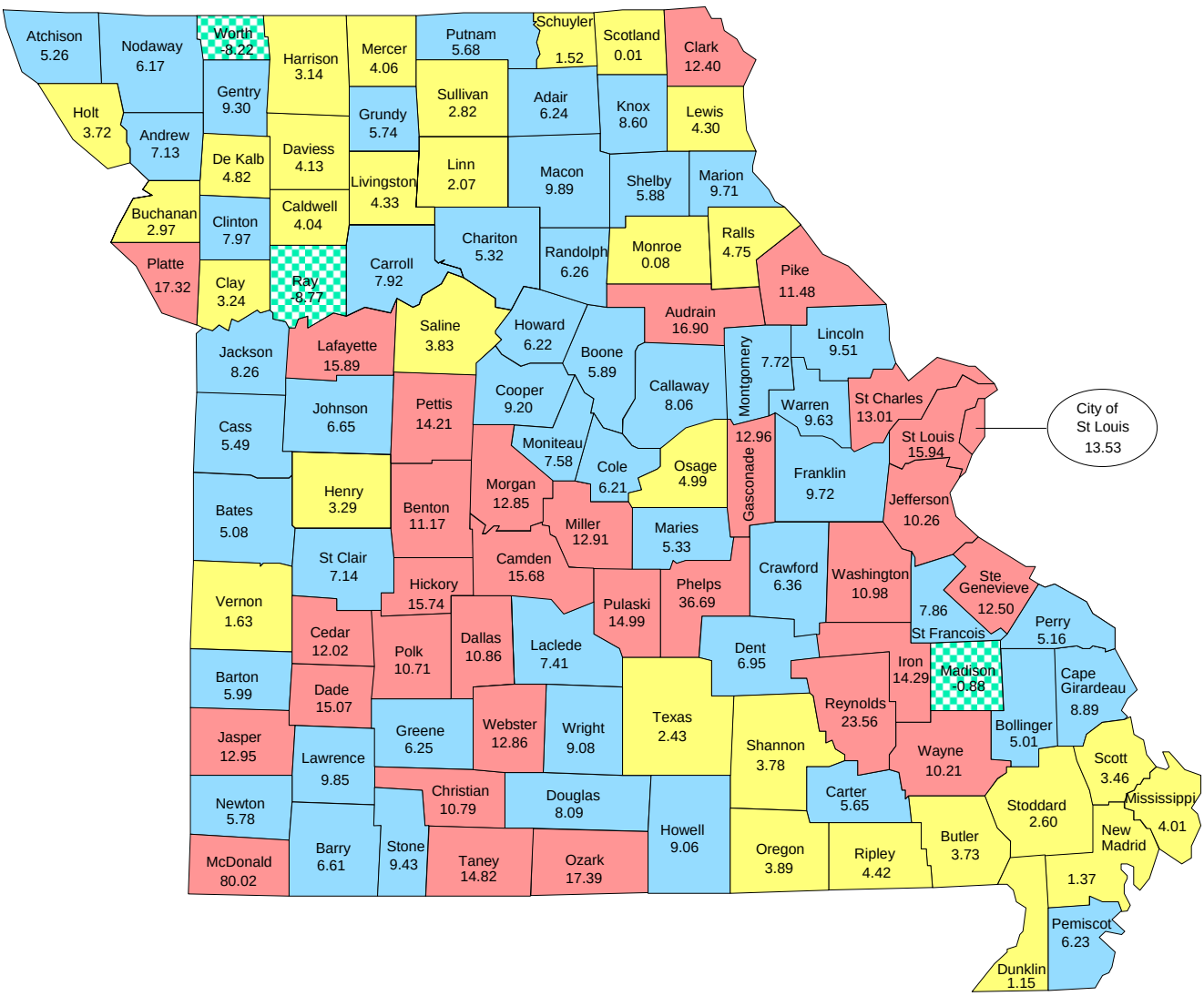
2006 – 2007 PERCENTAGE CHANGE IN TOTAL ASSESSED VALUATIONS
OVERALL COUNTY VALUATION CHANGES PRIOR TO ADJUSTMENTS

Over 10% Increase (33)

From 5% to 10% Increase (49)

From 0% to 5% Increase (30)

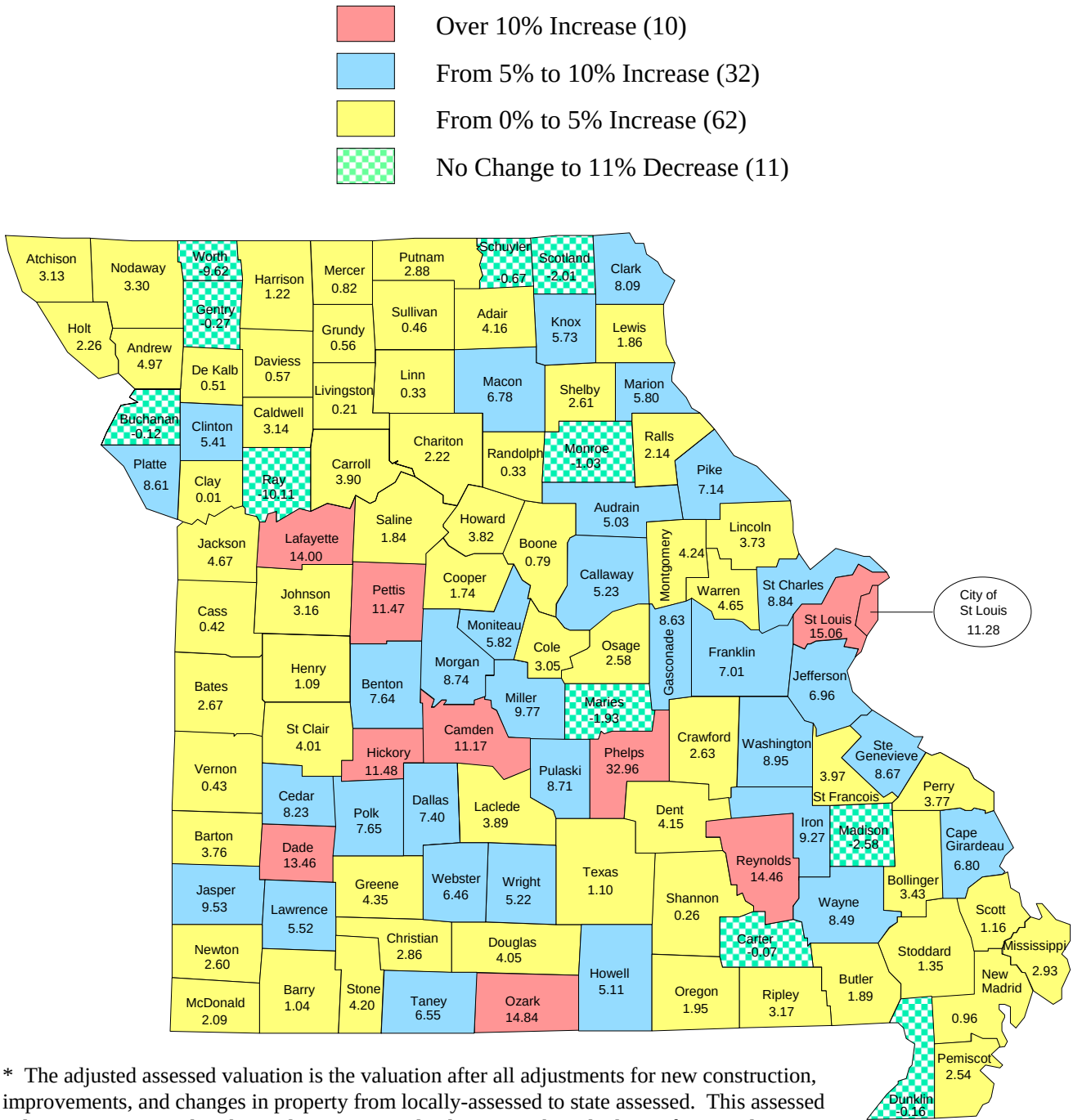
No Change to 9% Decrease (3)



High County: McDonald 80.02

Low County: Ray -8.77

2006 – 2007 PERCENTAGE CHANGE IN ADJUSTED ASSESSED VALUATIONS*



* The adjusted assessed valuation is the valuation after all adjustments for new construction, improvements, and changes in property from locally-assessed to state assessed. This assessed valuation is compared to the total prior assessed valuation in the calculation for compliance with the Hancock Amendment.

High County: Phelps 32.96 Low County: Ray -10.11

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Adair	Adair County Ambulance District	General Revenue	199,250,923	0.2000	0.2000	229,073,364	0.2000	0.2000	0	0.0000	0.0000
	Twin Pines Adult Care Center	General Revenue	196,524,625	0.1500	0.1500	224,836,092	0.1500	0.1500	238,619,984	0.1477	0.1477
	City of Brashear	Fire	974,638	0.3000	0.3000 A	1,183,968	0.3000	0.3000	1,040,449	0.2635	0.2635
		General Revenue-Temp	974,638	1.3800	1.3800	1,183,968	1.3800	1.3800	1,040,449	1.2120	1.2120
	City of Kirksville	General Revenue	132,940,369	0.6840	0.6840	146,096,502	0.6499	0.6496	155,750,817	0.6393	0.6393
	City of Novinger	General Revenue	1,387,063	0.5612	0.4593	1,772,260	0.4599	0.4599	1,837,122	0.4600	0.4600
		General Revenue-Temp	1,387,063	0.3500	0.3500	1,772,260	0.3500	0.3500	1,837,122	0.3500	0.3500
	Village of Gibbs Village	General Revenue	191,554	1.0000	0.8655	409,426	0.8676	0.8676	417,004	0.8320	0.8320
	Adair County Public Library	General Revenue	199,250,923	0.1500	0.1500	229,073,364	0.1500	0.1500	243,233,734	0.1477	0.1477
	Adair Co. R-I School District	Operating Funds-Schools	11,632,685	3.7040	3.7040	11,979,475	3.7500	3.7500	12,820,633	3.7041	3.7041
		Debt Service	11,632,685	0.4543	0.3914	11,979,475	0.4518	0.3914	12,820,633	0.5938	0.3914
	Kirksville R-III School District	Operating Funds-Schools	175,318,797	3.3180	3.3179	181,946,035	3.3063	3.3063	194,510,475	3.2630	3.2630
		Debt Service	175,318,797	1.6159	0.8100	181,946,035	1.1716	0.8100	194,510,475	0.8190	0.8190
	Adair Co. R-II School District	Operating Funds-Schools	10,038,962	3.6169	3.6169	10,316,098	3.6596	3.6596	11,025,826	3.6355	3.6355
		Debt Service	10,038,962	0.6508	0.5631	10,316,098	1.0686	0.5204	11,025,826	0.9130	0.5445
	Adair County	General Revenue	199,250,923	0.3945	0.0000	229,073,364	0.3618	0.0000	243,233,734	0.3570	0.0000
		Road & Bridge	199,250,923	0.2931	0.2600	229,073,364	0.2688	0.2600	243,233,734	0.2653	0.2653
		Health	199,250,923	0.2000	0.2000	229,073,364	0.2000	0.2000	243,233,734	0.1970	0.1970
		Developmentally Disabled	199,250,923	0.1500	0.1500 A	229,073,364	0.1500	0.1500	243,233,734	0.1477	0.1477
Andrew	Andrew County Ambulance District	General Revenue	164,198,259	0.2752	0.2752	173,472,341	0.2752	0.2752	186,100,609	0.2686	0.2686
	Andrew County Nursing Home District	General Revenue	171,318,465	0.0918	0.0300	181,062,665	0.0918	0.0300	193,969,965	0.0897	0.0300
	City of Bolckow	General Revenue	711,472	0.8518	0.8518	752,976	0.8518	0.8518	789,643	0.8519	0.8519
	Village of Cosby	General Revenue	623,297	0.4983	0.4983	612,183	0.5074	0.5074	628,210	0.5111	0.5111
	Village of Country Club	General Revenue	18,289,127	0.3986	0.3986	18,856,616	0.3986	0.3986	30,520,380	0.3986	0.3986
	City of Fillmore	General Revenue	726,934	0.7067	0.7067	733,587	0.7135	0.7135	802,520	0.7106	0.7106
		Debt Service	726,934	0.5028	0.5028	733,587	0.6765	0.6765	802,520	0.6090	0.6090
	Village of Rea	General Revenue	307,090	0.3204	0.3204	313,584	0.3237	0.3237	327,164	0.3238	0.3238
	Village of Rosendale	General Revenue	344,805	1.0000	1.0000	503,811	0.9751	0.9751	503,106	0.9899	0.9899
	City of Savannah	General Revenue	38,539,722	0.4947	0.4947	40,365,678	0.4947	0.4947	47,316,724	0.4407	0.4407
		Parks & Recreation	38,539,722	0.3157	0.3157	40,365,678	0.3157	0.3157	47,316,724	0.2812	0.2812
		Debt Service	38,539,722	0.1784	0.1784	40,365,678	0.1620	0.1620	47,316,724	0.1692	0.1692
	City of Amazonia	General Revenue	1,125,946	0.7632	0.7632	1,209,634	0.7649	0.7649	1,245,752	0.7648	0.7648
	Bolckow Fire District	General Revenue	5,888,152	0.2999	0.2999	5,946,531	0.3000	0.3000	6,181,979	0.3000	0.3000
	Rosendale Fire District	General Revenue	9,742,058	0.3500	0.3500	9,744,291	0.3500	0.3500	10,091,819	0.3500	0.3500
	Fillmore Fire Protection District	General Revenue	6,223,867	0.4500	0.4500	6,407,727	0.4500	0.4500	6,667,997	0.4500	0.4500
	Savannah Fire Protection District	General Revenue	70,864,475	0.5710	0.5710	77,276,304	0.5710	0.5710	83,006,582	0.5650	0.5650
	Village of Country Club FPD	General Revenue	17,435,157	1.0464	1.0278	17,806,056	1.0464	0.6600	18,318,660	1.0446	0.6600
	Cosby-Helena Fire Protection Dist	General Revenue	**	**	**	15,584,116	0.3000	0.3000 A	15,800,765	0.3000	0.2500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Andrew	North Andrew Co. R-VI School Dist	Operating Funds-Schools	15,704,730	4.7064	4.6044	16,078,625	4.8191	4.5044	16,441,690	4.7194	4.5044
	Avenue City R-IX School District	Operating Funds-Schools	12,875,724	3.8060	3.8060 B	13,849,773	3.8157	3.8157	15,367,825	3.7123	3.7123
		Debt Service	12,875,724	1.1887	0.9500	13,849,773	0.9716	0.9500	15,367,825	0.9630	0.9500
	Savannah R-III School District	Operating Funds-Schools	124,736,296	3.1002	3.1002	132,711,868	3.1706	3.1706	143,869,687	4.1506	4.1506 B
	Andrew County	General Revenue	171,318,465	0.3310	0.1903	181,062,665	0.3310	0.1912	193,969,965	0.3235	0.1912
		Johnson Grass	171,318,465	0.0276	0.0250	181,062,665	0.0276	0.0250	193,969,965	0.0270	0.0250
		Road & Bridge	171,318,465	0.2575	0.2500	181,062,665	0.2575	0.2575	193,969,965	0.2517	0.2517
		Special Road and Bridge	171,318,465	0.2500	0.2500 A	181,062,665	0.2500	0.2500	193,969,965	0.2444	0.2444
		Health	171,318,465	0.0918	0.0918	181,062,665	0.0918	0.0918	193,969,965	0.0897	0.0897
		Developmentally Disabled	171,318,465	0.0826	0.0826	181,062,665	0.0826	0.0826	193,969,965	0.0807	0.0807
		Senior Services	171,318,465	0.0292	0.0292	181,062,665	0.0292	0.0292	193,969,965	0.0285	0.0285
Atchison	Atchison-Holt Ambulance District	General Revenue	160,405,446	0.3000	0.3000	162,996,825	0.3000	0.3000	170,325,868	0.2997	0.2997
	Langdon Spec Road Dist Atchison Co	Special Road and Bridge	12,242,772	0.3500	0.3500 A	2,734,708	0.3500	0.3500	2,774,557	0.3500	0.3500
	Tarkio Spec Road Dist Atchison Co	Special Road and Bridge	17,024,766	0.3500	0.3500	17,214,797	0.3500	0.3500	18,065,377	0.3500	0.3500 A
	Watson Spec Road Dist Atchison Co	Special Road and Bridge	3,524,903	0.3500	0.2000 A	3,611,013	0.3500	0.1500	3,687,948	0.3500	0.1500
	General Road District	Special Road and Bridge	53,629,942	0.3500	0.3500	54,725,734	0.3500	0.3500	57,495,985	0.3500	0.3500 A
	City of Fairfax	General Revenue	3,479,908	0.7884	0.7884	3,578,016	0.7914	0.7914	3,661,738	0.7914	0.7914
		Parks & Recreation	3,479,908	0.1947	0.1947	3,578,016	0.1954	0.1954	3,661,738	0.1954	0.1954
		Street Lights	3,479,908	0.2356	0.2356	3,578,016	0.2365	0.2365	3,661,738	0.2365	0.2365
	City of Rock Port	General Revenue	8,049,097	1.0000	1.0000	8,038,272	1.0000	1.0000	9,713,911	0.8681	0.8681
		Parks & Recreation	8,049,097	0.4000	0.4000	8,038,272	0.4000	0.4000	9,713,911	0.3472	0.3472
	City of Tarkio	General Revenue	11,179,351	0.7885	0.7885	11,460,527	0.7915	0.7915	11,947,798	0.7818	0.7818
		Parks & Recreation	11,179,351	0.3051	0.3051	11,460,527	0.3063	0.3063	11,947,798	0.3026	0.3026
		Lights	11,179,351	0.6505	0.6505	11,460,527	0.6530	0.6530	11,947,798	0.6450	0.6450
		Debt Service	11,179,351	0.6259	0.6259	11,460,527	0.6460	0.6460	11,947,798	0.3239	0.3239
	Village of Watson	General Revenue	424,812	0.5000	0.5000	446,582	0.4999	0.4999	402,401	0.5000	0.5000
		General Revenue-Temp	424,812	0.3000	0.3000 A	446,582	0.2999	0.2999	402,401	0.3000	0.3000
	City of Westboro	General Revenue	792,052	1.0000	1.0000	799,247	1.0000	1.0000	773,362	1.0000	1.0000
		Lights	792,052	0.2500	0.0000	799,247	0.2500	0.0000	773,362	0.2500	0.2500
		Streets	792,052	0.9000	0.9000	799,247	0.9000	0.9000	773,362	0.9000	0.9000
		Debt Service	792,052	1.4241	1.4241	799,247	1.1048	1.1048	773,362	2.0526	2.0526
	Atchison County Library	General Revenue	80,251,767	0.3000	0.3000	82,166,047	0.3000	0.3000	86,490,665	0.2985	0.2985
	Fairfax Rural Fire District	General Revenue	11,376,745	0.2500	0.2500	11,809,123	0.4000	0.4000	12,220,896	0.4000	0.4000
	Tarkio Rural Fire District	General Revenue	10,414,162	0.2500	0.2500	10,467,779	0.4000	0.4000	12,080,236	0.4000	0.4000
	West Atchison Rural Fire Prot Dist	General Revenue	20,319,060	0.2500	0.2500	21,141,716	0.2500	0.2500	21,566,975	0.2500	0.2500
	Westboro Fire Protection District	General Revenue	7,414,914	0.3389	0.3389	7,466,622	0.3391	0.3391	7,579,627	0.3391	0.3391
	Tarkio R-I School District	Operating Funds-Schools	26,729,363	3.8158	3.8158	27,128,117	3.7229	3.7229	28,186,872	3.7360	3.7360
	Rock Port R-II School District	Operating Funds-Schools	31,461,333	3.6662	3.6662	32,232,215	3.6446	3.6446	33,543,747	3.6228	3.6228

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Atchison	Fairfax R-III School District	Operating Funds-Schools	13,274,382	3.6984	3.6984	13,825,487	3.6729	3.6729	15,434,323	3.6844	3.6729
		Operating Funds-Temp	13,274,382	0.6500	0.6500	13,825,487	0.6500	0.6500	15,442,333	0.6500	0.6500 A
		Debt Service	13,274,382	0.3809	0.3809	**	**	**	**	**	**
	Atchison County	General Revenue	80,251,767	0.5000	0.5000	82,166,047	0.5000	0.5000	86,490,665	0.4974	0.4974
		Solid Waste Landfill	80,251,767	0.1000	0.0000	82,166,047	0.1000	0.0000	86,490,665	0.0995	0.0000
		Road & Bridge	80,251,767	0.5000	0.5000	82,166,047	0.5000	0.5000	86,490,665	0.4974	0.4974
		Health	80,251,767	0.0500	0.0500	82,166,047	0.0500	0.0500	86,490,665	0.0497	0.0497
		Senate Bill 40	80,251,767	0.1000	0.1000	82,166,047	0.1000	0.1000	86,490,665	0.0995	0.0995
		Senior Services	80,251,767	0.0500	0.0500 A	82,166,047	0.0500	0.0500	86,490,665	0.0497	0.0497
Audrain	Van-Far Ambulance District	General Revenue	39,733,734	0.3000	0.3000	39,249,384	0.3000	0.3000	41,469,274	0.2939	0.2939
	Tri County Nursing Home District	General Revenue	43,468,322	0.2500	0.2500	42,980,075	0.2500	0.2500	45,294,905	0.2458	0.2458
	Laddonia Farber Spec Rd Audrain Co	Special Road and Bridge	13,486,585	0.3500	0.3500	34,783,656	0.3500	0.3500 A	36,767,560	0.3500	0.3500
	Saling Spec Rd Dist #2 Audrain Co	Special Road and Bridge	6,565,263	0.3500	0.3500	6,986,082	0.3500	0.3500	7,285,375	0.3500	0.3500 A
	Vandalia Special Rd Dist Audrain Co	Special Road and Bridge	31,578,410	0.3500	0.3500	30,920,235	0.3500	0.3500	32,735,776	0.3427	0.3427
	Village of Benton City	General Revenue	691,090	0.3952	0.3952	709,208	0.3951	0.3951	757,473	0.3806	0.3806
	City of Farber	General Revenue	1,979,036	0.6800	0.6800	1,991,849	0.6800	0.6800	2,078,358	0.6711	0.6700
		Lights	1,979,036	0.3200	0.3200	1,991,849	0.3200	0.3200	2,078,358	0.3158	0.3100
	City of Laddonia	General Revenue	3,660,735	0.7165	0.7165	3,710,688	0.7165	0.7165	26,430,096	0.6989	0.6989
		Lights	3,660,735	0.4257	0.2500	3,710,688	0.4257	0.2500	26,430,096	0.4152	0.2500
	City of Martinsburg	General Revenue	3,008,285	0.5275	0.5275	3,131,398	0.5275	0.5275	3,317,092	0.5177	0.5177
	City of Mexico	General Revenue	113,195,361	0.4053	0.4006	116,693,619	0.4081	0.4006	131,532,476	0.3949	0.3949
		Parks & Recreation	113,195,361	0.1971	0.1947	116,693,619	0.1985	0.1947	131,532,476	0.1921	0.1921
		Health	113,195,361	0.1971	0.1947	116,693,619	0.1985	0.1947	131,532,476	0.1921	0.1921
	Village of Rush Hill	General Revenue	525,105	0.4115	0.4115	538,898	0.4125	0.4125	575,530	0.4068	0.4068
	City of Vandalia	General Revenue	17,244,922	0.7123	0.7123	17,395,688	0.7132	0.7132	18,313,166	0.6992	0.6992
		Parks & Recreation	17,244,922	0.1659	0.1659	17,395,688	0.1661	0.1661	18,313,166	0.1628	0.1628
	Village of Vandiver	General Revenue	2,570,322	0.4817	0.2900	2,446,306	0.5000	0.2900	2,429,566	0.5000	0.2900
	Mexico Audrain County Library Dist	General Revenue	264,572,656	0.2115	0.2115	271,402,590	0.2115	0.2115	317,274,213	0.2066	0.2066
	Little Dixie Fire District	General Revenue	75,050,827	0.3707	0.3707	78,119,537	0.3744	0.3744	82,177,220	0.3687	0.3687
	Martinsburg Area Fire Prot Dist	Fire	12,623,127	0.2000	0.2000	13,085,132	0.2000	0.2000	14,164,208	0.1969	0.1969
	Community R-VI School District	Operating Funds-Schools	24,201,163	3.6371	3.6060	24,461,534	3.5748	3.4500	48,439,454	3.5255	3.4500
		Debt Service	24,201,163	0.5132	0.4500	24,461,534	0.5714	0.4500	48,439,454	0.5110	0.4500
	Van-Far R-I School District	Operating Funds-Schools	37,772,845	3.5414	3.5414	37,313,310	3.5630	3.5630	39,490,555	3.4956	3.4956
		Debt Service	**	**	**	37,313,310	0.6689	0.4000	39,490,555	0.5168	0.5168
	Mexico 59 School District	Operating Funds-Schools	152,381,359	3.4768	2.8201	158,000,724	3.4501	2.8584	175,485,212	3.3540	2.7707
		Debt Service	152,381,359	0.7733	0.4799	158,000,724	0.6928	0.5000	175,485,212	0.6844	0.5877
	Audrain County	General Revenue	264,572,656	0.3838	0.1894	271,402,590	0.3838	0.1646	317,274,213	0.3749	0.1891
		Road & Bridge	264,572,656	0.2878	0.2878	271,402,590	0.2878	0.2878	317,274,213	0.2811	0.2811

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Audrain	Audrain County	Common Road District	68,963,926	0.3500	0.3500 A	70,689,997	0.3500	0.3500	74,754,178	0.3444	0.3444
		Hospital	264,572,656	0.1812	0.1812	271,402,590	0.1812	0.1812	317,274,213	0.1770	0.1770
		Senate Bill 40	264,572,656	0.2100	0.2100	271,402,590	0.2100	0.2100	317,274,213	0.2051	0.2051
Barry	Barry-Lawrence Co Ambulance Dist	General Revenue	198,976,088	0.1207	0.1207	203,787,334	0.1225	0.1225	224,677,634	0.1225	0.1225
	South Barry County Ambulance Dist	General Revenue	215,719,301	0.0798	0.0700	230,036,153	0.0798	0.0700	241,158,680	0.0798	0.0700
	South Barry Co Memorial Hospital	General Revenue	209,927,382	0.0898	0.0898	223,761,204	0.0898	0.0898	234,825,912	0.0898	0.0898
	Ash Special Road Dist Barry Co	Road & Bridge	3,836,797	0.1594	0.1594	3,942,809	0.1610	0.1610	4,301,408	0.1590	0.1590
		Special Road and Bridge	3,836,797	0.1263	0.1263	3,942,809	0.1276	0.1276	4,301,408	0.1260	0.1260
	Butterfield Sp Rd Dist Barry Co	Road & Bridge	12,466,204	0.1544	0.1544	15,272,578	0.1632	0.1632	15,220,101	0.1659	0.1659
		Special Road and Bridge	12,466,204	0.1300	0.1300	15,272,578	0.1300	0.1300	15,220,101	0.1300	0.1300
	Capps Creek Sp Rd Dist Barry Co	Road & Bridge	6,436,153	0.2810	0.2810	6,627,803	0.2810	0.2810	7,209,736	0.2810	0.2810
	Corsicana Special Rd Dist Barry Co	Road & Bridge	3,669,812	0.1798	0.1798	3,703,142	0.1847	0.1847	4,075,050	0.1825	0.1825
		Special Road and Bridge	3,669,812	0.1272	0.1272	3,703,142	0.1300	0.1300	4,075,050	0.1285	0.1285
	Crane Creek Spec Rd Dist Barry Co	Road & Bridge	5,869,204	0.2006	0.2006	6,120,023	0.2006	0.2006	6,674,907	0.2006	0.2006
	Exeter Spec Rd Dist Barry Co	Road & Bridge	14,207,558	0.1834	0.1834	14,690,083	0.1834	0.1834	15,366,648	0.1834	0.1834
		Special Road and Bridge	14,207,558	0.1300	0.1300 A	14,690,083	0.1300	0.1300	15,366,648	0.1300	0.1300
	Flat Creek Spec Rd Dist Barry Co	Road & Bridge	59,324,326	0.1446	0.1446	62,485,267	0.1446	0.1446	64,862,711	0.1473	0.1473
		Special Road and Bridge	59,324,326	0.1300	0.1300	62,485,267	0.1300	0.1300	64,862,711	0.1300	0.1300
	Greasy Creek Sp Rd Dist 35 Barry Co	Road & Bridge	1,791,458	0.1715	0.1715	1,911,297	0.1715	0.1715	2,074,610	0.1715	0.1715
		Special Road and Bridge	1,791,458	0.3500	0.3500	1,911,297	0.3500	0.3500	2,074,610	0.3500	0.3500
	Jenkins Spec Road Dist 20 Barry Co	Road & Bridge	3,624,255	0.1407	0.1407	3,788,904	0.1407	0.1407	2,773,191	0.1974	0.1974
	Kings Prairie Sp Rd Dist Barry Co	Road & Bridge	7,726,430	0.1990	0.1990	8,225,720	0.1990	0.1990	8,893,503	0.1990	0.1990
		Special Road and Bridge	7,726,430	0.1295	0.1295	8,225,720	0.1295	0.1295	8,893,503	0.1295	0.1295
	Liberty Common Rd Dist 34 Barry Co	Road & Bridge	703,774	0.1107	0.1107	696,579	0.1164	0.1107	728,308	0.1146	0.1146
	McDonald Sp Rd Dist 19 Barry Co	Road & Bridge	3,290,760	0.1541	0.1541	3,359,319	0.1541	0.1541	3,526,017	0.1543	0.1543
	Mineral Spgs Sp Rd Dist 10 Barry Co	Road & Bridge	6,596,868	0.1695	0.1695	7,025,213	0.1695	0.1695	7,166,556	0.1695	0.1695
		Special Road and Bridge	6,596,868	0.1287	0.1287	7,025,213	0.1287	0.1287	7,166,556	0.1287	0.1287
	Mountain Special Road District #22	Road & Bridge	2,414,684	0.1766	0.1766	2,560,592	0.1766	0.1766	2,558,256	0.1805	0.1805
	Ozark Special Road Dist Barry Co	Road & Bridge	6,810,699	0.1304	0.1304	7,125,872	0.1304	0.1304	8,369,541	0.1304	0.1304
		Special Road and Bridge	6,810,699	0.1277	0.1277	7,125,872	0.1277	0.1277	8,369,541	0.1277	0.1277
	Pioneer Special Rd Dist 31 Barry Co	Road & Bridge	1,629,424	0.1867	0.1867	1,689,038	0.1867	0.1867	1,758,028	0.1867	0.1867
		Special Road and Bridge	1,629,424	0.1299	0.1299	1,689,038	0.1299	0.1299	1,758,028	0.1299	0.1299
	Pleasant Ridge Sp Rd 25 Barry Co	Road & Bridge	4,296,753	0.1491	0.1491	4,564,325	0.1491	0.1491	4,792,461	0.1491	0.1491
		Special Road and Bridge	4,296,753	0.1291	0.1291	4,564,325	0.1291	0.1291	4,792,461	0.1291	0.1291
	Purdy Spec Rd Dist 28 Barry Co	Road & Bridge	16,111,772	0.1889	0.1889	16,756,045	0.1893	0.1893	16,955,935	0.1900	0.1900
		Special Road and Bridge	16,111,772	0.1292	0.1292	16,756,045	0.1295	0.1295	16,955,935	0.1300	0.1300
	Roaring River Sp Rd Dist 2 Barry Co	Road & Bridge	18,133,373	0.1367	0.1367	18,851,477	0.1367	0.1367	20,498,875	0.1367	0.1367
	Shell Knob Sp Rd Dist 9 Barry Co	Road & Bridge	21,663,367	0.1612	0.1612	22,694,641	0.1612	0.1612	24,169,903	0.1612	0.1612

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Barry	Sugar Creek Sp Rd Dist 3 Barry Co	Road & Bridge	9,886,911	0.1411	0.1411	11,329,124	0.1411	0.1411	11,508,512	0.1489	0.1489
		Special Road and Bridge	9,886,911	0.1300	0.1300 A	11,329,124	0.1300	0.1300	11,508,512	0.1300	0.1300
	Viola Sp Rd Dist 21 Barry Co	Road & Bridge	23,883,560	0.1253	0.1253	24,772,549	0.1253	0.1253	27,017,916	0.1253	0.1253
	Washburn Sp Rd Dist 4 Barry Co	Road & Bridge	8,731,565	0.1854	0.1854	9,182,885	0.1854	0.1854	9,759,163	0.1854	0.1854
		Special Road and Bridge	8,731,565	0.1298	0.1298	9,182,885	0.1300	0.1300 A	9,759,163	0.1300	0.1300
	Wheaton Sp Rd Dist 29 Barry Co	Road & Bridge	10,808,888	0.1787	0.1787	11,276,369	0.1796	0.1796	11,895,556	0.1796	0.1796
		Special Road and Bridge	10,808,888	0.1281	0.1281	11,276,369	0.1288	0.1288	11,895,556	0.1288	0.1288
	White River Sp Rd Dist 7 Barry Co	Road & Bridge	19,545,449	0.1300	0.1300	21,391,304	0.1300	0.1300	22,028,220	0.1308	0.1308
	Monett Special Road District	Road & Bridge	97,032,325	0.1652	0.1652	100,116,728	0.1652	0.1652	110,640,744	0.1652	0.1652
	Village of Butterfield	General Revenue	1,383,536	0.4665	0.4665	1,392,222	0.4782	0.4782	1,466,358	0.4782	0.4782
	City of Cassville	General Revenue	31,001,149	0.3804	0.0000	32,917,765	0.3804	0.0000	37,317,922	0.3804	0.0000
	City of Exeter	General Revenue	3,628,257	0.4048	0.4048	3,910,800	0.3973	0.3973	3,864,440	0.4144	0.4144
	City of Purdy	General Revenue	3,931,128	0.3967	0.3967	3,883,990	0.4017	0.4017	3,957,178	0.4017	0.4017
	City of Seligman	General Revenue	3,117,608	0.2670	0.2670	3,397,544	0.2640	0.2640	3,734,231	0.2640	0.2640
		Streets	3,117,608	0.1642	0.1642	3,397,544	0.1623	0.1623	3,734,231	0.1623	0.1623
	City of Washburn	General Revenue	2,329,765	0.3522	0.3522	2,456,629	0.3522	0.3522	2,672,512	0.3522	0.3522
	City of Wheaton	General Revenue	3,322,249	0.4456	0.4456	3,442,740	0.4456	0.4456	3,492,754	0.4456	0.4456
	Barry Lawrence Con Library District	General Revenue	715,708,929	0.1749	0.1749	752,651,915	0.1750	0.1750	814,122,336	0.1740	0.1740
	Eagle Rock, Golden & Mano Fire Dist	General Revenue	37,681,039	0.2917	0.2917	40,233,268	0.2917	0.2917	42,562,820	0.2917	0.2917
	Central Crossing Fire Prot Dist	General Revenue	62,944,658	0.2733	0.2733	65,426,518	0.2733	0.2733	71,775,481	0.2725	0.2725
	Cassville Fire Protection District	General Revenue	58,162,812	0.3000	0.3000 A	62,519,167	0.3000	0.3000	64,896,477	0.3000	0.3000
	Butterfield Fire Protection Dist	General Revenue	**	**	**	**	**	**	16,583,327	0.3000	0.3000 A
	Exeter Fire Protection District	General Revenue	**	**	**	**	**	**	14,547,106	0.3000	0.3000 A
	Seligman Fire Protection District	General Revenue	**	**	**	**	**	**	12,513,931	0.3000	0.3000 A
	Purdy Fire Protection District	General Revenue	**	**	**	**	**	**	20,190,034	0.3000	0.3000 A
	Wheaton R-III School District	Operating Funds-Schools	15,332,627	3.8154	3.4300	16,160,579	3.8086	3.4300	16,717,873	3.8114	2.7500
		Debt Service	15,332,627	0.0000	0.0000	16,160,579	0.0000	0.0000	16,717,873	1.0271	0.6800
	Southwest Barry Co R-V School Dist	Operating Funds-Schools	27,238,536	2.7500	2.7500	29,358,288	2.7500	2.7500	30,385,776	2.7500	2.7500
		Debt Service	27,238,536	1.4354	0.8500	29,358,288	1.4786	0.8500	30,385,776	1.4130	0.8500
	Exeter R-VI School District	Operating Funds-Schools	11,719,206	3.6839	3.1500	12,161,628	3.7279	3.4300	12,746,785	3.6807	3.4300
		Debt Service	**	**	**	**	**	**	12,746,785	1.2041	0.6500
	Cassville R-IV School District	Operating Funds-Schools	127,456,323	2.7500	2.7500	137,119,121	2.9500	2.9500 B	139,533,065	3.0315	2.9500
		Debt Service	127,456,323	0.5176	0.5176	137,119,121	0.4524	0.3200	139,533,065	0.4441	0.3200
	Purdy R-II School District	Operating Funds-Schools	21,870,894	2.7500	2.7500	22,896,835	2.7500	2.7500	23,520,676	2.7500	2.7500
		Debt Service	21,870,894	0.6768	0.6768	22,896,835	0.6947	0.6947	23,520,676	0.5498	0.6947 D
	Shell Knob 78 School District	Operating Funds-Schools	44,851,037	2.7500	2.7500	46,719,320	3.4300	3.4300 B	50,996,877	3.4310	3.4300
		Debt Service	44,851,037	0.4862	0.3600	46,719,320	0.0000	0.0000	**	**	**
	Monett R-I School District	Operating Funds-Schools	132,996,659	3.0646	3.0646	138,766,429	3.0642	3.0642	153,117,357	3.0721	3.0721

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Barry	Monett R-I School District	Debt Service	132,996,659	0.5857	0.5600	138,766,429	0.7815	0.5600	153,117,357	0.5647	0.5600
	Barry County	General Revenue	370,490,275	0.2201	0.0000	390,149,446	0.2201	0.0000	415,926,159	0.2201	0.0000
		Health	370,490,275	0.0701	0.0701	390,149,446	0.0701	0.0701	415,926,159	0.0701	0.0701
		Developmentally Disabled	370,490,275	0.0701	0.0700	390,149,446	0.0701	0.0700	415,926,159	0.0701	0.0700
		Senior Services	370,490,275	0.0500	0.0500 A	390,149,446	0.0500	0.0500	415,926,159	0.0500	0.0500
Barton	Barton County Ambulance District	General Revenue	153,670,177	0.1089	0.0000	158,760,900	0.1089	0.0000	168,249,950	0.1077	0.0000
	City of Golden City	General Revenue	5,325,062	0.5303	0.5303	5,477,730	0.5305	0.5305	5,855,874	0.5199	0.5199
		Parks & Recreation	5,325,062	0.1201	0.1201	5,477,730	0.1201	0.1201	5,855,874	0.1177	0.1177
		Ambulance	5,325,062	0.1501	0.1501	5,477,730	0.1502	0.1502	5,855,874	0.1472	0.1472
	City of Lamar	General Revenue	53,232,495	0.4348	0.4348	56,587,227	0.4348	0.4348	56,911,773	0.4348	0.4348
		Parks & Recreation	53,232,495	0.1353	0.1353	56,587,227	0.1353	0.1353	56,911,773	0.1353	0.1353
		Memorial Fund	53,232,495	0.1353	0.1353	56,587,227	0.1353	0.1353	56,911,773	0.1353	0.1353
	City of Liberal	General Revenue	3,453,301	0.5414	0.5414	3,593,071	0.5414	0.5414	3,819,835	0.5414	0.5414
	City of Mindenmines	Debt Service	1,076,513	1.2086	1.2086	1,104,025	1.0879	1.0879	1,273,620	0.7220	0.7220
	Town of Burgess	General Revenue	0	0.0000	0.0000	**	**	**	**	**	**
	Barton County Library	General Revenue	158,995,239	0.0693	0.0693	164,238,623	0.0693	0.0693	174,070,532	0.0685	0.0685
		Library	158,995,239	0.0792	0.0792	164,238,623	0.0792	0.0792	174,070,532	0.0783	0.0783
	Barton City Township of Barton Co	General Revenue	3,224,480	0.0999	0.0999	3,276,068	0.1000	0.1000	3,383,412	0.1000	0.1000
		Road & Bridge	3,224,480	0.2555	0.2555	3,276,068	0.2560	0.2560	3,383,412	0.2560	0.2500
		Special Road and Bridge	3,224,480	0.2498	0.2498	3,276,068	0.2500	0.2500 A	3,383,412	0.2500	0.2500
	Central Township of Barton County	General Revenue	8,288,857	0.0913	0.0900	8,595,840	0.0913	0.0900	8,836,167	0.0913	0.0900
		Road & Bridge	8,288,857	0.3554	0.3500	8,595,840	0.3554	0.3500	8,836,167	0.3554	0.3500
		Special Road and Bridge	8,288,857	0.4700	0.4700 A	8,595,840	0.4700	0.4700	8,836,167	0.4700	0.4700
	City Township of Barton County	General Revenue	50,353,955	0.0853	0.0500	53,759,037	0.0853	0.0500	54,077,124	0.0853	0.0500
		Road & Bridge	50,353,955	0.1912	0.1700	53,759,037	0.1912	0.1700	54,077,124	0.1912	0.1700
	Doylesport Township of Barton Co	General Revenue	3,989,545	0.1000	0.1000	3,999,044	0.1000	0.1000	4,117,712	0.1000	0.1000
		Road & Bridge	3,989,545	0.2755	0.2755	3,999,044	0.2772	0.2772	4,117,712	0.2772	0.2772
		special road and Bridge	3,989,545	0.2500	0.2500 A	3,999,044	0.2500	0.2500	4,117,712	0.2500	0.2500
	Golden City Township of Barton Co	General Revenue	10,535,672	0.0899	0.0899	10,845,331	0.0900	0.0899	11,264,682	0.0891	0.0891
		Road & Bridge	10,535,672	0.2316	0.2316	10,845,331	0.2323	0.2316	11,264,682	0.2299	0.2299
	Lamar Township of Barton County	General Revenue	38,077,299	0.0901	0.0900	37,689,603	0.0919	0.0900	44,511,463	0.0909	0.0600
		Road & Bridge	38,077,299	0.3204	0.3200	37,689,603	0.3268	0.3200	44,511,463	0.3231	0.3200
	Leroy Township of Barton County	General Revenue	4,051,921	0.1000	0.1000	4,081,594	0.1000	0.1000	4,504,523	0.0978	0.0978
		Road & Bridge	4,051,921	0.3656	0.3656	4,081,594	0.3686	0.3686	4,504,523	0.3604	0.3604
		Special Road and Bridge	4,051,921	0.3500	0.3500	4,081,594	0.3500	0.3500	4,504,523	0.3422	0.3422
	Milford Township of Barton County	General Revenue	2,834,370	0.1000	0.0800	2,856,040	0.1000	0.0800	2,907,765	0.1000	0.0800
		Road & Bridge	2,834,370	0.2606	0.2200	2,856,040	0.2619	0.2200	2,907,765	0.2619	0.2200
	Nashville Township of Barton County	General Revenue	5,310,448	0.1000	0.0950	5,466,927	0.1000	0.0950	5,659,157	0.1000	0.0950

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Barton	Nashville Township of Barton County	Road & Bridge	5,310,448	0.3717	0.3436	5,466,927	0.3717	0.3436	5,659,157	0.3717	0.3436
		Special Road and Bridge	5,310,448	0.3700	0.3700 A	5,466,927	0.3700	0.3700	5,659,157	0.3700	0.3700
	Newport Township of Barton County	General Revenue	3,654,080	0.1000	0.1000	3,824,169	0.1000	0.1000	3,983,587	0.1000	0.1000
		Road & Bridge	3,654,080	0.2516	0.2516	3,824,169	0.2516	0.2516	3,983,587	0.2516	0.2516
		Special Road and Bridge	3,654,080	0.1000	0.1000	3,824,169	0.1000	0.1000	3,983,587	0.1000	0.1000 A
	North Fork Township of Barton Co	General Revenue	3,609,076	0.1000	0.1000	3,600,455	0.1000	0.1000	3,618,255	0.1000	0.1000
		Road & Bridge	3,609,076	0.3019	0.2900	3,600,455	0.3035	0.2900	3,618,255	0.3038	0.3000
		Special Road and Bridge	3,609,076	0.2000	0.2000 A	3,600,455	0.2000	0.2000	3,618,255	0.2000	0.2000
	Ozark Township of Barton County	General Revenue	7,125,352	0.0935	0.0600	7,340,313	0.0935	0.0600	7,820,216	0.0935	0.0600
		Road & Bridge	7,125,352	0.2390	0.2000	7,340,313	0.2390	0.2000	7,820,216	0.2390	0.2000
	Richland Township of Barton County	General Revenue	7,582,801	0.1000	0.1000	8,075,320	0.1000	0.1000	8,045,379	0.1000	0.1000
		Road & Bridge	7,582,801	0.4287	0.4100	8,075,320	0.4287	0.4100	8,045,379	0.4323	0.4100
		Special Road and Bridge	7,582,801	0.3900	0.3900	8,075,320	0.3900	0.3900 A	8,045,379	0.3900	0.3900
	South West Township of Barton Co	General Revenue	6,020,156	0.1000	0.1000	6,231,794	0.1000	0.1000	6,586,352	0.1000	0.1000
		Road & Bridge	6,020,156	0.3500	0.3500	6,231,794	0.3500	0.3500	6,586,352	0.3500	0.3500
	Union Township of Barton County	General Revenue	4,337,227	0.1000	0.1000	4,597,088	0.1000	0.1000	4,754,738	0.1000	0.1000
		Road & Bridge	4,337,227	0.4193	0.4193	4,597,088	0.4193	0.4193	4,754,738	0.4193	0.4193
		Special Road and Bridge	4,337,227	0.3500	0.3500	**	**	**	**	**	**
	Golden City Fire Protection Dist	General Revenue	16,865,223	0.1000	0.1000	17,408,447	0.1000	0.1000	18,473,648	0.0974	0.0974
	Liberal R-II School District	Operating Funds-Schools	25,302,134	3.2729	3.0500	26,009,150	3.2750	3.0500	27,346,980	3.2850	3.1000
		Debt Service	25,302,134	0.3550	0.2849	26,009,150	0.3412	0.2849	27,346,980	0.4546	0.2849
	Golden City R-III School District	Operating Funds-Schools	15,448,980	3.3576	3.3576	16,121,310	3.6176	3.4300 B	17,150,310	3.5263	3.4300
		Debt Service	15,448,980	0.2846	0.2624	**	**	**	**	**	**
	Lamar R-I School District	Operating Funds-Schools	100,441,250	3.1320	3.1320 B	104,028,753	3.1323	3.1320	111,505,290	3.0590	3.0590
		Debt Service	100,441,250	0.3521	0.3500	104,028,753	0.4574	0.3500	111,505,290	0.4546	0.3500
	Barton County	General Revenue	158,995,239	0.2871	0.0500	164,238,623	0.2871	0.0500	174,070,532	0.2839	0.0500
		Health	158,995,239	0.1477	0.1200	164,238,623	0.1477	0.1300	174,070,532	0.1460	0.1300
		Hospital	158,995,239	0.0890	0.0890	164,238,623	0.0890	0.0890	174,070,532	0.0880	0.0880
Bates	Cornland Sp Rd Dist Bates Co	Road & Bridge	707,589	0.3481	0.3481	742,621	0.3481	0.3481	764,172	0.3482	0.3482
		Special Road and Bridge	707,589	0.1764	0.1764	742,621	0.1764	0.1764	764,172	0.1764	0.1764
	South Hudson Sp Rd Dist Bates Co	Road & Bridge	958,174	0.3500	0.3500	942,904	0.3500	0.3500	951,165	0.3500	0.3500
		Special Road and Bridge	958,174	0.2199	0.2199	942,904	0.2200	0.2200	951,165	0.2200	0.2200 A
	City of Adrian	General Revenue	11,117,207	0.5470	0.5470	11,574,624	0.5470	0.5470	12,270,469	0.5446	0.5446
		Parks & Recreation	11,117,207	0.0485	0.0485	11,574,624	0.0485	0.0485	12,270,469	0.0483	0.0483
	City of Amoret	General Revenue	679,021	0.4443	0.4443	740,186	0.4443	0.4443	741,789	0.4443	0.4443
	City of Amsterdam	General Revenue	1,208,779	1.0000	1.0000	1,267,756	1.0000	1.0000	1,328,746	1.0000	1.0000
	City of Butler	General Revenue	39,862,562	0.5821	0.5821	39,578,047	0.5903	0.5903	42,182,814	0.5900	0.5900
		Parks & Recreation	39,862,562	0.0345	0.0345	39,578,047	0.0350	0.0350	42,182,814	0.0350	0.0350

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Bates	City of Butler	Lake	39,862,562	0.0147	0.0147	39,578,047	0.0149	0.0149	42,182,814	0.0149	0.0149
	City of Hume	General Revenue	1,476,223	0.9924	0.9924	1,452,823	1.0000	1.0000	1,645,875	0.9767	0.9767
		Lights	1,476,223	0.3346	0.3346	1,452,823	0.3410	0.3410	1,645,875	0.3330	0.3330
		Water	1,476,223	0.4237	0.4237	1,452,823	0.4319	0.4319	1,645,875	0.4218	0.4218
	Village of Merwin	General Revenue	235,476	0.5500	0.5500	238,667	0.5500	0.5500	243,719	0.5500	0.5500
	Village of Passaic	General Revenue	168,426	1.0000	1.0000	165,342	1.0000	1.0000	163,932	1.0000	1.0000
	City of Rich Hill	General Revenue	5,972,929	0.6314	0.6314	6,107,936	0.6386	0.6386	6,459,873	0.6304	0.6304
		Parks & Recreation	5,972,929	0.2546	0.2546	6,107,936	0.2575	0.2575	6,459,873	0.2542	0.2542
		Library	5,972,929	0.2500	0.2500	6,107,936	0.2500	0.2500	6,459,873	0.2468	0.2468
		Health	5,972,929	0.1324	0.1324	6,107,936	0.1339	0.1339	6,459,873	0.1322	0.1322
	City of Rockville	General Revenue	907,878	0.8613	0.8613	934,148	0.8614	0.8614	969,034	0.8557	0.8557
		Streets	907,878	0.4000	0.4000	934,148	0.4000	0.4000	969,034	0.3974	0.3974
	Village of Foster	General Revenue	502,745	0.5399	0.5399	488,867	0.5552	0.5552	517,892	0.5551	0.5551
	Charlotte Township of Bates County	General Revenue	4,408,128	0.1000	0.1000	4,586,514	0.1000	0.1000	4,853,631	0.0993	0.0993
		Road & Bridge	4,408,128	0.2844	0.2844	4,586,514	0.2844	0.2844	4,853,631	0.2824	0.2824
		Special Road and Bridge	4,408,128	0.2200	0.2200 A	4,586,514	0.2200	0.2200	4,853,631	0.2184	0.2184
	Deepwater Township of Bates County	General Revenue	3,477,936	0.0906	0.0906	3,605,719	0.0906	0.0906	3,864,989	0.0888	0.0888
		Road & Bridge	3,477,936	0.2212	0.2212	3,605,719	0.2212	0.2212	3,864,989	0.2168	0.2168
		Special Road and Bridge	3,477,936	0.3500	0.3500	3,605,719	0.3500	0.3500	3,864,989	0.3500	0.3500 A
	Deer Creek Township of Bates Co	General Revenue	17,148,621	0.0692	0.0692	18,400,363	0.0692	0.0692	19,993,574	0.0689	0.0689
		Road & Bridge	17,148,621	0.2277	0.2277	18,400,363	0.2277	0.2277	19,993,574	0.2267	0.2267
	East Boone Township of Bates Co	General Revenue	5,499,495	0.0818	0.0818	5,724,071	0.0818	0.0818	5,812,655	0.0823	0.0823
		Road & Bridge	5,499,495	0.2251	0.2251	5,724,071	0.2251	0.2251	5,812,655	0.2264	0.2264
		Special Road and Bridge	5,499,495	0.3500	0.3500	5,724,071	0.3500	0.3500	5,812,655	0.3500	0.3500 A
	Elkhart Township of Bates County	General Revenue	3,897,790	0.0822	0.0822	3,997,140	0.0822	0.0822	4,123,820	0.0822	0.0822
		Road & Bridge	3,897,790	0.2260	0.2260	3,997,140	0.2260	0.2260	4,123,820	0.2260	0.2260
		Special Road and Bridge	3,897,790	0.2200	0.2200 A	3,997,140	0.2200	0.2200	4,123,820	0.2200	0.2200
	Grand River Township of Bates Co	General Revenue	2,909,031	0.0994	0.0994	3,154,744	0.0994	0.0994	3,335,350	0.0994	0.0994
		Road & Bridge	2,909,031	0.2585	0.2585	3,154,744	0.2585	0.2585	3,335,350	0.2585	0.2585
		Special Road and Bridge	2,909,031	0.2485	0.2485 A	3,154,744	0.2485	0.2485	3,335,350	0.2485	0.2485
	Homer Township of Bates County	General Revenue	3,992,428	0.1000	0.1000	4,191,741	0.1000	0.1000	4,466,706	0.0978	0.0978
		Road & Bridge	3,992,428	0.3311	0.3311	4,191,741	0.3311	0.3311	4,466,706	0.3237	0.3237
	Howard Township of Bates County	General Revenue	4,683,223	0.1000	0.1000	4,848,540	0.1000	0.1000	5,165,177	0.0992	0.0992
		Road & Bridge	4,683,223	0.3224	0.3224	4,848,540	0.3224	0.3224	5,165,177	0.3199	0.3199
		Special Road and Bridge	4,683,223	0.3500	0.3500	4,848,540	0.3500	0.3500	5,165,177	0.3473	0.3473
	Hudson Township of Bates County	General Revenue	4,032,056	0.1000	0.1000	4,319,736	0.1000	0.1000	4,432,676	0.1000	0.1000
		Road & Bridge	4,032,056	0.2798	0.2798	4,319,736	0.2798	0.2798	4,432,676	0.2798	0.2798
		Special Road and Bridge	4,032,056	0.3500	0.3500 A	4,319,736	0.3500	0.3500	4,432,676	0.3500	0.3500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Bates	Lone Oak Township of Bates County	General Revenue	4,094,099	0.0884	0.0884	4,111,205	0.0884	0.0884	4,454,892	0.0875	0.0875
		Road & Bridge	4,094,099	0.2541	0.2541	4,111,205	0.2541	0.2541	4,454,892	0.2517	0.2517
		Special Road and Bridge	**	**	**	4,111,205	0.2500	0.2500 A	4,454,892	0.2476	0.2476
	Mingo Township of Bates County	General Revenue	3,159,405	0.0935	0.0935	3,286,308	0.0935	0.0935	3,391,468	0.0935	0.0935
		Road & Bridge	3,159,405	0.2544	0.2544	3,286,308	0.2544	0.2544	3,391,468	0.2544	0.2544
		Special Road and Bridge	3,159,405	0.2150	0.2150 A	3,286,308	0.2150	0.2150	3,391,468	0.2150	0.2150
	Mound Township of Bates County	General Revenue	9,581,335	0.0834	0.0834	9,900,383	0.0834	0.0834	10,220,911	0.0834	0.0834
		Road & Bridge	9,581,335	0.2294	0.2294	9,900,383	0.2294	0.2294	10,220,911	0.2294	0.2294
		Special Road and Bridge	9,581,335	0.1900	0.1900	9,900,383	0.1900	0.1900	10,220,911	0.1900	0.1900 A
	Mount Pleasant Township of Bates Co	General Revenue	51,490,863	0.0917	0.0917	51,967,555	0.0918	0.0918	54,506,850	0.0918	0.0918
		Road & Bridge	51,490,863	0.2037	0.2037	51,967,555	0.2040	0.2040	54,506,850	0.2040	0.2040
	New Home Township of Bates County	General Revenue	3,308,666	0.1000	0.1000	3,306,511	0.1000	0.1000	3,443,182	0.1000	0.1000
		Road & Bridge	3,308,666	0.2664	0.2264	3,306,511	0.2666	0.2666	3,443,182	0.2666	0.2666
	Osage Township of Bates County	General Revenue	9,962,585	0.1000	0.1000	10,242,868	0.1000	0.1000	10,697,341	0.0996	0.0996
		Road & Bridge	9,962,585	0.2624	0.2624	10,242,868	0.2633	0.2633	10,697,341	0.2623	0.2623
	Pleasant Gap Township of Bates Co	General Revenue	4,078,626	0.1000	0.1000	3,994,368	0.1000	0.1000	4,114,646	0.1000	0.1000
		Road & Bridge	4,078,626	0.2707	0.2707	3,994,368	0.2795	0.2795	4,114,646	0.2795	0.2795
		Special Road and Bridge	4,078,626	0.3500	0.3500	3,994,368	0.3500	0.3500	4,114,646	0.3500	0.3500 A
	Rockville Township of Bates County	General Revenue	2,848,604	0.1000	0.1000	2,915,942	0.1000	0.1000	2,988,249	0.1000	0.1000
		Road & Bridge	2,848,604	0.2731	0.2731	2,915,942	0.2731	0.2731	2,988,249	0.2731	0.2731
	Spruce Township of Bates County	General Revenue	3,738,876	0.0726	0.0726	3,784,652	0.0739	0.0739	4,063,754	0.0728	0.0728
		Road & Bridge	3,738,876	0.2178	0.2178	3,784,652	0.2216	0.2216	4,063,754	0.2182	0.2182
	Summit Township of Bates County	General Revenue	3,686,953	0.0705	0.0705	3,806,300	0.0705	0.0705	3,959,779	0.0705	0.0705
		Road & Bridge	3,686,953	0.2419	0.2419	3,806,300	0.2419	0.2419	3,959,779	0.2419	0.2419
		Special Road and Bridge	3,686,953	0.3500	0.3500	3,806,300	0.3500	0.3500	3,959,779	0.3500	0.3500 A
	Walnut Township of Bates County	General Revenue	4,750,167	0.1000	0.1000	4,626,723	0.1000	0.1000	4,878,743	0.0993	0.0993
		Road & Bridge	4,750,167	0.2792	0.2792	4,626,723	0.2918	0.2918	4,878,743	0.2899	0.2899
		Special Road and Bridge	4,750,167	0.1900	0.1900	4,626,723	0.1900	0.1900	4,878,743	0.1888	0.1888
	West Boone Township of Bates Co	General Revenue	6,498,722	0.0774	0.0774	6,757,734	0.0774	0.0774	7,264,123	0.0773	0.0773
		Road & Bridge	6,498,722	0.2432	0.2432	6,757,734	0.2432	0.2432	7,264,123	0.2429	0.2429
		Special Road and Bridge	**	**	**	6,757,734	0.3000	0.3000 A	7,264,123	0.2997	0.2997
	West Point Township of Bates Co	General Revenue	5,618,167	0.1000	0.1000	5,932,836	0.1000	0.1000	6,113,716	0.1000	0.1000
		Road & Bridge	5,618,167	0.3051	0.3051	5,932,836	0.3051	0.3051	6,113,716	0.3051	0.3051
		Special Road and Bridge	5,618,167	0.2200	0.2200	5,932,836	0.2200	0.2200	**	**	**
	Prairie Township of Bates County	General Revenue	1,670,748	0.0999	0.0999	1,671,311	0.1000	0.1000	1,679,424	0.1000	0.1000
		Road & Bridge	1,670,748	0.2806	0.2806	1,671,311	0.2814	0.2814	1,679,424	0.2829	0.2829
		Special Road and Bridge	1,670,748	0.2300	0.2300	1,671,311	0.2300	0.2300	1,679,424	0.2300	0.2300
	Shawnee Township of Bates County	General Revenue	3,556,966	0.1000	0.1000	3,580,225	0.1000	0.1000	3,653,308	0.1000	0.1000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Bates	Shawnee Township of Bates County	Road & Bridge	3,556,966	0.2800	0.2800	3,580,225	0.2818	0.2818	3,653,308	0.2818	0.2818	
		Special Road and Bridge	3,556,966	0.3500	0.3500	3,580,225	0.3500	0.3500	3,653,308	0.3500	0.3500	A
	Miami R-I School District	Operating Funds-Schools	11,870,547	3.9000	3.9000	12,530,892	3.9000	3.9000	12,708,592	3.9000	3.9000	
	Ballard R-II School District	Operating Funds-Schools	8,186,662	4.2871	4.2871	8,390,792	4.3801	4.3801	8,868,017	4.3765	4.3765	
		Debt Service	8,186,662	0.9975	0.7500	8,390,792	0.8725	0.7500	8,868,017	0.8306	0.7500	
	Adrian R-III School District	Operating Funds-Schools	30,828,191	3.4401	3.4401	32,747,357	3.4554	3.4554	35,067,621	3.4449	3.4449	
		Debt Service	30,828,191	0.6709	0.3599	32,747,357	1.8440	0.9346	35,067,621	1.7294	0.9451	
	Rich Hill R-IV School District	Operating Funds-Schools	19,063,820	3.5219	2.7500	19,458,127	3.5730	2.7500	20,104,577	3.6113	2.9500	
		Debt Service	19,063,820	0.8816	0.7616	19,458,127	0.3252	0.3252	20,104,577	1.2617	0.7606	
	Hume R-VIII School District	Operating Funds-Schools	7,330,320	4.1672	4.1655	7,289,057	4.2592	4.2592	7,512,087	5.2592	4.4500	B
		Debt Service	7,330,320	0.8070	0.7345	7,289,057	0.6805	0.0300	**	**	**	
	Hudson R-IX School District	Operating Funds-Schools	5,763,521	3.8856	3.7800	6,193,906	3.8965	3.7800	6,339,966	3.8885	3.7800	
	Butler R-V School District	Operating Funds-Schools	65,670,472	3.5000	3.5000	66,399,190	3.5000	3.5000	69,650,126	3.4917	3.4917	
		Debt Service	**	**	**	66,399,190	0.5700	0.5700	69,650,126	0.6100	0.6100	
	Bates County	General Revenue	168,093,490	0.2627	0.2627	172,713,489	0.2627	0.2627	181,478,964	0.2625	0.2625	
		Health	168,093,490	0.0808	0.0808	172,713,489	0.0808	0.0808	181,478,964	0.0807	0.0807	
		Developmentally Disabled	168,093,490	0.0700	0.0700	172,713,489	0.0700	0.0700	181,478,964	0.0700	0.0700	
Benton	Warsaw-Lincoln Ambulance District	General Revenue	150,679,988	0.1882	0.0000	156,498,417	0.1882	0.0000	173,548,330	0.1798	0.0000	
	Cole Camp Ambulance District	General Revenue	42,960,837	0.2994	0.2994	44,449,999	0.2994	0.2994	49,558,968	0.2842	0.2842	
	Lincoln Community Nursing Home Dist	Maintenance	42,521,366	0.2000	0.2000	44,322,230	0.2000	0.2000	49,824,833	0.1899	0.1899	
	Good Samaritan Nursing Home Dist	General Revenue	52,645,282	0.1115	0.1115	54,537,505	0.1115	0.1115	61,106,604	0.1058	0.1058	
	Brandon Special Road Dist Benton Co	Road & Bridge	1,298,858	0.3500	0.3500	1,283,341	0.3500	0.3500	1,373,821	0.3385	0.3385	
	Cole Camp Sp Rd Dist Benton Co	Road & Bridge	10,772,409	0.1966	0.1966	11,144,106	0.1966	0.1966	12,331,055	0.1890	0.1890	
	Ionia Special Rd Dist Benton Co	Road & Bridge	2,527,039	0.3500	0.3500	2,544,603	0.3500	0.3500	2,772,780	0.3373	0.3373	
	City of Cole Camp	General Revenue	6,452,486	0.4961	0.4961	7,094,634	0.4791	0.4791	7,883,579	0.4638	0.4638	
	Village of Ionia	General Revenue	568,931	0.7216	0.7216	544,119	0.7713	0.7713	596,527	0.7401	0.7401	
	City of Lincoln	General Revenue	7,547,103	0.7835	0.7835	7,779,203	0.7835	0.7835	8,427,625	0.7510	0.7510	
		Parks & Recreation	7,547,103	0.1506	0.1506	7,779,203	0.1506	0.1506	8,427,625	0.1443	0.1443	
	City of Warsaw	General Revenue	21,389,515	0.4397	0.4397	22,040,851	0.4467	0.4397	23,898,236	0.4309	0.4309	
		Parks & Recreation	21,389,515	0.1179	0.1179	22,040,851	0.1198	0.1179	23,898,236	0.1156	0.1156	
	Lincoln Community Fire Prot Dist	General Revenue	35,770,416	0.2496	0.2496	36,842,504	0.2496	0.2496	40,417,973	0.2394	0.2394	
	Deer Creek Fire Protection District	General Revenue	15,438,037	0.3000	0.3000	15,624,837	0.3000	0.3000	17,295,726	0.2857	0.2857	
	Warsaw Fire Protection District	General Revenue	88,123,650	0.2952	0.2952	92,680,323	0.2952	0.2952	102,829,993	0.2826	0.2826	
	Lakeview Heights Fire Prot Dist	General Revenue	10,476,236	0.3000	0.3000	10,738,257	0.3000	0.3000	12,286,554	0.2793	0.2793	
	Osage Valley Fire Protection Dist	General Revenue	8,698,955	0.2947	0.2947	8,866,657	0.2971	0.2971	10,334,636	0.2778	0.2778	
	Cole Camp & Rural Fire Prot Dist	General Revenue	24,159,811	0.3000	0.3000	25,120,387	0.3000	0.3000	27,808,766	0.2872	0.2872	
	Lincoln R-II School District	Operating Funds-Schools	33,330,337	2.7500	2.7500	34,250,399	2.7500	2.7500	38,177,653	2.7500	2.7500	
		Debt Service	33,330,337	0.6598	0.5000	34,250,399	1.0596	0.5000	38,177,653	0.9850	0.5000	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Benton	Warsaw R-IX School District	Operating Funds-Schools	111,765,415	2.7500	2.7500	116,773,032	2.7500	2.7500	129,795,481	2.7500	2.7500	
		Debt Service	111,765,415	0.6533	0.4500	116,773,032	0.4877	0.4500	129,795,481	1.0530	0.4500	
	Cole Camp R-I School District	Operating Funds-Schools	40,058,929	2.7500	2.7500	41,483,011	2.7500	2.7500	46,591,270	2.7500	2.7500	
		Debt Service	40,058,929	0.4592	0.4592	41,483,011	0.6257	0.5000	46,591,270	0.5173	0.5173	
	Benton County	General Revenue	188,476,681	0.3327	0.1400	195,626,017	0.3327	0.1450	217,481,615	0.3171	0.1450	
		Common Road District	173,878,374	0.2113	0.2100	180,653,964	0.2113	0.2100	201,003,960	0.2012	0.2012	
		Health	188,476,681	0.3978	0.3978	195,626,017	0.3978	0.3978	217,481,615	0.3792	0.3792	
		Senior Services	**	**	**	**	**	**	217,481,615	0.0500	0.0500	A
Bollinger	Village of Glen Allen	General Revenue	683,379	0.3869	0.3869	683,348	0.3883	0.3883	704,018	0.3866	0.3866	
	City of Marble Hill	General Revenue	12,451,857	0.4848	0.4848	12,787,456	0.4849	0.4849	12,849,169	0.4849	0.4849	
		Parks & Recreation	12,451,857	0.1212	0.1212	12,787,456	0.1212	0.1212	12,849,169	0.1212	0.1212	
	Village of Sedgwickville	General Revenue	992,798	0.4722	0.4722	1,051,247	0.4722	0.4722	1,081,568	0.4709	0.4709	
	Village of Zalma	General Revenue	481,426	1.0000	1.0000	462,609	1.0000	1.0000	469,982	1.0000	1.0000	
	Glen Allen Fire Protection District	General Revenue	12,722,500	0.2866	0.2866	12,989,464	0.2866	0.2866	13,459,829	0.2866	0.2866	
	Sedgewickville Fire Protection Dist	General Revenue	14,172,879	0.2034	0.2034	14,768,397	0.2034	0.2034	15,643,485	0.2019	0.2019	
	North County Fire Protection Dist	General Revenue	21,345,125	0.2800	0.2800	A 27,069,934	0.2631	0.2631	28,036,408	0.2631	0.2631	
	Meadow Heights R-II School District	Operating Funds-Schools	26,601,495	2.7500	2.7500	27,617,590	2.7500	2.7500	30,546,585	2.7500	2.7500	
		Debt Service	26,601,495	0.3587	0.3500	27,617,590	0.4700	0.3500	30,546,585	0.4447	0.3500	
	Leopold R-III School District	Operating Funds-Schools	6,595,605	3.2898	3.2898	6,656,300	3.3495	2.8500	7,151,090	3.2595	2.8500	
	Zalma R-V School District	Operating Funds-Schools	10,022,105	2.7500	2.7500	10,153,170	2.7500	2.7500	10,631,555	2.7500	2.7500	
	Woodland R-IV School District	Operating Funds-Schools	42,077,255	2.7500	2.7500	44,535,245	2.7500	2.7500	45,694,620	2.7500	2.7500	
	Bollinger County	General Revenue	100,565,436	0.3413	0.0500	104,314,764	0.3429	0.0550	109,540,480	0.3402	0.1400	
		Library	100,565,436	0.0975	0.0975	104,314,764	0.2000	0.2000	109,540,480	0.1984	0.1984	
		Road & Bridge	100,565,436	0.2438	0.2438	104,314,764	0.2449	0.2449	109,540,480	0.2429	0.2429	
		Health	100,565,436	0.2341	0.2341	104,314,764	0.2352	0.2352	109,540,480	0.2333	0.2333	
		Ambulance	100,565,436	0.1950	0.1950	104,314,764	0.1959	0.1959	109,540,480	0.1943	0.1943	
		Senate Bill 40	100,565,436	0.0975	0.0975	104,314,764	0.0980	0.0980	109,540,480	0.0972	0.0972	
Boone	Callahan Creek Watershed Sub Dist	General Revenue	14,631,505	0.2490	0.0900	15,336,219	0.2490	0.0900	16,143,748	0.2490	0.0900	
	City of Ashland	General Revenue	31,213,791	0.2654	0.2654	35,189,986	0.2654	0.2654	39,710,491	0.2603	0.2603	
		Debt Service	31,213,791	0.0524	0.0524	35,189,986	0.0374	0.0374	39,710,491	0.0454	0.0454	
	City of Centralia	General Revenue	38,426,741	0.6415	0.6415	40,249,119	0.6415	0.6415	41,769,461	0.6415	0.6415	
		Parks & Recreation	38,426,741	0.2873	0.2873	40,249,119	0.2873	0.2873	41,769,461	0.2873	0.2873	
		Debt Service	36,862,401	0.0882	0.0882	**	**	**	**	**	**	
	City of Columbia	General Revenue	1,356,830,109	0.4171	0.4100	1,466,090,151	0.4171	0.4100	1,564,964,931	0.4171	0.4100	
	City of Hallsville	General Revenue	10,852,338	0.5764	0.5764	12,852,929	0.5764	0.5764	14,175,769	0.5764	0.5764	
		Debt Service	10,852,338	0.9583	0.2900	12,852,929	0.5306	0.2900	14,175,769	0.6434	0.2900	
	Town of Harrisburg	General Revenue	1,781,356	0.3259	0.3259	1,857,144	0.3259	0.3259	2,131,929	0.3259	0.3259	
	Village of Hartsburg	General Revenue	876,754	0.4292	0.4292	1,011,225	0.4292	0.4292	877,215	0.5207	0.5207	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Boone	City of Rocheport	General Revenue	2,222,086	0.2550	0.2550	2,385,215	0.2554	0.2554	2,455,078	0.2571	0.2571
	City of Sturgeon	General Revenue	6,162,317	0.6009	0.4900	6,285,510	0.6009	0.4900	6,276,465	0.6083	0.5500
		Debt Service	6,162,317	0.2328	0.0000	**	**	**	**	**	**
	Centralia Public Library	General Revenue	36,862,401	0.2893	0.2893	38,205,268	0.2893	0.2893	39,088,628	0.2893	0.2893
		Debt Service	**	**	**	38,205,268	0.0843	0.0843	39,088,628	0.0815	0.0815
	Boone County Library	General Revenue	1,262,420,946	0.2986	0.2986	1,376,250,029	0.2986	0.2986	1,482,559,957	0.2986	0.2986
	Columbia Public Library	General Revenue	650,475,406	0.2970	0.2970	671,521,968	0.2970	0.2970	687,146,316	0.2971	0.2971
		Debt Service	650,475,406	0.2996	0.2750	671,521,968	0.2437	0.2300	687,146,316	0.2717	0.2300
	Boone County Fire Prot Dist	General Revenue	459,104,545	0.5929	0.5929	477,313,870	0.5929	0.5929	492,769,868	0.5929	0.5929
		Dispatch	459,104,545	0.0283	0.0283	477,313,870	0.0283	0.0283	492,769,868	0.0283	0.0283
		Debt Service	459,104,545	0.1936	0.1936	477,313,870	0.0804	0.0804	492,769,868	0.1523	0.1523
	Southern Boone Co Fire Prot Dist	General Revenue	95,989,181	0.2130	0.2130	102,758,951	0.2130	0.2130	109,765,885	0.2130	0.2130
		Dispatch	95,989,181	0.0281	0.0281	102,758,951	0.0281	0.0281	109,765,885	0.0281	0.0281
		Debt Service	95,989,181	0.1992	0.1992	102,758,951	0.1918	0.1918	109,765,885	0.1664	0.1664
	Columbia Special Business District	General Revenue	28,325,419	0.4781	0.4781	28,396,613	0.4834	0.4834	29,805,159	0.4762	0.4762
	Southern Boone Co. R-I School Dist	Operating Funds-Schools	81,722,136	3.0858	3.0858	88,058,036	3.2358	3.2358 B	94,570,839	3.2376	3.2376
		Debt Service	81,722,136	1.3293	1.2800	88,058,036	2.2150	1.2800	**	**	**
	Boone Co. R-IV School District	Operating Funds-Schools	56,213,041	3.1496	3.1496	61,318,795	3.1668	3.1496	64,502,829	3.1615	3.1496
		Debt Service	56,213,041	1.8589	0.7536	61,318,795	1.8319	0.7536	64,502,829	1.1914	0.7536
	Sturgeon R-V School District	Operating Funds-Schools	26,760,151	3.4288	3.4288	27,984,873	3.4138	3.4138	29,100,980	3.4170	3.4170
		Debt Service	26,760,151	1.8823	1.2700	27,984,873	1.4445	1.2700	29,100,980	1.4266	1.2700
	Centralia R-VI School District	Operating Funds-Schools	74,144,679	3.0100	3.0100	77,424,854	3.0194	3.0194	80,486,972	3.1695	3.1695 B
		Debt Service	74,144,679	0.5348	0.4900	77,424,854	0.5042	0.4900	80,486,972	1.1640	0.8900
	Harrisburg R-VIII School District	Operating Funds-Schools	28,314,048	3.3583	3.2246	29,745,155	3.3418	3.2072	31,447,566	3.3446	3.2208
		Debt Service	28,314,048	1.2631	1.1500	29,745,155	1.4734	1.1500	31,447,566	1.5659	1.1500
	Columbia 93 School District	Operating Funds-Schools	1,676,904,875	4.2112	3.8844	1,797,045,494	4.2263	3.8687	1,906,417,895	4.2271	3.9070
		Debt Service	1,676,904,875	1.1299	0.8019	1,797,045,494	1.2905	0.8019	1,906,417,895	1.1938	0.8019
	Boone County	General Revenue	1,949,568,386	0.3065	0.1200	2,085,778,106	0.3065	0.1200	2,208,605,349	0.3065	0.1200
		Road & Bridge	1,949,568,386	0.2601	0.0475	2,085,778,106	0.2601	0.0475	2,208,605,349	0.2601	0.0475
		Hospital	1,949,568,386	0.1300	0.0000	2,085,778,106	0.1300	0.0000	2,208,605,349	0.1300	0.0000
		Sheltered Workshop	1,949,568,386	0.1114	0.1114	2,085,778,106	0.1114	0.1114	2,208,605,349	0.1114	0.1114
Buchanan	Village of Agency	General Revenue	6,590,932	0.6118	0.6118	5,213,432	0.6143	0.6143	5,408,029	0.6143	0.6143
	Village of DeKalb	General Revenue	1,278,582	0.7370	0.7370	1,299,700	0.7414	0.7414	1,369,077	0.7436	0.7436
	City of Easton	General Revenue	1,126,395	0.4293	0.4293	1,177,592	0.4310	0.4310	1,201,913	0.4309	0.4309
	Village of Lewis & Clark	General Revenue	1,128,340	0.2920	0.2920	1,146,340	0.2928	0.2928	1,111,720	0.3019	0.2928
		General Revenue-Temp	1,128,340	0.2127	0.2127	1,146,340	0.2132	0.2132	1,111,720	0.2198	0.2132
	Village of Rushville	General Revenue	1,264,484	0.4624	0.4624	1,281,644	0.4625	0.4625	1,299,685	0.4625	0.4625
	City of St. Joseph	General Revenue	839,641,091	0.6931	0.6931	866,124,428	0.6999	0.6999	890,471,486	0.7009	0.7009

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Buchanan	City of St. Joseph	Parks & Recreation	839,641,091	0.1924	0.1924	866,124,428	0.1943	0.1943	890,471,486	0.1946	0.1946
		Library	604,344,066	0.3996	0.3996	608,132,610	0.4032	0.4032	612,232,862	0.4033	0.4033
		Museum	839,641,091	0.0481	0.0481	866,124,428	0.0486	0.0486	890,471,486	0.0487	0.0487
		Special Business District	5,398,460	0.8500	0.8500	5,899,880	0.8050	0.8050	6,250,830	0.7796	0.7796
		Health	839,641,091	0.2069	0.2069	866,124,428	0.2089	0.2089	890,471,486	0.2092	0.2092
	Rolling Hills Consolidated Library	General Revenue	562,943,646	0.3092	0.3092	601,420,714	0.3099	0.3099	640,782,971	0.3099	0.3099
	Colony Hills Fire Protection Dist	General Revenue	8,203,936	0.8760	0.8760	8,217,669	0.8760	0.8760	8,242,656	0.8772	0.8772
	Lake Contrary Fire Protection Dist	General Revenue	4,279,284	0.8400	0.8400	4,400,204	0.8400	0.8400	4,476,927	0.8400	0.8400
		Fire	4,279,284	0.2000	0.2000	4,400,204	0.2000	0.2000	4,476,927	0.5000	0.2400
	Maxwell Heights Fire Prot Dist	General Revenue	12,448,791	1.0200	1.0200	12,448,678	1.0200	1.0200	12,589,893	1.0200	1.0200
	Sugar Lake Fire Protection District	General Revenue	7,802,651	0.4255	0.4255	7,850,398	0.4255	0.4255	**	**	**
	S Central Buchanan Fire Prot Dist	General Revenue	57,015,820	0.2709	0.2709	59,150,478	0.2715	0.2715	61,724,722	0.2715	0.2715
	San Antonio Fire Protection Dist	General Revenue	**	**	**	12,686,526	0.3000	0.3000 A	13,151,156	0.3000	0.3000
	DeKalb Fire Protection District	General Revenue	15,817,180	0.2892	0.2892	16,294,870	0.2916	0.2916	16,513,113	0.2916	0.2916
	Rushville Fire Protection District	General Revenue	5,812,732	0.4402	0.4402	5,947,954	0.4402	0.4402	**	**	**
	Easton Fire Protection District	General Revenue	9,226,695	0.2526	0.2526	9,400,201	0.2526	0.2526	9,686,047	0.2526	0.2526
	Southwest Buchanan Co Fire Prot Dis	General Revenue	**	**	**	**	**	**	14,686,912	0.4500	0.4500 A
	East Buchanan Co. C-1 School Dist	Operating Funds-Schools	44,014,124	5.1467	4.8000	45,710,011	5.1609	4.5000	48,955,604	5.3000	5.3000 B
	Mid-Buchanan Co R-V School Dist	Operating Funds-Schools	48,788,234	3.9845	3.9720 B	50,682,317	3.9845	3.9720	53,596,236	3.9845	3.8845
		Debt Service	48,788,234	0.8004	0.8000	50,682,317	0.6969	0.6969	53,596,236	0.7788	0.6969
	Buchanan County R-IV School Dist	Operating Funds-Schools	17,230,284	4.1131	4.1131	17,701,871	4.1502	4.1502	18,230,924	4.1925	4.1924
		Debt Service	17,230,284	1.0197	0.7869	17,701,871	0.9233	0.7498	18,230,924	1.1746	0.7076
	St. Joseph School District	Operating Funds-Schools	862,867,617	3.6104	3.1025	908,051,035	3.5978	3.0581	937,359,350	3.5692	3.0058 C
		Operating Funds-Temp	862,867,617	0.6183	0.6183	908,051,035	0.6085	0.6085	937,359,350	0.6096	0.6096
		Debt Service	862,867,617	0.7185	0.3092	908,051,035	0.5187	0.3134	937,359,350	0.4185	0.3146
	Buchanan County	General Revenue	995,971,055	0.3366	0.0720	1,028,490,657	0.3396	0.0720	1,059,045,841	0.3400	0.0628
		Road & Bridge	995,971,055	0.2744	0.2744	1,028,490,657	0.2768	0.2744	1,059,045,841	0.2771	0.2771
		Senate Bill 40	995,971,055	0.0962	0.0962	1,028,490,657	0.0970	0.0970	1,059,045,841	0.0971	0.0971
Butler	Naylor-Neelyville Ambulance Dist	General Revenue	35,451,883	0.3000	0.3000	36,075,805	0.3000	0.3000	37,325,079	0.3000	0.3000
	City of Fisk	General Revenue	1,854,895	0.7452	0.7452	1,882,566	0.7472	0.7472	1,957,605	0.7447	0.7447
	City of Neelyville	General Revenue	1,706,785	0.5763	0.5763	1,831,456	0.6152	0.6152	1,856,485	0.6152	0.6152
	City of Poplar Bluff	General Revenue	209,975,734	0.4622	0.4622	210,268,241	0.4690	0.4690	213,779,919	0.4690	0.4690
		Parks & Recreation	209,975,734	0.1360	0.1360	**	**	**	**	**	**
		Library	209,975,734	0.1360	0.1360	210,268,241	0.1380	0.1380	213,779,919	0.1380	0.1380
		Pension	209,975,734	0.0906	0.0906	210,268,241	0.0919	0.0919	213,779,919	0.0919	0.0919
	City of Qulin	General Revenue	1,996,198	0.4624	0.4624	2,037,407	0.4793	0.4793	2,424,727	0.4595	0.4595
	Butler County Fire Protection Dist	General Revenue	233,417,009	0.2439	0.2439	238,681,225	0.2439	0.2439	251,676,783	0.2431	0.2431
	Qulin Community Fire Prot Dist	General Revenue	15,367,275	0.1565	0.1565	15,286,359	0.1580	0.1580	16,123,505	0.1577	0.1577

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Butler	Three Rivers Community College	General Revenue	674,564,872	0.2327	0.2326	687,996,647	0.2327	0.2326	721,692,571	0.2319	0.2319
	Neelyville R-IV School District	Operating Funds-Schools	26,301,274	2.7500	2.7500	27,271,325	2.7500	2.7500	29,177,304	2.7500	2.7500
	Poplar Bluff R-I School District	Operating Funds-Schools	345,482,827	2.7500	2.7500	349,366,554	2.7500	2.7500	361,237,010	2.7500	2.7500
		Debt Service	345,482,827	0.1801	0.1800	349,366,554	0.1960	0.1800	361,237,010	0.2388	0.1800
	Twin Rivers R-X School District	Operating Funds-Schools	49,322,369	2.1255	2.1255	49,583,353	2.1325	2.1325	50,415,156	2.1615	2.1615
		Operating Funds-Temp	49,322,369	0.8778	0.8778	49,583,353	0.8778	0.8778	50,415,156	0.8856	0.8856
		Debt Service	49,322,369	0.1679	0.1679	49,583,353	0.1670	0.1670	50,415,156	0.1643	0.1643
	Butler County	General Revenue	458,258,479	0.2795	0.0995	463,729,437	0.2804	0.0995	481,027,962	0.2804	0.0995
		Road & Bridge	458,258,479	0.2142	0.0342	463,729,437	0.2149	0.0342	481,027,962	0.2149	0.0342
		Health	458,258,479	0.0932	0.0932	463,729,437	0.0935	0.0935	481,027,962	0.0935	0.0935
		Senate Bill 40	458,258,479	0.0932	0.0932	463,729,437	0.0935	0.0935	481,027,962	0.0935	0.0935
		Senior Services	458,258,479	0.0465	0.0465	463,729,437	0.0466	0.0467 D	481,027,962	0.0466	0.0466
Caldwell	Caldwell County Ambulance	General Revenue	91,447,254	0.1899	0.0768	93,388,574	0.1921	0.0100	97,159,086	0.1911	0.0100
	Golden Age Nursing Home District	General Revenue	18,526,774	0.1500	0.1500	19,433,783	0.1500	0.1500	21,513,332	0.1500	0.1500
	City of Braymer	General Revenue	5,333,098	0.7167	0.7167	5,396,170	0.7192	0.7192	5,268,740	0.7687	0.7687
	City of Breckenridge	General Revenue	2,108,879	0.8902	0.7700	2,100,450	0.9028	0.7700	2,110,935	0.9056	0.9056
		Lights	2,108,879	0.0924	0.0800	2,100,450	0.0937	0.0800	2,110,935	0.0940	0.0940
		Library	2,108,879	0.0462	0.0400	2,100,450	0.0468	0.0400	2,110,935	0.0469	0.0469
		Police	2,108,879	0.0924	0.0800	2,100,450	0.0937	0.0800	2,110,935	0.0940	0.0940
		Fire	2,108,879	0.1387	0.1200	2,100,450	0.1407	0.1200	2,110,935	0.1411	0.1411
	City of Cowgill	General Revenue	983,557	0.8124	0.7900	963,342	0.8296	0.8296	988,450	0.8306	0.8306
	City of Hamilton	General Revenue	11,972,288	0.7194	0.7194	12,389,241	0.7194	0.7194	12,615,015	0.7205	0.7205
		Parks & Recreation	11,972,288	0.2502	0.2502	12,389,241	0.2502	0.2502	12,615,015	0.2506	0.2506
		Lights	11,972,288	0.2086	0.2086	12,389,241	0.2086	0.2086	12,615,015	0.2089	0.2089
		Library	11,972,288	0.3024	0.3024	12,389,241	0.3024	0.3024	12,615,015	0.3029	0.3029
		Debt Service	11,972,288	0.5101	0.5100	12,389,241	0.4866	0.4866	12,615,015	0.4542	0.4542
	City of Kidder	General Revenue	1,808,975	0.7753	0.7753	2,090,927	0.7800	0.7700	2,137,074	1.0000	0.8300
		Debt Service	1,808,975	0.7080	0.7080	2,090,927	0.5038	0.5000	2,137,074	0.5653	0.5650
	City of Kingston	General Revenue	2,802,633	0.8139	0.8139	1,529,214	1.0000	0.8139	1,495,352	1.0000	0.8139
	City of Polo	General Revenue	3,899,673	0.7013	0.7013	3,887,638	0.7083	0.7083	4,017,369	0.7032	0.7032
		Debt Service	3,899,673	0.2708	0.2708	3,887,638	0.3612	0.3800 D	4,017,369	0.3980	0.3980
	Breckenridge Township, Caldwell Co	General Revenue	5,446,074	0.0996	0.0956	5,380,103	0.1000	0.0956	6,471,779	0.0951	0.0951
		Road & Bridge	5,446,074	0.4982	0.4400	5,380,103	0.5000	0.4400	6,471,779	0.4757	0.4400
		Special Road and Bridge	5,446,074	0.3059	0.3059 A	5,380,103	0.3059	0.3059	6,471,779	0.2910	0.3059 D
	Davis Township of Caldwell Co	General Revenue	9,562,391	0.0944	0.0900	9,724,718	0.0944	0.0900	9,692,014	0.0950	0.0900
		Road & Bridge	9,562,391	0.4407	0.4300	9,724,718	0.4407	0.4300	9,692,014	0.4437	0.4300
		Special Road and Bridge	9,562,391	0.1700	0.1700	9,724,718	0.1700	0.1700	9,692,014	0.1700	0.1700
	Fairview Township of Caldwell Co	General Revenue	2,835,255	0.1000	0.1000	2,927,561	0.1000	0.1000	2,946,728	0.1000	0.1000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Caldwell	Fairview Township of Caldwell Co	Road & Bridge	2,835,255	0.5000	0.4600	2,927,561	0.5000	0.4600	2,946,728	0.5000	0.4600
		Special Road and Bridge	2,835,255	0.3200	0.3200 A	2,927,561	0.3200	0.3200	2,946,728	0.3200	0.3200
	Gomer Township of Caldwell County	General Revenue	4,904,699	0.0998	0.0998	4,915,467	0.1000	0.0900	5,038,487	0.1000	0.1000
		Road & Bridge	4,904,699	0.4749	0.4500	4,915,467	0.4787	0.4500	5,038,487	0.4980	0.4980
		Special Road and Bridge	4,904,699	0.3493	0.3493 A	4,915,467	0.3493	0.3493	5,038,487	0.3493	0.3493
	Grant Township of Caldwell County	General Revenue	14,255,106	0.0958	0.0958	14,833,863	0.0958	0.0958	15,743,158	0.0958	0.0958
		Road & Bridge	14,255,106	0.3911	0.3911	14,833,863	0.3911	0.3911	15,743,158	0.3911	0.3911
		Special Road and Bridge	14,255,106	0.2298	0.2298	14,833,863	0.2298	0.2298	15,743,158	0.2400	0.2400 A
	Hamilton Township of Caldwell Co	General Revenue	18,358,261	0.0921	0.0700	18,886,578	0.0921	0.0700	19,290,519	0.0921	0.0700
		Road & Bridge	18,358,261	0.3690	0.3100	18,886,578	0.3690	0.3100	19,290,519	0.3690	0.3100
	Kidder Township of Caldwell Co	General Revenue	9,416,695	0.0884	0.0884	10,153,853	0.0889	0.0889	10,704,326	0.0872	0.0872
		Road & Bridge	9,416,695	0.3628	0.3628	10,153,853	0.3648	0.3648	10,704,326	0.3580	0.3580
		Special Road & Bridge	**	**	**	10,153,853	0.0030	0.0030	10,704,326	0.0029	0.3177 E
	Kingston Township of Caldwell Co	General Revenue	6,382,100	0.1000	0.1000	5,652,041	0.1000	0.1000	5,399,827	0.1000	0.1000
		Road & Bridge	6,382,100	0.4651	0.4517	5,652,041	0.5000	0.5000	5,399,827	0.5000	0.5000
		Special Road & Bridge	**	**	**	5,652,041	0.0035	0.0035	5,399,827	0.0035	0.3500 E
	Lincoln Township of Caldwell Co	General Revenue	5,172,804	0.0989	0.0989	5,289,685	0.0989	0.0989	5,473,399	0.0989	0.0989
		Road & Bridge	5,172,804	0.4328	0.0000	5,289,685	0.4328	0.4328	5,473,399	0.4328	0.4328
		Special Road & Bridge	**	**	**	5,289,685	0.0033	0.3300 E	5,473,399	0.0033	0.3300 E
	Mirabile Township of Caldwell Co	General Revenue	4,731,106	0.0982	0.0982	4,842,605	0.0985	0.0985	5,066,756	0.0985	0.0985
		Road & Bridge	4,731,106	0.4476	0.4400	4,842,605	0.4491	0.4491	5,066,756	0.4491	0.4491
		Special Road and Bridge	4,731,106	0.3300	0.0000 A	4,842,605	0.3300	0.3300	5,066,756	0.3300	0.3300
	New York Township of Caldwell Co	General Revenue	3,766,604	0.0868	0.0868	3,920,134	0.0868	0.0868	4,054,977	0.0894	0.0894
		Road & Bridge	3,766,604	0.4149	0.4149	3,920,134	0.4149	0.4149	4,054,977	0.4274	0.4274
		Special Road & Bridge	**	**	**	3,920,134	0.0030	0.3035 E	4,054,977	0.0030	0.3035 E
	Rockford Township of Caldwell Co	General Revenue	6,620,761	0.0942	0.0942	6,861,966	0.0942	0.0942	7,374,406	0.0924	0.0924
		Road & Bridge	6,620,761	0.4187	0.4187	6,861,966	0.4187	0.4187	7,374,406	0.4107	0.4107
		Special Road and Bridge	6,620,761	0.3500	0.3500 A	6,861,966	0.3500	0.3500	7,374,406	0.3433	0.3433
	Hamilton Rural Fire Protection Dist	General Revenue	27,896,708	0.1821	0.1821	28,796,458	0.1821	0.1821	29,676,068	0.1821	0.1821
	Breckenridge R-I School District	Operating Funds-Schools	4,878,177	5.4459	4.4448	4,904,770	5.4745	4.7524	4,944,105	5.4265	4.5478
	Hamilton R-II School District	Operating Funds-Schools	30,006,319	3.2310	3.2310	31,084,921	3.2104	3.2104	31,896,290	3.2061	3.2061
		Operating Funds-Temp	**	**	**	**	**	**	31,896,290	1.7639	1.7639 A
		Debt Service	30,006,319	0.7264	0.6500	31,084,921	0.4067	0.4067	**	**	**
	New York R-IV School District	Operating Funds-Schools	2,957,160	5.6369	4.8272	3,100,330	5.6936	5.0000	3,219,580	5.7278	5.0000
	Cowgill R-VI School District	Operating Funds-Schools	3,318,640	4.1353	4.1353	3,524,870	4.2397	4.2397	3,553,000	4.1681	4.1199
	Polo R-VII School District	Operating Funds-Schools	19,133,578	3.9519	3.9519 B	19,935,505	3.9519	3.9519	21,011,090	3.9239	3.9239
		Debt Service	19,133,578	1.1207	0.5644	19,935,505	1.0186	0.5644	21,011,090	0.9521	0.5924
	Mirabile C-1 School District	Operating Funds-Schools	3,752,159	4.3329	4.3329	3,910,800	4.3044	4.3044	4,161,320	4.2746	4.2746

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Caldwell	Mirabile C-1 School District	Debt Service	3,752,159	0.5259	0.5259	3,910,800	0.2450	0.2450	4,161,320	0.3146	0.3146
	Braymer C-4 School District	Operating Funds-Schools	15,216,402	3.5527	2.7592	15,463,976	3.7268	2.9374	15,539,291	3.7211	2.9669
		Debt Service	15,216,402	0.6780	0.6780	15,463,976	0.3760	0.3760	15,539,291	0.3280	0.3280
	Kingston 42 School District	Operating Funds-Schools	3,214,229	4.7500	4.7500	3,747,900	4.7500	4.7500	3,484,650	4.7500	4.7500
	Caldwell County	General Revenue	91,447,254	0.3693	0.2200	93,388,574	0.3736	0.2300	97,159,086	0.3716	0.2300
		Health	91,447,254	0.2459	0.2459	93,388,574	0.2488	0.2488	97,159,086	0.2475	0.2475
Callaway	Callaway County Ambulance District	General Revenue	614,863,478	0.1200	0.1200	608,333,103	0.1200	0.1200	657,383,642	0.1170	0.0000
	City of Auxvasse	General Revenue	6,799,594	0.6158	0.6158	7,088,876	0.6158	0.6158	7,633,745	0.5987	0.5987
	City of Fulton	General Revenue	87,034,329	0.4762	0.4200	87,305,562	0.4854	0.4854	99,881,633	0.4608	0.4608
	Village of Kingdom City	General Revenue	7,565,615	0.2098	0.2098	7,124,855	0.2229	0.2098	8,575,397	0.2066	0.2066
	City of Mokane	General Revenue	938,178	0.7933	0.7933	941,498	0.8070	0.8070	978,484	0.8070	0.8070
	City of New Bloomfield	General Revenue	4,025,052	0.3354	0.3354	4,987,181	0.3084	0.3084	5,221,824	0.3022	0.3022
		Debt Service	4,025,052	0.6341	0.6341	4,987,181	0.8973	0.8973	5,221,824	0.5884	0.5884
	Town of Lake Mykee	General Revenue	3,472,619	0.5272	0.5272	3,568,438	0.5272	0.5272	3,926,966	0.4915	0.4915
	Callaway County Library	General Revenue	614,863,478	0.2000	0.2000	608,333,103	0.2000	0.2000	657,383,642	0.1950	0.1950
	Millersburg Fire Protection Dist	General Revenue	24,334,344	0.4740	0.4600	25,646,320	0.4787	0.4787	28,643,919	0.4510	0.4510
	Central Callaway Fire Prot Dist	General Revenue	48,413,792	0.4500	0.4500	49,903,527	0.4500	0.4500	54,469,175	0.4299	0.4299
	Holts Summit Fire Protection Dist	General Revenue	76,952,607	0.2687	0.2687	81,058,943	0.2687	0.2687	92,434,329	0.2514	0.2514
	South Callaway Fire Protection Dist	General Revenue	267,806,773	0.2005	0.2000	249,617,145	0.2005	0.2000	255,992,829	0.2005	0.2000
	North Callaway Fire Protection Dist	General Revenue	63,753,401	0.2871	0.2871	64,877,824	0.2892	0.2892	71,011,183	0.2789	0.2789
	New Bloomfield Fire Protection Dist	General Revenue	27,929,543	0.2853	0.2853	29,294,355	0.2853	0.2853	32,490,411	0.2699	0.2699
	North Callaway Co R-I School Dist	Operating Funds-Schools	69,028,734	3.1045	3.1045	70,435,411	3.1231	3.1231	77,339,086	3.0178	3.0178
		Debt Service	69,028,734	0.9023	0.5055	70,435,411	0.6967	0.4869	77,339,086	0.6109	0.5922
	New Bloomfield R-III School Dist	Operating Funds-Schools	34,271,666	3.1002	3.0508	35,704,503	3.0599	3.0599	39,629,626	2.9370	2.9370
		Debt Service	34,271,666	2.0470	1.0200	35,704,503	1.9198	1.0200	39,629,626	1.7094	1.1429
	Fulton 58 School District	Operating Funds-Schools	136,155,052	3.4220	3.4220	139,160,230	3.4337	3.4337	157,902,481	3.2679	3.2679
		Debt Service	136,155,052	0.8315	0.5800	139,160,230	1.2064	0.5800	157,902,481	0.9361	0.7400
	South Callaway Co R-II School Dist	Operating Funds-Schools	266,386,231	2.7500	2.7500	249,028,732	2.7500	2.7500	255,313,574	2.7500	2.7500
	Callaway County	General Revenue	614,863,478	0.3165	0.3165	608,333,103	0.3254	0.3254	657,383,642	0.3173	0.3070
		Road & Bridge	614,863,478	0.2450	0.2450	608,333,103	0.2519	0.2519	657,383,642	0.2456	0.2453
		Senate Bill 40	614,863,478	0.1000	0.1000	608,333,103	0.1000	0.1000	657,383,642	0.0975	0.0975
Camden	CAM-MO Ambulance District	General Revenue	458,298,563	0.1143	0.0640	472,205,452	0.1143	0.0000	552,039,745	0.1050	0.0000
	Camden Ambulance District	General Revenue	438,429,340	0.3000	0.3000	456,133,315	0.3000	0.3000	517,627,620	0.2796	0.2796
	Horseshoe Bend Sp Rd 1 Camden Co	General Revenue	230,220,150	0.3500	0.3500 A	239,200,505	0.3500	0.3500	276,083,911	0.3239	0.3239
	Village of Climax Springs	General Revenue	327,951	0.5185	0.5185	337,432	0.5184	0.5184	317,812	0.5505	0.5505
	City of Linn Creek	General Revenue	4,849,495	0.1588	0.0000	3,947,073	0.1982	0.0000	4,426,093	0.1838	0.0000
	City of Macks Creek	General Revenue	1,157,910	0.2787	0.2300	1,170,227	0.2788	0.2300	1,292,403	0.2717	0.2300
	City of Stoutland	General Revenue	767,530	0.7277	0.6900	801,350	0.7276	0.6900	838,818	0.7325	0.6900

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Camden	Village of Sunrise Beach	General Revenue	10,793,663	0.1345	0.1300	10,909,567	0.1346	0.1300	12,176,957	0.1244	0.0000	
	Camden County Library	General Revenue	1,194,072,324	0.0988	0.0988	1,242,459,667	0.0988	0.0988	1,437,274,787	0.0912	0.0912	
	Osage Beach Fire Protection Dist	General Revenue	359,546,831	0.4912	0.4912	375,448,445	0.4934	0.4934	437,724,888	0.0059	0.5934	E
		Debt Service	359,546,831	0.0891	0.0888	375,448,445	0.1047	0.1047	**	**	**	
	Sunrise Beach Fire Protection Dist	General Revenue	228,493,984	0.3834	0.3834	236,040,242	0.3846	0.3846	277,456,562	0.3521	0.3521	
		Debt Service	228,493,984	0.0609	0.0609	236,040,242	0.0782	0.0782	277,456,562	0.4648	0.3830	
	Mid County Fire Protection District	General Revenue	208,945,689	0.2887	0.2887	221,321,360	0.2887	0.2887	256,602,627	0.2676	0.2676	
		Debt Service	208,945,689	0.2442	0.2442	221,321,360	0.2144	0.2144	256,602,627	0.1944	0.1944	
	Northwest Fire Protection District	General Revenue	48,271,228	0.2781	0.2781	49,455,461	0.2781	0.2781	57,108,367	0.2566	0.2566	
	Southwest Camden Co Fire Prot Dist	General Revenue	19,999,037	0.2962	0.2962	20,798,518	0.2962	0.2962	21,740,792	0.2962	0.2962	
	Tri-County Fire Protection District	General Revenue	**	**	**	**	**	**	4,558,330	0.3000	0.3000	A
	Camden Co. R-II School District	Operating Funds-Schools	18,819,910	3.4325	2.7500	19,954,069	3.4194	2.7500	21,552,372	3.3054	2.7500	
	Camdenton R-III School District	Operating Funds-Schools	811,380,213	2.6600	2.6600	845,690,591	2.6600	2.6600	984,432,406	2.6800	2.6800	
		Debt Service	811,380,213	0.2768	0.2100	845,690,591	0.2529	0.2100	984,432,406	0.2675	0.1900	
	Climax Springs R-IV School District	Operating Funds-Schools	69,132,775	2.7500	2.7500	70,815,954	2.7500	2.7500	81,606,532	2.7500	2.7500	
	Macks Creek R-V School District	Operating Funds-Schools	23,431,035	3.1196	3.1000	24,341,266	3.4568	3.4300	B	27,848,002	3.2305	3.2305
		Debt Service	23,431,035	1.4197	0.8000	24,341,266	1.4805	0.4700	27,848,002	1.2288	0.4700	
	Camden County	General Revenue	1,194,072,324	0.2175	0.1000	1,242,459,667	0.2175	0.1000	1,437,274,787	0.2007	0.1000	
		Road & Bridge	1,194,072,324	0.1483	0.1000	1,242,459,667	0.1483	0.1000	1,437,274,787	0.1369	0.1000	
		Senate Bill 40	1,194,072,324	0.0592	0.0592	1,242,459,667	0.0592	0.0592	1,437,274,787	0.0546	0.0546	
		Senior Services	1,194,072,324	0.0471	0.0471	1,242,459,667	0.0471	0.0471	1,437,274,787	0.0435	0.0435	
Cape Girardeau	Cape Special Road District	Road & Bridge	542,367,536	0.2681	0.2681	574,416,831	0.2681	0.2681	627,425,413	0.2567	0.0000	
	City of Cape Girardeau	General Revenue	447,290,527	0.3135	0.3135	472,103,084	0.3135	0.3135	522,002,523	0.2991	0.2991	
		Health	447,290,527	0.0587	0.0587	472,103,084	0.0587	0.0587	522,002,523	0.0560	0.0560	
	City of Delta	General Revenue	2,627,995	0.6326	0.6300	2,607,453	0.6495	0.6300	2,745,280	0.6329	0.6329	
	Village of Gordonville	General Revenue	4,169,440	0.4602	0.4310	4,124,590	0.4665	0.4370	4,473,368	0.4452	0.4452	
	City of Jackson	General Revenue	156,079,599	0.6032	0.6032	161,086,029	0.6032	0.6032	175,057,331	0.5783	0.5783	
		Parks & Recreation	156,079,599	0.1265	0.1265	161,086,029	0.1265	0.1265	175,057,331	0.1213	0.1213	
		Library	156,079,599	0.1265	0.1265	161,086,029	0.1265	0.1265	175,057,331	0.1213	0.1213	
		Band	156,079,599	0.0778	0.0700	161,086,029	0.0778	0.0778	175,057,331	0.0746	0.0746	
		Cemetery	156,079,599	0.0778	0.0700	161,086,029	0.0778	0.0778	175,057,331	0.0746	0.0746	
	Village of Oak Ridge	General Revenue	1,274,622	0.2814	0.2813	1,096,788	0.3353	0.2813	1,199,600	0.3236	0.3236	
	Village of Pocahontas	General Revenue	563,763	0.5348	0.5200	571,453	0.5348	0.5200	608,515	0.5152	0.5152	
	Village of Whitewater	General Revenue	543,791	0.6873	0.6873	544,491	0.6872	0.6872	544,544	0.6872	0.6872	
	Village of Old Appleton	General Revenue	730,173	0.3070	0.3070	690,883	0.3245	0.3245	800,960	0.3147	0.3147	
	Town of Allenville	General Revenue	304,008	0.3888	0.3888	299,898	0.3941	0.3941	322,972	0.3810	0.3810	
	Town of Dutchtown	General Revenue	583,462	0.3169	0.3169	588,482	0.3169	0.3169	623,139	0.3070	0.3070	
	Cape Girardeau Public Library	General Revenue	407,513,015	0.1665	0.1665	423,492,386	0.1665	0.1665	463,090,296	0.1590	0.1590	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Cape Girardeau	Cape Girardeau Public Library	Debt Service	**	**	**	**	**	**	463,090,296	0.2713	0.1500
	Cape Girardeau County Library	General Revenue	419,362,017	0.0830	0.0830	448,249,734	0.0830	0.0830	487,155,417	0.0802	0.0802
	East County Area Fire Prot District	General Revenue	68,504,542	0.2996	0.2996	74,299,048	0.2996	0.2996	76,084,054	0.2927	0.2927
	Delta Fire Protection District	General Revenue	12,681,686	0.2977	0.2977	12,813,428	0.2977	0.2977	13,289,609	0.2954	0.2954
	Fruitland Area Fire Protection Dist	General Revenue	69,931,024	0.2946	0.2400	74,650,667	0.2946	0.2600	79,917,975	0.2890	0.2700
	North Cape Co Rural Fire Prot Dist	General Revenue	21,539,189	0.2996	0.2500	22,782,731	0.2996	0.2500	24,522,592	0.2920	0.2500
	Gordonville Fire Protection Dist	General Revenue	52,011,910	0.2857	0.2857	56,331,190	0.2857	0.2857	61,955,597	0.2754	0.2754
	Millersville Fire Protection Dist	General Revenue	32,772,401	0.2978	0.2978	34,516,765	0.2978	0.2978	38,968,842	0.2807	0.2807
	Whitewater Fire Protection Dist	General Revenue	11,008,924	0.3890	0.3890	11,344,229	0.3890	0.3890	11,976,472	0.3860	0.3860
	Cape Girardeau Spec Business Dist	General Revenue	2,607,010	0.7576	0.7576	2,685,340	0.7576	0.7576	3,300,450	0.6763	0.6763
	Jackson R-II School District	Operating Funds-Schools	306,585,584	3.6079	3.6079 B	324,693,088	3.6079	3.6079	355,939,005	3.4633	3.4633
		Debt Service	306,585,584	0.5210	0.1921	324,693,088	0.5160	0.1921	355,939,005	0.4426	0.3367
	Delta R-V School District	Operating Funds-Schools	17,588,906	3.2544	3.2544	18,093,061	3.2534	3.2534	19,323,737	3.4534	3.4534 B
		Debt Service	17,588,906	1.0234	0.3800	18,093,061	0.9970	0.3800	19,323,737	0.9720	0.1800
	Oak Ridge R-VI School District	Operating Funds-Schools	18,527,645	3.4221	3.4221	19,459,220	3.4128	2.7500	21,087,554	3.3442	2.7500
		Debt Service	18,527,645	1.4719	0.9000	19,459,220	1.4557	0.9000	21,087,554	1.0493	0.9000
	Cape Girardeau 63 School District	Operating Funds-Schools	464,780,561	3.6051	3.6000	491,487,315	3.5979	3.5967	537,658,676	3.4360	3.4360
		Debt Service	464,780,561	0.8701	0.5600	491,487,315	0.9020	0.5600	537,658,676	0.8556	0.5924
	Nell Holcomb R-IV School District	Operating Funds-Schools	38,629,882	3.6000	3.1539	40,127,229	3.5985	3.1623	44,065,079	3.5029	3.0774
	Cape Girardeau County	General Revenue	894,742,824	0.3500	0.0000	942,677,657	0.3500	0.0000	1,026,468,572	0.3362	0.0000
		Road & Bridge	352,375,286	0.2369	0.2369	368,260,826	0.2369	0.2369	399,043,158	0.2288	0.0000
		Health	894,742,824	0.1000	0.1000	942,677,657	0.1000	0.1000	1,026,468,572	0.0961	0.0961
		Mental Health	894,742,824	0.0805	0.0805	942,677,657	0.0805	0.0805	1,026,468,572	0.0773	0.0773
		Senate Bill 40	894,742,824	0.0805	0.0805	942,677,657	0.0805	0.0805	1,026,468,572	0.0773	0.0773
		Senior Services	894,742,824	0.0500	0.0500	942,677,657	0.0500	0.0500	1,026,468,572	0.0480	0.0480
Carroll	Carroll County Ambulance District	General Revenue	128,745,417	0.2855	0.2855	132,250,806	0.2855	0.2855	142,729,634	0.2819	0.2819
	Big Creek Watershed Sub Dist	General Revenue	14,024,767	0.3348	0.1000	14,195,339	0.3356	0.1000	15,749,248	0.3202	0.1000
	City of Bogard	General Revenue	864,923	0.9131	0.9100	1,033,455	0.8258	0.8200	952,034	0.9051	0.8500
	City of Bosworth	General Revenue	1,486,236	0.8731	0.8731	1,522,410	0.8731	0.8731	1,567,243	0.8709	0.8709
	Town of Carrollton	General Revenue	26,492,634	0.7037	0.7037	26,791,568	0.7049	0.7049	31,812,227	0.6771	0.6771
		Parks & Recreation	26,492,634	0.2665	0.2665	26,791,568	0.2669	0.2669	31,812,227	0.2564	0.2564
		Library	26,492,634	0.2773	0.2773	26,791,568	0.2778	0.2778	31,812,227	0.2668	0.2668
	City of De Witt	General Revenue	457,136	0.8685	0.8685	467,828	0.8857	0.8857	493,310	0.8803	0.8803
	City of Hale	General Revenue	1,949,712	0.3576	0.3576	1,949,738	0.3610	0.3610	2,256,812	0.3407	0.3407
		Lights	1,949,712	0.2818	0.2818	1,949,738	0.2844	0.2844	2,256,812	0.2684	0.2684
		Streets	1,949,712	0.1625	0.1625	1,949,738	0.1640	0.1640	2,256,812	0.1548	0.1548
		Debt Service	1,949,712	0.4501	0.4501	1,949,738	0.3565	0.3565	2,256,812	0.3157	0.3157
	City of Norborne	General Revenue	5,438,249	0.7299	0.7299	5,573,837	0.7326	0.7326	6,128,461	0.7056	0.7056

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Carroll	City of Norborne	Parks & Recreation	5,438,249	0.1773	0.1773	5,573,837	0.1780	0.1780	6,128,461	0.1714	0.1714
		Library	5,438,249	0.1355	0.1355	5,573,837	0.1360	0.1360	6,128,461	0.1310	0.1310
	Village of Tina	General Revenue	875,848	1.0000	1.0000	957,909	1.0000	1.0000	989,319	1.0000	1.0000
	Carrollton Township of Carroll Co	General Revenue	37,205,704	0.0940	0.0940	37,560,737	0.0953	0.0953	42,744,048	0.0920	0.0920
		Road & Bridge	37,205,704	0.3967	0.3967	37,560,737	0.4020	0.4020	42,744,048	0.3882	0.3882
	Cherry Valley Twsp of Carroll Co	General Revenue	1,115,678	0.1000	0.1000	1,136,487	0.1000	0.1000	1,136,992	0.1000	0.1000
		Road & Bridge	1,115,678	0.5000	0.5000	1,136,487	0.5000	0.5000	1,136,992	0.5000	0.5000
		Special Road and Bridge	1,115,678	0.3500	0.3500	1,136,487	0.3500	0.3500	1,136,992	0.0035	0.3500 E
	De Witt Township of Carroll Co	General Revenue	7,529,684	0.0994	0.0994	7,799,271	0.0994	0.0994	8,037,905	0.0994	0.0994
		Road & Bridge	7,529,684	0.4272	0.4272	7,799,271	0.4272	0.4272	8,037,905	0.4272	0.4272
		Special Road and Bridge	7,529,684	0.3500	0.3500	7,799,271	0.3500	0.3500 A	8,037,905	0.3500	0.3500
	Egypt Township of Carroll Co	General Revenue	10,340,079	0.0961	0.0919	10,726,347	0.0961	0.0919	11,592,604	0.0933	0.0919
		Road & Bridge	10,340,079	0.3524	0.3369	10,726,347	0.3524	0.3369	11,592,604	0.3423	0.3369
	Eugene Township of Carroll Co	General Revenue	6,613,415	0.1000	0.1000	6,928,131	0.0995	0.0995	7,069,616	0.0995	0.0995
		Road & Bridge	6,613,415	0.5000	0.5000	6,928,131	0.4976	0.4976	7,069,616	0.4976	0.4976
		Special Road and Bridge	6,613,415	0.3500	0.3500	6,928,131	0.3483	0.3483	7,069,616	0.0035	0.3500 E
	Fairfield Township of Carroll Co	General Revenue	2,668,796	0.0838	0.0838	2,679,442	0.0841	0.0841	2,816,905	0.0828	0.0828
		Road & Bridge	2,668,796	0.4089	0.4089	2,679,442	0.4102	0.4102	2,816,905	0.4040	0.4040
		Special Road and Bridge	2,668,796	0.3500	0.3500	2,679,442	0.3500	0.3500	2,816,905	0.3447	0.3447
	Hill Township of Carroll Co	General Revenue	3,748,427	0.0916	0.0916	3,985,603	0.0916	0.0916	4,245,749	0.0913	0.0913
		Road & Bridge	3,748,427	0.4581	0.4581	3,985,603	0.4581	0.4581	4,245,749	0.4566	0.4566
		Special Road and Bridge	3,748,427	0.3434	0.3434	3,985,603	0.3434	0.3434	4,245,749	0.0035	0.3500 E
	Hurricane Township of Carroll Co	General Revenue	6,453,505	0.0928	0.0928	6,676,055	0.0928	0.0928	7,351,234	0.0904	0.0904
		Road & Bridge	6,453,505	0.4125	0.4125	6,676,055	0.4125	0.4125	7,351,234	0.4018	0.4018
		Special Road and Bridge	6,453,505	0.3500	0.3500	6,676,055	0.3500	0.3500	7,351,234	0.0035	0.3500 E
	Leslie Township of Carroll Co	General Revenue	4,317,322	0.0899	0.0899	4,431,394	0.0899	0.0899	4,614,258	0.0899	0.0899
		Road & Bridge	4,317,322	0.4298	0.4298	4,431,394	0.4298	0.4298	4,614,258	0.4298	0.4298
		Special Road and Bridge	4,317,322	0.3500	0.3500 A	4,431,394	0.3500	0.3500	4,614,258	0.3500	0.3500
	Moss Creek Township of Carroll Co	General Revenue	5,859,361	0.1000	0.1000	6,133,644	0.1000	0.1000	6,257,019	0.1000	0.1000
		Road & Bridge	5,859,361	0.5000	0.5000	6,133,644	0.5000	0.2000	6,257,019	0.5000	0.5000
		Special Road and Bridge	5,859,361	0.3500	0.0500	6,133,644	0.3500	0.3500 A	6,257,019	0.3500	0.3500
	Prairie Township of Carroll Co	General Revenue	3,732,672	0.0821	0.0821	3,608,119	0.0859	0.0859	3,878,959	0.0847	0.0847
		Road & Bridge	3,732,672	0.3903	0.3903	3,608,119	0.4081	0.4081	3,878,959	0.4024	0.4024
		Special Road and Bridge	3,732,672	0.3414	0.3414	3,608,119	0.3500	0.3500	3,878,959	0.0035	0.3500 E
	Ridge Township of Carroll Co	General Revenue	5,646,562	0.0989	0.0989	5,879,000	0.0989	0.0989	5,980,708	0.0989	0.0989
		Road & Bridge	5,646,562	0.4696	0.4696	5,879,000	0.4696	0.4696	5,980,708	0.4696	0.4696
		Special Road and Bridge	5,646,562	0.3500	0.3500	5,879,000	0.3500	0.3500	5,980,708	0.0035	0.3500 E
	Rockford Township of Carroll Co	General Revenue	2,220,958	0.0952	0.0900	2,292,761	0.0952	0.0900	2,381,112	0.0952	0.0900

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Carroll	Rockford Township of Carroll Co	Road & Bridge	2,220,958	0.4016	0.2600	2,292,761	0.4016	0.2600	2,381,112	0.4016	0.2600
		Special Road and Bridge	2,220,958	0.3500	0.3500 A	2,292,761	0.3500	0.3500	2,381,112	0.3500	0.3500
	Stokes Mound Township of Carroll Co	General Revenue	4,092,955	0.1000	0.1000	4,278,969	0.1000	0.1000	4,350,928	0.1000	0.1000
		Road & Bridge	4,092,955	0.4735	0.4735	4,278,969	0.4735	0.4735	4,350,928	0.4735	0.4735
		Special Road and Bridge	4,092,955	0.3500	0.3500 A	4,278,969	0.3500	0.3500	4,350,928	0.3500	0.3500
	Sugartree Township of Carroll Co	General Revenue	1,725,770	0.1000	0.1000	1,729,927	0.1000	0.1000	1,664,271	0.1000	0.1000
		Road & Bridge	1,725,770	0.5000	0.5000	1,729,927	0.5000	0.5000	1,664,271	0.5000	0.5000
		Special Road and Bridge	1,725,770	0.3500	0.3500	1,729,927	0.3500	0.3500	1,664,271	0.0035	0.3500 E
	Trotter Township of Carroll Co	General Revenue	4,070,943	0.0924	0.0924	4,134,024	0.0928	0.0928	4,449,059	0.0916	0.0916
		Road & Bridge	4,070,943	0.4625	0.4625	4,134,024	0.4646	0.4646	4,449,059	0.4586	0.4586
		Special Road and Bridge	4,070,943	0.3500	0.3500	4,134,024	0.3500	0.3500 A	4,449,059	0.3455	0.3455
	Van Horn Township of Carroll Co	General Revenue	6,205,179	0.0965	0.0965	6,612,756	0.0964	0.0964	6,727,162	0.0964	0.0964
		Road & Bridge	6,205,179	0.4625	0.4625	6,612,756	0.4620	0.4620	6,727,162	0.4620	0.4620
		Special Road and Bridge	6,205,179	0.3500	0.3500	6,612,756	0.3500	0.3500 A	6,727,162	0.3500	0.3500
	Wakenda Township of Carroll Co	General Revenue	6,374,810	0.1000	0.1000	6,638,458	0.1000	0.1000	7,986,723	0.0991	0.0991
		Road & Bridge	6,374,810	0.5000	0.5000	6,638,458	0.5000	0.5000	7,986,723	0.4956	0.4956
		Special Road and Bridge	6,374,810	0.3500	0.3500	6,638,458	0.3500	0.3500 A	7,986,723	0.3469	0.3469
	Washington Township of Carroll Co	General Revenue	2,859,716	0.0934	0.0934	2,834,316	0.0943	0.0943	3,017,010	0.0934	0.0934
		Road & Bridge	2,859,716	0.4357	0.4357	2,834,316	0.4398	0.4398	3,017,010	0.4357	0.4357
		Special Road and Bridge	2,859,716	0.3500	0.3500 A	2,834,316	0.3500	0.3500	3,017,010	0.3467	0.3467
	Combs Township of Carroll Co	General Revenue	5,963,881	0.0953	0.0953	6,185,365	0.0953	0.0953	6,427,372	0.0953	0.0953
		Road & Bridge	5,963,881	0.4655	0.4655	6,185,365	0.4655	0.4655	6,427,372	0.4655	0.4655
		Special Road and Bridge	5,963,881	0.3500	0.3500 A	6,185,365	0.3500	0.3500	6,427,372	0.3500	0.3500
	North Central Carroll Fire Prot Dis	General Revenue	15,203,686	0.2672	0.2672	15,953,890	0.2672	0.2672	16,441,152	0.2672	0.2672
	Carroll County Fire Protection Dist	General Revenue	44,059,879	0.2874	0.2600	45,540,461	0.2874	0.2600	48,207,905	0.2855	0.2600
	Norborne Fire Protection District	General Revenue	16,216,857	0.3000	0.2500	16,741,584	0.3000	0.2500	17,782,527	0.2945	0.2500
	Hale Fire Protection District	General Revenue	12,056,216	0.2910	0.2910	12,440,678	0.2928	0.2928	13,403,791	0.2872	0.2872
	Hale R-I School District	Operating Funds-Schools	6,616,887	4.1754	3.4653	6,826,656	4.3751	3.6503	7,396,763	4.8951	4.6951 B
		Debt Service	6,616,887	0.4797	0.2086	6,826,656	0.1807	0.1807	**	**	**
	Tina-Avalon R-II School District	Operating Funds-Schools	7,651,332	4.0000	3.9941	7,881,712	3.9804	3.9804	8,836,201	3.6516	3.6516
	Bosworth R-V School District	Operating Funds-Schools	6,506,354	3.7692	3.7692	6,666,859	3.9817	3.9817	7,104,951	4.0408	4.0408
	Carrollton R-VII School District	Operating Funds-Schools	50,275,772	3.5642	3.5642	50,120,102	3.5558	3.5558	57,841,724	3.3551	3.3551
		Operating Fund-Temp	**	**	**	**	**	**	57,841,724	1.3407	1.3407 A
	Norborne R-VIII School District	Operating Funds-Schools	12,138,925	4.0900	4.0900	12,284,600	3.9000	3.9000	13,238,843	3.8000	3.8000
		Debt Service	12,138,925	0.3761	0.1600	12,284,600	0.4060	0.2500	13,238,843	0.2750	0.2000
	Carroll County	General Revenue	128,745,417	0.3666	0.2513	132,250,806	0.3666	0.2470	142,729,634	0.3620	0.2400
		Johnson Grass	128,745,417	0.0500	0.0000	132,250,806	0.0500	0.0100	142,729,634	0.0494	0.0100
		Health	128,745,417	0.1000	0.1000	132,250,806	0.1000	0.1000	142,729,634	0.0987	0.0987

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Carroll	Carroll County	Senate Bill 40	128,745,417	0.1000	0.1000	132,250,806	0.1000	0.1000		142,729,634	0.0987	0.0987
Carter	East Carter County Ambulance Dist	General Revenue	19,039,978	0.3895	0.3895	19,619,087	0.3929	0.3929		20,846,061	0.3938	0.3938
	West Carter County Ambulance Dist	General Revenue	23,707,494	0.3878	0.3878	24,295,794	0.3878	0.3878		25,550,832	0.3878	0.3878
	City of Grandin	General Revenue	795,194	0.7710	0.7710	805,243	0.7746	0.7746		843,316	0.7746	0.7746
		Debt Service	795,194	0.0000	0.0000	805,243	0.0000	0.0000		843,316	0.0000	0.0000
	Carter County Library	General Revenue	42,747,500	0.1941	0.1941	43,917,309	0.1979	0.1979		46,396,891	0.1980	0.1980
	Ellsinore Rural Fire Prot Dist	General Revenue	10,436,887	0.1500	0.1500	11,148,417	0.1500	0.1500		11,721,741	0.1500	0.1500
	Eastwood Fire Protection District	General Revenue	1,816,923	0.2403	0.2403	1,846,236	0.2423	0.2423		1,992,085	0.2430	0.2430
	Fremont Fire Protection District	General Revenue	2,186,940	0.3468	0.3468	2,152,483	0.3500	0.3500		2,307,151	0.3500	0.3500
	East Carter Co R-II School District	Operating Funds-Schools	23,663,375	2.7500	2.7500	25,597,285	2.7500	2.7500		25,842,539	2.7500	2.7500
	Van Buren R-I School District	Operating Funds-Schools	24,026,406	2.7500	2.7500	24,587,332	2.7500	2.7500		26,026,771	2.7500	2.7500
	Carter County	General Revenue	42,747,500	0.3081	0.0987	43,917,309	0.3142	0.0895		46,396,891	0.3144	0.0871
		Road & Bridge	42,747,500	0.2286	0.2286	43,917,309	0.2331	0.2399	D	46,396,891	0.2333	0.2333
		Health	42,747,500	0.2427	0.2427	43,917,309	0.2475	0.2475		46,396,891	0.2477	0.2477
		Senate Bill 40	42,747,500	0.0795	0.0795	43,917,309	0.0811	0.0811		46,396,891	0.0812	0.0812
		Senior Services	42,747,500	0.0291	0.0291	43,917,309	0.0297	0.0297		46,396,891	0.0297	0.0297
Cass	Pleasant Hill Ambulance District	General Revenue	130,517,138	0.2773	0.2773	134,487,325	0.2776	0.2776		**	**	**
	Cass Medical Center	General Revenue	1,126,857,075	0.1335	0.1335	1,172,590,433	0.1335	0.1335		1,236,252,679	0.1335	0.1335
	Mt Pleasant Spec Rd Dist Cass Co	Road & Bridge	215,111,868	0.1993	0.1993	223,063,644	0.1993	0.1993		234,564,817	0.1993	0.1993
	City of Archie	General Revenue	8,341,620	0.5997	0.5997	9,168,241	0.5997	0.5997		9,524,913	0.6034	0.6034
	City of Belton	General Revenue	204,105,353	0.5197	0.5197	210,840,967	0.5197	0.5197		220,545,625	0.5197	0.5197
		Parks & Recreation	204,105,353	0.2310	0.2310	210,840,967	0.2310	0.2310		220,545,625	0.2310	0.2310
		Debt Service	204,105,353	0.2832	0.2832	210,840,967	0.8106	0.5500		220,545,625	1.2100	0.8000
	City of Cleveland	General Revenue	7,629,926	0.4743	0.4743	8,030,870	0.4743	0.4743		8,181,715	0.4773	0.4773
	City of Creighton	General Revenue	2,051,265	0.7484	0.7484	2,035,424	0.7623	0.7484		1,998,882	0.8209	0.8209
	City of Drexel	General Revenue	8,510,817	0.5566	0.5500	8,675,451	0.5573	0.5500		8,590,505	0.5675	0.5600
		Debt Service	8,510,817	0.3360	0.3300	8,675,451	0.3804	0.3800		8,590,505	0.3841	0.3800
	City of East Lynne	General Revenue	2,116,023	0.8158	0.8158	2,243,105	0.8224	0.8224		2,377,491	0.8224	0.8224
		Debt Service	2,116,023	0.4473	0.4473	2,243,105	0.6654	0.6654		2,377,491	0.1150	0.1150
	City of Freeman	General Revenue	3,747,197	0.5488	0.5488	3,824,873	0.5488	0.5488		4,052,022	0.5488	0.5488
	City of Garden City	General Revenue	13,765,164	0.3832	0.3832	13,749,670	0.3883	0.3883		13,945,869	0.3943	0.3943
	City of Harrisonville	General Revenue	114,894,425	0.5129	0.5129	117,262,437	0.5129	0.5129		115,170,896	0.5278	0.5278
		Parks & Recreation	114,894,425	0.1161	0.1161	117,262,437	0.1161	0.1161		115,170,896	0.1195	0.1195
		Ambulance	114,894,425	0.1161	0.1161	117,262,437	0.1161	0.1161		115,170,896	0.1195	0.1195
	City of Lake Winnebago	General Revenue	25,686,620	0.9576	0.9500	27,073,713	0.9576	0.9500		30,510,577	0.9269	0.9269
		Debt Service	25,686,620	0.6528	0.6528	27,073,713	0.5324	0.5324		30,510,577	0.1890	0.1890
	City of Peculiar	General Revenue	38,852,330	0.4231	0.4231	41,422,015	0.4231	0.4231		46,984,257	0.4231	0.4231
		Debt Service	38,852,330	0.6286	0.3500	41,422,015	0.6514	0.4000		46,984,257	0.5245	0.4000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Cass	City of Pleasant Hill	General Revenue	74,398,320	0.3588	0.3588	77,868,996	0.3591	0.3591	86,323,210	0.3557	0.3557	
		Parks & Recreation	74,398,320	0.0717	0.0717	77,868,996	0.0718	0.0718	86,323,210	0.0711	0.0711	
		Health	74,398,320	0.0717	0.0717	77,868,996	0.0718	0.0718	86,323,210	0.0711	0.0711	
		Road	74,398,320	0.1346	0.1346	77,868,996	0.1347	0.1347	86,323,210	0.1334	0.1334	
		Debt Service	74,398,320	0.8441	0.1021	77,868,996	0.6396	0.1016	86,323,210	0.6045	0.1077	
	City of Raymore	General Revenue	190,613,932	0.4647	0.4647	205,467,139	0.4647	0.4647	231,780,495	0.4647	0.4647	
		Parks & Recreation	190,613,932	0.1251	0.1251	205,467,139	0.1251	0.1251	231,780,495	0.1251	0.1251	
		Debt Service	190,613,932	1.0651	0.7170	205,467,139	0.8516	0.7170	231,780,495	1.2670	0.7170	
	City of Strasburg	General Revenue	909,012	0.8682	0.8682	893,651	0.8831	0.8831	903,489	0.8831	0.8831	
	Village of West Line	General Revenue	666,850	0.6148	0.6148	674,815	0.6348	0.6348	741,605	0.6127	0.6127	
	Village of Baldwin Park	General Revenue	496,526	0.3888	0.3888	502,166	0.3888	0.3888	484,541	0.4043	0.4043	
	City of Lake Annette	General Revenue	797,990	0.2000	0.2000	732,530	0.2000	0.2000	645,660	0.2000	0.2000	
		Debt Service	797,990	2.0920	2.0920	732,530	1.5513	1.5513	645,660	2.6687	2.6687	
	Village of Riverview Estates	General Revenue	1,025,420	0.5000	0.5000	1,054,920	0.5000	0.5000	1,063,710	0.5000	0.5000	
	Cass County Public Library	General Revenue	1,126,857,075	0.1525	0.1525	1,172,590,433	0.1525	0.1525	1,236,252,679	0.1525	0.1525	
	Central Cass County Fire Prot Dist	General Revenue	95,173,632	0.2467	0.2467	97,176,846	0.2470	0.2470	97,515,142	0.2504	0.2504	
		Ambulance	95,173,632	0.1382	0.1382	97,176,846	0.1384	0.1384	97,515,142	0.1403	0.1403	
		Debt Service	95,173,632	0.4639	0.2600	97,176,846	0.4389	0.2600	97,515,142	0.4184	0.2600	
	Garden City Fire District	General Revenue	35,966,949	0.2291	0.2291	36,479,024	0.2294	0.2294	36,188,864	0.2353	0.2353	
		Ambulance	35,966,949	0.2888	0.2888	36,479,024	0.2892	0.2892	36,188,864	0.2967	0.2967	
	South Metropolitan Fire Prot Dist	General Revenue	262,537,877	0.5429	0.5429	281,934,347	0.5429	0.4701	313,491,928	0.5429	0.4717	
		Ambulance	262,537,877	0.4252	0.4252	281,934,347	0.4252	0.3681	313,491,928	0.4252	0.3694	
		Dispatch	262,537,877	0.0453	0.0453	281,934,347	0.0453	0.0392	313,491,928	0.0453	0.0394	
		Debt Service	262,537,877	0.3045	0.1525	281,934,347	0.2667	0.1525	313,491,928	0.2430	0.1525	
	West Peculiar Fire Protection Dist	General Revenue	89,827,312	0.6835	0.6835	93,473,609	0.6835	0.6835	98,379,688	0.6947	0.6947	
		Ambulance	89,827,312	0.2791	0.2791	93,473,609	0.2791	0.2791	98,379,688	0.2837	0.2837	
		Dispatch	89,827,312	0.0481	0.0481	93,473,609	0.0481	0.0481	98,379,688	0.0489	0.0489	
		Debt Service	89,827,312	0.1092	0.1092	93,473,609	0.1127	0.1127	98,379,688	0.1086	0.1086	
	Creighton Fire Protection Dist	General Revenue	8,369,817	0.2373	0.2373	8,561,260	0.2377	0.2373	8,185,005	0.2570	0.2570	
	Western Cass Fire Protection Dist	General Revenue	32,714,669	0.4082	0.4082	34,004,133	0.4082	0.4082	34,775,416	0.4082	0.4082	
		Dispatch	32,714,669	0.0481	0.0481	34,004,133	0.0481	0.0481	34,775,416	0.0481	0.0481	
	Dolan & West Dolan Fire Prot Dist	General Revenue	28,000,651	0.2766	0.2766	28,602,863	0.2766	0.2766	29,236,153	0.2767	0.2767	
	East Lynne-Gunn City Fire Prot Dist	General Revenue	16,192,771	0.2981	0.2981	16,681,357	0.2981	0.2981	17,174,070	0.2981	0.2981	
	Northeast Cass Fire Protection Dist	General Revenue	56,565,784	0.1500	0.1500	56,729,568	0.1500	0.1500	**	**	**	
	Mount Pleasant Fire Protection Dist	General Revenue	59,523,780	0.2856	0.1500	62,920,738	0.2856	0.2500	66,437,042	0.2856	0.2500	
	Pleasant Hill Fire Protection Dist	General Revenue	**	**	**	**	**	**	145,245,692	0.4500	0.4500	A
		Ambulance	**	**	**	**	**	**	145,245,692	0.3000	0.3000	A
	Dikeland Sewer District	General Revenue	1,032,583	0.7063	0.0000	1,037,598	0.7067	0.0000	1,068,823	0.7067	0.0000	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Cass	Cass Co R-V School District	Operating Funds-Schools	26,366,845	3.6341	3.6341	27,791,935	3.6549	3.6549	28,393,970	3.7028	3.4800
		Debt Service	26,366,845	0.8744	0.5159	27,791,935	0.9400	0.4951	28,393,970	0.9031	0.6700
	Strasburg C-3 School District	Operating Funds-Schools	10,214,222	3.9975	3.9975	10,300,468	4.0638	4.0638	11,022,082	4.0715	4.0715
		Debt Service	10,214,222	0.8822	0.8822	10,300,468	1.9609	1.0000	11,022,082	1.3376	1.0000
	Raymore-Peculiar R-II School Dist	Operating Funds-Schools	358,689,653	3.7018	3.7018	382,892,264	3.7127	3.7127	419,229,937	3.7072	3.7072
		Debt Service	358,689,653	2.5880	1.3379	382,892,264	2.6376	1.3270	419,229,937	2.6493	1.3325
	Sherwood Cass R-VIII School Dist	Operating Funds-Schools	45,574,008	3.0515	3.0515	46,532,940	3.0834	3.0834	46,068,136	3.1790	3.1790
		Debt Service	45,574,008	1.0004	1.0000	46,532,940	1.0002	1.0000	46,068,136	1.0000	1.0000
	East Lynne 40 School District	Operating Funds-Schools	11,970,580	4.2919	3.5852	12,509,644	4.3167	3.5053	13,161,131	4.3724	3.5053
		Debt Service	11,970,580	0.2898	0.2898	12,509,644	0.3422	0.3422	13,161,131	0.3690	0.3422
	Pleasant Hill R-III School District	Operating Funds-Schools	118,086,276	3.7606	3.6864	121,781,270	3.7789	3.6345	131,484,779	3.7799	3.4845
		Debt Service	118,086,276	1.6571	1.0481	121,781,270	1.7244	1.1000	131,484,779	1.6538	1.2500
	Harrisonville R-IX School District	Operating Funds-Schools	174,041,386	4.0748	4.0600	176,834,460	4.0941	4.0600	174,099,743	4.2072	4.0600
		Debt Service	174,041,386	1.3052	0.8700	176,834,460	1.2596	0.8700	174,099,743	1.4199	0.8700
	Drexel R-IV School District	Operating Funds-Schools	16,559,806	4.3259	4.1351	16,877,437	4.3719	4.2751	17,259,973	4.3812	4.3800
		Debt Service	16,559,806	1.2093	0.9000	16,877,437	0.7680	0.7600	17,259,973	1.1154	0.6500
	Midway R-I School District	Operating Funds-Schools	36,357,154	4.9025	4.2961	37,407,076	4.9343	4.3753	38,247,456	4.9288	4.3651
		Debt Service	36,357,154	0.6915	0.3615	37,407,076	0.7560	0.3610	38,247,456	1.0299	0.3700
	Belton 124 School District	Operating Funds-Schools	263,089,537	3.9721	3.9721	272,595,023	4.0354	4.0561	286,902,311	4.0419	4.0628 C
		Debt Service	263,089,537	1.7979	1.1800	272,595,023	1.7806	1.1800	286,902,311	2.6399	1.1800
	Cass County	Road & Bridge	1,126,857,075	0.1847	0.1847	949,526,790	0.2480	0.2480	1,001,687,862	0.2480	0.2480
		Senate Bill 40	1,126,857,075	0.0381	0.0381	1,172,590,433	0.0381	0.0381	1,236,252,679	0.0381	0.0381
Cedar	Cedar County Ambulance District	General Revenue	133,177,295	0.1000	0.0000	136,529,920	0.1000	0.0000	152,947,539	0.0948	0.0000
	Cedar County Memorial Hospital	General Revenue	133,177,295	0.1500	0.1500	136,529,920	0.1500	0.1500	152,947,539	0.1422	0.1422
	Bear Creek Spec Rd Dist Cedar Co	Special Road and Bridge	4,606,225	0.3488	0.3488	4,864,858	0.3500	0.3500 A	5,391,816	0.3303	0.3303
	Bethel Special Road Dist Cedar Co	Special Road and Bridge	766,027	0.3500	0.3500	781,714	0.3500	0.3500 A	863,418	0.3298	0.3298
	Caplinger Mills Sp Rd Dist Cedar Co	Special Road and Bridge	2,388,072	0.3443	0.3443	2,578,406	0.3500	0.3500 A	2,791,079	0.3426	0.3426
	Cedar Hall Spec Rd Dist Cedar Co	Special Road and Bridge	882,645	0.3500	0.3500	890,587	0.3500	0.3500 A	964,497	0.3393	0.3393
	Dunnegan Spec Rd Dist Cedar Co	Special Road and Bridge	1,052,380	0.3432	0.3432	**	**	**	**	**	**
	Eldorado Spgs Spec Rd Dist Cedar Co	Special Road and Bridge	42,307,417	0.3500	0.3500	42,767,700	0.3500	0.3500 A	47,979,661	0.3335	0.3335
	Independence Sp Rd Dist Cedar Co	Special Road and Bridge	802,139	0.3500	0.3500	940,820	0.3500	0.3500 A	1,096,232	0.3260	0.3260
	Jerico Springs Sp Rd Dist Cedar Co	Special Road and Bridge	771,597	0.3500	0.3500	**	**	**	**	**	**
	Koncord Spec Rd Dist Cedar Co	Special Road and Bridge	2,920,660	0.3271	0.3271	2,906,011	0.3500	0.3500 A	3,719,797	0.3082	0.3082
	Madison Spec Rd Dist Cedar Co	Special Road and Bridge	1,308,701	0.3500	0.3500	1,377,358	0.3500	0.3500 A	1,594,304	0.3260	0.3260
	Masters Spec Rd Dist Cedar Co	Special Road and Bridge	1,940,942	0.3465	0.3465	1,998,985	0.3500	0.3500 A	2,091,354	0.3474	0.3474
	Omer Special Road Dist Cedar Co	Special Road and Bridge	955,404	0.3500	0.3500 A	988,325	0.3500	0.3500	1,072,355	0.3425	0.3425
	Rowland Special Road Dist Cedar Co	Special Road and Bridge	4,756,109	0.3500	0.3500	4,927,918	0.3500	0.3500 A	5,571,266	0.3290	0.3290
	Dogwood Special Road District	Common Road District	672,385	0.3500	0.3500	652,285	0.3500	0.3500	771,050	0.3287	0.3287

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Cedar	City of El Dorado Springs	General Revenue	27,654,881	0.5481	0.5365	27,835,017	0.5481	0.5481	31,825,526	0.5207	0.5207
		Band	27,654,881	0.1320	0.0955	27,835,017	0.1320	0.0998	31,825,526	0.1254	0.0954
		Park	27,654,881	0.2030	0.1987	27,835,017	0.2030	0.2030	31,825,526	0.1928	0.1928
		Recreation	27,654,881	0.1000	0.0993	27,835,017	0.1000	0.1000	31,825,526	0.0950	0.0950
	Village of Jerico Springs	General Revenue	769,326	0.5000	0.5000	770,511	0.5000	0.5000	879,411	0.4706	0.4706
	City of Stockton	General Revenue	21,082,093	0.4184	0.4184	21,346,236	0.4281	0.4281	23,436,959	0.4060	0.4060
		Parks & Recreation	21,082,093	0.0996	0.0996	21,346,236	0.1019	0.1019	23,436,959	0.0966	0.0000
	Village of Umber View Heights	General Revenue	685,680	0.2272	0.2272	699,544	0.2272	0.2272	761,565	0.2140	0.2140
	Cedar County Library District	General Revenue	133,177,295	0.0800	0.0800	136,529,920	0.0800	0.0800	152,947,539	0.0758	0.0737
	Chapel Hills Fire Protection Dist	General Revenue	**	**	**	**	**	**	19,041,300	0.2000	0.2000 A
	Korth Special Road Subdistrict	Special Road and Bridge	2,416,561	0.3329	0.3329	2,712,020	0.3500	0.3500 A	2,756,560	0.3500	0.3500
	Stockton R-I School District	Operating Funds-Schools	70,254,816	2.7500	2.7500	72,262,037	3.6400	3.6400 B	81,318,410	3.4277	3.4277
	El Dorado Springs R-II School Dist	Operating Funds-Schools	69,506,970	3.1697	2.7500	71,221,153	3.1819	2.7500	79,462,454	3.0510	2.7500
		Debt Service	69,506,970	0.4937	0.4900	71,221,153	0.4914	0.4900	79,462,454	0.4902	0.4900
	Cedar County	General Revenue	133,177,295	0.3199	0.1511	136,529,920	0.3199	0.1399	152,947,539	0.3032	0.1594
		Road & Bridge	133,177,295	0.2399	0.2399	136,529,920	0.2399	0.2399	152,947,539	0.2274	0.2274
		Senior Services	**	**	**	136,529,920	0.0500	0.0500 A	152,947,539	0.0474	0.0474
Chariton	Chariton County Ambulance District	General Revenue	111,046,353	0.2583	0.2500	114,873,030	0.2583	0.2400	120,980,464	0.2583	0.2400
	City of Brunswick	General Revenue	5,785,753	0.8636	0.8636	6,034,813	0.8636	0.8636	6,253,665	0.8636	0.8636
	Village of Dalton	General Revenue	389,982	0.5000	0.5000	431,027	0.4990	0.4990	436,202	0.4990	0.4990
	City of Keytesville	General Revenue	2,478,275	0.8283	0.8283	2,523,843	0.8283	0.8283	2,555,238	0.8283	0.8283
		Parks & Recreation	2,478,275	0.2000	0.2000	2,523,843	0.2000	0.2000	2,555,238	0.2000	0.2000
	City of Mendon	General Revenue	1,159,310	0.8332	0.8332	1,183,558	0.8331	0.8331	1,238,430	0.8410	0.8410
	Village of Rothville	General Revenue	256,883	0.9125	0.7300	264,433	0.9431	0.7300	289,450	0.9039	0.7300
	City of Salisbury	General Revenue	12,837,826	0.7182	0.7182	13,014,392	0.7182	0.7182	14,352,639	0.6994	0.6994
		Parks & Recreation	12,837,826	0.1720	0.1720	13,014,392	0.1720	0.1720	14,352,639	0.1675	0.1675
		Library	12,837,826	0.1000	0.1000	13,014,392	0.1000	0.1000	14,352,639	0.0974	0.0974
		Museum	12,837,826	0.1315	0.1315	13,014,392	0.1315	0.1315	14,352,639	0.1281	0.1281
	City of Sumner	General Revenue	761,421	1.0000	1.0000	784,680	1.0000	1.0000	745,303	1.0000	1.0000
		Streets	761,421	0.2500	0.2500	784,680	0.2500	0.2500	745,303	0.2500	0.2500 A
	City of Triplett	General Revenue	319,399	0.9921	0.9921	316,334	1.0000	1.0000	333,971	0.9998	0.9998
	Bee Branch Township of Chariton Co	Road & Bridge	3,532,854	0.5000	0.5000	3,745,835	0.5000	0.5000	3,845,187	0.5000	0.5000
		Special Road and Bridge	3,532,854	0.3500	0.3500	3,745,835	0.3500	0.3500	3,845,187	0.3500	0.3500 A
	Bowling Green Township, Chariton Co	Road & Bridge	4,586,870	0.3481	0.3481	4,771,341	0.3476	0.3476	4,903,053	0.3476	0.3476
		Special Road and Bridge	4,586,870	0.3351	0.3351	4,771,341	0.3346	0.3346	4,903,053	0.3346	0.3346 A
	Brunswick Township of Chariton Co	Road & Bridge	15,028,324	0.4924	0.4924	15,774,193	0.4924	0.4924	17,772,612	0.4924	0.4924
		Special Road and Bridge	15,028,324	0.1576	0.1576 A	15,774,193	0.1576	0.1576	17,772,612	0.1576	0.1576
	Chariton Township of Chariton Co	Road & Bridge	6,240,439	0.3252	0.3252	6,492,495	0.3252	0.3252	6,570,136	0.3271	0.3271

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Chariton	Chariton Township of Chariton Co	Special Road and Bridge	6,240,439	0.2137	0.2137 A	6,492,495	0.2137	0.2137	6,570,136	0.2137	0.2137
	Clark Township of Chariton Co	Road & Bridge	5,099,620	0.5000	0.5000	5,201,629	0.5000	0.5000	5,507,266	0.4979	0.4979
		Special Road and Bridge	5,099,620	0.3500	0.3500	5,201,629	0.3500	0.3500 A	5,507,266	0.3485	0.3485
	Cockrell Township of Chariton Co	Road & Bridge	2,690,705	0.5000	0.5000	2,779,509	0.5000	0.5000	2,803,224	0.5000	0.5000
		Special Road and Bridge	2,690,705	0.3500	0.3500	2,779,509	0.3500	0.3500	2,803,224	0.3500	0.3500 A
	Cunningham Township of Chariton Co	Road & Bridge	5,255,295	0.4927	0.4927	5,456,719	0.4927	0.4927	5,551,335	0.4927	0.4927
		Special Road and Bridge	5,255,295	0.2956	0.2956 A	5,456,719	0.2956	0.2956	5,551,335	0.2956	0.2956
	Keytesville Township of Chariton Co	Road & Bridge	10,750,225	0.3937	0.3937	11,218,044	0.3937	0.3937	11,345,864	0.3937	0.3937
		Special Road and Bridge	10,750,225	0.3436	0.3436	11,218,044	0.3436	0.3436	11,345,864	0.3436	0.3436 A
	Mendon Township of Chariton Co	Road & Bridge	5,364,043	0.4948	0.4948	5,545,880	0.4948	0.4948	5,778,083	0.4948	0.4948
		Special Road and Bridge	5,364,043	0.3500	0.3500 A	5,545,880	0.3500	0.3500	5,778,083	0.3500	0.3500
	Musselfork Township of Chariton Co	Road & Bridge	5,154,803	0.3378	0.3378	5,191,940	0.3378	0.3378	5,425,085	0.3368	0.3368
		Special Road and Bridge	5,154,803	0.2300	0.2300 A	5,191,940	0.2300	0.2300	5,425,085	0.2293	0.2293
	Salisbury Township of Chariton Co	Road & Bridge	30,552,327	0.4985	0.4985	31,461,740	0.4985	0.4985	33,677,144	0.4920	0.4920
		Special Road and Bridge	30,552,327	0.1495	0.1495	31,461,740	0.1495	0.1495	33,677,144	0.1495	0.1495 A
	Salt Creek Township of Chariton Co	Road & Bridge	3,728,081	0.4575	0.4575	3,887,449	0.4575	0.4575	3,905,135	0.4605	0.4605
		Special Road and Bridge	3,728,081	0.3203	0.3203 A	3,887,449	0.3203	0.3203	3,905,135	0.3203	0.3203
	Triplett Township of Chariton Co	Road & Bridge	4,705,492	0.4890	0.4890	4,836,044	0.4890	0.4890	4,970,314	0.4890	0.4890
		Special Road and Bridge	4,705,492	0.3423	0.3423 A	4,836,044	0.3423	0.3423	4,970,314	0.3423	0.3423
	Wayland Township of Chariton Co	Road & Bridge	3,610,153	0.5000	0.5000	3,636,475	0.5000	0.5000	3,671,856	0.5000	0.5000
		Special Road and Bridge	3,610,153	0.2000	0.2000 A	3,636,475	0.2000	0.2000	3,671,856	0.2000	0.2000
	Yellow Creek Twsp of Chariton Co	Road & Bridge	4,747,122	0.5000	0.5000	4,873,737	0.5000	0.5000	5,254,170	0.4920	0.4920
		Special Road and Bridge	4,747,122	0.3477	0.3477	4,873,737	0.3477	0.3477	5,254,170	0.3477	0.3477 A
	Keytesville Fire Protection Dist	General Revenue	14,970,037	0.1969	0.1969	15,605,117	0.1969	0.1969	15,881,202	0.1969	0.1969
	Mendon Fire Protection District	General Revenue	10,917,407	0.2903	0.2500	11,290,830	0.2903	0.2500	11,604,196	0.2903	0.2000
	Sumner Community Fire Prot Dist	General Revenue	4,483,346	0.3000	0.3000	4,656,298	0.3000	0.3000	4,731,817	0.3000	0.3000
	Yellow Creek Fire Protection Dist	General Revenue	3,833,711	0.3000	0.2200	3,923,854	0.3000	0.2500	4,281,383	0.2944	0.2900
	Northwestern R-I School District	Operating Funds-Schools	11,621,932	4.0404	4.0404	11,957,628	4.1586	4.1586	12,500,989	3.9738	3.9738
		Debt Service	11,621,932	0.9875	0.9875	11,957,628	1.1769	0.9900	12,500,989	1.0106	0.9900
	Brunswick R-II School District	Operating Funds-Schools	14,232,639	3.7009	3.7009	14,566,898	3.7168	3.6168	16,633,217	3.6536	3.6136
		Debt Service	14,232,639	0.6664	0.3900	14,566,898	0.4634	0.3900	16,633,217	0.4501	0.3900
	Keytesville R-III School District	Operating Funds-Schools	12,050,262	4.2455	4.2455	12,340,967	4.1808	4.0400	12,582,042	4.0475	3.9900
	Salisbury R-IV School District	Operating Funds-Schools	36,987,038	3.6373	3.6373	37,753,247	3.5926	3.5926	40,517,579	5.0826	5.0200 B
	Chariton County	General Revenue	111,046,353	0.3974	0.2850	114,873,030	0.3974	0.2850	120,980,464	0.3974	0.2850
		Health	111,046,353	0.0993	0.0993	114,873,030	0.0993	0.0993	120,980,464	0.0993	0.0993
		Senate Bill 40	111,046,353	0.0993	0.0700	114,873,030	0.0993	0.0800	120,980,464	0.0993	0.0900
		Township	111,046,353	0.0993	0.0993	114,873,030	0.0993	0.0993	120,980,464	0.0993	0.0993
Christian	Christian County Ambulance District	General Revenue	652,226,558	0.1303	0.1303	718,612,683	0.1303	0.1303	794,471,800	0.1300	0.1300

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Christian	Billings Spec Rd Dist Christian Co	Road & Bridge	33,843,614	0.2055	0.2000	36,227,749	0.2079	0.2000		39,404,066	0.2079	0.2000
		Special Road and Bridge	33,843,614	0.3376	0.1600	36,227,749	0.3500	0.1600	A	39,404,066	0.3500	0.1600
	Garrison Spec Rd Dist Christian Co	Road & Bridge	1,247,084	0.2275	0.0000	1,336,485	0.2278	0.0000		1,388,821	0.2278	0.0000
	Nixa Special Road Dist Christian Co	Road & Bridge	166,094,790	0.0930	0.0930	190,332,943	0.0930	0.0930		210,685,348	0.0930	0.0930
	Ozark Spec Rd Dist Christian Co	Road & Bridge	242,528,128	0.1455	0.1425	266,938,316	0.1455	0.1400		273,739,153	0.1528	0.1400
	Selmore Spec Rd Dist Christian Co	Road & Bridge	11,871,219	0.1786	0.1786	13,190,908	0.1786	0.1786		14,447,919	0.1777	0.1777
	South Sparta Road Dist Christian Co	Road & Bridge	7,996,508	0.1699	0.1699	8,159,617	0.1699	0.1699		8,499,916	0.1707	0.1707
	Stoneshire Sp Rd Dist Christian Co	Road & Bridge	2,283,214	0.1420	0.1420	2,473,340	0.1426	0.1426		2,592,734	0.1426	0.1426
	City of Billings	General Revenue	8,181,071	0.5527	0.5527	8,241,922	0.5527	0.5527		8,175,899	0.5614	0.5614
		Parks & Recreation	8,181,071	0.1605	0.1605	8,241,922	0.1605	0.1605		8,175,899	0.1630	0.1630
	City of Clever	General Revenue	10,521,669	0.6218	0.6218	11,454,641	0.6218	0.6218		13,858,749	0.6218	0.6218
	City of Nixa	General Revenue	137,581,394	0.3257	0.3257	157,785,009	0.3257	0.3257		175,969,737	0.3257	0.3257
	City of Ozark	General Revenue	131,230,279	0.2376	0.2376	144,599,357	0.2376	0.2376		164,602,698	0.2353	0.2353
		Parks & Recreation	131,230,279	0.0594	0.0594	144,599,357	0.0594	0.0594		164,602,698	0.0588	0.0588
	City of Sparta	General Revenue	9,202,283	0.3798	0.3798	10,331,849	0.3798	0.3798		11,730,701	0.3762	0.3762
	City of Fremont Hills	General Revenue	14,767,101	0.6119	0.3612	15,980,936	0.6119	0.4142		17,580,314	0.6119	0.4548
		Debt Service	14,767,101	0.3488	0.3488	15,980,936	0.3458	0.3458		17,580,314	0.3052	0.3052
	Christian County Library District	General Revenue	722,147,609	0.0872	0.0872	794,220,112	0.0872	0.0872		879,944,735	0.0870	0.0870
	Ozark Rural Fire Protection Dist	General Revenue	288,127,873	0.2188	0.2188	317,789,646	0.2188	0.2188		350,643,629	0.3888	0.3888
	Nixa Fire Protection District	General Revenue	278,921,420	0.6338	0.6338	309,698,776	0.6338	0.6338		342,677,495	0.6338	0.6338
	Billings Fire Protection District	General Revenue	40,747,535	0.3933	0.3933	42,740,414	0.3956	0.3956		47,056,408	0.3939	0.3939
	Clever Fire Protection District	General Revenue	42,677,736	0.3861	0.3861	46,760,772	0.3861	0.3861		51,716,170	0.3784	0.3784
	Highlandville Fire Protection Dist	General Revenue	49,215,211	0.2453	0.2453	53,019,865	0.3953	0.3953		61,035,842	0.3765	0.3765
	Sparta Fire Protection District	General Revenue	28,693,572	0.2728	0.2728	30,998,987	0.2728	0.2728		33,041,773	0.2728	0.2728
	Chadwick Rural Fire Protection Dist	General Revenue	7,902,562	0.2955	0.2955	7,992,450	0.2960	0.2960		8,399,393	0.2960	0.2960
	Chadwick R-I School District	Operating Funds-Schools	9,269,749	3.0732	3.0732	9,475,894	3.5732	3.5732	B	10,219,921	3.5780	3.5707
		Debt Service	9,269,749	1.6265	1.6265	9,475,894	1.1265	1.1265		10,219,921	1.1937	1.1290
	Nixa R-II School District	Operating Funds-Schools	279,097,785	3.2434	3.2434	B 310,317,814	3.2434	3.2434		344,165,209	3.2434	3.2434
		Debt Service	279,097,785	1.5843	1.0666	310,317,814	1.2892	1.0666		344,165,209	1.2609	1.0666
	Sparta R-III School District	Operating Funds-Schools	27,100,387	2.7500	2.7500	29,136,026	2.7500	2.7500		31,126,383	2.7500	2.7500
		Debt Service	26,979,949	0.8080	0.7500	29,136,026	0.8585	0.7500		30,948,995	1.4375	0.7500
	Billings R-IV School District	Operating Funds-Schools	23,503,231	3.0458	3.0448	24,543,573	3.1479	3.1452		27,141,418	3.1190	3.1190
		Debt Service	23,503,231	0.6298	0.5565	24,543,573	0.4243	0.4243		27,141,418	1.2303	0.8500
	Clever R-V School District	Operating Funds-Schools	38,927,798	2.9080	2.9080	43,405,004	2.8946	2.8946		50,845,924	3.5446	3.5446 B
		Debt Service	38,927,798	0.6800	0.6324	43,405,004	0.5972	0.5972		50,845,924	1.0914	0.9000
	Ozark R-VI School District	Operating Funds-Schools	272,128,519	3.0406	3.0406	299,627,722	3.0480	3.0480		329,144,309	3.0639	3.0639
		Debt Service	272,128,519	1.3149	1.0994	299,627,722	1.3130	1.0920		329,144,309	1.5293	1.0761
	Spokane R-VII School District	Operating Funds-Schools	37,803,858	3.4709	3.4709	40,852,803	3.5225	3.4709		47,322,491	3.3678	3.3678

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Christian	Spokane R-VII School District	Debt Service	37,803,858	1.2463	0.8968	40,852,803	1.1790	0.8968	47,322,491	0.9239	0.8968
	Christian County	General Revenue	722,147,609	0.2180	0.0000	794,220,112	0.2180	0.0000	879,944,735	0.2175	0.0000
		Health	722,147,609	0.0436	0.0436	794,220,112	0.0436	0.0436	879,944,735	0.0435	0.0435
		Senate Bill 40	722,147,609	0.0785	0.0785	794,220,112	0.0785	0.0785	879,944,735	0.0783	0.0783
		Senior Services	722,147,609	0.0005	0.0462 E	794,220,112	0.0005	0.0462 E	879,944,735	0.0005	0.0462 E
		Common #1 Road & Bridge	78,060,903	0.1896	0.0000	84,928,436	0.1896	0.0000	93,457,851	0.1896	0.0000
		Common #2 Road & Bridge	178,222,149	0.0713	0.0000	190,632,312	0.0713	0.0000	213,856,197	0.0695	0.0000
Clark	Clark County Ambulance District	General Revenue	74,316,421	0.3000	0.3000	77,414,098	0.3000	0.3000	87,009,781	0.2848	0.2848
	Clark County Nursing Home District	General Revenue	74,316,421	0.1200	0.1200	77,414,098	0.1200	0.1200	87,009,781	0.1139	0.1139
	Wayland Special Rd Dist Clark Co	Road & Bridge	8,882,281	0.3500	0.3500	9,898,409	0.3335	0.3335	13,063,202	0.3209	0.3209
	City of Alexandria	General Revenue	1,010,614	1.0000	0.8000	1,161,254	0.9412	0.8000	1,296,957	0.8986	0.8000
	City of Kahoka	General Revenue	13,577,238	0.7756	0.7756	13,898,449	0.7762	0.7762	16,194,677	0.6995	0.6995
		Parks & Recreation	13,577,238	0.1500	0.1500	13,898,449	0.1500	0.1500	16,194,677	0.1352	0.1352
		Library	13,577,238	0.2400	0.2400	13,898,449	0.2400	0.2400	16,194,677	0.2163	0.2163
	Village of Luray	General Revenue	299,054	0.5999	0.5999	280,602	0.6000	0.6000	304,296	0.5825	0.5825
	City of Wayland	General Revenue	2,556,477	0.6183	0.6183	2,671,578	0.6183	0.6183	5,318,859	0.5778	0.5778
		Streets	2,556,477	0.2387	0.2387	2,671,578	0.2387	0.2387	5,318,859	0.2231	0.2231
	City of Wyaconda	General Revenue	1,333,086	0.8481	0.8481	1,582,480	0.8505	0.8505	1,442,247	0.9349	0.9349
	Village of Revere	General Revenue	483,316	1.0000	1.0000	532,221	0.9999	0.9999	548,968	1.0000	1.0000
	Clark County Library	General Revenue	60,739,182	0.1000	0.1000	63,515,648	0.1000	0.1000	70,815,082	0.0960	0.0960
	Alexandria Fire Protection Dist	General Revenue	6,197,692	0.3000	0.3000	7,178,459	0.2712	0.2712	7,545,288	0.2660	0.2660
	Wyaconda C-1 School District	Operating Funds-Schools	3,542,190	4.7500	4.7500	3,784,966	4.7264	4.7258	3,761,720	4.7500	4.7500
	Revere C-3 School District	Operating Funds-Schools	5,567,382	4.9200	4.9200	5,764,477	4.9200	4.9200	6,281,870	4.6995	4.6995
	Luray 33 School District	Operating Funds-Schools	3,767,030	4.2500	4.2500	3,791,632	4.1832	4.1832	4,204,503	4.0717	4.0717
	Clark Co. R-I School District	Operating Funds-Schools	49,760,459	3.2015	2.7500	51,349,231	3.0911	2.7500	59,853,531	2.8953	2.7500
		Debt Service	49,760,459	1.0986	0.7500	51,349,231	1.2552	0.7500	59,853,531	1.0763	0.7500
	Clark County	General Revenue	74,316,421	0.5000	0.3500	77,414,098	0.5000	0.3562	87,009,781	0.4746	0.3359
		Road & Bridge	65,434,141	0.3500	0.3500	67,515,689	0.3500	0.3500	73,946,579	0.3316	0.3316
		Special Road and Bridge	65,434,141	0.3500	0.3500 A	67,515,689	0.3500	0.3500	73,946,579	0.3316	0.3316
		Health	74,316,421	0.1000	0.1000	77,414,098	0.1000	0.1000	87,009,781	0.0949	0.0949
Clay	Eastern Clay County Ambulance Dist	General Revenue	25,817,961	0.2960	0.2960	28,729,518	0.2840	0.2840	30,393,650	0.2799	0.2799
	New Liberty Hospital District	General Revenue	859,591,276	0.1265	0.1265	904,011,057	0.1269	0.1269	900,641,187	0.1343	0.1343
	City of Avondale	General Revenue	4,256,555	0.4000	0.4000	4,325,238	0.4000	0.3999	4,444,961	0.3994	0.3994
		Debt Service	4,256,555	0.6549	0.6549	4,325,238	0.5896	0.5895	4,444,961	0.6974	0.6974
	Village of Birmingham	General Revenue	2,825,969	0.2537	0.2537	2,854,817	0.2537	0.2537	3,086,816	0.2436	0.2436
	Village of Claycomo	General Revenue	207,207,431	0.3300	0.3300	194,831,783	0.3300	0.3300	113,738,881	0.3300	0.3300
		Debt Service	**	**	**	194,831,783	0.0834	0.0834	113,738,881	0.1435	0.1435
	City of Excelsior Springs	General Revenue	120,369,704	0.5720	0.5720	124,131,526	0.5720	0.5720	128,960,941	0.5720	0.5720

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Clay	City of Excelsior Springs	Hospital	123,878,754	0.1604	0.1604	127,640,576	0.1604	0.1604	132,465,081	0.1604	0.1604
		Parks	123,878,754	0.1604	0.1604	127,640,576	0.1604	0.1604	132,465,081	0.1604	0.1604
		Recreation	123,878,754	0.1604	0.1604	127,640,576	0.1604	0.1604	132,465,081	0.1604	0.1604
	City of Gladstone	General Revenue	362,135,588	0.9291	0.9291	365,234,667	0.9291	0.9291	See Appendix VI		
	City of Glenaire	General Revenue	6,090,910	0.5976	0.5976	6,088,444	0.5976	0.5976	6,257,663	0.5976	0.5976
	City of Holt	General Revenue	4,668,871	0.4313	0.4313	4,873,502	0.4313	0.4313	5,067,240	0.4313	0.4313
	City of Kearney	General Revenue	104,981,592	0.7075	0.5900	114,181,618	0.7075	0.5900	127,667,063	0.6891	0.5800
		Debt Service	104,981,592	0.0515	0.0500	114,181,618	0.0519	0.0500	127,667,063	0.0518	0.0500
	City of Liberty	General Revenue	432,482,616	0.8225	0.8225	444,692,432	0.8225	0.8225	482,933,053	0.7955	0.7955
		Parks & Recreation	432,482,616	0.1451	0.1451	444,692,432	0.1451	0.1451	482,933,053	0.1403	0.1403
	City of Missouri City	General Revenue	1,869,125	0.9000	0.9000	1,691,214	0.9000	0.9000	2,111,321	0.9000	0.9000
	City of Mosby	General Revenue	2,120,573	0.4875	0.4875	2,213,465	0.4864	0.4864	2,341,358	0.4864	0.4864
	City of North Kansas City	General Revenue	292,623,927	0.3386	0.3200	307,645,434	0.3386	0.3200	315,543,863	0.3386	0.3200
		Parks & Recreation	292,623,927	0.1200	0.1192	307,645,434	0.1200	0.1192	315,543,863	0.1200	0.1192
		Library	292,623,927	0.1949	0.1949	307,645,434	0.1949	0.1949	315,543,863	0.1949	0.1949
		Pension	292,623,927	0.2052	0.2052	307,645,434	0.2052	0.2052	315,543,863	0.2052	0.2052
	Village of Oaks	General Revenue	2,537,841	0.4127	0.4127	2,607,377	0.4127	0.4127	2,655,532	0.4127	0.4127
		Fire	**	**	**	2,607,377	0.3000	0.2939 A	2,655,532	0.3000	0.3000
		Fire	2,537,841	0.2939	0.2939	**	**	**	**	**	**
	Village of Oakview	General Revenue	6,046,455	0.4208	0.4208	6,082,655	0.4208	0.4208	6,427,954	0.4085	0.4085
		Fire	6,046,455	0.1087	0.1087	6,082,655	0.1087	0.1087	6,427,954	0.1055	0.1055
		Fire & Amb Temp	6,046,455	0.2959	0.2959	6,082,655	0.2959	0.2959	6,427,954	0.2873	0.2873
	Village of Oakwood	General Revenue	4,358,870	0.2826	0.2800	4,336,157	0.2826	0.2800	4,417,507	0.2826	0.2800
		Fire	4,358,870	0.3000	0.3000	4,336,157	0.3000	0.3000 A	4,417,507	0.3000	0.3000
		General Revenue - Temp	**	**	**	4,336,157	0.2200	0.2200 A	4,417,507	0.2200	0.2200
		General Revenue-Temp	4,358,870	0.2300	0.2200	**	**	**	**	**	**
	Village of Oakwood Park	General Revenue	2,550,239	0.2406	0.2406	2,536,224	0.2419	0.2419	2,590,478	0.2432	0.2432
	City of Pleasant Valley	General Revenue	39,542,285	0.6443	0.6443	39,626,855	0.6464	0.6464	44,020,718	0.6270	0.6208
	Village of Prathersville	General Revenue	2,194,557	0.3018	0.3018	2,226,523	0.3018	0.3018	2,481,442	0.2805	0.2805
	City of Randolph	General Revenue	6,671,691	0.3730	0.3730	6,395,998	0.3891	0.3891	5,671,273	0.4388	0.4388
	City of Smithville	General Revenue	**	**	**	**	**	**	127,476,724	0.4487	0.4487
	Kearney Fire Protection District	General Revenue	223,186,082	0.5124	0.5124	236,534,350	0.5124	0.5124	257,087,087	0.5067	0.5067
		Ambulance	223,186,082	0.2646	0.2646	236,534,350	0.2646	0.2646	257,087,087	0.2616	0.2616
		Dispatch	223,186,082	0.0285	0.0285	236,534,350	0.0285	0.0285	257,087,087	0.0282	0.0282
	Holt Community Fire Protection Dist	General Revenue	61,602,848	0.2684	0.2684	62,338,289	0.2689	0.2689	66,216,057	0.5689	0.5689
		Ambulance	61,602,848	0.2684	0.2684	62,338,289	0.2689	0.2689	66,216,057	0.2639	0.2639
	Fishing River Fire Protection Dist	General Revenue	41,951,561	0.2729	0.2729	43,419,761	0.2729	0.2729	45,112,563	0.2729	0.2729
	Clay County Health Center	General Revenue	3,330,873,375	0.0995	0.0995	3,469,942,844	0.0995	0.0995	3,582,346,415	0.0995	0.0995

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Clay	Developmental Disabilities Resource	General Revenue	3,330,873,375	0.1191	0.1191	3,469,942,844	0.1191	0.1191	3,582,346,415	0.1191	0.1191
	Clay Platte Ray Mental Health Board	General Revenue	3,330,873,375	0.0974	0.0974	3,469,942,844	0.0974	0.0974	3,582,346,415	0.0974	0.0963
	The 210 Hwy Trans Development Dist	General Revenue	55,549,681	0.0997	0.0541	56,486,511	0.0997	0.0532	53,413,254	0.1000	0.0561
	Tower Transportation Dev Dist	General Revenue	**	**	**	**	**	**	649,630	0.1000	0.1000 A
	Kearney R-I School District	Operating Funds-Schools	258,893,511	3.3925	3.3925	271,758,488	3.4195	3.4195	293,947,375	3.3420	3.3420
		Debt Service	258,893,511	1.2365	1.1500	271,758,488	1.6937	1.1500	293,947,375	1.7324	1.1500
	Smithville R-II School District	Operating Funds-Schools	162,827,476	3.3340	3.3340	173,663,887	3.3244	3.3244	194,682,631	3.2247	3.2247
		Debt Service	162,827,476	1.2527	0.9600	173,663,887	1.0090	0.9600	194,682,631	1.5982	0.9600
	Excelsior Springs 40 School Dist	Operating Funds-Schools	191,122,974	3.9817	3.9473	196,064,149	4.0092	3.9473	204,341,957	4.0055	3.9473
		Debt Service	191,122,974	0.7281	0.7200	196,064,149	1.1801	0.8200	204,341,957	0.9628	0.8200
	Liberty 53 School District	Operating Funds-Schools	618,579,388	4.7336	4.7336	674,411,384	4.7244	4.6500	750,177,180	4.6450	4.6450
		Debt Service	618,579,388	2.2587	0.9064	674,411,384	2.1107	0.9900	750,177,180	1.3513	0.9950
	Missouri City 56 School District	Operating Funds-Schools	5,837,913	4.2919	3.8365	5,942,438	4.3163	3.9442	6,283,284	4.3291	3.9687
	North Kansas City 74 School Dist	Operating Funds-Schools	2,013,497,387	4.5998	4.5998 B	2,064,023,951	4.5998	4.5998	2,054,931,705	4.8698	4.8698 B
		Debt Service	2,013,497,387	1.0200	1.0200	2,064,023,951	1.0200	1.0200	2,054,931,705	1.0200	1.0200
	Clay County	General Revenue	3,330,873,375	0.0000	0.0000	3,469,942,844	0.0000	0.0000	3,582,346,415	0.2713	0.0000
		Parks & Recreation	3,330,873,375	0.0000	0.0000	3,469,942,844	0.0000	0.0000	3,582,346,415	0.0992	0.0000
		Road & Bridge	3,330,873,375	0.0000	0.0000	3,469,942,844	0.0000	0.0000	3,582,346,415	0.2713	0.2400
		Senior Services	3,330,873,375	0.0499	0.0499	3,469,942,844	0.0499	0.0499	3,582,346,415	0.0499	0.0499
Clinton	Cameron Ambulance District	General Revenue	87,606,596	0.1897	0.1897	90,719,142	0.1897	0.1897	95,749,013	0.1896	0.1896
	Tri-County Ambulance District	General Revenue	148,120,217	0.2700	0.2700	153,483,121	0.2700	0.2700	167,270,016	0.2626	0.2626
	Cameron Spec Rd Dist Clinton Co	Road & Bridge	51,794,354	0.2458	0.2458	53,368,090	0.2458	0.2458	57,311,668	0.2415	0.2415
		Special Road and Bridge	51,794,354	0.3410	0.3410	53,368,090	0.3500	0.3500 A	57,311,668	0.3439	0.3439
	Plattsburg Spec Rd Dist Clinton Co	Road & Bridge	34,503,389	0.2614	0.2614	34,866,530	0.2614	0.2614	37,639,698	0.2524	0.2524
		Special Road and Bridge	34,503,389	0.3500	0.3500	34,866,530	0.3500	0.3500	37,639,698	0.3500	0.3500 A
	City of Cameron	General Revenue	62,067,060	0.5852	0.5852	64,045,787	0.5852	0.5852	67,640,501	0.5811	0.5811
		Parks & Recreation	62,067,060	0.1438	0.1438	64,045,787	0.1438	0.1438	67,640,501	0.1428	0.1428
		Library	62,067,060	0.1644	0.1644	64,045,787	0.1644	0.1644	67,640,501	0.1633	0.1633
		Band Revenue	62,067,060	0.0821	0.0821	64,045,787	0.0821	0.0821	67,640,501	0.0815	0.0815
	City of Gower	General Revenue	12,572,779	0.5341	0.5341	12,935,861	0.5342	0.5342	13,571,252	0.5293	0.5293
	City of Lathrop	General Revenue	17,772,430	0.5761	0.5761	18,446,345	0.5761	0.5761	20,085,301	0.5489	0.5489
		Parks & Recreation	17,772,430	0.1516	0.1516	18,446,345	0.1516	0.1516	20,085,301	0.1445	0.1445
		Debt Service	17,772,430	0.3592	0.3592	18,446,345	0.3445	0.3445	20,085,301	0.2872	0.2872
	City of Plattsburg	General Revenue	24,210,842	0.5641	0.5641	24,494,159	0.5643	0.5643	26,670,575	0.5417	0.5417
		Lights	24,210,842	0.2500	0.0825 A	24,494,159	0.2500	0.0825	26,670,575	0.2400	0.0825
		Police	24,210,842	0.2140	0.2140	24,494,159	0.2141	0.2141	26,670,575	0.2055	0.2054
		Cemetery-temp	24,210,842	0.0200	0.0200 A	24,494,159	0.0200	0.0193	26,670,575	0.0192	0.0185
		Park	24,210,842	0.1362	0.1362	24,494,159	0.1362	0.1362	26,670,575	0.1307	0.1307

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Clinton	City of Plattsburg	Recreation	24,210,842	0.0483	0.0483	24,494,159	0.0483	0.0483	26,670,575	0.0464	0.0464	
	City of Trimble	General Revenue	5,578,815	0.3347	0.3347	5,885,164	0.3358	0.3358	6,389,875	0.3252	0.3252	
		Debt Service	5,578,815	0.5504	0.5504	5,885,164	0.8195	0.7855	6,389,875	0.3952	0.3952	
	Village of Turney	General Revenue	1,043,418	0.3538	0.3538	1,109,993	0.3558	0.3558	1,209,831	0.3396	0.3396	
	Gower Fire Protection District	General Revenue	29,548,435	0.2628	0.2628	30,689,215	0.2633	0.2633	32,782,103	0.2619	0.2619	
	Lathrop Fire Protection District	General Revenue	40,743,867	0.2672	0.2672	41,370,421	0.2733	0.2733	46,078,240	0.2573	0.2573	
	Plattsburg Fire Protection District	General Revenue	48,391,563	0.2359	0.2359	49,125,846	0.2359	0.2359	53,040,680	0.3500	0.3500	
	Cameron Fire Protection District	General Revenue	32,773,497	0.2712	0.2712	34,111,749	0.2712	0.2712	36,922,358	0.2664	0.2664	
	Cameron R-I School District	Operating Funds-Schools	94,527,593	3.5751	3.5751	97,950,480	3.5747	3.5747	104,513,771	3.5463	3.5451	
		Debt Service	94,527,593	0.4878	0.4800	97,950,480	0.5090	0.4800	104,513,771	0.4962	0.4800	
	Lathrop R-II School District	Operating Funds-Schools	49,696,843	4.3900	4.3900	51,614,117	4.3900	3.8400	56,033,788	4.2521	3.8400	
		Debt Service	49,696,843	0.3218	0.3000	51,614,117	1.3456	0.8500	56,033,788	1.1281	0.8500	
	Clinton County R-III School Dist	Operating Funds-Schools	62,078,747	3.9134	3.9134	64,695,462	3.9134	3.6634	70,843,754	3.7969	3.6600	
		Debt Service	62,078,747	1.7183	0.7500	64,695,462	1.3700	1.0000	70,843,754	1.0525	1.0000	
	Clinton County	General Revenue	220,214,261	0.3454	0.2395	227,379,881	0.3454	0.1943	245,497,098	0.3362	0.2432	
		Common Road District	133,916,518	0.2751	0.2751	139,145,261	0.2751	0.2751	150,545,732	0.2676	0.2676	
		Health	220,214,261	0.0887	0.0887	227,379,881	0.0887	0.0887	245,497,098	0.0863	0.0863	
		Senate Bill 40	220,214,261	0.0887	0.0887	227,379,881	0.0887	0.0887	245,497,098	0.0863	0.0863	
		Special Road and Bridge	133,916,518	0.3500	0.3500	139,145,261	0.3500	0.3500	245,497,098	0.3500	0.3500	A
Cole	Village of Centertown	General Revenue	3,429,158	0.6762	0.6762	3,461,048	0.6771	0.6771	3,606,102	0.6771	0.6771	
	City of Jefferson City	General Revenue	729,067,722	0.5480	0.4800	750,298,741	0.5491	0.4600	800,195,971	0.5442	0.4600	
		Firemen Retirement	729,067,722	0.0960	0.0960	750,298,741	0.0962	0.0960	800,195,971	0.0953	0.0953	
	City of Lohman	General Revenue	1,997,752	0.2574	0.2574	2,024,760	0.2574	0.2574	2,074,575	0.2574	0.2574	
		Debt Service	1,997,752	0.3204	0.3204	2,024,760	0.3210	0.3210	2,074,575	0.3181	0.3181	
	City of Russellville	General Revenue	6,764,037	0.7229	0.7229	6,857,486	0.7243	0.7243	7,135,158	0.7243	0.7243	
	City of Taos	General Revenue	9,850,108	0.2749	0.2749	10,073,488	0.2768	0.2768	10,708,239	0.2709	0.2709	
	Jeff City/Cole County Library Dist	General Revenue	1,136,043,788	0.1917	0.1917	1,167,840,956	0.1921	0.1921	1,240,391,934	0.1913	0.1913	
	Cole County Fire Protection Dist	General Revenue	164,720,070	0.2886	0.2886	168,498,204	0.2892	0.2892	173,335,928	0.2892	0.2892	
	Regional West Fire Protection Dist	General Revenue	141,479,563	0.2879	0.2879	146,164,744	0.2886	0.2886	156,541,913	0.2850	0.2850	
	Osage Fire Protection District	General Revenue	88,233,553	0.3000	0.3000	91,608,389	0.3000	0.3000	99,736,261	0.2955	0.2955	
	Russellville-Lohman Fire Prot Dist	General Revenue	39,753,568	0.2942	0.2930	40,969,767	0.2942	0.2930	43,894,020	0.2893	0.2893	
	Cole Co R-I School District	Operating Funds-Schools	42,435,171	3.2301	3.2301	43,869,421	3.2178	3.1500	47,285,595	3.1591	3.1591	
		Debt Service	42,435,171	0.9869	0.8800	43,869,421	0.8811	0.8800	47,285,825	0.8831	0.8800	
	Cole Co R-II School District	Operating Funds-Schools	71,757,801	2.7531	2.7500	74,578,419	2.7500	2.7500	80,962,485	2.7500	2.7500	
		Debt Service	71,757,801	0.8080	0.6100	74,578,419	0.6754	0.6100	80,962,485	1.3690	0.9100	
	Cole Co. R-V School District	Operating Funds-Schools	50,548,322	3.3578	2.9500	52,877,088	3.3598	2.9500	57,508,576	3.2846	2.9500	
		Debt Service	50,548,322	1.3448	0.7000	52,877,088	0.9496	0.7000	57,508,576	0.9505	0.7000	
	Jefferson City School District	Operating Funds-Schools	1,023,672,239	3.7252	3.4352	1,054,427,707	3.7196	3.4300	1,125,145,887	3.7446	3.4550	B

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Cole	Jefferson City School District	Debt Service	1,023,672,239	0.3660	0.2470	1,054,427,707	0.4211	0.2470	1,125,145,887	0.3638	0.2220
	Cole County	General Revenue	1,136,043,788	0.3355	0.3355	1,167,840,956	0.3362	0.3355	1,240,391,934	0.3347	0.3347
		Road & Bridge	1,136,043,788	0.2785	0.2700	1,167,840,956	0.2791	0.2700	1,240,391,934	0.2779	0.2700
		Senate Bill 40	1,136,043,788	0.0864	0.0864	1,167,840,956	0.0866	0.0866	1,240,391,934	0.0862	0.0862
Cooper	Cooper County Ambulance District	General Revenue	185,101,083	0.1195	0.1195	189,797,844	0.1197	0.1197	207,249,897	0.1197	0.1197
	Cooper County Memorial Hospital	General Revenue	185,101,083	0.1494	0.1494	189,797,844	0.1497	0.1497	207,249,897	0.1497	0.1497
	Cooper Co Nursing Home District	General Revenue	30,357,152	0.1418	0.1400	31,497,290	0.1418	0.1400	33,565,515	0.1418	0.1400
	City of Blackwater	General Revenue	1,055,710	0.9538	0.9538	1,038,028	0.9719	0.9719	1,104,891	0.9719	0.9719
		Debt Service	1,055,710	0.6964	0.6964	1,038,028	0.3497	0.3497	1,104,891	0.0815	0.0815
	City of Boonville	General Revenue	78,308,336	0.6559	0.6200	79,983,720	0.6600	0.6200	89,822,980	0.6600	0.6200
	City of Bunceton	General Revenue	1,712,402	0.9851	0.9851	1,759,557	0.9877	0.9877	1,848,396	0.9815	0.9815
	City of Otterville	General Revenue	2,546,369	0.8074	0.8074	2,674,233	0.8138	0.8138	2,753,978	0.8138	0.8138
	City of Pilot Grove	General Revenue	4,711,558	0.6858	0.6858	4,726,480	0.6876	0.6876	4,928,459	0.6876	0.6876
	City of Prairie Home	General Revenue	1,568,014	0.9526	0.9526	1,668,975	0.9534	0.9534	1,939,468	0.9534	0.9534
	Village of Wooldridge	General Revenue	176,777	0.6552	0.6552	188,943	0.6549	0.6549	220,407	0.7000	0.7000
	Cooper Co Fire Protection Dist	General Revenue	47,072,142	0.4802	0.4100	48,820,404	0.4802	0.4802	52,713,318	0.4802	0.4802
		Debt Service	47,072,142	0.4009	0.4009	48,820,404	0.3865	0.3865	52,713,318	0.3372	0.3372
	Otterville Fire Protection District	General Revenue	10,373,438	0.2990	0.2990	10,873,290	0.2990	0.2990	11,412,464	0.2959	0.2959
	Prairie Home Rural Fire Prot Dist	General Revenue	8,836,455	0.2561	0.2561	9,477,167	0.2561	0.2561	10,351,684	0.2531	0.2531
	Blackwater R-II School District	Operating Funds-Schools	6,879,136	3.4347	3.4300	7,085,491	3.2446	3.2446	7,483,889	3.3682	3.3682
	Cooper Co. R-IV School District	Operating Funds-Schools	7,445,357	4.1648	4.1648	7,550,827	4.2384	4.2384	8,092,937	4.3936	4.3936
		Debt Service	7,445,357	0.8901	0.8901	7,550,827	0.7655	0.7655	8,092,937	0.6101	0.6101
	Prairie Home R-V School District	Operating Funds-Schools	9,715,210	4.6533	4.6533	10,456,947	4.6663	4.6663	11,553,231	4.5776	4.5776
		Debt Service	9,715,210	0.4889	0.4483	10,456,947	0.4475	0.4275	11,553,231	0.4119	0.3867
	Otterville R-VI School District	Operating Funds-Schools	11,078,717	3.7294	3.7294	11,471,818	3.7822	3.7822	12,105,719	3.7737	3.7737
		Debt Service	11,078,717	0.7171	0.7171	11,471,818	0.7976	0.6000	12,105,719	0.7445	0.6000
	Pilot Grove C-4 School District	Operating Funds-Schools	14,433,853	3.2341	3.2341	14,872,392	3.2257	3.2257	15,961,187	3.2336	3.2320
		Operating Funds Temp	14,433,853	0.6893	0.6893	14,872,392	0.6893	0.6893	15,961,187	0.6830	0.6830
		Debt Service	14,433,853	1.3020	0.6300	14,872,392	1.1541	0.6350	15,961,187	1.0901	0.9000
	Boonville R-I School District	Operating Funds-Schools	109,040,435	3.4172	3.4172	112,585,461	3.4316	3.4316	129,128,373	3.3104	3.3104
		Debt Service	109,040,435	0.4500	0.4500	112,585,461	0.6631	0.6600	129,128,373	0.9735	0.6600
	Cooper County	General Revenue	185,101,083	0.4212	0.2171	189,797,844	0.4219	0.1800	207,249,897	0.4219	0.2345
		Road & Bridge	185,101,083	0.3109	0.3109	189,797,844	0.3114	0.3114	207,249,897	0.3114	0.3114
		Health	**	**	**	189,797,844	0.2500	0.1800 A	207,249,897	0.2500	0.1900
		Senate Bill 40	185,101,083	0.1992	0.1992	189,797,844	0.1995	0.1995	207,249,897	0.1995	0.1995
Crawford	North Crawford Co Ambulance Dist	General Revenue	152,571,531	0.2649	0.2649	158,039,017	0.2649	0.2649	168,585,269	0.2646	0.2646
	Steelville Ambulance District	General Revenue	54,603,268	0.3108	0.3500 D	57,088,460	0.3108	0.3500 D	59,670,971	0.3108	0.1940
	City of Bourbon	General Revenue	10,176,004	0.5543	0.5543	11,384,043	0.5205	0.5205	12,426,865	0.5132	0.5065

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Crawford	City of Bourbon	Parks & Recreation	10,176,004	0.0846	0.0846	11,384,043	0.0794	0.0794	12,426,865	0.0783	0.0773
		Police	10,176,004	0.2631	0.2631	11,384,043	0.2470	0.2470	12,426,865	0.2435	0.2403
	Village of Leasburg	General Revenue	1,262,824	0.4820	0.4820	1,319,996	0.4820	0.4820	1,374,565	0.4820	0.4820
	City of Steelville	General Revenue	12,052,686	0.3392	0.3392	12,413,745	0.3397	0.3397	13,367,029	0.3370	0.3370
	Crawford County Library District	General Revenue	219,051,153	0.0909	0.0909	227,491,967	0.0909	0.0909	241,721,721	0.0909	0.0909
	Bourbon Fire District	General Revenue	39,331,955	0.2726	0.2726	40,888,754	0.2726	0.2726	43,255,119	0.2726	0.2726
	Steelville Fire Protection Dist	General Revenue	60,908,817	0.1923	0.1923	63,899,094	0.1923	0.1923	67,514,751	0.1923	0.1923
	Crawford Co R-I School District	Operating Funds-Schools	51,092,749	3.0318	3.0318	53,089,771	3.0226	3.0226	56,645,040	3.0131	3.0131
		Debt Service	51,092,749	1.1096	0.9350	53,089,771	1.3597	0.9350	56,645,040	1.3716	0.9350
	Crawford Co R-II School District	Operating Funds-Schools	92,333,093	2.9148	2.7500	94,706,474	2.9218	2.7500	102,206,134	2.8860	2.7500
		Debt Service	92,333,093	0.7626	0.5600	94,706,474	0.6595	0.5600	102,206,134	0.7351	0.5600
	Steelville R-III School District	Operating Funds-Schools	46,002,036	3.0814	3.0814	48,057,025	3.0775	3.0775	50,728,128	3.0569	3.0569
		Debt Service	**	**	**	48,057,025	1.5180	0.6700	50,728,128	1.6161	0.6700
	Crawford County	General Revenue	274,793,801	0.2398	0.0698	241,205,844	0.2813	0.0713	256,535,091	0.2812	0.0912
		Road & Bridge	274,793,801	0.1701	0.1701	241,205,844	0.1996	0.1996	256,535,091	0.1995	0.1995
		Senate Bill 40	274,793,801	0.0772	0.0772	241,205,844	0.0906	0.0906	256,535,091	0.0906	0.0906
		Senior Services	274,793,801	0.0386	0.0386	241,205,844	0.0453	0.0453	256,535,091	0.0453	0.0453
Dade	Dade County Ambulance District	General Revenue	80,311,854	0.0901	0.0901	83,354,232	0.0901	0.0000	95,914,352	0.0815	0.0000
	Dade County Nursing Home	General Revenue	58,725,218	0.1303	0.1303	61,345,319	0.1303	0.1303	70,768,723	0.1175	0.1175
	Good Shepherd Nursing Home Dist	General Revenue	21,574,596	0.1649	0.1649	21,985,718	0.1649	0.1649	25,127,115	0.1504	0.1504
		Debt Service	21,574,596	0.6004	0.4400	21,985,718	0.6116	0.4400	25,127,115	0.5656	0.4100
	Bona Special Road Dist Dade Co	Road & Bridge	557,612	0.4266	0.4266	596,809	0.4280	0.4280	691,610	0.3966	0.3966
	Dry Bone Special Road Dist Dade Co	Road & Bridge	323,975	0.3779	0.3779	335,107	0.3787	0.3787	379,550	0.3506	0.3506
	Maize Creek Spec Road Dist Dade Co	Road & Bridge	356,773	0.5000	0.5000	289,157	0.5000	0.5000	397,435	0.4271	0.4271
	Sac Special Road Dist #1 Dade Co	Road & Bridge	696,741	0.3247	0.3247	782,067	0.3246	0.3246	905,275	0.2939	0.2939
	Sac Special Road Dist #2 Dade Co	Road & Bridge	904,706	0.2588	0.2588	953,793	0.2587	0.2587	1,103,165	0.2344	0.2344
	Southeast Special Road Dist Dade Co	Road & Bridge	315,874	0.3703	0.3703	366,379	0.3704	0.3704	394,430	0.3530	0.3530
	Birchwood Special Road District	Road & Bridge	707,030	0.3161	0.3161	711,415	0.3215	0.3215	931,695	0.2610	0.2610
		Special Road and Bridge	707,030	0.2500	0.2500	711,415	0.2500	0.2500	931,695	0.2031	0.2031
	Village of Dadeville	General Revenue	1,141,131	0.5000	0.5000	1,190,276	0.5000	0.5000	1,507,864	0.4229	0.4229
	City of Everton	General Revenue	1,344,927	1.0000	1.0000	1,394,470	1.0000	1.0000	1,691,736	0.8604	0.8604
		Parks & Recreation	1,344,927	0.0853	0.0853	1,394,470	0.0853	0.0853	1,691,736	0.0734	0.0734
	City of Greenfield	General Revenue	9,847,063	0.4797	0.4797	9,974,871	0.4797	0.4797	12,334,730	0.4018	0.4018
		Parks & Recreation	9,847,063	0.1530	0.1530	9,974,871	0.1530	0.1530	12,334,730	0.1282	0.1282
		Streets	9,847,063	0.1939	0.1939	9,974,871	0.1939	0.1939	12,334,730	0.1624	0.1624
	Village of South Greenfield	General Revenue	554,277	0.5430	0.5430	578,381	0.5431	0.5431	700,962	0.4806	0.4806
	City of Lockwood	General Revenue	6,204,670	0.6217	0.6217	6,187,753	0.6341	0.6341	7,572,451	0.5373	0.5373
		Parks & Recreation	6,204,670	0.1657	0.1657	6,187,753	0.1690	0.1690	7,572,451	0.1432	0.1432

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Dade	City of Lockwood	Library	6,204,670	0.1970	0.1970	6,187,753	0.2009	0.2009	7,572,451	0.1702	0.1702
	Dade County Library District	General Revenue	74,153,046	0.1000	0.1000	77,340,930	0.1000	0.1000	88,393,111	0.0911	0.0911
	Cedar Township of Dade Co	Road & Bridge	3,985,099	0.3886	0.3886	3,971,719	0.3921	0.3921	4,465,904	0.3723	0.3723
		Special Road and Bridge	3,985,099	0.1300	0.1300	3,971,719	0.1300	0.1300	4,465,904	0.1300	0.1300 A
	Center Township of Dade Co	Road & Bridge	17,494,179	0.3534	0.3534	18,599,908	0.3534	0.3534	21,259,976	0.3207	0.3207
	Ernest Township of Dade Co	Road & Bridge	1,745,385	0.4358	0.4358	1,787,908	0.4364	0.4364	1,896,966	0.4257	0.4257
	Grant Township of Dade Co	Road & Bridge	3,925,169	0.3599	0.3599	3,958,204	0.3604	0.3604	4,311,086	0.3447	0.3447
	Lockwood Township of Dade Co	Road & Bridge	11,955,202	0.3327	0.3327	12,178,818	0.3344	0.3344	14,415,348	0.2939	0.2939
	Marion Township of Dade Co	Road & Bridge	3,796,133	0.3786	0.3786	3,898,062	0.3786	0.3786	4,208,902	0.3638	0.3638
	North Morgan Township of Dade Co	Road & Bridge	1,438,192	0.2376	0.2376	1,400,224	0.2443	0.2443	1,630,303	0.2239	0.2239
	North Township of Dade Co	Road & Bridge	3,527,823	0.4076	0.4076	3,658,589	0.4079	0.4079	4,216,146	0.3731	0.3731
	Pilgrim Township of Dade Co	Road & Bridge	1,780,184	0.3741	0.3741	1,830,454	0.3741	0.3741	2,068,953	0.3467	0.3467
		Special Road and Bridge	1,780,184	0.2300	0.2300	1,830,454	0.2300	0.2300	2,068,953	0.2300	0.2300 A
	Polk Township of Dade Co	Road & Bridge	5,114,408	0.3438	0.3438	5,305,724	0.3438	0.3438	6,185,695	0.3146	0.3146
		Special Road and Bridge	5,114,408	0.3300	0.3300	5,305,724	0.3300	0.3300	**	**	**
	Rock Prairie Township of Dade Co	Road & Bridge	8,828,598	0.3632	0.3632	9,211,203	0.3632	0.3632	10,971,418	0.3262	0.3262
		Special Road and Bridge	8,828,598	0.2285	0.2285	9,211,203	0.2285	0.2285	10,971,418	0.2300	0.2300 A
	Sac Township of Dade Co	Road & Bridge	2,939,536	0.2975	0.2975	2,989,190	0.3043	0.3043	3,461,920	0.2776	0.2776
	Smith Township of Dade Co	Road & Bridge	1,916,506	0.4480	0.4480	1,975,261	0.4480	0.4480	2,216,002	0.4256	0.4256
		Special Road and Bridge	1,916,506	0.2500	0.2500 A	1,975,261	0.2500	0.2500	2,216,002	0.2375	0.2375
	South Township of Dade Co	Road & Bridge	2,686,978	0.3825	0.3825	2,932,258	0.3825	0.3825	3,162,111	0.3652	0.3652
		Special Road and Bridge	2,686,978	0.3400	0.3400 A	2,932,258	0.3400	0.3400	3,162,111	0.3246	0.3246
	South Morgan Township of Dade Co	Road & Bridge	2,564,943	0.4053	0.4053	2,727,772	0.4053	0.4053	3,241,230	0.3582	0.3582
	Washington Township of Dade Co	Road & Bridge	2,854,915	0.3313	0.3313	2,995,522	0.3313	0.3313	3,406,246	0.3080	0.3080
	Dadeville Rural Fire Prot Dist	General Revenue	7,577,270	0.1998	0.1998	8,173,096	0.1981	0.1981	9,696,130	0.1776	0.1776
	Dade Co R-4 Rural Fire Prot Dist	General Revenue	31,506,623	0.2000	0.2000	33,554,409	0.2000	0.2000	38,192,108	0.1824	0.1824
	Lockwood R-I School District	Operating Funds-Schools	22,462,086	3.2842	3.2634	22,895,745	3.2304	3.2272	26,663,531	2.9461	2.9461
		Debt Service	22,462,086	0.5798	0.5500	22,895,745	0.7107	0.5500	26,663,531	0.7872	0.5500
	Dadeville R-II School District	Operating Funds-Schools	7,500,387	4.3880	3.4680	7,802,484	4.3680	3.5089	9,315,207	4.0030	3.3548
	Everton R-III School District	Operating Funds-Schools	7,452,226	3.3849	3.2900	7,613,356	3.4712	3.4300	9,302,863	3.0462	3.0400
		Debt Service	7,452,226	0.9293	0.7000	7,613,356	0.9194	0.7000	9,302,863	0.7525	0.7000
	Greenfield R-IV School District	Operating Funds-Schools	27,803,558	3.1500	3.1500 B	29,735,342	3.1508	3.1500	34,545,864	2.8436	2.8436
		Debt Service	27,803,558	1.4752	0.5000	29,735,342	0.5225	0.5000	34,545,864	0.9162	0.6564
	Dade County	General Revenue	80,311,854	0.2704	0.1100	83,354,232	0.2704	0.1200	95,914,352	0.2445	0.1000
		Health	80,311,854	0.0999	0.0999	83,354,232	0.0999	0.0999	95,914,352	0.0903	0.0903
		Township Tax	80,311,854	0.0999	0.0999	83,354,232	0.0999	0.0999	95,914,352	0.0903	0.0903
Dallas	City of Buffalo	General Revenue	26,097,983	0.5339	0.5300	27,115,076	0.5339	0.5300	29,950,184	0.5069	0.5069
	City of Urbana	General Revenue	2,492,493	0.5687	0.5687	2,589,335	0.5687	0.5687	2,832,392	0.5462	0.5462

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Dallas	Dallas County Library	General Revenue	129,498,230	0.1000	0.1000	134,078,407	0.1000	0.1000	148,643,929	0.0955	0.0955
	Southern Dallas Co Fire Prot Dist	General Revenue	17,711,256	0.2989	0.2989	18,237,276	0.2989	0.2989	19,192,082	0.2975	0.2900
	Dallas Co R-I School District	Operating Funds-Schools	93,523,569	3.3500	3.3500	96,615,294	3.3500	3.3500	106,797,054	3.2118	3.2118
	Dallas County	General Revenue	129,498,230	0.3572	0.0700	134,078,407	0.3572	0.1261	148,643,929	0.3412	0.1160
		Road & Bridge	129,498,230	0.2653	0.2600	134,078,407	0.2653	0.2600	148,643,929	0.2534	0.2534
		Health	129,498,230	0.1000	0.1000	134,078,407	0.1005	0.1005	148,643,929	0.0960	0.0960
Daviess	Community Ambulance District	General Revenue	80,091,363	0.3121	0.3121	83,443,186	0.3121	0.3121	86,879,699	0.3121	0.3121
	West Fork of Big Creek Watershed	Main & Op	**	**	**	**	**	**	988,200	0.1787	0.1462
	Jamesport Spec Rd Dist Daviess Co	Road & Bridge	7,168,697	0.3670	0.3670	7,552,571	0.3670	0.3670	7,942,322	0.3670	0.3670
		Special Road and Bridge	7,168,697	0.2700	0.2700 A	7,552,571	0.2700	0.2700	7,942,322	0.2700	0.2700
	Lock Springs Special Road District	Road & Bridge	2,403,767	0.3546	0.3546	2,473,572	0.3546	0.3546	2,527,044	0.3546	0.3546
		Special Road and Bridge	2,403,767	0.3500	0.3500 A	2,473,572	0.3500	0.3500	2,527,044	0.3500	0.3500
	Daviess County Special Rd Dist #1	Road & Bridge	16,417,163	0.2103	0.2103	17,055,380	0.2107	0.2107	17,703,708	0.2107	0.2107
		Special Road and Bridge	16,417,163	0.2356	0.2356	17,055,380	0.2360	0.2360	17,703,708	0.2360	0.2360
		Debt Service	16,417,163	0.2336	0.2336	17,055,380	0.2799	0.2799	17,703,708	0.1573	0.1573
	Village of Altamont	General Revenue	723,032	0.6229	0.6229	751,328	0.6445	0.6445	774,576	0.6500	0.6445
	City of Coffey	General Revenue	441,281	0.9866	0.9866	477,572	0.9867	0.9867	453,492	1.0000	1.0000
	City of Gallatin	General Revenue	11,967,875	0.5983	0.5983	12,254,028	0.5992	0.5992	12,310,329	0.6046	0.6046
		Parks & Recreation	11,967,875	0.2129	0.2129	12,254,028	0.2132	0.2132	12,310,329	0.2151	0.2151
		Band	11,967,875	0.0197	0.0197	12,254,028	0.0197	0.0197	12,310,329	0.0199	0.0199
	City of Jamesport	General Revenue	2,896,854	0.6892	0.6892	3,081,617	0.6894	0.6894	3,057,233	0.6949	0.6949
		Parks & Recreation	2,896,854	0.1632	0.1632	3,081,617	0.1633	0.1633	3,057,233	0.1646	0.1646
	Village of Jameson	General Revenue	414,161	0.4999	0.4999	439,783	0.5000	0.5000	416,721	0.5000	0.5000
		General Revenue (temp)	414,161	0.2000	0.2000 A	439,783	0.2000	0.2000	416,721	0.2000	0.2000
	Village of Lock Springs	General Revenue	228,539	0.4586	0.4100	239,922	0.4642	0.4100	216,747	0.5000	0.4100
	City of Pattonsburg	General Revenue	1,985,509	0.9667	0.9667	1,753,163	1.0000	1.0000	1,699,555	1.0000	1.0000
	Village of Winston	General Revenue	1,082,056	0.4386	0.4386	1,124,009	0.4386	0.5000 D	1,087,022	0.4554	0.4554
		Streets	1,082,056	0.3000	0.3000 A	1,124,009	0.3000	0.3000	1,087,022	0.3000	0.3000
	Daviess County Library	General Revenue	92,911,832	0.1825	0.1825	96,488,290	0.1825	0.1825	100,473,110	0.1825	0.1825
	Benton Township of Daviess Co	General Revenue	4,971,132	0.0969	0.0969	4,924,487	0.1000	0.1000	5,327,668	0.0960	0.0960
		Road & Bridge	4,971,132	0.4842	0.4842	4,924,487	0.4999	0.4999	5,327,668	0.4801	0.4801
	Colfax Township of Daviess Co	General Revenue	5,284,035	0.0929	0.0929	5,531,361	0.0929	0.0929	5,804,917	0.0929	0.0929
		Road & Bridge	5,284,035	0.4645	0.4645	5,531,361	0.4645	0.4645	5,804,917	0.4645	0.4645
		Special Road and Bridge	5,284,035	0.2323	0.2323	5,531,361	0.2323	0.2323	5,804,917	0.0025	0.2500 E
	Grand River Township of Daviess Co	General Revenue	3,972,903	0.0967	0.0967	4,141,949	0.0967	0.0967	4,214,109	0.0989	0.0989
		Road & Bridge	3,972,903	0.4835	0.4835	4,141,949	0.4835	0.4835	4,214,109	0.4945	0.4945
		Special Road and Bridge	3,972,903	0.3385	0.3385	4,141,949	0.3385	0.3385	4,214,109	0.0035	0.3500 E
	Harrison Township of Daviess Co	General Revenue	1,958,330	0.0949	0.0949	2,090,359	0.0949	0.0949	2,107,215	0.0949	0.0949

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Daviess	Harrison Township of Daviess Co	Road & Bridge	1,958,330	0.4681	0.4681	2,090,359	0.4681	0.4681	2,107,215	0.4681	0.4681
		Special Road and Bridge	1,958,330	0.3500	0.3500 A	2,090,359	0.3500	0.3500	2,107,215	0.3500	0.3500
	Jackson Township of Daviess Co	General Revenue	6,376,949	0.0965	0.0965	6,622,510	0.0965	0.0965	7,020,382	0.0965	0.0965
		Road & Bridge	3,973,182	0.4615	0.4615	4,148,938	0.4615	0.4615	4,493,338	0.4615	0.4615
		Special Road and Bridge	3,973,182	0.3373	0.3373	4,148,938	0.3373	0.3373	4,493,338	0.0035	0.3500 E
	Jamesport Township of Daviess Co	General Revenue	7,168,697	0.0887	0.0887	7,573,590	0.0887	0.0887	7,942,322	0.0887	0.0887
	Jefferson Township of Daviess Co	General Revenue	4,212,662	0.0974	0.0974	4,696,290	0.0974	0.0974	5,046,323	0.0974	0.0974
		Road & Bridge	4,212,662	0.4409	0.4409	4,696,290	0.4409	0.4409	5,046,323	0.4409	0.4409
		Special Road and Bridge	4,212,662	0.3410	0.3410	4,696,290	0.3410	0.3410	5,046,323	0.0035	0.3500 E
	Liberty Township of Daviess Co	General Revenue	19,928,448	0.0641	0.0641	20,628,945	0.0642	0.0642	21,640,321	0.0642	0.0642
		Road & Bridge	3,511,285	0.4815	0.4815	3,573,565	0.4869	0.4869	3,936,613	0.4869	0.4869
	Lincoln Township of Daviess Co	General Revenue	3,727,601	0.0999	0.0999	3,806,157	0.0999	0.0999	3,833,875	0.1000	0.0999
		Road & Bridge	3,727,601	0.4993	0.4993	3,806,157	0.4993	0.4993	3,833,875	0.4996	0.4996
		Special Road and Bridge	3,727,601	0.1997	0.1997	3,806,157	0.1997	0.1997	3,833,875	0.0020	0.2000 E
	Marion Township of Daviess Co	General Revenue	3,922,800	0.0975	0.0975	4,159,795	0.0975	0.0975	4,313,007	0.0975	0.0975
		Road & Bridge	3,922,800	0.4874	0.4874	4,159,795	0.4874	0.4874	4,313,007	0.4874	0.4874
		Special Road and Bridge	3,922,800	0.3412	0.3412	4,159,795	0.3412	0.3412	4,313,007	0.0035	0.3500 E
	Monroe Township of Daviess Co	General Revenue	2,647,078	0.0975	0.0975	2,821,251	0.0975	0.0975	2,923,260	0.0978	0.0978
		Road & Bridge	2,647,078	0.4629	0.4629	2,821,251	0.4629	0.4629	2,923,260	0.4645	0.4645
		Special Road and Bridge	2,647,078	0.3413	0.3413	2,821,251	0.3413	0.3413	2,923,260	0.0035	0.3500 E
		Debt Service	2,647,078	0.4148	0.4148	2,821,251	0.4395	0.4395	**	**	**
	Salem Township of Daviess Co	General Revenue	5,098,264	0.0971	0.0971	5,246,635	0.0977	0.0977	5,331,127	0.0983	0.0983
		Road & Bridge	5,098,264	0.4579	0.4579	5,246,635	0.4606	0.4606	5,331,127	0.4633	0.4633
		Special Road and Bridge	5,098,264	0.3500	0.3500 A	5,246,635	0.3500	0.3500	5,331,127	0.3500	0.3500
	Sheridan Township of Daviess Co	General Revenue	3,970,055	0.0919	0.0919	4,057,530	0.0921	0.0921	4,193,127	0.0921	0.0921
		Road & Bridge	3,970,055	0.4268	0.4268	4,057,530	0.4278	0.4278	4,193,127	0.4279	0.4279
		Special Road and Bridge	3,970,055	0.3500	0.3500 A	4,057,530	0.3500	0.3500	4,193,127	0.3500	0.3500
	Union Township of Daviess Co	General Revenue	16,921,388	0.0900	0.0500	17,313,449	0.0902	0.0500	17,840,841	0.0905	0.0500
		Road & Bridge	16,921,388	0.3799	0.3000	17,313,449	0.3808	0.3000	17,840,841	0.3821	0.3000
	Washington Township of Daviess Co	General Revenue	2,751,073	0.1000	0.1000	2,873,982	0.1000	0.1000	2,934,616	0.1000	0.1000
		Road & Bridge	2,751,073	0.5000	0.5000	2,873,982	0.5000	0.5000	2,934,616	0.5000	0.5000
		Special Road and Bridge	2,751,073	0.3500	0.3500 A	2,873,982	0.3500	0.3500	2,934,616	0.3500	0.3500
	KAW Fire Protection District	General Revenue	21,633,067	0.4854	0.4854	23,158,968	0.4854	0.4854	24,437,436	0.4854	0.4854
	Jameson Fire Protection District	General Revenue	5,043,748	0.2913	0.2913	5,269,632	0.2934	0.2934	5,238,198	0.3000	0.2934
	Coffey Fire Protection District	General Revenue	4,156,970	0.3000	0.3000	4,276,728	0.3000	0.3000	4,225,200	0.3000	0.3000
	Pattonsburg Rescue & Fire Prot Dist	General Revenue	11,067,202	0.2895	0.2895	11,282,596	0.2941	0.2941	11,866,809	0.2928	0.2928
	Gallatin Fire Protection District	General Revenue	22,319,729	0.2895	0.2895	23,015,140	0.2895	0.2895	23,876,978	0.2895	0.2895
	Pattonsburg R-II School District	Operating Funds-Schools	10,976,142	4.3461	4.2543	11,204,653	4.4759	4.3743	11,758,071	4.5607	4.5607

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Daviess	Pattonsburg R-II School District	Debt Service	10,973,592	1.6413	0.8013	11,204,653	1.5584	0.8013	11,758,071	1.6588	0.6149	
	Winston R-VI School District	Operating Funds-Schools	17,297,265	3.0242	3.0242	18,267,364	3.0694	3.0694	19,125,775	3.0590	3.0590	
		Debt Service	17,297,265	0.0503	0.0503	18,267,364	0.1380	0.1380	19,125,775	0.1385	0.1385	
	North Daviess R-III School District	Operating Funds-Schools	8,493,856	5.3857	5.3857	8,805,796	5.4500	5.4500	8,838,954	5.4500	5.4500	
	Gallatin R-V School District	Operating Funds-Schools	31,506,579	3.7131	3.7131	32,801,281	3.7460	3.7460	34,367,372	3.7258	3.7258	
	Tri-County R-VII School District	Operating Funds-Schools	12,969,006	4.0197	4.0197	13,579,542	4.0198	4.0197	14,115,252	4.0019	4.0019	
	Daviess County	General Revenue	92,911,832	0.3552	0.2400	96,488,290	0.3552	0.1700	100,473,110	0.3552	0.1700	
		Health	92,911,832	0.2393	0.2393	96,488,290	0.2393	0.2393	100,473,110	0.2393	0.2393	
		Senate Bill 40	92,911,832	0.0921	0.0921	96,488,290	0.0921	0.0800	100,473,110	0.0921	0.0800	
		Senior Services	**	**	**	**	**	**	100,473,110	0.0005	0.0500	E
De Kalb	DeKalb-Clinton Ambulance Dist No 1	General Revenue	61,820,575	0.2423	0.2423	64,214,814	0.2423	0.2423	66,813,552	0.2423	0.2423	
	Grindstone-Lost-Muddy-Creek Sub Dis	General Revenue	24,419,170	0.1510	0.1510	16,951,747	0.2000	0.2000	27,545,190	0.1302	0.1302	
	Village of Amity	General Revenue	312,792	0.4492	0.4492	320,658	0.4510	0.4510	326,336	0.4510	0.4510	
	City of Clarksdale	General Revenue	1,449,083	0.6625	0.6625	1,457,043	0.6658	0.6658	1,501,947	0.6712	0.6712	
		Lights	1,449,083	0.2070	0.2070	1,457,043	0.2081	0.2081	1,501,947	0.2098	0.2098	
		Streets	1,449,083	0.2277	0.2277	1,457,043	0.2289	0.2289	1,501,947	0.2307	0.2307	
		Debt Service	1,449,083	0.0000	0.0000	1,457,043	0.8403	0.8403	1,501,947	1.1991	1.1991	
	City of Maysville	General Revenue	7,676,629	0.7762	0.7762	7,790,446	0.7762	0.7762	8,083,419	0.7762	0.7762	
	City of Stewartsville	General Revenue	5,046,735	0.5261	0.5261	5,297,680	0.5261	0.5261	5,610,980	0.5164	0.5164	
		Lights	5,046,735	0.1266	0.1266	5,297,680	0.1266	0.1266	5,610,980	0.1243	0.1243	
	City of Union Star	General Revenue	2,015,397	0.3949	0.3949	2,062,262	0.3954	0.3954	2,082,245	0.4203	0.4203	
		Lights	2,015,397	0.3341	0.3341	2,062,262	0.3345	0.3345	2,082,245	0.3556	0.3556	
		Streets	2,015,397	0.3038	0.3038	2,062,262	0.3042	0.3042	2,082,245	0.3234	0.3234	
		Debt Service	2,015,397	0.4813	0.4813	2,062,262	0.2988	0.2988	**	**	**	
	Village of Weatherby	General Revenue	422,541	0.4530	0.4530	405,650	0.4776	0.4776	418,480	0.4872	0.4872	
		general revenu - temp (2)	422,541	0.3000	0.3000	405,650	0.3000	0.3000	**	**	**	
		General Revenue-Temp	**	**	**	**	**	**	418,480	0.3000	0.3000	A
	City of Osborn	General Revenue	2,994,963	0.7561	0.7561	3,056,085	0.7561	0.7561	3,450,360	0.7170	0.7170	
	Adams Township of DeKalb Co	General Revenue	6,440,200	0.0993	0.0993	6,718,468	0.0993	0.0993	7,199,835	0.0993	0.0993	
		Road & Bridge	6,440,200	0.3721	0.3721	6,718,468	0.3721	0.3721	7,199,835	0.3721	0.3721	
		Special Road and Bridge	6,440,200	0.1391	0.1391	6,718,468	0.1391	0.1391	7,199,835	0.1400	0.1400	A
	Camden Township of DeKalb Co	General Revenue	15,422,189	0.0967	0.0967	15,903,052	0.0967	0.0967	16,500,525	0.0967	0.0967	
		Road & Bridge	15,422,189	0.3432	0.3432	15,903,052	0.3432	0.3432	16,500,525	0.3432	0.3432	
	Colfax Township of DeKalb Co	General Revenue	7,605,102	0.0997	0.0997	7,885,176	0.0997	0.0997	8,337,116	0.0997	0.0997	
		Road & Bridge	7,605,102	0.4152	0.4152	7,885,176	0.4152	0.4152	8,337,116	0.4152	0.4152	
	Dallas Township of DeKalb Co	General Revenue	3,632,271	0.0995	0.0995	3,839,847	0.0995	0.0995	4,004,865	0.0995	0.0995	
		Road & Bridge	3,632,271	0.4135	0.4135	3,839,847	0.4135	0.4135	4,004,865	0.4134	0.4134	
		Special Road and Bridge	3,632,271	0.3484	0.3484	3,839,847	0.3500	0.3500	A 4,004,865	0.3499	0.3499	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
De Kalb	Grand River Township of DeKalb Co	General Revenue	32,855,263	0.0983	0.0983	34,306,601	0.0983	0.0983	36,185,246	0.0984	0.0984
		Road & Bridge	32,855,263	0.3556	0.3556	34,306,601	0.3556	0.3556	36,185,246	0.3560	0.3560
	Grant Township of DeKalb Co	General Revenue	4,004,261	0.1000	0.1000	4,127,808	0.1000	0.1000	4,462,971	0.0973	0.0973
		Road & Bridge	4,004,261	0.5000	0.5000	4,127,808	0.5000	0.5000	4,462,971	0.4866	0.4866
		Special Road & Bridge	4,004,261	0.3500	0.3500	4,127,808	0.3500	0.3500	4,462,971	0.3406	0.3406
	Polk Township of DeKalb Co	General Revenue	7,625,907	0.0987	0.0987	7,757,996	0.0987	0.0987	8,078,822	0.1000	0.1000
		Road & Bridge	7,625,907	0.3886	0.3886	7,757,996	0.3886	0.3886	8,078,822	0.3984	0.3984
	Sherman Township of DeKalb Co	General Revenue	6,475,453	0.0993	0.0993	6,662,023	0.0996	0.0996	6,778,218	0.1000	0.1000
		Road & Bridge	6,475,453	0.3864	0.3864	6,662,023	0.3875	0.3875	6,778,218	0.3920	0.3920
		Special Road and Bridge	6,475,453	0.3475	0.3475	6,662,023	0.3485	0.3485	6,778,218	0.3500	0.3500
	Washington Township of DeKalb Co	General Revenue	16,081,323	0.0910	0.0910	16,582,604	0.0910	0.0910	17,337,659	0.0910	0.0910
		Road & Bridge	16,081,323	0.3437	0.3437	16,582,604	0.3437	0.3437	17,337,659	0.3437	0.3437
	Osborn Fire Protection District	General Revenue	11,731,124	0.2003	0.2003	9,662,627	0.2491	0.2491	10,400,388	0.2425	0.2425
	Stewartsville Fire Protection Dist	General Revenue	15,865,923	0.2806	0.2806	16,434,229	0.2806	0.2806	17,251,264	0.2775	0.2775
	Central DeKalb Co Fire Prot Dist	General Revenue	28,488,829	0.2466	0.2466	29,462,047	0.2466	0.2466	30,733,769	0.2466	0.2466
	Clarksdale Fire Protection District	General Revenue	8,669,704	0.2401	0.2401	8,869,601	0.4301	0.4301	9,048,646	0.4301	0.4301
	Union Star Fire Protection District	General Revenue	8,858,912	0.2805	0.2805	9,361,363	0.2805	0.2805	10,094,928	0.2776	0.2776
	Osborn R-O School District	Operating Funds-Schools	7,758,142	4.8000	4.8000	8,056,231	4.7905	4.7905	8,531,228	4.7111	4.7088
		Debt Service	7,758,142	1.2895	0.4600	8,056,231	0.8934	0.4600	8,531,228	0.4799	0.4600
	Maysville R-I School District	Operating Funds-Schools	36,563,537	2.7671	2.7671	37,771,568	3.4300	3.4300 B	39,370,588	3.4310	3.4310
	Union Star R-II School District	Operating Funds-Schools	8,263,534	4.9196	4.9196	8,718,082	5.0323	4.9800	9,547,294	4.8887	4.8887
	Stewartsville C-2 School District	Operating Funds-Schools	11,797,848	4.0170	3.0366	12,289,675	4.0189	3.4300	12,983,722	4.0482	3.4300
		Debt Service	11,797,848	0.3976	0.3976	12,289,675	0.3999	0.3999	12,983,722	0.4148	0.4147
	DeKalb County	General Revenue	100,141,879	0.2984	0.0500	103,783,474	0.2984	0.0000	108,785,133	0.2984	0.0000
		Senate Bill 40	100,141,879	0.0889	0.0889	103,783,474	0.0889	0.0889	108,785,133	0.0889	0.0889
		Senior Services	100,141,879	0.0296	0.0296	103,783,474	0.0296	0.0296	108,785,133	0.0296	0.0296
Dent	Salem Memorial Hospital District	General Revenue	183,985,088	0.2373	0.2200	193,742,549	0.2373	0.2200	225,155,270	0.2202	0.2000
	City of Salem	General Revenue	41,975,402	0.6327	0.6200	42,887,559	0.6327	0.6200	45,486,167	0.6240	0.6200
		Library	41,975,402	0.2780	0.2780	42,887,559	0.2780	0.2780	45,486,167	0.2742	0.2742
	Dent County Fire Protection Dist	General Revenue	82,612,621	0.2253	0.2253	84,404,201	0.2253	0.2253	90,371,767	0.2210	0.2210
	Salem R-80 School District	Operating Funds-Schools	58,470,080	2.7500	2.7500	59,596,350	2.7500	2.7500	63,545,116	2.7500	2.7500
		Debt Service	58,470,080	0.8818	0.6100	59,596,350	0.7255	0.6800	63,545,116	0.6898	0.6800
	Oak Hill R-I School District	Operating Funds-Schools	11,155,725	3.0046	3.0046	11,569,020	3.0003	3.0003	12,491,695	2.9522	2.9522
	Green Forest R-II School District	Operating Funds-Schools	15,181,500	2.5263	2.5263	15,998,000	2.5263	2.5263	17,071,670	2.5309	2.5309
		Operating Funds-Temp	15,181,500	0.2237	0.2237	15,998,000	0.2237	0.2237	17,071,670	0.2191	0.2191
	Dent-Phelps R-III School District	Operating Funds-Schools	23,870,205	2.7500	2.7500	24,657,015	2.7500	2.7500	26,922,250	2.7500	2.7500
	North Wood R-IV School District	Operating Funds-Schools	15,530,500	2.7500	2.7500	16,010,540	2.7500	2.7500	16,855,346	2.7500	2.7500
	Dent County	General Revenue	134,994,310	0.3557	0.3500 D	138,642,943	0.3557	0.0350	148,281,298	0.3504	0.0350

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			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Dent	Dent County	Road & Bridge	134,994,310	0.2622	0.2550	138,642,943	0.2622	0.2550	148,281,298	0.2583	0.2550
		Health	134,994,310	0.0920	0.0920	138,642,943	0.0920	0.0920	148,281,298	0.0906	0.0906
		Senate Bill 40	134,994,310	0.1684	0.1600	138,642,943	0.1684	0.1600	148,281,298	0.1659	0.1500
		Senior Services	134,994,310	0.0460	0.0460	138,642,943	0.0460	0.0460	148,281,298	0.0453	0.0453
Douglas	Ava Ambulance District	General Revenue	81,946,252	0.1119	0.1119	85,666,629	0.1119	0.1119	92,829,259	0.1104	0.0000
	Douglas County Library	General Revenue	108,315,634	0.0815	0.0815	113,188,802	0.0815	0.0815	122,447,279	0.0803	0.0803
	Skyline R-II School District	Operating Funds-Schools	6,943,978	2.7500	2.7500	7,144,061	2.7811	2.7500	8,016,630	2.7500	2.7500
	Plainview R-VIII School District	Operating Funds-Schools	4,559,284	2.8712	2.8712	4,743,015	2.8767	2.8767	5,132,499	2.8127	2.8127
	Ava R-I School District	Operating Funds-Schools	73,739,759	2.7500	2.7500	77,181,461	2.7500	2.7500	84,334,633	2.7500	2.7500
	Douglas County	General Revenue	108,315,634	0.2954	0.0900	113,188,802	0.2954	0.0900	122,347,279	0.2913	0.1000
		Road & Bridge	108,315,634	0.2139	0.2139	113,188,802	0.2139	0.2139	122,347,279	0.2109	0.2109
		Health	108,315,634	0.2342	0.2000	113,188,802	0.2342	0.2000	122,347,279	0.2309	0.2000
		Senate Bill 40	108,315,634	0.0815	0.0815	113,188,802	0.0815	0.0815	122,347,279	0.0804	0.0804
Dunklin	City of Arbyrd	General Revenue	3,484,787	0.7400	0.7400	3,483,726	0.7409	0.7409	4,185,216	0.7477	0.7477
	City of Campbell	General Revenue	8,673,691	0.6224	0.0000	8,863,057	0.6224	0.0000	8,937,708	0.6224	0.0000
	City of Cardwell	General Revenue	3,021,610	0.4828	0.4828	3,113,386	0.4830	0.4830	3,041,800	0.4956	0.4956
		Streets	3,021,610	0.1470	0.1470	3,113,386	0.1471	0.1471	3,041,800	0.1509	0.1509
		Debt Service	3,021,610	2.0649	2.0649	3,113,386	1.9850	1.9850	**	**	**
	City of Clarkton	General Revenue	4,835,592	0.6116	0.6116	5,017,391	0.6128	0.6128	4,939,240	0.6247	0.6247
	City of Holcomb	General Revenue	3,168,904	0.6554	0.6554	3,318,282	0.6583	0.6583	3,309,893	0.6634	0.6634
	City of Hornersville	General Revenue	3,515,650	0.6967	0.6967	3,714,228	0.6969	0.6969	3,692,653	0.7067	0.7067
	City of Kennett	General Revenue	84,997,487	0.5418	0.5418	87,875,376	0.5418	0.5418	89,500,236	0.5418	0.5418
		Parks & Recreation	84,997,487	0.1485	0.1485	87,875,376	0.1485	0.1485	89,500,236	0.1485	0.1485
		Special Park	84,997,487	0.0990	0.0990	87,875,376	0.0990	0.0990	89,500,236	0.0990	0.0990
	City of Malden	General Revenue	28,260,864	0.6624	0.6624	29,318,665	0.6651	0.6651	28,823,819	0.6844	0.6844
	City of Senath	General Revenue	9,352,878	0.6318	0.5700	9,463,623	0.6338	0.5700	9,438,973	0.6403	0.5700
		Health	9,352,878	0.1631	0.1000	9,463,623	0.1636	0.1000	9,438,973	0.1653	0.1000
	Buffalo Township of Dunklin Co	General Revenue	10,433,703	0.1000	0.1000	10,432,290	0.1000	0.1000	10,485,633	0.1000	0.1000
		Road & Bridge	10,433,703	0.2694	0.2694	10,432,290	0.2697	0.2697	10,485,633	0.2710	0.2710
	Clay Township of Dunklin Co	General Revenue	17,042,781	0.1000	0.1000	17,281,350	0.1000	0.1000	17,302,520	0.1000	0.1000
		Road & Bridge	17,042,781	0.3048	0.3048	17,281,350	0.3048	0.3048	17,302,520	0.3063	0.3063
	Cotton Hill Township of Dunklin Co	General Revenue	41,163,808	0.0992	0.0992	43,717,110	0.0993	0.0993	44,631,272	0.0998	0.0998
		Road & Bridge	41,163,808	0.2875	0.2875	43,717,110	0.2877	0.2877	44,631,272	0.2890	0.2890
	Freeborn Township of Dunklin Co	General Revenue	10,735,621	0.1000	0.1000	11,039,861	0.1000	0.1000	11,087,381	0.1000	0.1000
		Road & Bridge	10,735,621	0.2552	0.2552	11,039,861	0.2555	0.2555	11,087,381	0.2557	0.2557
	Holcomb Township of Dunklin Co	General Revenue	12,096,244	0.0930	0.0930	12,504,606	0.0930	0.0930	12,337,491	0.0952	0.0952
		Road & Bridge	12,096,244	0.2272	0.2272	12,504,606	0.2272	0.2272	12,337,491	0.2326	0.2326
	Independence Township of Dunklin Co	General Revenue	110,434,898	0.0995	0.0995	113,138,201	0.0995	0.0995	115,027,223	0.0995	0.0995

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Dunklin	Independence Township of Dunklin Co	Road & Bridge	110,434,898	0.2446	0.2446	113,138,201	0.2446	0.2446		115,027,223	0.2446	0.2446
	Salem Township of Dunklin Co	General Revenue	25,409,880	0.1000	0.1000	26,176,577	0.1000	0.1000		26,724,654	0.1000	0.1000
		Road & Bridge	25,409,880	0.2790	0.2790	26,176,577	0.2796	0.2796		26,724,654	0.2821	0.2821
	Union Township of Dunklin Co	General Revenue	58,297,564	0.0981	0.0981	58,956,133	0.0981	0.0981		59,036,061	0.0984	0.0984
		Road & Bridge	58,297,564	0.3379	0.3379	58,956,133	0.3379	0.3379		59,036,061	0.3390	0.3390
	Malden R-I School District	Operating Funds-Schools	40,625,640	3.7008	3.4300	43,168,749	3.7165	3.4300		44,388,070	3.7382	3.4300
		Debt Service	**	**	**	43,168,749	0.1056	0.0000		44,388,070	0.0000	0.0000
	Campbell R-II School District	Operating Funds-Schools	50,639,036	3.2517	2.9100	51,064,440	3.2576	2.9100		51,227,710	3.2543	2.9100
		Debt Service	50,639,036	1.1632	0.6200	51,064,440	1.2002	0.6200		51,227,710	1.2038	0.6200
	Holcomb R-III School District	Operating Funds-Schools	19,657,405	2.9228	2.9105	20,147,152	2.9159	2.9056		20,676,700	2.9023	2.9010
		Debt Service	19,657,405	0.8715	0.4900	20,147,152	0.5003	0.4900		20,676,700	0.6418	0.4900
	Clarkton C-4 School District	Operating Funds-Schools	11,139,630	2.8898	2.8898	10,868,685	3.1053	3.1053		11,079,630	3.0237	3.0237
	Senath-Hornersville C-8 School Dist	Operating Funds-Schools	38,234,500	3.5268	3.4300	41,215,861	3.5214	3.4300		41,356,351	3.5334	3.4300
	Southland C-9 School District	Operating Funds-Schools	13,928,230	3.1533	3.0849	14,059,680	3.1980	3.1253		14,829,600	3.1379	3.1379
	Kennett 39 School District	Operating Funds-Schools	86,242,868	2.7500	2.7500	89,358,990	3.5000	3.5000	B	90,963,149	3.5024	3.5024
		Debt Service	83,950,508	0.6880	0.4000	89,358,990	0.0103	0.0000		90,963,149	0.6543	0.5500
	Dunklin County	General Revenue	285,614,499	0.2734	0.0000	293,246,128	0.2734	0.0000		296,632,235	0.2738	0.0000
		Library	285,614,499	0.2500	0.2500	293,246,128	0.2500	0.2500		296,632,235	0.2500	0.2500
		Johnson Grass	285,614,499	0.0500	0.0000	293,246,128	0.0500	0.0000		296,632,235	0.0500	0.0000
		Health	285,614,499	0.1000	0.1000	293,246,128	0.1000	0.1000		296,632,235	0.1000	0.1000
		Ambulance	285,614,499	0.1316	0.1316	293,246,128	0.1316	0.1316		296,632,235	0.1318	0.1318
		Senate Bill 40	285,614,499	0.1000	0.1000	293,246,128	0.1000	0.1000		296,632,235	0.1000	0.1000
Franklin	Gerald Ambulance District	General Revenue	96,617,346	0.2910	0.2910	98,846,111	0.2910	0.2910		109,118,054	0.2773	0.2738
	Meramec Ambulance District	General Revenue	433,310,217	0.2797	0.2741	445,358,921	0.2797	0.2797		493,873,836	0.2623	0.2623
		Dispatch	433,310,217	0.0290	0.0284	445,358,921	0.0290	0.0290		493,873,836	0.0272	0.0272
	St Clair Ambulance District	General Revenue	179,119,678	0.3363	0.3363	184,184,657	0.3363	0.3363		205,291,822	0.3172	0.3172
	Union Ambulance District	General Revenue	261,952,571	0.1715	0.1715	277,444,237	0.1715	0.1715		306,122,001	0.1648	0.1648
	Washington Area Ambulance District	General Revenue	390,734,392	0.1732	0.1732	397,531,955	0.1747	0.1747		430,739,165	0.1711	0.0500
	New Haven Ambulance District	General Revenue	79,972,169	0.2919	0.2919	83,079,419	0.2919	0.2919		91,687,247	0.2809	0.2809
	City of Berger	General Revenue	1,476,955	0.9127	0.9127	1,515,623	0.9281	0.9281		1,813,497	0.8089	0.8089
	City of Gerald	General Revenue	15,759,997	0.8997	0.8000	16,256,619	0.8997	0.8000		16,694,241	0.8997	0.8000
		Parks & Recreation	15,759,997	0.2452	0.2200	16,256,619	0.2452	0.2200		16,694,241	0.2452	0.2200
	Village of Leslie	General Revenue	726,963	0.5692	0.4800	725,219	0.5764	0.4800		916,412	0.5143	0.4800
	City of New Haven	General Revenue	32,932,686	0.5257	0.5257	34,622,028	0.5257	0.5257		38,802,312	0.5067	0.5066
		Parks & Recreation	32,932,686	0.2579	0.2579	34,622,028	0.2579	0.2579		38,802,312	0.2486	0.2486
	Village of Oak Grove	General Revenue	7,727,817	0.2060	0.1700	7,855,604	0.2060	0.1700		8,625,785	0.1929	0.1700
	City of Pacific	General Revenue	98,508,099	0.3747	0.3747	104,033,707	0.3747	0.3747		114,949,714	0.3623	0.3623
	Village of Parkway	General Revenue	3,682,059	0.4512	0.4512	4,199,110	0.4324	0.4324		4,917,644	0.3975	0.3975

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Franklin	City of St Clair	General Revenue	53,557,676	0.4697	0.4697	53,701,301	0.4792	0.4792	57,736,714	0.4682	0.4682
		Parks & Recreation	53,557,676	0.1466	0.1466	53,701,301	0.1496	0.1496	57,736,714	0.1462	0.1462
		Debt Service	53,557,676	0.6389	0.6389	53,701,301	0.3981	0.3981	57,736,714	0.3594	0.3594
	City of Sullivan	General Revenue	67,445,009	0.4129	0.4129	69,947,128	0.4129	0.4129	78,312,375	0.3886	0.3886
		Library	66,316,549	0.1072	0.1072	68,668,767	0.1072	0.1072	77,006,737	0.1006	0.1006
	City of Union	General Revenue	130,564,088	0.5283	0.5283	140,910,603	0.5283	0.5283	156,024,858	0.5126	0.5126
		Parks & Recreation	130,564,088	0.1272	0.1272	140,910,603	0.1272	0.1272	156,024,858	0.1234	0.1234
	City of Washington	General Revenue	281,019,086	0.5805	0.5177	283,632,048	0.5940	0.5940	305,231,447	0.5858	0.5857
	Franklin County Library District	General Revenue	1,314,285,265	0.0959	0.0959	1,364,442,946	0.0959	0.0959	1,508,163,293	0.0913	0.0913
	Washington Public Library	General Revenue	151,700,722	0.0872	0.0872	146,212,985	0.0905	0.0905	147,834,088	0.0906	0.0906
	Beaufort Leslie Fire Prot District	General Revenue	47,678,397	0.4654	0.4654	48,786,425	0.4654	0.4654	54,500,865	0.4421	0.4421
	Boles Fire Protection District	General Revenue	232,536,140	0.5766	0.5766	237,057,174	0.5766	0.5766	257,459,153	0.5537	0.5537
		Debt Service	232,536,140	0.1125	0.1125	237,057,174	0.2364	0.2364	257,459,153	0.3214	0.3214
	Pacific Fire Protection District	General Revenue	198,161,890	0.6554	0.6554	205,885,566	0.6554	0.6554	228,623,468	0.6256	0.6256
		Pension	198,161,890	0.0466	0.0466	205,885,566	0.0466	0.0466	228,623,468	0.0445	0.0445
		Joint Dispatch	198,161,890	0.0466	0.0466	205,885,566	0.0466	0.0466	228,623,468	0.0445	0.0445
		Debt Service	198,161,890	0.1237	0.1237	205,885,566	0.0712	0.0712	234,155,573	0.0680	0.0680
	St Clair Fire Protection District	General Revenue	186,248,813	0.5845	0.5845	191,418,116	0.5845	0.5845	214,261,442	0.5495	0.5495
	Sullivan Fire Protection District	General Revenue	159,838,099	0.3717	0.3717	165,849,321	0.3717	0.3717	178,523,808	0.3609	0.3609
	Union Fire Protection District	General Revenue	254,124,222	0.2786	0.2786	269,343,716	0.2786	0.2786	296,923,545	0.2679	0.2679
	Gerald-Rosebud Fire Prot District	General Revenue	57,933,515	0.2424	0.2424	58,997,817	0.2424	0.2424	64,562,401	0.2324	0.2324
	New Haven-Berger Fire Prot Dist	General Revenue	84,179,704	0.2453	0.2453	87,435,228	0.2453	0.2453	96,429,824	0.2351	0.2351
	Gray Summit Sewer District	General Revenue	1,781,124	0.5153	0.5153	1,782,795	0.5161	0.5161	2,197,742	0.4319	0.4319
	Beauty View Sewer District	General Revenue	557,467	0.7034	0.7034	616,818	0.7033	0.7033	811,557	0.5640	0.5640
	Crestview Sewer District	General Revenue	1,007,746	0.4904	0.4904	1,009,828	0.4904	0.4904	1,110,496	0.4574	0.4574
	St Clair Sewer District	General Revenue	6,804,648	0.3392	0.3392	7,206,939	0.3392	0.3392	9,013,258	0.3068	0.3068
	Sylvan Manor Sunset Acres Sew Dist	General Revenue	1,440,280	0.5948	0.5948	1,441,077	0.5948	0.5948	1,621,469	0.5440	0.5440
	Calvey Creek Sewer District	General Revenue	13,766,830	0.3884	0.3884	14,125,580	0.3884	0.3884	16,339,930	0.3616	0.3616
	East Central College	General Revenue	1,378,264,689	0.3632	0.3632	1,423,920,141	0.3632	0.3632	1,557,313,108	0.3488	0.3488
		Debt Service	1,378,264,689	0.0841	0.0841	1,423,920,141	0.0839	0.0839	1,557,313,108	0.0831	0.0825
	Franklin Co R-II School District	Operating Funds-Schools	25,120,983	3.1340	3.1340	25,441,574	3.1530	3.1157	26,344,939	3.1783	3.1106
		Debt Service	25,120,983	0.5513	0.5513	25,441,574	0.1578	0.1578	26,344,939	0.0920	0.0919
	Meramec Valley R-III School Dist	Operating Funds-Schools	266,154,956	3.4400	3.4400 B	279,132,018	3.5300	3.5300 B	310,015,974	3.6200	3.6200 B
		Debt Service	266,154,956	1.3432	0.6900	279,132,018	1.2551	0.6900	310,015,974	1.2131	0.6900
	Union R-XI School District	Operating Funds-Schools	240,193,604	2.8981	2.7900	254,472,610	2.9037	2.7900	282,074,096	2.7929	2.7900
		Debt Service	240,193,604	1.3579	0.6800	254,472,610	1.7118	0.6800	282,074,096	1.4995	0.7200
	Lonedell R-XIV School District	Operating Funds-Schools	30,676,266	3.9900	3.9900 B	31,688,020	3.9900	2.9700	37,294,136	3.6233	3.4300
		Debt Service	30,676,266	0.7163	0.1800	31,688,020	0.2800	0.1800	37,294,136	0.2665	0.2600

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Franklin	Spring Bluff R-XV School District	Operating Funds-Schools	19,790,262	2.7500	2.7500	20,597,431	2.7500	2.7500	22,825,070	2.7500	2.7500	
		Debt Service	19,790,262	0.9607	0.7000	20,597,431	0.7884	0.7000	22,767,786	1.0603	0.7000	
	Franklin County R-XVI School Dist	Operating Funds-Schools	9,486,056	2.9235	2.9235	9,566,718	2.9631	2.9631	9,678,424	2.9762	2.9762	
	St. Clair R-XIII School District	Operating Funds-Schools	124,954,581	2.7500	2.7500	127,988,267	2.7500	2.7500	143,826,296	2.7500	2.7500	
		Debt Service	124,954,581	0.8501	0.6200	127,988,267	0.8724	0.6200	143,826,296	0.7855	0.6200	
	Sullivan C-2 School District	Operating Funds-Schools	134,708,227	2.9687	2.9687	140,109,134	2.9504	2.9504	152,065,005	2.8787	2.8787	
		Debt Service	134,708,227	1.7397	1.0312	140,109,134	1.8825	1.0495	152,065,005	1.7402	1.0927	
	New Haven School District	Operating Funds-Schools	29,452,534	4.3500	4.3500	31,410,914	4.3500	4.2400	36,924,645	4.1497	3.9900	
	Washington School District	Operating Funds-Schools	612,699,049	3.3006	3.3000	627,813,248	3.3606	3.3131	685,688,762	3.4956	3.4956	B
		Debt Service	612,699,049	0.5188	0.3600	627,813,248	0.5941	0.3469	685,688,762	0.2639	0.1644	
	Franklin County	General Revenue	1,538,058,698	0.2995	0.1378	1,586,438,044	0.2995	0.1161	1,737,914,090	0.2700	0.1173	
		Road & Bridge	1,538,058,698	0.2223	0.2223	1,586,438,044	0.2223	0.2024	1,737,914,090	0.1941	0.1941	
		Senate Bill 40	1,538,058,698	0.0957	0.0957	1,586,438,044	0.0957	0.0957	1,737,914,090	0.0918	0.0918	
Gasconade	Owensville Ambulance District	General Revenue	75,785,528	0.2939	0.2939	78,746,257	0.3239	0.3239	89,975,308	0.3058	0.3058	
		Dispatch	75,785,528	0.0294	0.0294	**	**	**	**	**	**	
	Hermann Area Ambulance District	General Revenue	104,082,562	0.2972	0.2972	107,095,900	0.2972	0.2972	118,464,214	0.2834	0.1646	
	Hermann Area Hospital District	General Revenue	97,344,212	0.7340	0.7340	100,303,090	0.7340	0.7340	110,653,591	0.6983	0.6983	
	Morrison Levee Dist Gasconade Co	General Revenue	63,710	0.8554	0.8554	63,710	0.8554	0.8554	78,280	0.7141	0.7141	
	Morrison Sp Rd Dist #4 Gasconade Co	Road & Bridge	4,404,255	0.2744	0.2744	4,502,449	0.2744	0.2744	4,763,506	0.2664	0.2664	
	City of Bland	General Revenue	3,187,979	0.9314	0.9314	3,213,017	0.9314	0.9314	3,568,137	0.8780	0.8780	
		Parks & Recreation	3,187,979	0.2492	0.2492	3,213,017	0.2492	0.2492	3,568,137	0.2349	0.2349	
		Debt Service	3,187,979	0.0000	0.0000	3,213,017	0.5873	0.5873	3,568,137	0.6524	0.6524	
	City of Gasconade	General Revenue	1,250,391	0.6348	0.6348	1,290,797	0.6348	0.6348	1,390,786	0.6061	0.6061	
	City of Hermann	General Revenue	29,876,250	0.3735	0.3735	30,506,089	0.3753	0.3753	34,754,459	0.3476	0.3476	
		Parks & Recreation	29,876,250	0.0098	0.0098	30,506,089	0.0098	0.0098	34,754,459	0.0091	0.0091	
		Band	29,876,250	0.0195	0.0100	30,506,089	0.0196	0.0100	34,754,459	0.0182	0.0100	
	City of Morrison	General Revenue	948,268	0.5932	0.5932	964,464	0.5932	0.5932	1,072,501	0.5606	0.5606	
	City of Owensville	General Revenue	30,343,782	0.3061	0.3061	32,372,958	0.3061	0.2935	38,696,033	0.2889	0.2889	
		Parks & Recreation	30,343,782	0.3061	0.3061	32,372,958	0.3061	0.2935	38,696,033	0.2889	0.2889	
		Debt Service	**	**	**	**	**	**	38,696,033	0.0814	0.0814	
	City of Rosebud	General Revenue	3,341,058	0.4480	0.4480	3,434,576	0.4482	0.4482	4,030,715	0.4151	0.4151	
	Gasconade County Library District	General Revenue	180,496,790	0.0975	0.0975	186,203,533	0.0975	0.0975	210,341,862	0.0921	0.0921	
	Bland Fire Protection District	General Revenue	17,517,681	0.2209	0.2209	17,902,835	0.2209	0.2209	19,243,894	0.2132	0.2132	
	Gasconade Co R-II School District	Operating Funds-Schools	127,969,945	3.3736	3.1800	133,052,803	3.3853	3.1800	149,988,442	3.2051	3.1800	
		Debt Service	127,969,945	0.7241	0.6700	133,052,803	0.9527	0.6700	149,988,442	1.3202	0.6700	
	Gasconade County R-I School Dist	Operating Funds-Schools	90,263,499	3.0996	3.0996	93,392,836	3.0915	3.0500	104,674,616	2.9409	2.8500	
		Debt Service	90,263,499	1.0069	0.7004	93,392,836	1.0667	0.7500	104,674,616	0.9559	0.7500	
	Gasconade County	General Revenue	180,496,790	0.3676	0.1597	186,203,533	0.3676	0.1522	210,341,862	0.3472	0.1358	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Gasconade	Gasconade County	Common Road District	176,092,537	0.2684	0.2684	181,701,082	0.2684	0.2684	205,578,355	0.2534	0.2534
		Health	180,496,790	0.0975	0.0975	186,203,533	0.0975	0.0975	210,341,862	0.0921	0.0921
		Mental Health	180,496,790	0.0975	0.0975	186,203,533	0.0975	0.0975	210,341,862	0.0921	0.0921
		Senate Bill 40	180,496,790	0.0975	0.0975	186,203,533	0.0975	0.0975	210,341,862	0.0921	0.0921
Gentry	Grand River Regional Ambulance Dist	General Revenue	90,618,098	0.1800	0.1800	95,174,974	0.1800	0.1800	103,053,508	0.1800	0.1800
	City of Albany	General Revenue	14,484,126	0.5844	0.5844	14,311,645	0.6053	0.6053	14,905,740	0.6053	0.6053
		Parks & Recreation	14,484,126	0.2588	0.2588	14,311,645	0.2681	0.2681	14,905,740	0.2681	0.2681
		Library	14,484,126	0.4600	0.4600	14,311,645	0.4600	0.4600	14,905,740	0.4600	0.4600
		Health	14,484,126	0.1630	0.1630	14,311,645	0.1688	0.1688	14,905,740	0.1688	0.1688
	Village of Darlington	General Revenue	324,029	0.4251	0.4251	332,738	0.4257	0.4257	254,572	0.5000	0.5000
	Village of Gentry	General Revenue	249,708	0.4998	0.4998	271,240	0.4999	0.4999	275,136	0.5000	0.5000
	City of King City	General Revenue	5,605,984	0.6955	0.6955	5,813,765	0.6958	0.6958	6,095,203	0.6958	0.6958
		Parks & Recreation	5,605,984	0.1713	0.1713	5,813,765	0.1714	0.1714	6,095,203	0.1714	0.1714
		Health	5,605,984	0.1713	0.1713	5,813,765	0.1714	0.1714	6,095,203	0.1714	0.1714
		Police	5,605,984	0.1422	0.1422	5,813,765	0.1500	0.1500 A	6,095,203	0.1500	0.1500
	City of McFall	General Revenue	531,011	0.6162	0.6162	432,558	0.7500	0.7500	547,491	0.6557	0.6557
	City of Stanberry	General Revenue	8,056,436	0.6183	0.6183	8,253,976	0.6266	0.6266	8,691,482	0.6266	0.6266
		Parks & Recreation	8,056,436	0.1638	0.1638	8,253,976	0.1660	0.1660	8,691,482	0.1660	0.1660
		Streets	8,056,436	0.3649	0.3649	8,253,976	0.3698	0.3698	8,691,482	0.3698	0.3698
	Gentry County Library Dist	General Revenue	54,050,619	0.2000	0.2000	56,405,665	0.2000	0.2000	62,391,071	0.2000	0.2000
		Debt Service	54,050,619	0.1592	0.1000	56,405,665	0.1392	0.1000	62,391,071	0.1082	0.1000
	Athens Township of Gentry Co	General Revenue	20,769,945	0.0954	0.0954	20,743,767	0.0974	0.0974	21,527,348	0.0974	0.0974
		Road & Bridge	20,769,945	0.3651	0.3651	20,743,767	0.3727	0.3727	21,527,348	0.3727	0.3727
		Special Road District	20,769,945	0.2000	0.2000 A	20,743,767	0.2000	0.2000	21,527,348	0.2000	0.2000
		Special Road and Bridge	20,769,945	0.2386	0.2386	20,743,767	0.2436	0.2436	21,527,348	0.2436	0.2436
	Bogle Township of Gentry Co	General Revenue	4,593,684	0.1000	0.1000	4,806,037	0.1000	0.1000	4,962,127	0.1000	0.1000
		Road & Bridge	4,593,684	0.5000	0.5000	4,806,037	0.5000	0.5000	4,962,127	0.5000	0.5000
		Special Road and Bridge	4,593,684	0.3200	0.3200	4,806,037	0.3200	0.3200	4,962,127	0.3200	0.3200
		Gravel	4,593,684	0.3500	0.3500	4,806,037	0.3500	0.3500	4,962,127	0.3500	0.3500
		Gravel & Maintenance	4,593,684	0.4500	0.4500	4,806,037	0.4500	0.4500 A	4,962,127	0.4500	0.4500
	Cooper Township of Gentry Co	General Revenue	14,655,322	0.0994	0.0994	15,227,938	0.1000	0.1000	16,003,300	0.1000	0.1000
		Road & Bridge	14,655,322	0.4680	0.4680	15,227,938	0.4715	0.4715	16,003,300	0.4727	0.4727
		Special Road and Bridge	14,655,322	0.1491	0.1491	15,227,938	0.1500	0.1500	16,003,300	0.1500	0.1500
	Howard Township of Gentry Co	General Revenue	1,933,304	0.1000	0.1000	1,986,712	0.1000	0.1000	2,082,350	0.1000	0.1000
		Road & Bridge	1,933,304	0.5000	0.5000	1,986,712	0.5000	0.5000	2,082,350	0.5000	0.5000
		Special Road and Bridge	1,933,304	0.3500	0.3500	1,986,712	0.3500	0.3500	2,082,350	0.3500	0.3500
	Huggins Township of Gentry Co	General Revenue	2,285,241	0.1000	0.1000	2,310,730	0.1000	0.1000	2,606,523	0.1000	0.1000
		Road & Bridge	2,285,241	0.5000	0.5000	2,310,730	0.5000	0.5000	2,606,523	0.5000	0.5000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Gentry	Huggins Township of Gentry Co	Special Road and Bridge	2,285,241	0.3300	0.3300	2,310,730	0.3300	0.3300	2,606,523	0.3300	0.3300
	Jackson Township of Gentry Co	General Revenue	12,667,802	0.0979	0.0979	12,913,443	0.0979	0.0979	18,102,709	0.0979	0.0979
		Road & Bridge	12,667,802	0.4565	0.4565	12,913,443	0.4565	0.4565	18,102,709	0.4565	0.4565
		Special Road and Bridge	12,667,802	0.1174	0.1174	12,913,443	0.1174	0.1174	18,102,709	0.1174	0.1174
		Other	12,667,802	0.2447	0.2447	12,913,443	0.2447	0.2447	**	**	**
		Special Road District	**	**	**	**	**	**	18,102,709	0.2500	0.2500 A
	Miller Township of Gentry Co	General Revenue	8,018,869	0.1000	0.1000	8,925,163	0.1000	0.1000	8,096,151	0.1000	0.1000
		Road & Bridge	8,018,869	0.5000	0.5000	8,925,163	0.5000	0.5000	8,096,151	0.5000	0.5000
		Special Road District	8,018,869	0.2900	0.2900 A	8,925,163	0.2900	0.2900	8,096,151	0.2900	0.2900
		Special Road and Bridge	8,018,869	0.3500	0.3500	8,925,163	0.3500	0.3500	8,096,151	0.3500	0.3500 A
	Wilson Township of Gentry Co	General Revenue	3,610,578	0.1000	0.1000	3,803,520	0.1000	0.1000	3,916,303	0.1000	0.1000
		Road & Bridge	3,610,578	0.5000	0.5000	3,803,520	0.5000	0.5000	3,916,303	0.5000	0.5000
		Special Road and Bridge	3,610,578	0.2900	0.2900 A	3,803,520	0.2900	0.2900	3,916,303	0.2900	0.2900
		Gravel	3,610,578	0.3000	0.3000	3,803,520	0.3000	0.3000 A	3,916,303	0.3000	0.3000
	Albany Community Fire Prot District	General Revenue	31,839,667	0.1577	0.1577	32,293,119	0.1590	0.1590	33,361,347	0.1595	0.1595
		Fire	31,839,667	0.1480	0.1480	32,293,119	0.1492	0.1492	33,361,347	0.1496	0.1496
	Stanberry Fire Protection Dist	General Revenue	19,967,878	0.0997	0.0997	20,503,183	0.1000	0.1000	21,621,697	0.1000	0.1000
		General Revenue - Temp	**	**	**	20,503,183	0.3000	0.3000 A	21,621,697	0.3000	0.3000
		General Revenue-Temp	19,967,878	0.2991	0.2991	**	**	**	**	**	**
	McFall Fire Protection District	General Revenue	2,990,866	0.2904	0.2904	3,092,886	0.2907	0.2907	3,343,954	0.2913	0.2913
	King City Fire Protection District	General Revenue	19,908,382	0.3000	0.3000	21,161,776	0.3000	0.3000	25,878,179	0.3000	0.3000
	King City R-I School District	Operating Funds-Schools	20,374,619	4.3600	3.8255	21,883,464	4.3600	3.7158	26,020,735	4.3600	3.8937
		Debt Service	20,374,619	0.5682	0.5100	21,883,464	0.5749	0.5100	26,020,735	0.5783	0.5100
	Stanberry R-II School District	Operating Funds-Schools	18,775,695	4.0803	4.0803	19,258,372	4.1000	4.0000	20,469,359	4.1000	4.1000
		Operating Temp	18,775,695	0.4197	0.4197 A	**	**	**	20,469,359	1.3300	1.3300 A
		Debt Service	18,775,695	0.5526	0.1000	19,258,372	0.5599	0.1000	**	**	**
	Albany R-III School District	Operating Funds-Schools	30,556,983	3.6439	3.6439	30,928,272	3.6893	3.6863	31,983,620	4.4893	4.3893 B
	Gentry County	General Revenue	68,534,745	0.3325	0.3300	70,717,310	0.3340	0.3340	77,296,811	0.3349	0.3349
		Senior Services	**	**	**	70,717,310	0.0500	0.0500 A	77,296,811	0.0500	0.0500
		General Revenue-Temp	68,534,745	0.1882	0.1800	70,717,310	0.1890	0.1860	**	**	**
		General Revenue - Temp	**	**	**	**	**	**	77,296,811	0.1900	0.1900 A
Greene	City of Ash Grove	General Revenue	11,554,785	0.5411	0.5411	11,907,011	0.5411	0.5411	12,479,290	0.5393	0.5393
	City of Battlefield	General Revenue	35,980,780	0.2889	0.2889	39,627,950	0.2889	0.2889	51,407,380	0.2862	0.2862
		Debt Service	35,980,780	0.3156	0.3156	39,627,950	0.2565	0.2565	51,407,380	0.1762	0.1762
	City of Fair Grove	General Revenue	11,812,777	0.4970	0.4970	12,739,252	0.4970	0.4970	13,215,160	0.4967	0.4967
		Debt Service	11,812,777	0.6033	0.4888	12,739,252	0.4871	0.4871	13,215,160	0.4363	0.4363
	City of Republic	General Revenue	94,970,275	0.4687	0.4687	103,575,363	0.4678	0.4678	120,499,865	0.4453	0.4453
		Parks & Recreation	94,970,275	0.1262	0.1262	103,575,363	0.1260	0.1260	120,499,865	0.1199	0.1199

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied		2006 Assessed Value	2006 Ceiling	2006 Levied		2007 Assessed Value	2007 Ceiling	2007 Levied	
Greene	City of Republic	Lights	94,970,275	0.0721	0.0721		103,575,363	0.0720	0.0720		120,499,865	0.0685	0.0685	
	City of Springfield	Parks & Recreation	2,220,877,744	0.1830	0.1830		2,292,797,169	0.1839	0.1839		2,415,729,806	0.1826	0.1826	
		Health	2,220,877,744	0.1248	0.1248		2,292,797,169	0.1254	0.1254		2,415,729,806	0.1245	0.1245	
		Art Museum	2,220,877,744	0.0383	0.0383		2,292,797,169	0.0385	0.0385		2,415,729,806	0.0382	0.0382	
		General Revenue-Temp	2,220,877,744	0.2625	0.2625		2,292,797,169	0.2638	0.2638		2,415,729,806	0.2619	0.2619	
	City of Strafford	General Revenue	19,064,678	0.3680	0.3680		20,220,588	0.3680	0.3680		20,800,489	0.3702	0.3702	
	City of Walnut Grove	General Revenue	4,791,837	0.5561	0.5561		4,941,595	0.5561	0.5561		5,323,414	0.5399	0.5399	
	City of Willard	General Revenue	31,940,190	0.4217	0.4217		34,183,849	0.4217	0.4217		37,398,545	0.4048	0.4048	
		Parks & Recreation	31,940,190	0.1291	0.1291		34,183,849	0.1291	0.1291		37,398,545	0.1239	0.1239	
	Springfield Greene County Library	General Revenue	3,544,068,647	0.2455	0.2455		3,700,467,437	0.2455	0.2455		3,931,631,718	0.2414	0.2414	
	Battlefield Fire Protection Dist	General Revenue	411,446,469	0.3390	0.3390		444,950,162	0.3390	0.3390		482,386,800	0.3262	0.3262	
	Strafford Fire Protection District	General Revenue	100,837,748	0.2448	0.2448		111,866,344	0.2448	0.2448		119,540,360	0.2432	0.2432	
	Fair Grove Fire Protection District	General Revenue	53,950,580	0.1753	0.1753		56,513,392	0.1753	0.1753		61,160,540	0.1705	0.1705	
	Brookline Fire Protection District	General Revenue	80,926,033	0.2535	0.2535		83,877,329	0.2535	0.2535		89,969,987	0.2430	0.2430	
	Logan-Rogersville Fire Prot Dist	General Revenue	301,527,815	0.2457	0.2466		316,026,086	0.3657	0.3657		347,233,377	0.3526	0.3526	C
	Willard Fire Protection District	General Revenue	112,414,933	0.2502	0.2502		119,287,212	0.2502	0.2502		127,267,435	0.2441	0.2441	
	Walnut Grove Fire Protection Dist	General Revenue	32,099,457	0.2924	0.2924		33,444,102	0.2924	0.2924		34,739,362	0.2898	0.2898	
	West Republic Fire Protection Dist	General Revenue	21,797,773	0.2518	0.2518		22,438,678	0.2518	0.2518		23,273,723	0.2511	0.2511	
	Ebenezer Fire Protection District	General Revenue	90,622,148	0.2783	0.2783		95,620,115	0.2783	0.2783		100,304,391	0.2766	0.2766	
	Bois D'Arc Fire Protection District	General Revenue	20,095,789	0.3783	0.3783		20,849,891	0.3783	0.3783		21,430,582	0.3000	0.3000	
	Ash Grove Fire Protection District	General Revenue	21,719,181	0.2568	0.2568		22,372,679	0.2568	0.2568		23,412,726	0.2544	0.2544	
	Pleasant View Fire Protection Dist	General Revenue	27,123,700	0.3000	0.3000		27,976,710	0.3000	0.3000		28,497,770	0.3000	0.3000	
	Springfield Spec Parking District	General Revenue	0	0.0000	0.0000		**	**	**		**	**	**	
	C and E Community Improvement Dist	General Revenue	14,191,260	2.9132	2.9132		15,731,860	2.9188	2.9188		10,396,340	3.0000	3.0000	
	Ozarks Technical Community College	General Revenue	4,370,235,274	0.0937	0.0937		4,603,277,866	0.0937	0.0937		4,696,160,437	0.0941	0.0941	
		General Revenue-Temp	4,370,235,274	0.0469	0.0469		4,603,277,866	0.0469	0.0469		4,696,160,437	0.0471	0.0471	
	Willard R-II School District	Operating Funds-Schools	243,390,410	3.3000	3.3000	B	263,899,910	3.3000	3.2000		282,588,100	3.2017	3.2000	
		Debt Service	243,390,410	1.4155	0.6900		263,899,910	1.3690	0.7900		282,588,100	1.7295	0.7900	
	Republic R-III School District	Operating Funds-Schools	210,543,376	3.1400	3.1400	B	224,357,598	3.1400	3.1400		248,237,949	3.2400	3.2400	B
		Buildings-Temp	210,543,376	0.3802	0.0000		224,357,598	0.3802	0.0000		248,237,949	0.3675	0.0000	
		Building-Temp	210,543,376	0.4544	0.0000		224,357,598	0.4544	0.0000		248,237,949	0.4392	0.0000	
		Debt Service	210,543,376	0.9058	0.5500		224,357,598	0.8685	0.5500		248,237,949	1.8705	0.8400	
	Ash Grove R-IV School District	Operating Funds-Schools	44,388,265	3.1059	2.7500		44,321,680	3.1590	2.7500		48,763,575	3.0850	2.7500	
		Debt Service	44,388,265	0.4968	0.4968		44,321,680	0.7515	0.5000		48,763,575	0.7879	0.5000	
	Walnut Grove R-V School District	Operating Funds-Schools	15,739,810	3.3146	3.3146	B	16,375,185	3.3160	3.3160		17,411,485	3.2459	3.2459	
	Strafford R-VI School District	Operating Funds-Schools	124,332,905	2.7500	2.7500		134,885,392	2.7500	2.7500		141,364,977	2.7500	2.7500	
		Debt Service	124,332,905	1.0000	0.7000		134,885,392	1.4063	0.7000		141,364,977	1.1893	0.7000	
	Logan-Rogersville R-VIII School Dis	Operating Funds-Schools	157,261,850	3.0728	3.0728		168,707,644	3.0706	3.0706		191,646,383	2.9697	2.9687	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Greene	Logan-Rogersville R-VIII School Dis	Debt Service	157,261,850	1.2203	0.8662	168,707,644	1.0542	0.8694	191,646,383	1.4109	0.9713
	Springfield R-XII School District	Operating Funds-Schools	2,687,705,870	3.1435	3.0003 B	2,791,001,670	3.1436	3.0456	2,955,813,840	3.1087	3.1087
		Debt Service	2,687,705,870	0.4832	0.3300	2,791,001,670	0.8464	0.5100	2,955,813,840	0.7461	0.5100
	Fair Grove R-X School District	Operating Funds-Schools	50,432,170	2.8274	2.7500	54,197,574	2.8131	2.7500	58,186,071	2.7661	2.7500
		Debt Service	50,432,170	0.4100	0.4100	54,197,574	0.4100	0.4100	58,186,071	1.5718	0.9000
	Greene County	General Revenue	3,544,069,587	0.2536	0.1099	3,700,467,437	0.2536	0.0961	3,931,631,718	0.2493	0.1074
		Road & Bridge	3,544,069,587	0.2536	0.1099	3,700,467,437	0.2536	0.0961	3,931,631,718	0.2493	0.1074
		Senate Bill 40	3,544,069,587	0.0470	0.0470	3,700,467,437	0.0470	0.0470	3,931,631,718	0.0462	0.0462
		Senior Services	3,544,069,587	0.0500	0.0500 A	3,700,467,437	0.0500	0.0500	3,931,631,718	0.0492	0.0492
Grundy	Grundy County Nursing Home District	General Revenue	96,265,616	0.1500	0.1500	97,756,797	0.1500	0.1500	103,365,674	0.1500	0.1500
	Spickard Special Road District	Special Road and Bridge	1,168,238	0.3500	0.3500	1,193,474	0.3500	0.3500 A	1,254,767	0.3500	0.3500
	Village of Brimson	General Revenue	217,812	0.2487	0.2000	294,466	0.2491	0.2000	266,825	0.2500	0.2000
	City of Galt	General Revenue	750,029	1.0000	1.0000	767,557	1.0000	1.0000	839,273	1.0000	1.0000
	City of Laredo	General Revenue	667,213	0.7000	0.7000	1,080,371	0.6825	0.6800	1,141,052	0.6825	0.6825
		Streets	667,213	0.3000	0.3000	1,080,371	0.2926	0.2900	1,141,052	0.2926	0.2926
	City of Spickard	General Revenue	958,067	1.0000	1.0000	974,121	1.0000	1.0000	1,030,533	1.0000	1.0000
		Debt Service	958,067	1.0438	1.0438	**	**	**	**	**	**
	City of Tindall	General Revenue	383,613	0.4500	0.4500	544,014	0.4499	0.4499	544,120	0.4500	0.4500
	City of Trenton	General Revenue	49,437,276	0.7969	0.7969	49,004,874	0.8051	0.8051	53,175,957	0.8051	0.8051
		Parks & Recreation	49,437,276	0.3000	0.1500	49,004,874	0.3000	0.1500	53,175,957	0.3000	0.1500
	Grundy Co Jewett Norris Library	General Revenue	96,265,616	0.2000	0.2000	97,756,797	0.2000	0.2000	103,365,674	0.2000	0.2000
	Franklin Township of Grundy Co	General Revenue	3,618,491	0.1000	0.1000	3,717,606	0.1000	0.1000	3,877,964	0.1000	0.1000
		Road & Bridge	3,618,491	0.4374	0.4374	3,717,606	0.4374	0.4374	3,877,964	0.4374	0.4374
		Special Road and Bridge	3,618,491	0.3500	0.3500	3,717,606	0.3500	0.3500	3,877,964	0.3500	0.3500 A
	Harrison Township of Grundy Co	General Revenue	1,818,631	0.1000	0.1000	1,835,416	0.1000	0.1000	1,863,837	0.1000	0.1000
		Road & Bridge	1,818,631	0.5000	0.5000	1,835,416	0.5000	0.5000	1,863,837	0.5000	0.5000
		Special Road and Bridge	1,818,631	0.3500	0.3500 A	1,835,416	0.3500	0.3500	1,863,837	0.3500	0.3500
	Jackson Township of Grundy Co	General Revenue	3,170,291	0.1000	0.1000	3,275,948	0.1000	0.1000	3,269,751	0.1000	0.1000
		Road & Bridge	3,170,291	0.4043	0.4043	3,275,948	0.4043	0.4043	3,269,751	0.4092	0.4092
		Special Road and Bridge	3,170,291	0.3500	0.3500	3,275,948	0.3500	0.3500	3,269,751	0.3500	0.3500 A
	Jefferson Township of Grundy Co	General Revenue	4,833,495	0.0976	0.0976	5,008,996	0.0976	0.0976	5,412,760	0.0976	0.0976
		Road & Bridge	4,833,495	0.2741	0.2741	5,008,996	0.2741	0.2741	5,412,760	0.2741	0.2741
		Special Road and Bridge	4,833,495	0.3500	0.3500	5,008,996	0.3500	0.3500	5,412,760	0.3500	0.3500 A
	Liberty Township of Grundy Co	General Revenue	3,135,322	0.1000	0.1000	3,306,823	0.1000	0.1000	3,426,474	0.1000	0.1000
		Road & Bridge	3,135,322	0.5000	0.5000	3,306,823	0.5000	0.5000	3,426,474	0.5000	0.5000
		Special Road and Bridge	3,135,322	0.3500	0.3500 A	3,306,823	0.3500	0.3500	3,426,474	0.3500	0.3500
	Lincoln Township of Grundy Co	General Revenue	5,940,800	0.1000	0.1000	6,274,221	0.1000	0.1000	6,483,306	0.1000	0.1000
		Road & Bridge	5,940,800	0.3021	0.3021	6,274,221	0.3021	0.3021	6,483,306	0.3021	0.3021

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Grundy	Lincoln Township of Grundy Co	Special Road and Bridge	5,940,800	0.3500	0.3500 A	6,274,221	0.3500	0.3500	6,483,306	0.3500	0.3500
	Madison Township of Grundy Co	General Revenue	5,375,124	0.1000	0.1000	5,502,121	0.1000	0.1000	5,636,313	0.1000	0.1000
		Road & Bridge	5,375,124	0.5000	0.5000	5,502,121	0.5000	0.5000	5,636,313	0.5000	0.5000
		Special Road and Bridge	5,375,124	0.3500	0.3500	5,502,121	0.3500	0.3500	5,636,313	0.3500	0.3500 A
	Marion Township of Grundy Co	General Revenue	3,516,982	0.1000	0.1000	3,743,545	0.1000	0.1000	3,984,082	0.0998	0.0998
		Road & Bridge	3,516,982	0.5000	0.5000	3,743,545	0.5000	0.5000	3,984,082	0.4992	0.4992
		Special Road and Bridge	3,516,982	0.3500	0.3500	3,743,545	0.3500	0.3500	3,984,082	0.3500	0.3500 A
	Myers Township of Grundy County	General Revenue	1,729,148	0.1000	0.1000	1,713,868	0.1000	0.1000	1,794,232	0.1000	0.1000
		Road & Bridge	1,729,148	0.5000	0.5000	1,713,868	0.5000	0.5000	1,794,232	0.5000	0.5000
		Special Road and Bridge	1,729,148	0.3500	0.3500	1,713,868	0.3500	0.3500	1,794,232	0.3500	0.3500 A
	Taylor Township of Grundy Co	General Revenue	1,774,731	0.0886	0.0886	1,935,541	0.0881	0.0881	1,616,675	0.1000	0.1000
		Road & Bridge	1,774,731	0.3818	0.3818	1,935,541	0.3797	0.3797	1,616,675	0.4547	0.4547
		Special Road and Bridge	1,774,731	0.3500	0.3500 A	1,935,541	0.3481	0.3481	1,616,675	0.3500	0.3500
	Trenton Township of Grundy Co	General Revenue	56,791,891	0.1000	0.1000	56,388,384	0.1000	0.1000	60,631,453	0.1000	0.0800
		Road & Bridge	56,791,891	0.3061	0.3061	56,388,384	0.3087	0.3061	60,631,453	0.3087	0.2887
	Wilson Township of Grundy Co	General Revenue	3,390,101	0.0999	0.0999	3,787,486	0.1000	0.1000	4,051,949	0.1000	0.1000
		Road & Bridge	3,390,101	0.4993	0.4993	3,787,486	0.5000	0.5000	4,051,949	0.5000	0.5000
		Special Road and Bridge	3,390,101	0.3495	0.3495	3,787,486	0.3500	0.3500	4,051,949	0.3500	0.3500 A
	Washington Township of Grundy Co	General Revenue	1,170,455	0.1000	0.1000	1,141,540	0.1000	0.1000	1,316,674	0.0939	0.0939
		Road & Bridge	1,170,455	0.4675	0.4675	1,141,540	0.5000	0.5000	1,316,674	0.4693	0.4693
		Special Road and Bridge	1,170,455	0.3500	0.3500	1,141,540	0.3500	0.3500	**	**	**
		Special Road and Bridge	**	**	**	**	**	**	1,316,674	0.3500	0.3500 A
	Grundy County Rural Fire Prot Dist	General Revenue	25,008,982	0.3000	0.2800	25,582,441	0.3000	0.2800	25,683,395	0.3000	0.2800
	Laredo Fire Protection District	General Revenue	8,053,153	0.2996	0.2800	8,779,649	0.3000	0.2800	9,125,898	0.3000	0.2800
	Spickard Fire Protection District	General Revenue	10,030,955	0.3000	0.3000	10,311,024	0.3000	0.3000	10,776,719	0.3000	0.3000
	North Central Missouri College	General Revenue	72,076,216	0.3956	0.3956	72,513,126	0.3956	0.3956	76,706,902	0.3956	0.3956
	Grundy Co R-V School District	Operating Funds-Schools	10,653,935	4.3086	4.3086	10,765,897	4.3400	4.3400	11,142,900	4.3400	4.3400
		Operating Funds-Temp	10,653,935	0.4500	0.4500	10,765,897	0.4500	0.4500	11,142,900	0.4500	0.4500
		Debt Service	10,653,935	1.1307	1.1307	10,765,897	1.7020	1.1307	11,142,900	1.3151	1.1307
	Spickard R-II School District	Operating Funds-Schools	3,481,208	4.1648	4.1648	3,496,240	4.1437	4.1426	3,665,967	4.1109	4.1108
		Debt Service	3,481,208	0.5315	0.5315	3,496,240	0.6379	0.6379	3,665,967	0.4335	0.4335
	Pleasant View R-VI School District	Operating Funds-Schools	5,724,989	4.4652	4.4652	5,874,559	4.4649	4.4649	6,087,202	4.5201	4.5201
	Laredo R-VII School District	Operating Funds-Schools	4,111,866	4.9000	4.9000	4,574,769	4.9000	4.9000	4,844,650	4.9000	4.9000
		Operating Funds-Temp	4,111,866	1.3994	1.0581	4,574,769	1.4000	0.8686	4,844,650	1.4000	0.7500
	Trenton R-IX School District	Operating Funds-Schools	66,298,870	3.5504	3.5504	66,511,765	3.5858	3.5858	70,648,933	3.5400	3.5400
		Debt Service	66,298,870	1.0615	0.9000	66,511,765	0.9812	0.9000	70,648,933	0.9101	0.9000
	Grundy County	General Revenue	96,265,616	0.3790	0.1270	97,756,797	0.3790	0.1470	103,365,674	0.3790	0.1823
		Health	96,265,616	0.3000	0.3000	97,756,797	0.3000	0.3000	103,365,674	0.3000	0.3000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Grundy	Grundy County	Developmentally Disabled	96,265,616	0.1000	0.1000	97,756,797	0.1000	0.1000	103,365,674	0.1000	0.1000	
		Senior Services	**	**	**	**	**	**	103,365,674	0.0500	0.0500	A
Harrison	North Harrison Co Ambulance Dist	General Revenue	27,533,676	0.4961	0.4961	26,982,407	0.5000	0.5000	27,856,692	0.5000	0.5000	
	Noel Adams Ambulance District	General Revenue	65,109,796	0.2777	0.0000	67,471,032	0.2808	0.0000	69,268,821	0.2808	0.0000	
	Harrison County Hospital District	General Revenue	85,776,920	0.5000	0.4500	88,997,517	0.5000	0.4500	91,795,908	0.5000	0.4500	
	Panther Creek Watershed Sub Dist	General Revenue	1,515,840	0.2729	0.2729	1,552,270	0.2729	0.2729	1,503,642	0.2900	0.2900	
	West Fork of Big Creek Sub Dist	General Revenue	9,939,217	0.3851	0.3851	10,470,750	0.3851	0.3851	11,306,977	0.3844	0.3844	
	East Fork of Big Creek Subdistrict	General Revenue	4,000,337	0.4000	0.4000	4,251,213	0.4000	0.4000	4,505,244	0.4000	0.4000	
	City of Bethany	General Revenue	25,524,277	0.5202	0.5202	29,219,625	0.5004	0.5004	26,848,328	0.5503	0.5503	
		Parks & Recreation	25,524,277	0.1922	0.1922	29,219,625	0.1849	0.1849	26,848,328	0.2000	0.0000	
		Road	25,524,277	0.2941	0.2941	29,219,625	0.2829	0.2829	26,848,328	0.3111	0.3111	
	Village of Blythedale	General Revenue	605,799	0.8778	0.8778	624,822	0.8779	0.8779	665,190	0.8778	0.8778	
	City of Cainsville	General Revenue	1,471,003	0.7373	0.5000	1,941,350	0.5969	0.5000	1,521,571	0.7705	0.5000	
		Fire	1,471,003	0.2499	0.0000	1,941,350	0.2023	0.0000	1,521,571	0.2500	0.0000	
		General Revenue-Temp	1,471,003	0.3000	0.3000	1,941,350	0.2428	0.2428	**	**	**	
		Gravel	1,471,003	1.1177	0.5000	1,941,350	0.9047	0.5000	1,521,571	1.1678	0.5000	
		General Revenue Temp	**	**	**	**	**	**	1,521,571	0.3000	0.3000	A
		Debt Service	1,471,003	0.3706	0.3706	1,941,350	0.2499	0.2499	1,521,571	0.6319	0.6319	
	City of Gilman City	General Revenue	1,461,891	0.4845	0.4845	1,504,604	0.4868	0.4868	1,560,210	0.4956	0.4956	
		Parks & Recreation	1,461,891	0.0500	0.0500	1,504,604	0.0500	0.0500	1,560,210	0.0500	0.0500	
		Streets	1,461,891	0.1754	0.1754	1,504,604	0.1762	0.1762	1,560,210	0.1794	0.1794	
	Village of Mount Moriah	General Revenue	444,239	0.5000	0.5000	500,907	0.5000	0.5000	478,368	0.5000	0.5000	
	City of New Hampton	General Revenue	944,276	0.7500	0.7500	994,368	0.7499	0.7499	1,087,253	0.7128	0.7128	
		Lights	944,276	0.1500	0.1500	994,368	0.1499	0.1499	1,087,253	0.1426	0.1426	
		Streets	944,276	0.3000	0.3000	994,368	0.3000	0.3000	1,087,253	0.2852	0.2852	
	City of Ridgeway	General Revenue	1,812,044	1.0000	1.0000	1,918,780	1.0000	1.0000	1,945,088	1.0000	1.0000	
		Parks & Recreation	1,812,044	0.0500	0.0500	1,918,780	0.0500	0.0500	1,945,088	0.0500	0.0500	
	Adams Township of Harrison Co	General Revenue	2,089,948	0.1000	0.1000	2,148,068	0.1000	0.1000	2,212,330	0.1000	0.1000	
		Road & Bridge	2,089,948	0.5000	0.5000	2,148,068	0.5000	0.5000	2,212,330	0.5000	0.5000	
		Special Road and Bridge	2,089,948	0.3500	0.3500	2,148,068	0.3500	0.3500	2,212,330	0.3500	0.3500	
	Bethany Township of Harrison County	General Revenue	32,336,060	0.1000	0.1000	31,551,569	0.1000	0.1000	32,502,985	0.1000	0.1000	
		Road & Bridge	32,336,060	0.3044	0.3044	31,551,569	0.3323	0.3323	32,502,985	0.3323	0.3323	
	Butler Township of Harrison Co	General Revenue	1,789,427	0.0987	0.0987	1,906,370	0.0987	0.0987	2,090,577	0.0957	0.0957	
		Road & Bridge	1,789,427	0.4179	0.4179	1,906,370	0.4179	0.4179	2,090,577	0.4050	0.4050	
		Special Road and Bridge	1,789,427	0.3500	0.3500	1,906,370	0.3500	0.3500	2,090,577	0.3392	0.3392	
	Clay Township of Harrison Co	General Revenue	2,488,874	0.1000	0.1000	2,559,847	0.1000	0.1000	2,477,781	0.1000	0.1000	
		Road & Bridge	2,488,874	0.4961	0.4961	2,559,847	0.4961	0.4961	2,477,781	0.5000	0.5000	
		Special Road and Bridge	2,488,874	0.3500	0.3500	2,559,847	0.3500	0.3500	2,477,781	0.3500	0.3500	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Harrison	Colfax Township of Harrison Co	General Revenue	5,698,630	0.0953	0.0953	5,381,325	0.1000	0.1000	5,761,271	0.0985	0.0985
		Road & Bridge	5,698,630	0.4268	0.4268	5,381,325	0.4612	0.4612	5,761,271	0.4545	0.4545
		Special Road and Bridge	5,698,630	0.3335	0.3335	5,381,325	0.3500	0.3500	5,761,271	0.3449	0.3449
	Cypress Township of Harrison Co	General Revenue	1,979,374	0.1000	0.1000	2,194,263	0.1000	0.1000	2,279,578	0.1000	0.1000
		Road & Bridge	1,979,374	0.3937	0.3937	2,194,263	0.3937	0.3937	2,279,578	0.3937	0.3937
		Special Road and Bridge	1,979,374	0.3500	0.3500	2,194,263	0.3500	0.3500	2,279,578	0.3500	0.3500
	Dallas Township of Harrison Co	General Revenue	1,803,351	0.1000	0.1000	1,999,355	0.1000	0.1000	2,143,617	0.1000	0.1000
		Road & Bridge	1,803,351	0.4109	0.4109	1,999,355	0.4109	0.4109	2,143,617	0.4109	0.4109
		Special Road and Bridge	1,803,351	0.3500	0.3500	1,999,355	0.3500	0.3500	2,143,617	0.3500	0.3500
	Fox Creek Township of Harrison Co	General Revenue	1,705,309	0.1000	0.1000	1,792,308	0.1000	0.1000	1,840,136	0.1000	0.1000
		Road & Bridge	1,705,309	0.4481	0.4481	1,792,308	0.4481	0.4481	1,840,136	0.4481	0.4481
		Special Road and Bridge	1,705,309	0.3500	0.3500	1,792,308	0.3500	0.3500	1,840,136	0.3500	0.3500
	Grant Township of Harrison Co	General Revenue	3,298,743	0.0996	0.0996	3,341,970	0.1000	0.1000	3,359,384	0.1000	0.1000
		Road & Bridge	3,298,743	0.4713	0.4713	3,341,970	0.4867	0.4867	3,359,384	0.4900	0.4900
		Special Road and Bridge	3,298,743	0.3487	0.3487	3,341,970	0.3500	0.3500	3,359,384	0.3500	0.3500
	Hamilton Township of Harrison Co	General Revenue	2,373,662	0.1000	0.1000	2,545,381	0.1000	0.1000	2,613,899	0.1000	0.1000
		Road & Bridge	2,373,662	0.4942	0.4942	2,545,381	0.4942	0.4942	2,613,899	0.4942	0.4942
		Special Road and Bridge	2,373,662	0.3500	0.3500	2,545,381	0.3500	0.3500	2,613,899	0.3500	0.3500
	Jefferson Township of Harrison Co	General Revenue	3,247,145	0.1000	0.1000	3,486,776	0.1000	0.1000	3,821,728	0.0997	0.0997
		Road & Bridge	3,247,145	0.4291	0.4291	3,486,776	0.4291	0.4291	3,821,728	0.4277	0.4277
		Special Road and Bridge	3,247,145	0.3500	0.3500	3,486,776	0.3500	0.3500	3,821,728	0.3489	0.3489
	Lincoln Township of Harrison Co	General Revenue	1,784,162	0.1000	0.1000	1,881,505	0.1000	0.1000	1,990,832	0.0996	0.0996
		Road & Bridge	1,784,162	0.5000	0.5000	1,881,505	0.5000	0.5000	1,990,832	0.4978	0.4978
		Special Road and Bridge	1,784,162	0.3500	0.3500	1,881,505	0.3500	0.3500	1,990,832	0.3484	0.3484
	Madison Township of Harrison Co	General Revenue	4,243,258	0.0954	0.0954	4,461,695	0.0954	0.0954	4,114,721	0.1000	0.1000
		Road & Bridge	4,243,258	0.4541	0.4541	4,461,695	0.4541	0.4541	4,114,721	0.4969	0.4969
		Special Road and Bridge	4,243,258	0.3340	0.3340	4,461,695	0.3340	0.3340	4,114,721	0.3500	0.3500
	Marion Township of Harrison Co	General Revenue	4,372,105	0.1000	0.1000	4,568,401	0.1000	0.1000	5,007,646	0.0997	0.0997
		Road & Bridge	4,372,105	0.4127	0.4127	4,568,401	0.4459	0.4459	5,007,646	0.4445	0.4445
		Special Road and Bridge	4,372,105	0.3500	0.3500	4,568,401	0.3500	0.3500	5,007,646	0.3489	0.3489
	Sherman Township of Harrison Co	General Revenue	2,780,758	0.1000	0.1000	2,901,017	0.1000	0.1000	3,137,525	0.0995	0.0995
		Road & Bridge	2,780,758	0.5000	0.5000	2,901,017	0.5000	0.5000	3,137,525	0.4973	0.4973
		Special Road and Bridge	2,780,758	0.3500	0.3500	2,901,017	0.3500	0.3500	3,137,525	0.3481	0.3481
	Sugar Creek Township of Harrison Co	General Revenue	3,380,670	0.0967	0.0967	3,380,753	0.1000	0.1000	3,457,419	0.1000	0.1000
		Road & Bridge	3,380,670	0.3606	0.3606	3,380,753	0.3781	0.3781	3,457,419	0.3866	0.3866
		Special Road and Bridge	3,380,670	0.3500	0.3500 A	3,380,753	0.3500	0.3500	3,457,419	0.3500	0.3500
	Trail Creek Township of Harrison Co	General Revenue	3,507,325	0.0999	0.0999	3,629,204	0.0999	0.0999	3,055,204	0.1000	0.1000
		Road & Bridge	3,507,325	0.4995	0.4995	3,629,204	0.4995	0.4995	3,055,204	0.5000	0.5000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Harrison	Trail Creek Township of Harrison Co	Special Road and Bridge	3,507,325	0.3497	0.3497	3,629,204	0.3497	0.3497	3,055,204	0.3500	0.3500	
	Union Township of Harrison Co	General Revenue	3,554,705	0.1000	0.1000	3,662,069	0.1000	0.1000	3,948,965	0.0991	0.0991	
		Road & Bridge	3,554,705	0.4779	0.4779	3,662,069	0.4779	0.4779	3,948,965	0.4738	0.4738	
		Special Road and Bridge	3,554,705	0.3500	0.3500	3,662,069	0.3500	0.3500	3,948,965	0.3470	0.3470	
	Washington Township of Harrison Co	General Revenue	1,866,065	0.1000	0.1000	1,922,774	0.1000	0.1000	1,951,450	0.1000	0.1000	
		Road & Bridge	1,866,065	0.4608	0.4608	1,922,774	0.4608	0.4608	1,951,450	0.4608	0.4608	
		Special Road and Bridge	1,866,065	0.3500	0.3500	1,922,774	0.3500	0.3500	1,951,450	0.3500	0.3500	
	White Oak Township of Harrison Co	General Revenue	3,513,189	0.1000	0.1000	3,682,867	0.1000	0.1000	4,028,860	0.0986	0.0986	
		Road & Bridge	3,513,189	0.4589	0.4589	3,682,867	0.4589	0.4589	4,028,860	0.4526	0.4526	
		Special Road and Bridge	3,513,189	0.3500	0.3500	3,682,867	0.3500	0.3500	4,028,860	0.3452	0.3452	
	Ridgeway Fire Protection District	General Revenue	6,252,597	0.3000	0.3000	7,196,830	0.2821	0.2821	6,873,615	0.2987	0.2987	
	Gilman City Fire Protection Dist	General Revenue	8,640,053	0.2971	0.2971	9,119,226	0.2971	0.2971	9,436,266	0.2971	0.2971	
	New Hampton Fire Protection Dist	General Revenue	8,109,845	0.3000	0.3000	8,571,507	0.3000	0.3000	9,113,678	0.2995	0.2995	
	North Harrison Fire Protection Dist	Fire	13,546,869	0.3000	0.3000	14,652,572	0.2982	0.2982	15,656,076	0.2959	0.2959	
	Cainsville Fire Protection District	General Revenue	7,207,395	0.2842	0.2842	7,387,637	0.2857	0.2857	6,843,923	0.3000	0.3000	
	Cainsville R-I School District	Operating Funds-Schools	5,113,185	5.8400	5.6000	5,360,775	5.8621	5.6000	5,000,510	6.3280	5.8000	
	South Harrison Co R-II School Dist	Operating Funds-Schools	51,733,695	3.4444	3.4444	54,563,488	3.4794	3.4794	57,100,757	3.4357	3.4357	
	North Harrison Co R-III School Dist	Operating Funds-Schools	14,130,775	4.3389	4.3389	14,042,665	4.5000	4.5000	14,727,899	4.4761	4.4761	
	Gilman City R-IV School District	Operating Funds-Schools	8,558,696	4.9043	4.9043	8,662,070	5.0229	5.0229	8,826,744	4.9966	4.9945	
	Ridgeway R-V School District	Operating Funds-Schools	6,666,385	5.4840	4.9091	6,768,850	5.5000	4.9113	6,439,750	5.5000	4.9190	
	Harrison County	General Revenue	87,812,760	0.3664	0.3664	88,997,517	0.3773	0.3773	91,795,908	0.3773	0.3773	
		Health	87,812,760	0.1400	0.1400	88,997,517	0.1400	0.1400	91,795,908	0.1400	0.1400	
		Senior Services	**	**	**	**	**	**	91,795,908	0.0500	0.0500	A
Henry	Windsor Ambulance District	General Revenue	39,102,778	0.2947	0.2947	40,133,671	0.2947	0.2947	41,574,548	0.2947	0.2947	
	Bethlehem Spec Rd Dist #2 Henry Co	Road & Bridge	2,312,066	0.5844	0.5844	2,347,504	0.5857	0.5857	2,427,638	0.5857	0.5857	
	Deerfield Creek SRD, Henry Co	Road & Bridge	3,782,797	0.7266	0.2000	4,212,290	0.7266	0.2000	4,483,148	0.7214	0.2000	
	Fields Creek Sp Rd Dist #1 Henry Co	Road & Bridge	17,221,446	0.2854	0.2854	16,350,237	0.3217	0.3217	19,212,472	0.3217	0.3217	
	Honey Creek Sp Rd Dist #1 Henry Co	Road & Bridge	1,991,182	0.3563	0.3563	2,137,991	0.3577	0.3577	2,254,734	0.3508	0.3508	
	Montrose Spec Rd Dist Henry Co	Road & Bridge	3,065,036	0.3039	0.3039	3,134,070	0.3039	0.3039	3,315,485	0.3026	0.3026	
	Mt Hope Spec Rd Dist Henry Co	Road & Bridge	1,105,920	0.4900	0.4900	1,106,846	0.4900	0.4900	1,121,590	0.4900	0.4900	
	Osage Spec Rd Dist #1 Henry Co	Road & Bridge	4,916,796	0.3299	0.3299	4,986,924	0.3299	0.3299	5,153,716	0.3299	0.3299	
	Shawnee Spec Rd Dist #1 Henry Co	Road & Bridge	3,811,616	0.4737	0.2500	4,035,353	0.4737	0.2500	4,242,406	0.4737	0.2500	
	Wagner Spec Rd Dist Henry Co	Road & Bridge	530,199	0.5000	0.5000	597,389	0.4923	0.4823	605,603	0.4923	0.4923	
	Windsor Spec Rd Dist Henry Co	Road & Bridge	27,526,904	0.2867	0.2867	28,417,838	0.2867	0.2867	28,998,453	0.2867	0.2867	
	Clinton Country Club Spec Rd Dist	Special Road and Bridge	1,158,965	0.2971	0.2971	1,407,912	0.2793	0.2793	1,579,169	0.2756	0.2756	
	City of Blairstown	General Revenue	555,379	1.0000	1.0000	631,269	0.9704	0.9704	580,332	1.0000	1.0000	
		Streets	555,379	0.5000	0.5000	631,269	0.4852	0.4852	580,332	0.5000	0.5000	A
	Village of Brownington	General Revenue	387,562	0.6871	0.6871	405,653	0.6827	0.6827	404,869	0.7453	0.6827	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Henry	City of Calhoun	General Revenue	1,700,685	0.6045	0.6045	1,852,814	0.6045	0.6045	1,858,883	0.6070	0.6070
		Police	1,700,685	0.2500	0.2500 A	1,852,814	0.2500	0.2500	1,858,883	0.2500	0.2500
		Fire	1,700,685	0.2000	0.2000 A	1,852,814	0.2000	0.2000	1,858,883	0.2000	0.2000
	City of Clinton	General Revenue	108,285,844	0.4888	0.4888	108,260,070	0.4993	0.4993	112,439,812	0.4993	0.4993
		Parks & Recreation	108,285,844	0.1369	0.1369	108,260,070	0.1398	0.1398	112,439,812	0.1398	0.1398
	City of Deepwater	General Revenue	2,257,614	0.9340	0.9340	2,315,990	0.9340	0.9340	2,375,241	0.9340	0.9340
		Lights	2,257,614	0.1365	0.1365	2,315,990	0.1365	0.1365	2,375,241	0.1365	0.1365
		Cemetery	2,257,614	0.1000	0.1000	2,315,990	0.1000	0.1000	2,375,241	0.1000	0.1000
	City of Montrose	General Revenue	2,597,104	0.9371	0.9371	2,651,827	0.9841	0.9371	2,799,152	0.9743	0.9743
		Debt Service	2,597,104	0.5914	0.5914	2,651,827	0.3791	0.3791	2,799,152	0.5534	0.5534
	City of Urich	General Revenue	2,879,308	0.9465	0.9465	2,946,393	0.9465	0.9465	3,009,247	0.9465	0.9465
		Parks & Recreation	2,879,308	0.2921	0.2921	2,946,393	0.2921	0.2921	3,009,247	0.2921	0.2921
	City of Windsor	General Revenue	20,969,967	0.5866	0.5866	21,534,851	0.5866	0.5866	21,901,094	0.5866	0.5866
		Library	20,969,967	0.1177	0.1177	21,534,851	0.1177	0.1177	21,901,094	0.1977	0.1977
		Park	20,969,967	0.2287	0.2287	21,534,851	0.2287	0.2287	21,901,094	0.2287	0.2287
		Pool	20,969,967	0.1177	0.1177	21,534,851	0.1177	0.1177	21,901,094	0.1177	0.1177
		Recreation	20,969,967	0.0589	0.0589	21,534,851	0.0589	0.0589	21,901,094	0.0589	0.0589
	Henry County Library District	General Revenue	240,898,469	0.1955	0.1955	247,110,674	0.1955	0.1955	255,649,932	0.1955	0.1955
	Bear Creek Township of Henry Co	General Revenue	2,928,590	0.2000	0.2000	3,034,634	0.2000	0.2000	3,059,534	0.2000	0.2000
		Road & Bridge	2,928,590	0.3500	0.3500	3,034,634	0.3500	0.3500	3,059,534	0.3500	0.3500
		Special Road and Bridge	2,928,590	0.2600	0.2600	3,034,634	0.2600	0.2600 A	3,059,534	0.2600	0.2600
	Bethlehem Township of Henry County	General Revenue	9,816,507	0.1187	0.1187	10,140,823	0.1187	0.1187	10,407,172	0.1187	0.1187
		Road & Bridge	7,235,263	0.2647	0.2647	7,421,552	0.2647	0.2647	7,599,086	0.2647	0.2647
	Bogard Township of Henry Co	General Revenue	7,726,816	0.1759	0.1759	8,038,302	0.1759	0.1759	8,208,832	0.1759	0.1700
		Road & Bridge	7,726,816	0.3622	0.3622	8,038,302	0.3622	0.3622	8,208,832	0.3622	0.3600
		Special Road and Bridge	7,726,816	0.2497	0.0000	**	**	**	**	**	**
		Spec Rd and Bridge - temp	7,726,816	0.2500	0.2500 A	8,038,302	0.2500	0.2500	8,208,832	0.2500	0.2500
	Clinton Township of Henry Co	General Revenue	95,228,960	0.1334	0.1000	96,644,458	0.1334	0.1000	99,137,890	0.1334	0.0500
		Road & Bridge	95,228,960	0.2669	0.2000	96,644,458	0.2669	0.2000	99,137,890	0.2669	0.1000
	Davis Township of Henry Co	General Revenue	9,440,680	0.2000	0.0300	10,224,218	0.2000	0.0300	9,693,406	0.2000	0.0300
		Road & Bridge	9,440,680	0.5000	0.5000	10,224,218	0.5000	0.5000	9,693,406	0.5000	0.5000
	Deepwater Township of Henry Co	General Revenue	6,214,414	0.1687	0.1687	6,357,522	0.1687	0.1687	6,621,219	0.1687	0.1687
		Road & Bridge	1,514,379	0.3990	0.3990	1,519,967	0.3990	0.3990	1,579,581	0.3990	0.3990
	Deer Creek Township of Henry Co	General Revenue	5,779,626	0.1540	0.1540	6,190,256	0.1540	0.1540	6,641,397	0.1540	0.1540
		Road & Bridge	3,934,977	0.4477	0.4477	4,124,199	0.4477	0.4477	4,338,601	0.4477	0.4477
	Fairview Township of Henry Co	General Revenue	6,294,057	0.1544	0.1400	6,523,596	0.1544	0.1400	6,725,361	0.1544	0.1400
		Road & Bridge	6,294,057	0.3294	0.3100	6,523,596	0.3294	0.3100	6,725,361	0.3294	0.3100
	Fields Creek Township of Henry Co	General Revenue	31,860,862	0.1479	0.1479	31,881,817	0.1549	0.1549	34,242,082	0.1549	0.1549

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Henry	Fields Creek Township of Henry Co	Road & Bridge	11,811,481	0.3088	0.3088	12,349,356	0.3088	0.3088	11,650,657	0.3100	0.3100
	Honey Creek Township of Henry Co	General Revenue	3,225,582	0.1808	0.1500	3,382,636	0.1823	0.1500	3,526,759	0.1813	0.1500
		Road & Bridge	1,234,400	0.5000	0.1000	1,244,645	0.5000	0.1000	1,272,025	0.5000	0.1000
	Leesville Township of Henry Co	General Revenue	12,980,727	0.1298	0.1298	13,593,732	0.1298	0.1298	14,650,329	0.1298	0.1298
		Road & Bridge	12,980,727	0.2598	0.2598	13,593,732	0.2598	0.2598	14,650,329	0.2598	0.2598
	Osage Township of Henry Co	General Revenue	8,512,987	0.1308	0.1308	8,899,631	0.1308	0.1308	9,253,750	0.1308	0.1308
		Road & Bridge	3,608,051	0.2823	0.2823	3,922,227	0.2823	0.2823	4,109,554	0.2817	0.2817
	Shawnee Township of Henry Co	General Revenue	6,660,247	0.1634	0.0500	6,926,419	0.1634	0.0500	7,226,652	0.1634	0.0500
		Road & Bridge	2,848,631	0.4150	0.4150	2,891,066	0.4161	0.4150	2,984,246	0.4161	0.4161
	Springfield Township of Henry Co	General Revenue	3,305,948	0.1407	0.1407	3,434,822	0.1407	0.1407	3,561,939	0.2000	0.2000
		Road & Bridge	3,305,948	0.3217	0.3217	3,434,822	0.3217	0.3217	3,561,939	0.5000	0.5000
	Tebo Township of Henry Co	General Revenue	7,305,659	0.1779	0.1779	7,597,430	0.1779	0.1779	7,798,970	0.1779	0.1779
		Road & Bridge	7,305,659	0.3875	0.3875	7,597,430	0.3875	0.3875	7,798,970	0.3875	0.3875
		Special Road and Bridge	7,305,659	0.1800	0.1800	**	**	**	7,798,970	0.1800	0.1800 A
	Walker Township of Henry Co	General Revenue	4,774,095	0.1942	0.1942	4,930,386	0.1942	0.1942	4,952,456	0.1945	0.1945
		Road & Bridge	4,774,095	0.4855	0.4855	4,930,386	0.4855	0.4855	4,952,456	0.4863	0.4863
	White Oak Township of Henry Co	General Revenue	6,493,744	0.1871	0.1871	6,736,034	0.1871	0.1871	6,991,281	0.1871	0.1871
		Road & Bridge	6,493,744	0.3947	0.3947	6,736,034	0.3947	0.3947	6,991,281	0.3947	0.3947
	Windsor Township of Henry Co	General Revenue	27,526,904	0.1432	0.1432	28,417,838	0.1432	0.1432	28,998,453	0.1432	0.1432
	Big Creek Township of Henry Co	General Revenue	4,597,339	0.1589	0.1589	4,803,197	0.1589	0.1589	4,914,331	0.1589	0.1589
		Road & Bridge	4,597,339	0.2583	0.2583	4,803,197	0.2583	0.2583	4,914,331	0.2583	0.2583
	Tightwad Fire Protection District	General Revenue	12,980,727	0.2973	0.2000	13,601,792	0.2973	0.2000	14,655,147	0.2973	0.2000
	Henry County R-I School District	Operating Funds-Schools	37,524,098	3.2759	2.7500	38,553,119	3.3171	2.7500	39,935,999	3.3115	2.7500
		Debt Service	37,524,098	0.7488	0.5000	38,553,119	0.7495	0.5000	39,935,999	0.6848	0.5000
	Shawnee R-III School District	Operating Funds-Schools	7,850,026	4.2000	4.2000	8,202,483	4.2000	4.2000	8,549,103	4.1922	4.1922
		Debt Service	7,850,026	0.4381	0.3000	8,202,483	0.6505	0.3000	8,549,103	0.7769	0.3078
	Calhoun R-VIII School District	Operating Funds-Schools	8,131,320	4.0645	3.6600	8,538,191	4.1252	4.0000	8,764,545	4.0644	4.0000
	Leesville R-IX School District	Operating Funds-Schools	12,364,410	3.0992	3.0992	12,960,237	3.4492	3.4492 B	13,728,403	3.4519	3.4519
	Davis R-XII School District	Operating Funds-Schools	12,965,472	3.5600	3.5600	13,846,850	3.5600	3.5600	13,355,246	3.5600	3.5600
	Montrose R-XIV School District	Operating Funds-Schools	8,872,944	4.4430	4.4430	8,625,305	4.5992	4.5992	8,944,801	4.6088	4.6088
	Clinton School District	Operating Funds-Schools	139,988,744	3.3356	3.3356	142,485,705	3.3785	3.3785	147,954,257	3.3891	3.3891
		Operating Funds-Temp	**	**	**	**	**	**	147,954,257	0.8500	0.8500 A
	Henry County	General Revenue	261,080,308	0.2485	0.0236	267,815,244	0.2485	0.0267	276,626,663	0.2485	0.0372
		Health	261,080,308	0.0977	0.0977	267,815,244	0.0977	0.0977	276,626,663	0.0977	0.0977
		Senior Services	**	**	**	267,815,244	0.0005	0.0500 E	276,626,663	0.0005	0.0500 E
Hickory	Village of Cross Timbers	General Revenue	705,890	0.4921	0.4921	689,170	0.5041	0.5041	769,816	0.4850	0.4850
	City of Hermitage	General Revenue	4,157,938	0.5170	0.5000	4,277,925	0.5188	0.5000	5,020,982	0.4623	0.4373
	City of Weaubleau	General Revenue	2,169,888	0.3630	0.3630	2,116,902	0.3721	0.3721	2,456,119	0.3550	0.3550

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Hickory	City of Wheatland	General Revenue	1,857,085	0.3949	0.3949	2,254,735	0.3420	0.3420	3,508,829	0.3237	0.3237
	Hickory County Library District	General Revenue	83,738,471	0.1373	0.1373	88,276,255	0.1373	0.1373	102,171,647	0.1264	0.1264
	Hickory Co. R-I School District	Operating Funds-Schools	31,081,165	2.9157	2.9000	32,950,407	2.9057	2.9000	36,735,329	2.7506	2.7506
		Debt Service	31,081,165	0.6500	0.6500	32,950,407	1.0683	0.6500	36,735,329	1.0103	0.7975
	Wheatland R-II School District	Operating Funds-Schools	23,403,303	3.0746	3.0746	25,336,843	3.0813	3.0813	30,343,236	2.8418	2.8418
		Debt Service	23,403,303	0.5783	0.4342	25,336,843	0.9073	0.4275	30,343,236	0.6933	0.5670
	Weaubleau R-III School District	Operating Funds-Schools	17,501,657	2.7500	2.7500	18,230,335	2.7500	2.7500	20,138,294	2.7500	2.7500
		Debt Service	17,501,657	0.7069	0.5900	18,230,335	0.9365	0.8200	20,138,294	0.9940	0.8200
	Hermitage R-IV School District	Operating Funds-Schools	28,858,365	2.7500	2.7500	30,252,866	2.7500	2.7500	36,756,425	2.7500	2.7500
		Debt Service	28,858,365	0.7693	0.6500	30,252,866	0.6904	0.6500	36,756,425	0.6544	0.4500
	Hickory County	General Revenue	83,738,471	0.3334	0.1933	88,276,255	0.3334	0.1629	102,171,647	0.3068	0.1845
		Road & Bridge	83,738,471	0.2549	0.2549	88,276,255	0.2549	0.2549	102,171,647	0.2346	0.2346
		Health	83,738,471	0.0784	0.0784	88,276,255	0.1600	0.1600	102,171,647	0.1472	0.1472
Holt	Corning Special Road Dist Holt Co	Special Road District	2,558,330	0.3500	0.3500	**	**	**	**	**	**
		Special Road and Bridge	**	**	**	2,292,827	0.3500	0.3500 A	2,437,158	0.3500	0.3500
	South Union Twsp Indpt Sp Rd Holt	Special Road and Bridge	2,055,755	0.3500	0.3500 A	2,088,752	0.3500	0.3500	2,065,069	0.3500	0.3500
	Village of Bigelow	General Revenue	276,798	0.7701	0.7701	296,104	0.7670	0.7670	309,944	0.7669	0.7669
	Village of Corning	General Revenue	146,398	0.4941	0.4941	160,521	0.4935	0.4900	161,269	0.4949	0.4900
		Lights	146,398	0.2474	0.2474	160,521	0.2474	0.2400	161,269	0.2481	0.2400
	City of Craig	General Revenue	1,179,726	1.0000	1.0000	1,222,372	1.0000	1.0000	1,306,649	1.0000	1.0000
		Motor Fuel	1,179,726	0.4000	0.4000	1,222,372	0.4000	0.4000	1,306,649	0.3999	0.3999
		Debt Service	1,179,726	1.5437	1.5437	1,222,372	2.0108	1.5437	1,306,649	1.7354	1.7354
	City of Forest City	General Revenue	2,132,663	0.9369	0.9369	274,914	1.0000	0.9369	2,208,763	0.9369	0.9369
		Debt Service	2,132,663	0.1624	0.1624	274,914	0.2368	0.0295	2,208,763	0.2736	0.2736
	Village of Fortescue	General Revenue	820,711	0.2403	0.2403	273,914	0.7000	0.7000	274,914	0.6999	0.0000
	City of Maitland	General Revenue	1,813,426	0.9417	0.9417	1,836,329	0.9457	0.9457	1,894,577	0.9457	0.9457
		Lights	1,813,426	0.3473	0.3473	1,836,329	0.3488	0.3488	1,894,577	0.3488	0.3488
		Health	1,813,426	0.1488	0.1488	1,836,329	0.1494	0.1494	1,894,577	0.1494	0.1494
		General Revenue - Temp	1,813,426	0.2400	0.2400 A	1,836,329	0.2400	0.2400	1,894,577	0.2400	0.2400
	City of Mound City	General Revenue	10,009,996	0.7197	0.7197	10,001,597	0.7223	0.7223	10,337,835	0.7202	0.7202
		Parks & Recreation	10,009,996	0.2571	0.2571	10,001,597	0.2580	0.2580	10,337,835	0.2572	0.2572
		Library	10,009,996	0.2571	0.2571	10,001,597	0.2580	0.2580	10,337,835	0.4080	0.4080
		Health	10,009,996	0.1543	0.1543	10,001,597	0.1549	0.1549	10,337,835	0.1544	0.1544
		Street Lights	10,009,996	0.3000	0.3000 A	10,001,597	0.3000	0.3000	10,337,835	0.2991	0.1000
	City of Oregon	General Revenue	6,074,477	0.9389	1.0000 D	6,103,026	0.9392	1.0000 D	6,343,224	0.9285	0.9285
		Library	6,074,477	0.2422	0.2400	6,103,026	0.2423	0.2400	6,343,224	0.2395	0.2395
		Health	6,074,477	0.1716	0.1700	6,103,026	0.1716	0.1700	6,343,224	0.1696	0.1696
		Debt Service	6,074,477	1.0465	0.8900	6,103,026	1.0223	0.8900	6,343,224	0.8518	0.8518

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Holt	Village of Big Lake	General Revenue	4,175,767	0.2314	0.2314	4,185,956	0.2327	0.2327	4,649,232	0.2269	0.2269
		Health	4,175,767	0.1028	0.1028	4,185,956	0.1034	0.1034	4,649,232	0.1008	0.1008
		General Revenue-Temp	4,175,767	0.2542	0.2542	4,185,956	0.2556	0.2556	4,649,232	0.2492	0.2492
	Mound City Rural Fire Prot Dist	General Revenue	26,351,917	0.2224	0.2224	26,306,096	0.2243	0.2243	27,778,469	0.2243	0.2243
	Southern Fire Protection District	General Revenue	28,082,829	0.2329	0.2329	28,184,757	0.2329	0.2329	29,025,336	0.2329	0.2329
	Northwest Holt Co Fire Prot Dist	General Revenue	9,172,750	0.4762	0.4762	9,008,951	0.4775	0.4775	9,329,437	0.4775	0.4775
	Maitland Volunteer Fire Prot Dist	General Revenue	**	**	**	5,330,297	0.3000	0.3000 A	5,262,985	0.3000	0.3000
	Craig R-III School District	Operating Funds-Schools	14,631,070	4.6348	4.6348	13,805,450	4.8754	5.0566	14,426,827	4.8775	4.8775 C
	Mound City R-2 School District	Operating Funds-Schools	22,399,260	3.9828	3.9828	22,758,040	3.9874	3.8874	23,650,670	4.0034	4.0034
	South Holt Co R-I School District	Operating Funds-Schools	24,325,290	3.3529	3.3529	24,361,650	3.4317	3.4317	25,063,070	3.9368	3.9368 B
		Debt Service	24,325,290	0.5919	0.5000	24,361,650	0.5158	0.5051	**	**	**
	Holt County	General Revenue	80,153,679	0.4357	0.3162	80,830,778	0.4357	0.3265	83,835,203	0.4357	0.3365
		Johnson Grass	80,153,679	0.0500	0.0300	80,830,778	0.0500	0.0200	83,835,203	0.0500	0.0200
		Road & Bridge	80,153,679	0.4357	0.4357	80,830,778	0.4357	0.4357	83,835,203	0.4357	0.4357
		Senior Services	80,153,679	0.0500	0.0500 A	80,830,778	0.0500	0.0500	83,835,203	0.0500	0.0500
Howard	Howard County Ambulance District	General Revenue	94,916,417	0.2900	0.2900	98,592,175	0.2900	0.2900	104,721,031	0.2866	0.2866
	Moniteau Creek Watershed Sub Dist	General Revenue	9,488,880	0.3466	0.3368	9,943,062	0.3466	0.3466	10,836,680	0.3362	0.3362
	Armstrong Spec Rd Dist Howard Co	General Revenue	6,856,538	0.3500	0.3500 A	6,985,870	0.3500	0.3500	7,316,100	0.3500	0.3500
	Glasgow Spec Rd Dist #60 Howard Co	General Revenue	16,923,598	0.2300	0.2300 A	17,386,333	0.2300	0.2300	18,619,854	0.2283	0.2283
	City of Armstrong	General Revenue	1,500,543	0.9636	0.9636	1,458,500	0.9995	0.9995	1,523,320	0.9949	0.9949
	City of Fayette	General Revenue	14,401,017	0.5527	0.5527	15,124,107	0.5527	0.5527	16,003,403	0.5395	0.5395
	City of Franklin	General Revenue	478,429	1.0000	1.0000	459,361	1.0000	1.0000	513,376	0.9339	0.9339
	City of New Franklin	General Revenue	6,226,934	0.6294	0.6294	6,655,059	0.6192	0.6192	6,908,119	0.6123	0.6123
	City of Glasgow	General Revenue	9,602,055	0.5245	0.5245	9,817,828	0.5245	0.5245	10,487,593	0.5161	0.5161
		Parks & Recreation	9,602,055	0.2467	0.2467	9,817,828	0.2467	0.2467	10,487,593	0.2427	0.2427
		Library	9,602,055	0.2500	0.2500	9,817,828	0.2500	0.2500	10,487,593	0.2460	0.2460
	Howard County Library	General Revenue	85,730,046	0.1000	0.1000	89,231,024	0.1000	0.1000	94,703,462	0.0989	0.0989
	Howard Co Fire Protection District	General Revenue	53,909,825	0.2938	0.2938	56,515,061	0.2938	0.2938	59,902,395	0.2914	0.2914
		Debt Service	**	**	**	**	**	**	59,902,395	0.1466	0.1466
	Armstrong Fire Protection District	General Revenue	12,544,728	0.1960	0.1960	12,352,456	0.2000	0.2000	13,323,219	0.3000	0.3000
	Glasgow Fire Protection District	General Revenue	24,267,722	0.2884	0.2884	24,962,491	0.2884	0.2884	26,134,340	0.2884	0.2884
	New Franklin R-I School District	Operating Funds-Schools	20,644,258	3.3593	3.3593	21,860,673	3.3602	3.3602	23,126,110	3.3352	3.3352
		Debt Service	20,644,258	0.8726	0.5107	21,860,673	0.6287	0.5098	23,126,110	0.5230	0.5230
	Fayette R-III School District	Operating Funds-Schools	39,125,615	3.4146	3.4146	40,945,524	3.4201	3.4201	44,048,779	3.4022	3.4022
		Debt Service	39,125,615	1.0632	0.7200	40,945,524	1.2092	0.7200	44,048,779	1.0319	0.7379
	Howard Co R-II School District	Operating Funds-Schools	19,439,198	4.0427	3.7291	19,995,376	4.0427	3.7972	21,530,100	3.9994	3.6419
	Howard County	General Revenue	94,916,417	0.4000	0.2420	98,592,175	0.4000	0.2500	104,721,031	0.3953	0.2507
		Road & Bridge	76,275,982	0.2723	0.2723	79,462,749	0.2723	0.2723	84,065,675	0.2692	0.2692

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Howard	Howard County	Senate Bill 40	94,916,417	0.1000	0.1000	98,592,175	0.1000	0.1000	104,721,031	0.0988	0.0988
Howell	South Howell Co Ambulance District	General Revenue	243,014,201	0.1890	0.1890	254,221,428	0.1890	0.1890	276,927,153	0.1856	0.1856
	Willow Springs Ambulance District	General Revenue	54,759,374	0.2689	0.2500	59,452,491	0.2689	0.2600	65,575,786	0.2602	0.2100
	Mountain-View Summersville Amb Dis	General Revenue	63,322,767	0.1730	0.1730	66,948,034	0.1730	0.1730	70,212,724	0.1730	0.1730
	City of Mountain View	General Revenue	21,320,490	0.5577	0.0000	23,070,583	0.5577	0.0000	23,444,882	0.5577	0.0000
		Library	21,320,490	0.1393	0.0000	23,070,583	0.1393	0.0000	23,444,882	0.1393	0.0000
	City of West Plains	General Revenue	115,461,474	0.2742	0.2700	120,699,219	0.2744	0.2700	126,545,523	0.2744	0.2700
		Library	115,461,474	0.2235	0.2235	120,699,219	0.2237	0.2235	126,545,523	0.2237	0.2235
	City of Willow Springs	General Revenue	16,043,339	0.4746	0.4746	16,184,937	0.4746	0.4746	17,593,524	0.4588	0.4588
		Library	16,043,339	0.1515	0.1515	16,184,937	0.1515	0.1515	17,593,524	0.1465	0.1465
	Howell County Rural Fire Dist. #1	General Revenue	72,872,868	0.2597	0.2597	76,164,846	0.2597	0.2597	87,055,065	0.2476	0.2476
	Pomona Fire Protection District	General Revenue	15,309,056	0.2745	0.2745	18,785,101	0.2745	0.2745	20,661,738	0.2676	0.2676
	Howell Valley R-I School District	Operating Funds-Schools	18,112,620	3.2757	3.2700	18,838,680	3.2851	3.2800	21,514,130	3.9651	3.8600 B
	Mountain View-Birch Tree R-III SD	Operating Funds-Schools	55,955,755	2.7500	2.7500	59,342,250	2.7500	2.7500	61,783,495	2.7500	2.7500
	Willow Springs R-IV School District	Operating Funds-Schools	49,809,560	2.7500	2.7500	54,250,172	2.7500	2.7500	60,309,837	2.7500	2.7500
	Richards R-V School District	Operating Funds-Schools	27,714,410	2.7500	2.7500	29,304,600	2.7500	2.7500	33,320,520	2.7500	2.7500
	West Plains R-VII School District	Operating Funds-Schools	120,699,470	3.4080	3.3977	124,445,800	3.4094	3.3977	132,086,380	3.4093	3.3977
	Glenwood R-VIII School District	Operating Funds-Schools	17,795,640	3.0705	3.0690	18,969,570	3.0985	3.0985	21,518,480	2.9465	2.9465
		Debt Service	17,795,640	0.1600	0.0310	**	**	**	**	**	**
	Junction Hill C-12 School District	Operating Funds-Schools	12,858,540	2.9413	2.9413	13,788,470	2.9154	2.9154	15,316,380	2.7943	2.7943
		Operating Funds-Temp	12,858,540	0.2963	0.2963	**	**	**	**	**	**
	Fairview R-XI School District	Operating Funds-Schools	31,903,010	3.3000	3.0000 B	34,280,270	3.3000	3.0000	38,262,610	3.2146	3.0000
	Howell County	General Revenue	333,179,818	0.2505	0.0000	351,649,935	0.2505	0.0000	383,514,050	0.2445	0.0000
		Road & Bridge	333,179,818	0.1904	0.0000	351,649,935	0.1904	0.0800	383,514,050	0.1859	0.0800
		Health	333,179,818	0.0995	0.0995	351,649,935	0.0995	0.0995	381,943,530	0.0975	0.0950
		Senate Bill 40	333,179,818	0.0902	0.0500	351,649,935	0.0902	0.0500	381,943,530	0.0884	0.0500
Iron	Iron County Ambulance District	General Revenue	148,931,158	0.1499	0.1499	149,728,409	0.1500	0.1200	171,120,539	0.1408	0.0000
	Road District #1	Road & Bridge	148,931,158	0.3015	0.3015	149,728,409	0.3017	0.3017	171,120,539	0.2833	0.2833
	City of Annapolis	General Revenue	9,816,763	0.5500	0.5500	9,818,322	0.5500	0.5500	9,885,460	0.5500	0.5500
	City of Arcadia	General Revenue	4,507,849	0.4782	0.4782	4,572,194	0.4799	0.4799	4,698,983	0.4791	0.4791
	Village of Des Arc	General Revenue	654,739	0.3597	0.3597	628,600	0.3751	0.3751	699,932	0.3641	0.3641
	City of Ironton	General Revenue	11,910,756	0.5443	0.5443	11,945,396	0.5443	0.5443	12,890,391	0.5337	0.5337
		Parks & Recreation	11,910,756	0.1556	0.1556	11,945,396	0.1556	0.1556	12,890,391	0.1526	0.1526
	City of Pilot Knob	General Revenue	5,432,879	0.3753	0.3753	5,333,558	0.3883	0.3883	5,864,732	0.3811	0.3811
	City of Viburnum	General Revenue	9,032,832	1.0000	1.0000	8,883,888	1.0000	1.0000	8,187,665	1.0000	1.0000
		Parks & Recreation	9,032,832	0.2300	0.2300	8,883,888	0.2300	0.2300	8,187,665	0.2300	0.2300
		Solid Waste Landfill	9,032,832	0.1000	0.1000	8,883,888	0.1000	0.1000	8,187,665	0.1000	0.1000
		Health	9,032,832	0.2000	0.2000	8,883,888	0.2000	0.2000	8,187,665	0.2000	0.2000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Iron	Iron County Library District	General Revenue	148,931,158	0.0999	0.0999	149,728,409	0.1000	0.1000	171,120,539	0.0939	0.0939
	Quad County Fire Protection Dist	General Revenue	58,699,398	0.4000	0.4000	64,202,512	0.3820	0.3820	85,584,993	0.3169	0.3169
	Southern Iron County Fire Prot Dist	General Revenue	30,917,931	0.2500	0.2500	31,066,933	0.2500	0.2500	28,860,719	0.2500	0.2500
	Pilot Knob Fire Protection District	General Revenue	**	**	**	42,707,833	0.3000	0.3000 A	44,127,688	0.3000	0.3000
	South Iron Co R-I School District	Operating Funds-Schools	37,525,128	3.2000	3.2000	31,184,611	3.2000	3.2000	29,050,295	3.2000	3.2000
	Arcadia Valley R-II School District	Operating Funds-Schools	39,632,570	2.7500	2.7500	40,120,390	2.7500	2.7500	42,495,626	2.7500	2.7500
		Debt Service	39,632,570	1.2697	0.4800	40,120,390	1.3497	0.4800	42,495,626	1.0763	0.4800
	Belleview R-III School District	Operating Funds-Schools	7,976,925	2.7500	2.7500	8,473,890	2.7500	2.7500	8,880,300	2.7500	2.7500
	Iron Co C-4 School District	Operating Funds-Schools	55,630,604	2.8000	2.8000	60,496,452	2.7500	2.7500	82,145,456	2.7500	2.7500
	Iron County	General Revenue	148,931,158	0.4243	0.3085	149,728,409	0.4246	0.3085	171,120,539	0.3987	0.2960
		Health	148,931,158	0.0999	0.0999	149,728,409	0.1000	0.1000	171,120,539	0.0939	0.0939
		Senate Bill 40	148,931,158	0.0999	0.0999	149,728,409	0.1000	0.1000	171,120,539	0.0939	0.0939
Jackson	Public Water Sup Dist 17 Jackson Co	General Revenue	60,449,664	0.0561	0.0561	67,048,776	0.0561	0.0561	76,836,002	0.0535	0.0535
	City of Blue Springs	General Revenue	675,307,330	0.5527	0.5527	695,710,373	0.5529	0.5529	744,248,275	0.5471	0.5471
		Debt Service	675,307,330	0.2021	0.1500	695,710,373	0.1979	0.1500	744,248,275	0.1546	0.1500
	City of Buckner	General Revenue	22,401,745	0.5660	0.5457	22,757,855	0.5762	0.5762	25,129,509	0.5556	0.5556
	City of Grain Valley	General Revenue	118,580,271	0.5917	0.5899	136,114,412	0.5917	0.5899	156,260,396	0.5776	0.5776
		Parks & Recreation	118,580,271	0.1236	0.1232	136,114,412	0.1236	0.1232	156,260,396	0.1207	0.1207
		Health	118,580,271	0.1414	0.0500	136,114,412	0.1414	0.0500	156,260,396	0.1380	0.0500
		Debt Service	118,580,271	1.2051	0.9335	136,114,412	1.0207	0.9335	156,260,396	1.1290	0.9483
	City of Grandview	General Revenue	271,351,961	0.9489	0.9480	273,964,737	0.9567	0.9560	281,171,508	0.9609	0.9560
		Parks & Recreation	271,351,961	0.1139	0.1130	273,964,737	0.1148	0.1140	281,171,508	0.1153	0.1140
		Debt Service	271,351,961	0.4878	0.3740	273,964,737	0.3800	0.3800	281,171,508	0.3800	0.3800
	City of Greenwood	General Revenue	56,833,851	0.4376	0.4376	58,375,610	0.4376	0.4376	64,170,245	0.4345	0.4238
		GR-Fire Temp	56,833,851	0.5939	0.5939	58,375,610	0.5939	0.5939	64,170,245	0.5897	0.5752
		GR-Hydrant Temp	56,833,851	0.0189	0.0188	58,375,610	0.0189	0.0189	64,170,245	0.0188	0.0183
	City of Independence	General Revenue	1,037,563,769	0.4506	0.4506	1,052,695,946	0.4507	0.4507	1,121,899,777	0.4421	0.4421
		Indep. Sq. Spec. Benefit	5,775,354	0.4112	0.4112	5,370,254	0.4422	0.4422	5,475,220	0.4422	0.4422
		Public Health & Recreatio	1,037,563,769	0.2121	0.2121	1,052,695,946	0.2122	0.2122	1,121,899,777	0.2082	0.2082
	City of Kansas City	General Revenue	6,454,462,787	0.6519	0.6519	6,624,329,795	0.6519	0.6519	7,283,914,645	0.6320	0.6320
		Museum	6,454,462,787	0.0190	0.0190	6,624,329,795	0.0190	0.0190	7,283,914,645	0.0184	0.0184
		Health	6,454,462,787	0.4746	0.4746	6,624,329,795	0.4746	0.4746	7,283,914,645	0.4597	0.4597
		Health Temp	6,454,462,787	0.2200	0.2200 A	6,624,329,795	0.2200	0.2200	7,283,914,645	0.2131	0.2131
		Debt Service	6,454,462,787	0.3856	0.1400	6,624,329,795	0.3709	0.1400	7,283,914,645	0.4124	0.1400
	City of Lake Lotawana	General Revenue	61,037,546	0.2300	0.2300	67,328,825	0.2303	0.2303	88,999,280	0.2303	0.2303
	City of Lake Tapawingo	General Revenue	15,318,635	0.3324	0.3324	15,318,917	0.3347	0.3347	16,332,997	0.3229	0.3222
		Debt Service	15,318,635	0.9792	0.9792	15,318,917	1.0501	1.0501	16,332,997	1.0480	1.0458
	City of Levasy	General Revenue	928,436	0.9654	0.7815	875,660	1.0000	0.7815	921,167	0.9794	0.7815

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Jackson	City of Lone Jack	General Revenue	9,672,272	0.7981	0.7854	12,403,094	0.7351	0.7339		14,909,348	0.7051	0.7051	
		Debt Service	9,672,272	0.3315	0.3249	12,403,094	0.3704	0.3652		14,909,348	0.2493	0.2493	
	City of Oak Grove	General Revenue	77,481,265	0.6092	0.6092	81,684,126	0.6092	0.6092		89,626,842	0.5996	0.5996	
		Debt Service	77,481,265	0.2132	0.2132	81,684,126	0.2700	0.2132		89,626,842	0.2266	0.2266	
	City of Raytown	General Revenue	335,911,661	0.3133	0.3133	336,019,327	0.3154	0.3153		345,696,152	0.3154	0.3153	
		Parks & Recreation	335,911,661	0.1566	0.1566	336,019,327	0.1576	0.1576		345,696,152	0.1576	0.1576	
	Village of Sibley	General Revenue	3,213,014	0.3774	0.3774	3,108,532	0.3901	0.3901		3,239,218	0.3845	0.3845	
	City of Sugar Creek	General Revenue	48,494,663	0.9413	0.9413	49,176,700	0.9413	0.9413		50,917,345	0.9413	0.9413	
		Health	48,494,663	0.1272	0.1272	49,176,700	0.1272	0.1272		50,917,345	0.1272	0.1272	
	City of Lee's Summit	General Revenue	1,414,260,161	0.8900	0.8900	1,500,429,614	0.8900	0.8900		1,649,887,084	0.8690	0.8690	
		Parks & Recreation	1,414,260,161	0.1576	0.1576	1,500,429,614	0.1576	0.1576		1,649,887,084	0.1539	0.1539	
		Debt Service	1,414,260,161	0.5211	0.4800	1,500,429,614	0.5961	0.4800		1,649,887,084	0.4697	0.4697	
	Village of River Bend	General Revenue	1,539,409	0.2879	0.2879	1,486,456	0.2700	0.0000		1,819,893	0.2325	0.2325	
		General Revenue - Temp	**	**	**	1,486,456	0.5000	0.5000	A	1,819,893	0.4305	0.4305	
	Mid Continent Public Library	General Revenue	10,610,342,797	0.3225	0.3225	10,900,236,382	0.3259	0.3259		11,737,811,400	0.3212	0.3212	
	Kansas City Public Library	General Revenue	2,979,502,645	0.4690	0.4690	2,994,521,413	0.4701	0.4701		3,310,010,957	0.4493	0.4493	
	Central Jackson Co Fire Prot Dist	General Revenue	852,180,492	1.0063	1.0063	892,949,322	1.0063	1.0063		963,664,069	0.9948	0.9948	
		Dispatch	852,180,492	0.0183	0.0183	892,949,322	0.0183	0.0183		963,664,069	0.0181	0.0181	
		Debt Service	852,180,492	0.0900	0.0900	892,949,322	0.1213	0.0900		963,664,069	0.1117	0.0900	
	Lone Jack Community Fire Prot Dist	General Revenue	54,809,092	0.5549	0.5549	59,777,463	0.5549	0.5549		63,956,786	0.5549	0.5549	
		Ambulance	54,809,092	0.2944	0.2944	59,777,463	0.2944	0.2944		63,956,786	0.2944	0.2944	
	Prairie Township Fire Prot District	General Revenue	86,980,829	0.6952	0.6952	91,205,921	0.6952	0.6786		120,437,933	0.6762	0.6762	
		Ambulance	86,980,829	0.2837	0.2837	91,205,921	0.2837	0.2769		120,437,933	0.2759	0.2759	
	Raytown Fire Protection District	General Revenue	336,682,448	0.4864	0.4864	334,887,697	0.7800	0.7800		345,880,488	0.7800	0.7800	
		Pension	336,682,448	0.0453	0.0453	334,887,697	0.0457	0.0457		345,880,488	0.0457	0.0457	
		Debt Service	**	**	**	334,887,697	0.1600	0.1600		345,880,488	0.1594	0.1594	
	Lotawana Fire Protection District	General Revenue	75,030,268	0.4775	0.4775	75,959,764	0.4776	0.4776		78,498,908	0.4776	0.4776	
		Ambulance	75,030,268	0.2266	0.2266	75,959,764	0.2267	0.2267		78,498,908	0.2267	0.2267	
	Fort Osage Fire Protection District	General Revenue	146,902,329	0.8073	0.8073	151,681,967	0.8073	0.8073		162,158,867	0.7984	0.7984	
		Ambulance	146,902,329	0.4538	0.4538	151,681,967	0.4538	0.4538		162,158,867	0.4488	0.4488	
		Dispatch	146,902,329	0.0278	0.0278	151,681,967	0.0278	0.0278		162,158,867	0.0275	0.0275	
		Debt Service	146,902,329	0.3695	0.2200	151,681,967	0.3376	0.2200		162,158,867	0.4719	0.2200	
	Inter City Fire Protection District	General Revenue	5,846,781	0.6151	0.6151	8,721,009	0.6151	0.6151		9,712,121	0.6131	0.6131	
		Debt Service	**	**	**	8,721,009	0.4183	0.4183		9,712,121	0.3696	0.3696	
	Metropolitan Community College Dist	General Revenue	12,015,643,574	0.2171	0.2171	12,290,134,700	0.2172	0.2172		13,187,605,428	0.2132	0.2132	
	Fort Osage R-I School District	Operating Funds-Schools	248,369,329	4.1519	4.1519	259,197,931	4.1525	4.1525		274,097,889	4.1376	4.1376	
		Debt Service	248,369,329	0.9187	0.8072	259,197,931	0.9612	0.8066		274,097,889	0.7740	0.7740	
	Blue Springs R-IV School District	Operating Funds-Schools	1,143,235,578	5.0330	4.6664	1,173,144,119	5.0514	4.4019		1,278,481,960	4.9280	4.4019	C

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Jackson	Blue Springs R-IV School District	Debt Service	1,143,235,578	1.6823	0.7229	1,173,144,119	2.1595	0.9874	1,278,481,960	1.7363	0.9874
	Grain Valley R-V School District	Operating Funds-Schools	187,529,298	3.7257	3.7257 B	213,966,293	3.7282	3.7257	239,700,526	3.6727	3.6727
		Debt Service	187,529,298	1.8954	1.2662	213,966,293	1.9143	1.2662	239,700,526	1.6455	1.3192
	Oak Grove R-VI School District	Operating Funds-Schools	111,533,834	3.5869	3.5869	115,470,924	3.5828	3.2000	129,245,090	3.4395	3.2829
		Debt Service	111,533,834	1.6680	1.0131	115,470,924	1.8636	1.0000	129,245,090	1.4330	1.1500
	Lee's Summit R-VII School District	Operating Funds-Schools	1,399,344,226	5.0353	4.8202	1,490,033,503	5.0381	4.8219	1,655,845,450	4.9306	4.7416
		Debt Service	1,399,344,226	1.6016	1.0700	1,490,033,503	2.2190	1.0700	1,655,845,450	1.7902	1.0700
	Hickman Mills C-1 School District	Operating Funds-Schools	430,917,315	4.8600	4.8600 B	429,223,471	4.8600	4.8600	437,057,020	4.8600	4.8600
		Debt Service	430,917,315	0.7543	0.6800	429,223,471	0.8567	0.6800	437,057,020	0.6988	0.6800
	Raytown C-2 School District	Operating Funds-Schools	654,820,571	3.6767	3.6767	664,263,792	3.6820	3.6820	693,296,583	3.6788	3.6788
		Debt Service	654,820,571	1.1656	0.9600	664,263,792	0.9636	0.9636	693,296,583	1.2477	0.9636
	Grandview C-4 School District	Operating Funds-Schools	424,658,959	5.0042	4.9500	437,706,683	5.0274	4.9500	450,020,135	5.0188	4.9500
		Debt Service	424,658,959	0.5549	0.5000	437,706,683	0.7397	0.5000	450,020,135	0.7233	0.5000
	Lone Jack C-6 School District	Operating Funds-Schools	37,878,692	3.3003	3.3003	41,646,497	3.3046	3.3003	47,076,252	3.2196	3.2196
		Debt Service	37,878,692	2.1391	1.3875	41,646,497	2.5425	1.3875	47,076,252	2.3575	1.3875
	Independence 30 School District	Operating Funds-Schools	765,847,018	4.3241	4.3241	775,769,833	4.3339	4.3241	813,109,913	4.3180	4.3180
		Debt Service	765,847,018	1.4515	0.7600	775,769,833	0.7752	0.7600	813,109,913	0.9297	0.7661
	Kansas City 33 School District	Operating Funds-Schools	2,875,618,963	2.7500	4.9500 F	2,885,667,969	2.7500	2.2759 F	3,200,085,126	2.7500	2.3419 F
		Article X Section 11g	**	**	**	2,885,667,969	2.6741	2.6741 A	**	**	**
		Article X, Section 11g	**	**	**	**	**	**	3,200,085,126	2.6081	2.6081 A
	Center 58 School District	Operating Funds-Schools	403,236,195	4.2971	4.2971	400,405,863	4.3351	4.3351	426,415,213	4.9551	4.9551 B
		Debt Service	403,236,195	0.9261	0.8600	400,405,863	1.0967	0.8600	426,415,213	1.0103	0.8600
	Jackson County	General Revenue	8,867,322,697	0.2695	0.1580	9,083,177,765	0.2695	0.1560	9,833,611,688	0.2642	0.1535
		Parks & Recreation	8,867,322,697	0.1483	0.0880	9,083,177,765	0.1483	0.0880	9,833,611,688	0.1454	0.0890
		Road & Bridge	8,867,322,697	0.2695	0.1360	9,083,177,765	0.2695	0.1380	9,833,611,688	0.2642	0.1380
		Health	8,867,322,697	0.2881	0.1555	9,083,177,765	0.2881	0.1555	9,833,611,688	0.2824	0.1550
		Developmentally Disabled	8,867,322,697	0.0927	0.0766	9,083,177,765	0.0927	0.0766	9,833,611,688	0.0909	0.0748
		Mental Health	8,867,322,697	0.1232	0.1232	9,083,177,765	0.1232	0.1232	9,833,611,688	0.1208	0.1208
Jasper	Carl Junction Sp Rd Dist Jasper Co	Road & Bridge	46,965,811	0.3192	0.2850	49,528,511	0.3192	0.3192	58,805,105	0.2901	0.2901
	Carthage Sp Rd Dist Jasper Co	Road & Bridge	268,678,083	0.2311	0.2300	272,509,813	0.2311	0.2300	309,377,452	0.2234	0.2200
	Jasper Spec Rd Dist Jasper Co	Road & Bridge	12,893,292	0.2950	0.2950	12,967,943	0.2950	0.2950	**	**	**
	La Russell Spec Rd Dist Jasper Co	Road & Bridge	6,571,698	0.3500	0.3100	6,861,125	0.3500	0.3100	7,738,960	0.3338	0.3100
	Sarcoxie Spec Rd Dist Jasper Co	Road & Bridge	23,815,048	0.2337	0.2337	24,424,594	0.2337	0.2337	25,862,827	0.2312	0.2312
	Webb City Spec Rd Dist Jasper Co	Road & Bridge	96,757,685	0.2079	0.2043	98,857,899	0.2118	0.2118	119,772,895	0.1854	0.1854
	Joplin Road Dist Newton & Jasper Co	Road & Bridge	966,018,289	0.2026	0.2026	993,802,080	0.2026	0.2026	1,100,666,493	0.1935	0.1935
	City of Alba	General Revenue	3,409,417	0.5815	0.5811	3,303,204	0.6020	0.6020	3,749,772	0.5789	0.5789
		Parks & Recreation	3,409,417	0.1534	0.1534	3,303,204	0.1588	0.1588	3,749,772	0.1527	0.1527
	City of Asbury	General Revenue	3,670,062	0.4816	0.4816	3,112,054	0.5698	0.5698	4,300,271	0.5717	0.5717

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Jasper	Village of Avilla	General Revenue	834,982	0.2000	0.2000	868,037	0.2000	0.2000	919,298	0.2000	0.2000
	City of Carl Junction	General Revenue	58,249,950	0.5090	0.5090	62,098,965	0.5090	0.5090	74,652,329	0.4573	0.4573
		Debt Service	58,249,950	0.2352	0.2352	62,098,965	0.2352	0.2352	74,652,329	0.2327	0.2327
	City of Carterville	General Revenue	7,518,224	0.5485	0.5485	7,789,758	0.5492	0.5485	11,990,329	0.4766	0.4759
	City of Carthage	General Revenue	96,895,257	0.3571	0.3571	99,944,120	0.3571	0.3571	169,961,918	0.3486	0.3486
		Parks & Recreation	96,895,257	0.1541	0.1541	99,944,120	0.1541	0.1541	169,961,918	0.1504	0.1504
		Library	96,895,257	0.1785	0.1785	99,944,120	0.1785	0.1785	169,961,918	0.1742	0.1742
		Health	96,895,257	0.0812	0.0812	99,944,120	0.0812	0.0812	169,961,918	0.0793	0.0793
	City of Duenweg	General Revenue	5,786,331	0.7500	0.7500	6,002,969	0.7500	0.7500	12,694,416	0.6448	0.6448
	City of Jasper	General Revenue	6,869,580	0.7002	0.6900	7,004,391	0.7002	0.6900	7,223,113	0.6974	0.6974
	City of La Russell	General Revenue	595,043	0.2749	0.2000	613,020	0.2820	0.2000	788,195	0.2287	0.2000
	City of Neck City	General Revenue	802,897	0.2440	0.2440	878,412	0.2462	0.2462	1,030,564	0.2209	0.2209
	City of Oronogo	General Revenue	11,693,279	0.3144	0.3144	13,582,071	0.3144	0.3144	19,077,350	0.2546	0.2545
		Streets	11,693,279	0.1501	0.1501	13,582,071	0.1501	0.1501	19,077,350	0.1215	0.1215
	City of Purcell	General Revenue	1,903,273	0.3285	0.3285	1,951,079	0.3308	0.3308	2,132,065	0.3117	0.3117
	Village of Reeds	General Revenue	609,565	0.2103	0.2000	644,757	0.2104	0.2000	741,032	0.1879	0.1800
	City of Sarcoxie	General Revenue	8,504,277	0.5614	0.5614	8,607,144	0.5656	0.5656	9,295,541	0.5451	0.5451
		Parks & Recreation	8,504,277	0.1073	0.1073	8,607,144	0.1081	0.1081	9,295,541	0.1042	0.1042
		Health	8,504,277	0.1321	0.0000	8,607,144	0.1331	0.0000	9,295,541	0.1283	0.0000
	City of Waco	General Revenue	597,754	0.2154	0.2154	598,502	0.2198	0.2198	682,739	0.2072	0.2072
	City of Webb City	General Revenue	66,216,294	0.4307	0.4300	68,121,748	0.4307	0.4307	109,299,843	0.3596	0.3596
		Parks & Recreation	66,216,294	0.0976	0.0974	68,121,748	0.0976	0.0976	109,299,843	0.0815	0.0815
		Library	66,216,294	0.1382	0.1380	68,121,748	0.2900	0.2900	109,299,843	0.2421	0.2421
	City of Joplin	Parks & Recreation	470,957,170	0.0509	0.0509	480,567,972	0.0509	0.0509	549,443,459	0.0471	0.0471
		Library	470,957,170	0.1545	0.1545	480,567,972	0.2545	0.2545	521,419,299	0.2347	0.2347
		Health	470,957,170	0.0509	0.0509	480,567,972	0.0509	0.0509	549,443,459	0.0471	0.0471
		Garbage	470,957,170	0.0509	0.0509	480,567,972	0.0509	0.0509	549,443,459	0.0471	0.0471
	Carthage Fire Protection District	General Revenue	118,841,257	0.2715	0.2700	119,578,363	0.2722	0.2700	137,621,281	0.2536	0.2500
	Duenweg Fire Protection District	General Revenue	68,677,100	0.2888	0.2888	74,849,696	0.2888	0.2888	84,881,371	0.2728	0.2728
	Carl Junction Fire Protection Dist	General Revenue	169,898,045	0.2512	0.2512	174,315,841	0.2512	0.2512	204,086,390	0.2325	0.2325
	Oronogo Fire Protection District	General Revenue	24,045,147	0.3000	0.3000	30,879,081	0.3000	0.3000	40,074,627	0.2575	0.2575
	Central Jasper Co Fire Prot Dist	General Revenue	10,944,532	0.2269	0.2269	21,503,939	0.3100	0.3100	25,202,631	0.2773	0.2773
	Tri-Cities Fire Protection District	Fire	21,338,780	0.1179	0.1179	22,573,656	0.1179	0.1179	26,393,108	0.3179	0.3079
	Asbury Fire Protection District	General Revenue	12,819,286	0.2507	0.2507	13,291,647	0.2507	0.2507	19,569,474	0.2484	0.2484
	Carl Junction R-I School District	Operating Funds-Schools	181,390,060	2.9000	2.9000 B	185,475,810	2.9043	2.9000	223,661,825	2.7500	2.7500
		Debt Service	181,390,060	1.0243	0.6100	185,475,810	1.2165	0.8200	223,661,825	1.3904	0.8200
	Avilla R-XIII School District	Operating Funds-Schools	14,297,530	3.4500	2.7500	15,518,580	3.4500	3.4300	17,755,010	3.3097	3.3097
	Jasper County R-V School District	Operating Funds-Schools	30,750,650	3.4157	3.2100	31,630,680	3.4148	3.2100	34,925,630	3.2680	3.2100

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Jasper	Sarcoxie R-II School District	Operating Funds-Schools	29,648,820	2.7500	2.7500	30,367,964	2.7500	2.7500	33,234,961	2.7500	2.7500
		Debt Service	29,648,820	0.8146	0.5500	30,367,964	0.9426	0.5500	33,234,961	0.7058	0.5500
	Carthage R-IX School District	Operating Funds-Schools	252,919,090	2.7482	2.7482	256,270,270	2.7473	2.7473	293,541,962	2.6464	2.6464
		Operating Funds-Temp	252,919,090	0.6736	0.6718	256,270,270	0.6736	0.3427	293,541,962	0.6473	0.1036
		Debt Service	252,919,090	0.5705	0.1600	256,270,270	2.1936	0.4900	293,541,962	2.0856	0.8300
	Webb City R-VII School District	Operating Funds-Schools	160,367,570	2.8897	2.8897	167,706,430	2.8892	2.7500	204,647,320	2.7500	2.7500
		Operating Funds-Temp	160,367,570	0.4000	0.4000	167,706,430	0.4000	0.0000	**	**	**
		Debt Service	160,367,570	0.9871	0.1803	167,706,430	1.2415	0.7200	204,647,320	1.0037	0.6800
	Joplin R-VIII School District	Operating Funds-Schools	759,825,040	2.7500	2.7500	779,537,084	2.7500	2.7500	866,151,031	2.7500	2.7500
		Debt Service	759,825,040	0.3337	0.2100	779,537,084	0.2159	0.2100	866,151,031	1.0792	0.5600
	Jasper County	General Revenue	1,314,856,644	0.2916	0.0843	1,350,579,317	0.2916	0.0729	1,549,385,382	0.2732	0.0832
		Common Road District	151,141,420	0.2280	0.2280	157,382,232	0.2284	0.2284	206,584,219	0.1977	0.1977
		Mental Health	1,314,856,644	0.0796	0.0796	1,350,579,317	0.0796	0.0796	1,549,385,382	0.0745	0.0745
		Senate Bill 40	1,314,856,644	0.0796	0.0796	1,350,579,317	0.0796	0.0796	1,549,385,382	0.0745	0.0745
Jefferson	Big River Ambulance District	General Revenue	238,246,530	0.4172	0.4172	244,403,948	0.4172	0.4172	268,065,119	0.3967	0.3967
	Joachim-Plattin Ambulance District	General Revenue	624,454,270	0.3258	0.3258	647,378,785	0.3258	0.3258	728,303,846	0.3129	0.3129
	No Jefferson Co Ambulance District	General Revenue	282,482,819	0.3947	0.3947	291,627,264	0.4447	0.4447	319,715,420	0.4947	0.4947
		Pension	282,482,819	0.0500	0.0500 A	291,627,264	0.0500	0.0500	319,715,420	0.0480	0.0480
	Valle Ambulance District	General Revenue	303,410,965	0.4095	0.4095	316,122,347	0.4595	0.4595	347,670,696	0.4382	0.4382
	Rock Township Ambulance District	General Revenue	934,142,119	0.2173	0.1454	970,035,382	0.2173	0.1307	1,060,020,664	0.2091	0.1249
	Festus Spec Rd Dist Jefferson Co	Road & Bridge	373,413,880	0.1822	0.1822	388,954,028	0.1822	0.1822	434,560,171	0.1747	0.1747
	Hillsboro Spec Rd Dist Jefferson Co	Road & Bridge	20,320,568	0.1834	0.1834	21,832,322	0.1834	0.1834	25,788,744	0.1709	0.1709
	City of Arnold	General Revenue	289,392,753	0.4379	0.4379	304,378,175	0.4379	0.4379	328,714,545	0.4246	0.4246
	Village of Cedar Hill Lakes	General Revenue	1,840,987	0.4780	0.4780	1,812,212	0.4919	0.4919	2,059,028	0.4515	0.4515
	City of Crystal City	General Revenue	64,012,873	0.5166	0.5166	66,180,392	0.5166	0.5166	74,485,286	0.4891	0.4891
		Parks & Recreation	64,012,873	0.1364	0.1364	66,180,392	0.1364	0.1364	74,485,286	0.1291	0.1291
		Library	64,012,873	0.1364	0.1364	66,180,392	0.1364	0.1364	74,485,286	0.1291	0.1291
	City of De Soto	General Revenue	56,653,561	0.4467	0.4467	58,007,106	0.4476	0.4476	63,553,180	0.4274	0.4274
		Parks & Recreation	56,653,561	0.1140	0.1140	58,007,106	0.1142	0.1142	63,553,180	0.1090	0.1090
		Library	56,653,561	0.1901	0.1901	58,007,106	0.1905	0.1905	63,553,180	0.1819	0.1819
	City of Festus	General Revenue	129,273,988	0.3885	0.1500	136,467,538	0.3885	0.1500	149,231,820	0.3755	0.1548
		Parks & Recreation	129,273,988	0.1111	0.1100	136,467,538	0.1111	0.1100	149,231,820	0.1074	0.1074
		Library	129,273,988	0.1111	0.1100	136,467,538	0.1111	0.1100	149,231,820	0.1074	0.1074
		Health	129,273,988	0.0832	0.0800	136,467,538	0.0832	0.0800	149,231,820	0.0804	0.0804
	City of Herculaneum	General Revenue	54,241,255	0.6939	0.6939	56,414,824	0.6939	0.6939	64,369,681	0.6396	0.6396
	City of Hillsboro	General Revenue	21,367,050	0.4712	0.4712	23,266,638	0.4712	0.4712	29,279,218	0.4207	0.4207
		Parks & Recreation	21,367,050	0.0845	0.0845	23,266,638	0.0845	0.0845	29,279,218	0.0754	0.0754
	City of Kimmswick	General Revenue	4,276,748	0.2449	0.0000	3,027,314	0.3544	0.0000	3,231,311	0.3456	0.0000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Jefferson	City of Olympian Village	General Revenue	3,675,663	0.2417	0.2417	3,825,016	0.2417	0.2417		4,218,538	0.2341	0.2341
		Parks & Recreation	3,675,663	0.1257	0.1257	**	**	**		**	**	**
		Road	3,675,663	0.1257	0.1257	3,825,016	0.1257	0.1257		4,218,538	0.1217	0.1217
		Debt Service	3,675,663	1.7666	1.5000	**	**	**		**	**	**
	Village of Parkdale	General Revenue	1,344,620	0.0980	0.0000	1,353,482	0.0980	0.0980		1,429,830	0.0951	0.0951
	City of Pevely	General Revenue	70,243,771	0.7978	0.7978	75,935,318	0.7978	0.7978		89,210,629	0.7715	0.7715
	Village of Scotsdale	General Revenue	2,276,211	0.3428	0.3428	2,343,869	0.3507	0.3428		2,582,479	0.3310	0.3310
	City of Byrnes Mill	General Revenue	27,157,032	0.4286	0.4286	28,740,659	0.4286	0.4286		33,050,960	0.4039	0.4039
	Northwest Library Subdistrict	General Revenue	487,727,925	0.1942	0.1942	502,617,948	0.1942	0.1942		551,218,436	0.1859	0.1859
	Windsor-Fox Library Subdistrict	General Revenue	913,060,644	0.1789	0.1789	948,983,223	0.1789	0.1789		1,037,879,569	0.1721	0.1721
	Antonia Fire Protection District	General Revenue	149,146,906	0.9008	0.9008	157,129,455	0.9008	0.9008		174,874,922	0.8607	0.8607
		Pension	149,146,906	0.0472	0.0472	157,129,455	0.0472	0.0472		174,874,922	0.0451	0.0451
		Dispatch	149,146,906	0.0283	0.0283	157,129,455	0.0283	0.0283		174,874,922	0.0270	0.0270
		Debt Service	149,146,906	0.3503	0.2300	157,129,455	0.3104	0.2300		174,874,922	0.2116	0.2116
	Cedar Hill Fire Protection District	General Revenue	136,115,762	0.8498	0.8498	139,694,768	0.8498	0.8498		153,382,380	0.8056	0.8056
		Pension	136,115,762	0.0484	0.0484	139,694,768	0.0484	0.0484		153,382,380	0.0459	0.0459
		Debt Service	136,115,762	0.0811	0.0811	139,694,768	0.0787	0.0785		153,382,380	0.0736	0.0736
	Dunklin Fire Protection District	General Revenue	115,060,518	0.4175	0.4175	121,626,232	0.5675	0.5675		141,373,341	0.6175	0.6175
		Pension	**	**	**	125,486,819	0.0500	0.0500	A	141,373,341	0.0477	0.0477
	Goldman Fire Protection District	General Revenue	49,407,444	0.6403	0.6403	50,679,788	0.7903	0.7903		55,863,332	0.8403	0.8403
		Dispatch	49,407,444	0.0485	0.0485	50,679,788	0.0485	0.0485		55,863,332	0.0460	0.0460
	Hematite Fire Protection District	General Revenue	57,005,572	0.4960	0.4960	58,452,182	0.4960	0.4960		63,987,438	0.4730	0.4730
	High Ridge Fire Protection District	General Revenue	339,588,379	0.7928	0.7928	350,254,585	0.7928	0.7928		384,328,979	0.7605	0.7605
		Pension	339,588,379	0.0765	0.0765	350,254,585	0.0765	0.0765		384,328,979	0.0734	0.0734
		Dispatch	339,588,379	0.0477	0.0477	350,254,585	0.0477	0.0477		384,328,979	0.0458	0.0458
		Debt Service	339,588,379	0.0855	0.0855	350,254,585	0.0048	0.0048		384,328,979	0.1574	0.1574
	Hillsboro Fire Protection District	General Revenue	98,313,061	0.6601	0.6601	103,660,470	0.6601	0.6601		115,460,462	0.6234	0.6234
	Jefferson R7 Fire Prot Dist	General Revenue	122,566,236	0.3000	0.3000	123,778,262	0.3000	0.3000		144,554,930	0.2903	0.2903
	Rock Community Fire Prot Dist	General Revenue	612,065,626	0.7975	0.7975	633,384,260	0.7975	0.7975		686,748,424	0.7691	0.5779
		Pension	612,065,626	0.0951	0.0951	633,384,260	0.0951	0.0951		686,748,424	0.0917	0.0917
		Communications	612,065,626	0.0469	0.0469	633,384,260	0.0469	0.0469		686,748,424	0.0452	0.0452
	Shady Valley Fire Prot Dist	General Revenue	67,757,183	1.1474	1.1474	71,314,989	1.2474	1.2474		80,832,275	1.3474	1.3474
		Dispatch	67,757,183	0.0445	0.0445	71,314,989	0.0445	0.0445		80,832,275	0.0424	0.0424
	Springdale Fire Protection District	General Revenue	117,667,559	1.1965	1.1965	120,568,663	1.1965	1.1965		130,777,183	1.1585	1.1585
		Pension	117,667,559	0.0943	0.0943	120,568,663	0.0943	0.0943		130,777,183	0.0913	0.0913
		Dispatch	117,667,559	0.0283	0.0283	120,568,663	0.0283	0.0283		130,777,183	0.0274	0.0274
		Debt Service	117,667,559	0.2951	0.2951	120,568,663	0.2813	0.2813		130,777,183	0.2424	0.2424
	De Soto Rural Fire Protection Dist	General Revenue	158,965,100	0.6787	0.6787	165,136,143	0.6787	0.6787		180,215,509	0.6520	0.6520

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Jefferson	Mapaville Fire Protection District	General Revenue	41,143,534	0.3822	0.3822	43,430,477	0.3822	0.3822	48,494,018	0.3636	0.3636
	Jefferson College	General Revenue	2,408,117,039	0.3483	0.3483	2,492,257,871	0.3483	0.3483	2,748,091,397	0.3342	0.3342
	Northwest R-I School District	Operating Funds-Schools	458,685,911	4.0459	4.0459	473,574,203	4.0421	4.0421	522,523,220	3.8738	3.8738
		Debt Service	458,685,911	0.4500	0.4500	473,574,203	0.4500	0.4500	522,523,220	0.4740	0.4740
	Grandview R-II School District	Operating Funds-Schools	41,027,544	3.2941	3.2900	43,281,966	3.3284	3.3200	47,648,090	3.1900	3.1900
		Debt Service	41,027,544	2.4723	1.5100	43,281,966	2.4120	1.4800	47,648,090	1.9166	1.4700
	Hillsboro R-III School District	Operating Funds-Schools	191,094,631	3.9033	3.9033	207,010,617	3.8565	3.8565	231,807,667	3.6149	3.6149
		Debt Service	191,094,631	1.2544	0.7325	207,010,617	1.0985	0.7325	231,807,667	1.1296	0.9741
	Dunklin R-V School District	Operating Funds-Schools	122,275,358	3.6970	3.6970	130,620,371	3.6995	3.6300	147,077,455	3.5264	3.5264
		Debt Service	122,275,358	1.1723	0.6700	130,620,371	1.0180	0.6700	147,077,455	0.7970	0.6700
	Festus R-VI School District	Operating Funds-Schools	201,081,058	2.7500	2.7500	209,289,692	2.7500	2.7500	229,707,834	2.7500	2.7500
		Debt Service	201,081,058	1.1166	0.8000	209,289,692	0.8229	0.8000	229,707,834	0.6418	0.6400
	Jefferson Co R-VII School District	Operating Funds-Schools	117,857,351	3.8724	3.8724	119,349,491	3.8822	3.8732	140,660,605	3.7698	3.7609
		Debt Service	117,857,351	0.4217	0.4217	119,349,491	0.5237	0.5000	140,660,605	0.6293	0.6175
	Sunrise R-IX School District	Operating Funds-Schools	26,472,109	3.1171	3.1168	28,156,105	3.1021	3.0268	31,673,060	2.9948	2.9948
		Debt Service	26,472,109	0.7003	0.6500	28,156,105	0.8410	0.6500	31,673,060	0.8553	0.6500
	Windsor C-1 School District	Operating Funds-Schools	182,344,105	3.6238	3.6238	183,227,564	3.6277	3.6238	200,575,923	3.4919	3.4919
		Debt Service	182,344,105	1.0865	1.0000	183,227,564	1.5077	1.0000	200,575,923	1.7541	1.1594
	Fox C-6 School District	Operating Funds-Schools	692,755,816	4.3322	4.3322	727,358,116	4.3548	4.1756	802,252,982	4.1902	4.1902
		Debt Service	692,755,816	0.5172	0.1300	727,358,116	0.4876	0.2800	802,841,905	0.4689	0.3300
	Crystal City 47 School District	Operating Funds-Schools	51,256,490	4.0624	4.0624 B	52,862,432	4.0638	4.0624	59,948,360	3.8554	3.8400
		Debt Service	51,256,490	1.0149	0.8000	52,862,432	1.2485	0.8000	59,948,360	1.0540	0.8000
	DeSoto 73 School District	Operating Funds-Schools	154,742,768	3.6015	3.6015	160,179,551	3.5874	3.5874	176,049,697	3.4148	3.4148
		Debt Service	154,742,768	0.7451	0.4535	160,179,551	0.5433	0.4535	176,049,697	0.6624	0.5535
	Jefferson County	General Revenue	2,441,484,473	0.1925	0.0000	2,530,774,147	0.1925	0.0000	2,790,553,587	0.1846	0.0000
		Parks & Recreation	2,441,484,473	0.0289	0.0289	2,530,774,147	0.0289	0.0289	2,790,553,587	0.0277	0.0277
		Road & Bridge	2,048,097,704	0.2190	0.2181	2,120,338,501	0.2190	0.2164	2,331,579,071	0.2100	0.2100
		Health	2,441,484,473	0.0769	0.0769	2,530,774,147	0.0769	0.0769	2,790,553,587	0.0738	0.0738
		Developmentally Disabled	2,441,484,473	0.0963	0.0963	2,530,774,147	0.0963	0.0963	2,790,553,587	0.0924	0.0924
		Mental Health	2,441,484,473	0.0963	0.0963	2,530,774,147	0.0963	0.0963	2,790,553,587	0.0924	0.0924
Johnson	Johnson County Ambulance District	General Revenue	433,779,324	0.3000	0.3000	461,087,359	0.3000	0.3000	491,860,487	0.2984	0.2984
	Western Missouri Medical Center	General Revenue	439,649,771	0.1532	0.1497	466,605,288	0.1532	0.1497	497,647,642	0.1524	0.1497
	South Fork of Blackwater Watershed	General Revenue	39,239,884	0.0896	0.0896	41,657,337	0.0896	0.0896	45,725,860	0.0880	0.0880
	City of Centerview	General Revenue	1,130,826	0.8327	0.8327	1,279,503	0.8336	0.8336	1,338,246	0.8336	0.8336
	City of Chilhowee	General Revenue	1,337,913	1.0000	1.0000	1,390,039	1.0000	1.0000	1,492,427	1.0000	1.0000
	City of Holden	General Revenue	15,973,788	0.7228	0.7228	16,310,700	0.7228	0.7228	16,680,796	0.7228	0.7228
		Debt Service	15,973,788	0.1911	0.1186	16,310,700	0.1999	0.1186	16,680,796	0.1653	0.1186
	City of Kingsville	General Revenue	5,576,361	0.7471	0.7471	6,018,159	0.7471	0.7471	6,384,921	0.7471	0.7471

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Johnson	City of Knob Noster	General Revenue	16,311,235	0.6724	0.6724	16,836,114	0.6806	0.6806	18,192,200	0.6675	0.6675	
		Fire	16,311,235	0.3000	0.3000	A 16,836,114	0.3000	0.3000	18,192,200	0.2942	0.2942	
	Village of La Tour	General Revenue	221,639	0.5000	0.5000	211,967	0.5000	0.5000	235,637	0.4901	0.4901	
	City of Leeton	General Revenue	2,912,935	0.8455	0.8455	2,972,519	0.8455	0.8455	3,142,132	0.8455	0.8455	
	City of Warrensburg	General Revenue	151,058,838	0.3567	0.3567	162,636,162	0.3567	0.3567	174,764,798	0.3543	0.3543	
		Parks & Recreation	151,058,838	0.1937	0.1937	162,636,162	0.1937	0.1937	174,764,798	0.1924	0.1924	
	Trails Consolidated Library	General Revenue	748,367,441	0.2669	0.2669	779,706,857	0.2669	0.2669	861,546,030	0.2545	0.2545	
	Fire District #2 of Johnson County	General Revenue	86,737,273	0.3699	0.3699	93,011,002	0.3699	0.3699	100,082,783	0.3679	0.3679	
	Johnson County Fire Prot Dist	General Revenue	161,731,948	0.3600	0.3600	170,412,096	0.3600	0.3600	180,320,111	0.3586	0.3586	
		Debt Service	**	**	**	**	**	**	180,320,111	0.1750	0.1750	
	Kingsville R-I School District	Operating Funds-Schools	19,553,857	3.4490	3.4490	21,152,652	3.4810	3.4490	22,706,893	3.4865	3.4490	
		Debt Service	19,553,857	1.9988	0.9433	21,152,652	1.8550	0.9433	22,706,893	1.8675	0.9433	
	Holden R-III School District	Operating Funds-Schools	74,526,384	3.7481	3.3100	78,756,625	3.7500	3.3100	84,021,466	3.7407	3.3100	
		Debt Service	74,526,384	0.5029	0.3000	78,756,625	0.7801	0.3000	84,021,466	1.1684	0.6700	
	Chilhowee R-IV School District	Operating Funds-Schools	7,876,364	4.1495	4.0628	8,102,755	4.1500	4.1500	8,588,228	4.7500	4.5404	B
		Operating Funds-Temp	7,876,364	0.2500	0.2500	**	**	**	**	**	**	
		Debt Service	7,876,364	0.8833	0.3100	8,102,755	0.8843	0.6000	8,588,228	0.2096	0.2096	
	Johnson Co R-VII School District	Operating Funds-Schools	29,645,521	2.7500	2.7500	31,656,931	2.7500	2.7500	33,431,798	3.0000	3.0000	B
		Debt Service	29,645,521	1.3277	0.8000	31,656,931	0.9302	0.8000	33,431,798	0.9882	0.8000	
	Knob Noster R-VIII School District	Operating Funds-Schools	44,876,436	2.7500	2.7500	47,187,561	2.8269	2.7500	49,985,991	2.8400	2.7500	
	Leeton R-X School District	Operating Funds-Schools	13,085,352	3.7922	3.7922	14,003,644	3.8606	3.7922	14,789,144	3.8709	3.8309	
		Debt Service	13,085,352	0.5213	0.5100	14,003,644	1.5755	0.8600	14,789,144	1.3426	0.8600	
	Warrensburg R-VI School District	Operating Funds-Schools	206,918,038	3.7500	3.7500	222,154,697	3.7500	3.7500	237,727,438	3.7309	3.7309	
		Debt Service	206,918,038	0.6887	0.6500	222,154,697	0.6927	0.6500	237,727,438	0.6633	0.6500	
	Johnson County	General Revenue	439,649,771	0.3268	0.1000	466,605,288	0.3268	0.1100	497,647,642	0.3250	0.1095	
		Road & Bridge	439,649,771	0.2451	0.2300	466,605,288	0.2451	0.2400	497,647,642	0.2438	0.2400	
		Health	439,649,771	0.1000	0.1000	466,605,288	0.1000	0.1000	497,647,642	0.0995	0.0995	
		Senate Bill 40	439,649,771	0.1200	0.0800	466,605,288	0.1200	0.0900	497,647,642	0.1193	0.1000	
Knox	Knox County Ambulance District	General Revenue	56,193,223	0.3500	0.3500	57,711,686	0.3500	0.3500	62,673,972	0.3396	0.3500	D
		Dispatch	56,193,223	0.0300	0.0300	57,711,686	0.0300	0.0300	62,673,972	0.0291	0.0300	D
	Knox County Nursing Home District	General Revenue	55,429,450	0.3000	0.3000	56,962,956	0.3000	0.3000	61,709,681	0.2914	0.2914	
	City of Baring	General Revenue	770,731	0.8536	0.8536	724,673	0.9319	0.9319	834,760	0.8824	0.8824	
	City of Edina	General Revenue	8,976,603	0.7767	0.7767	8,931,963	0.8033	0.8033	10,238,731	0.7421	0.7421	
		Lights	8,976,603	0.1469	0.1469	8,931,963	0.1500	0.1500	10,238,731	0.1386	0.1386	
	City of Hurdland	General Revenue	763,684	0.7580	0.7580	760,668	0.7898	0.7898	869,373	0.7537	0.7537	
		Fire	763,684	0.2802	0.2802	760,668	0.2920	0.2920	869,373	0.2787	0.2787	
		Debt Service	763,684	0.4117	0.4117	760,668	0.3621	0.3621	869,373	0.4174	0.4174	
	City of Knox City	General Revenue	1,154,941	1.0000	0.9800	1,179,612	1.0000	1.0000	1,305,509	0.9566	0.9566	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Knox	City of Knox City	Streets	1,154,941	0.1500	0.1500	1,179,612	0.1500	0.1500	A	1,305,509	0.1434	0.1434
	Village of Newark	General Revenue	504,255	0.4973	0.4973	513,874	0.5030	0.5030		538,856	0.4922	0.4922
	Village of Novelty	General Revenue	553,644	1.0000	1.0000	591,392	1.0000	1.0000		663,320	0.9212	0.9212
		Streets	**	**	**	591,392	0.3000	0.3000	A	663,320	0.2763	0.2763
	Knox County Library	General Revenue	56,193,223	0.1000	0.1000	57,711,686	0.1000	0.1000		62,673,972	0.0970	0.0970
	Knox Co R-I School District	Operating Funds-Schools	47,147,563	3.6664	3.6664	48,134,260	3.7000	3.7000		53,149,824	3.5866	3.5866
		Debt Service	47,147,563	0.0000	0.0000	**	**	**		53,149,824	0.2922	0.2000
	Knox County	General Revenue	56,193,223	0.4312	0.2623	57,711,686	0.4352	0.3000		62,673,972	0.4223	0.2800
		Road & Bridge	56,193,223	0.3127	0.2700	57,711,686	0.3156	0.2900		62,673,972	0.3063	0.3063
		Special Road and Bridge	56,193,223	0.3500	0.3500	57,711,686	0.3500	0.3500	A	62,673,972	0.3396	0.3137
		Health	56,193,223	0.1000	0.1000	57,711,686	0.1000	0.1000		62,673,972	0.0970	0.0970
Laclede	Lebanon Spec Rd Dist #1 Laclede Co	Special Road and Bridge	195,866,752	0.2000	0.2000	**	**	**		**	**	**
		Special Road District	**	**	**	204,226,052	0.2000	0.2000	A	219,556,749	0.1963	0.1963
		Rd & Bridge (County)	195,866,752	0.3423	0.3423	204,226,052	0.3423	0.3423		219,556,749	0.3360	0.3360
	Phillipsburg Spec Rd #3 Laclede Co	Road & Bridge	11,783,103	0.2652	0.2652	13,016,638	0.2652	0.2652		13,823,630	0.2652	0.2652
		Special Road and Bridge	11,783,103	0.2300	0.2300	13,016,638	0.2300	0.2300	A	13,823,630	0.2300	0.2300
	Laclede County Road District	Road & Bridge	108,104,359	0.2110	0.0000	114,469,076	0.2110	0.0000		123,048,634	0.2103	0.0000
	Conway Spec Road Dist #2 Laclede Co	Road & Bridge	9,366,296	0.2327	0.2327	9,767,938	0.2327	0.2327		10,340,903	0.2300	0.2300
		Special Road and Bridge	9,366,296	0.3500	0.3500	9,767,938	0.3500	0.3500		10,340,903	0.3459	0.3459
	City of Conway	General Revenue	3,778,854	0.0595	0.0000	3,967,265	0.0595	0.0000		4,191,463	0.0581	0.0000
	City of Lebanon	General Revenue	157,082,846	0.2576	0.2576	163,511,891	0.2576	0.2576		175,915,064	0.2525	0.2525
		Parks & Recreation	157,082,846	0.2576	0.2576	163,511,891	0.2576	0.2576		175,915,064	0.2525	0.2525
	Village of Phillipsburg	General Revenue	1,055,545	0.4587	0.4587	1,137,183	0.4587	0.4587		1,180,111	0.4547	0.4547
	Village of Evergreen	Building Maintenance	824,722	0.2973	0.2973	811,134	0.3000	0.3000	A	810,555	0.3000	0.3000
		Fire Equipment	824,722	0.2973	0.2973	**	**	**		**	**	**
		Fire Equipment Maintenanc	**	**	**	811,134	0.3000	0.3000	A	810,555	0.3000	0.3000
		Fire Truck #1 Maintenance	**	**	**	811,134	0.3000	0.3000	A	810,555	0.3000	0.3000
		Fire Truck #2 Maintenance	**	**	**	811,134	0.3000	0.3000	A	810,555	0.3000	0.3000
		Fire Truck Maintenance	824,722	0.2973	0.2973	**	**	**		**	**	**
		Police Truck	824,722	0.2973	0.2973	**	**	**		**	**	**
		Police Truck #2	824,722	0.2973	0.2973	**	**	**		**	**	**
		Police Vehicle #1 Maint	**	**	**	811,134	0.3000	0.3000	A	810,555	0.3000	0.3000
		Police Vehicle #2 Maint	**	**	**	811,134	0.3000	0.3000	A	810,555	0.3000	0.3000
		Pumper Fire Truck	824,722	0.2973	0.2973	**	**	**		**	**	**
	Lebanon-Laclede County Library	General Revenue	325,120,512	0.1328	0.1328	341,479,708	0.1328	0.1328		366,769,917	0.1311	0.1311
	Lebanon Rural Fire Protection Dist	General Revenue	88,363,028	0.1805	0.1805	93,016,597	0.1805	0.1805		100,247,336	0.1791	0.1791
	Bennett Spring Fire Protection Dist	General Revenue	8,578,799	0.2859	0.2859	8,545,678	0.2970	0.2970		9,501,195	0.2960	0.2960
	Competition Fire Protection Dist	General Revenue	**	**	**	9,878,684	0.3000	0.3000	A	8,949,739	0.3000	0.3000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Laclede	Nebo-Falcon Fire Protection Dist	General Revenue	**	**	**	9,513,665	0.3000	0.0000 A	10,081,885	0.2957	0.2957
	Lebanon Special Business District	General Revenue	3,627,200	0.6846	0.6846	3,630,140	0.6846	0.6846	3,833,800	0.6651	0.6651
	Laclede Co. R-I School District	Operating Funds-Schools	27,471,553	2.7500	2.7500	29,339,529	2.7500	2.7500	31,466,388	2.7500	2.7500
	Gasconade C-4 School District	Operating Funds-Schools	6,897,572	3.5581	3.2500	7,386,761	3.5216	3.2500	7,860,222	3.5214	3.4300
	Lebanon R-III School District	Operating Funds-Schools	238,505,019	2.7500	2.7500	249,655,676	2.7500	2.7500	268,144,032	2.7500	2.7500
		Debt Service	238,505,019	0.6740	0.4700	249,655,676	0.6506	0.4700	268,144,032	0.4726	0.4700
	Laclede Co C-5 School District	Operating Funds-Schools	23,082,157	3.0251	2.9500	24,261,444	3.3000	3.2249 B	26,153,287	3.3000	3.2249
	Laclede County	General Revenue	325,120,512	0.2961	0.0696	341,479,708	0.2961	0.0462	366,769,917	0.2924	0.0843
		Health	325,120,512	0.1000	0.1000	341,479,708	0.1000	0.1000	366,769,917	0.0988	0.0988
		Senate Bill 40	325,120,512	0.0663	0.0663	341,479,708	0.0663	0.0663	366,769,917	0.0655	0.0655
		Senate Bill 40-LEEP	325,120,512	0.0663	0.0655	341,479,708	0.0663	0.0655	366,769,917	0.0655	0.0655
Lafayette	Little Sni A Bar Watershed Sub Dist	General Revenue	5,253,062	0.0901	0.0901	5,541,263	0.0912	0.0912	6,907,329	0.0789	0.0789
	Tabo Creek Watershed Sub District	General Revenue	12,994,089	0.0816	0.0816	13,386,403	0.0816	0.0816	15,536,633	0.0726	0.0726
	Wellington Napoleon Sub District	General Revenue	3,716,052	0.0894	0.0894	3,783,056	0.0895	0.0895	4,364,784	0.0805	0.0805
	Alma Spec Road Dist Lafayette Co	Special Road and Bridge	9,202,819	0.3000	0.3000	9,312,157	0.3000	0.3000	10,964,839	0.0030	0.2600 E
	Corder Spec Rd Dist Lafayette Co	Special Road and Bridge	7,774,609	0.3000	0.3000	7,836,729	0.3000	0.3000	8,882,436	0.0030	0.3000 E
	Concordia Spec Rd Dist Lafayette Co	Special Road and Bridge	36,965,316	0.3300	0.3300	37,107,394	0.3300	0.3300	43,486,078	0.0033	0.3300 E
	Dover Spec Rd Dist Lafayette Co	Special Road and Bridge	6,841,534	0.3500	0.3500	6,905,175	0.3500	0.3500	7,388,230	0.3415	0.3415
	Higginsville Road Dist Lafayette Co	Special Road and Bridge	49,613,502	0.1473	0.1473	50,304,207	0.1474	0.1474	56,528,932	0.1366	0.1366
	Mayview Spec Rd Dist Lafayette Co	Special Road and Bridge	11,139,299	0.2500	0.2500	11,023,858	0.2500	0.2500	12,653,920	0.0025	0.2500 E
	Odessa Spec Rd Dist Lafayette Co	Special Road and Bridge	91,389,893	0.2400	0.2400	92,280,611	0.2400	0.2400	108,441,301	0.2400	0.2400 A
	Waverly Spec Rd Dist Lafayette Co	Special Road and Bridge	13,403,406	0.2400	0.2400	13,299,953	0.2400	0.2400	15,433,257	0.2400	0.2400 A
	Wellington Napoleon Rd Lafayette Co	Special Road and Bridge	19,789,139	0.2000	0.2000	20,298,296	0.2000	0.2000	22,141,004	0.2000	0.2000 A
	City of Alma	General Revenue	3,102,341	0.5842	0.5842	3,045,858	0.5950	0.5950	3,804,382	0.5054	0.5054
		General Revenue - Temp	**	**	**	3,045,858	0.3000	0.3000 A	3,804,382	0.2549	0.2549
		General Revenue-Temp	3,102,341	0.3000	0.3000	**	**	**	**	**	**
	Village of Aullville	General Revenue	556,484	0.3902	0.3902	600,481	0.3901	0.3901	679,172	0.3538	0.3538
	City of Bates City	General Revenue	2,452,260	0.3159	0.3159	3,301,472	0.3149	0.3149	4,163,521	0.2652	0.2652
	City of Concordia	General Revenue	24,681,108	0.5252	0.5252	24,513,864	0.5339	0.5252	28,062,753	0.4899	0.4899
	City of Corder	General Revenue	2,327,255	0.6191	0.6191	2,282,696	0.6319	0.6319	2,721,184	0.5586	0.5586
		Parks & Recreation	2,327,255	0.1526	0.1526	2,282,696	0.1557	0.1557	2,721,184	0.1376	0.1376
	Village of Dover	General Revenue	595,590	0.2658	0.2658	587,169	0.2696	0.2696	544,882	0.2905	0.2905
	City of Higginsville	General Revenue	36,522,539	0.4434	0.4434	37,091,622	0.4434	0.4434	41,483,802	0.4120	0.4120
		Parks & Recreation	36,522,539	0.3529	0.3529	37,091,622	0.3529	0.3529	41,483,802	0.3279	0.3279
		Library	29,842,884	0.1821	0.1821	30,130,024	0.1821	0.1821	33,885,727	0.1677	0.1677
	City of Lexington	General Revenue	36,802,608	0.5630	0.5630	37,344,787	0.5641	0.5641	43,371,412	0.5002	0.5002
		Parks & Recreation	36,802,608	0.2859	0.2859	37,344,787	0.2865	0.2865	43,371,412	0.2541	0.2541
		Health	36,802,608	0.1526	0.1526	37,344,787	0.1529	0.1529	43,371,412	0.1356	0.1356

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Lafayette	City of Mayview	General Revenue	1,093,190	0.6789	0.6789	1,124,122	0.6789	0.6789	1,461,864	0.5732	0.5732
	City of Napoleon	General Revenue	1,723,195	0.8403	0.8403	1,766,825	0.8403	0.8403	2,074,304	0.7344	0.7344
	City of Odessa	General Revenue	44,183,447	0.5424	0.5424	44,375,236	0.5537	0.5537	50,447,051	0.5137	0.5137
		Parks & Recreation	44,183,447	0.1433	0.1433	44,375,236	0.1463	0.1463	50,447,051	0.1357	0.1357
	City of Waverly	General Revenue	5,728,009	0.5320	0.5320	6,017,887	0.5442	0.5442	7,393,657	0.4717	0.4717
		Streets	5,728,009	0.2148	0.2148	6,017,887	0.2197	0.2197	7,393,657	0.1904	0.1904
	City of Wellington	General Revenue	5,634,513	0.4846	0.4846	5,794,883	0.4857	0.4857	6,335,148	0.4560	0.4560
	City of Lake Lafayette	General Revenue	1,937,069	1.0000	1.0000	1,926,482	1.0000	1.0000	1,994,696	1.0000	1.0000
	Corder Fire Protection District	General Revenue	12,838,424	0.3332	0.3332	12,861,144	0.3357	0.3357	14,378,902	0.3165	0.3165
	Sni Valley Fire Protection District	General Revenue	150,866,461	0.4762	0.4762	157,586,103	0.4762	0.4762	177,382,896	0.4753	0.4700
		Dispatch	150,866,461	0.0300	0.0300 A	157,586,103	0.0300	0.0300	177,382,896	0.0296	0.0296
		Fire and Ambulance	150,866,461	0.1500	0.1500 A	157,586,103	0.1500	0.1500	177,382,896	0.1481	0.1481
		Debt Service	150,866,461	0.1177	0.1177	157,586,103	0.0754	0.0754	177,382,896	0.1175	0.1175
	Concordia Fire Protection District	General Revenue	44,667,225	0.2852	0.2852	44,771,674	0.2873	0.2873	52,305,909	0.2564	0.2564
	Alma Fire Protection District	General Revenue	11,521,945	0.5284	0.5284	11,664,186	0.5284	0.5284	13,614,752	0.4801	0.4800
	Wellington-Napoleon Fire Prot Dist	General Revenue	22,797,502	0.2693	0.2693	23,265,848	0.2701	0.2701	25,676,061	0.2551	0.2551
		Ambulance	22,797,502	0.0897	0.0897	23,265,848	0.0900	0.0900	25,676,061	0.0850	0.0850
	Odessa Fire Protection District	General Revenue	87,638,309	0.4663	0.4663	88,472,987	0.4700	0.4663	103,397,720	0.4221	0.4221
	Wellington-Napoleon R-IX Reg Rec Ds	Parks & Recreation	24,951,190	0.1755	0.1755	25,504,510	0.1762	0.1762	28,432,576	0.1651	0.1651
	Concordia R-II School District	Operating Funds-Schools	40,044,954	3.3927	3.3926	40,463,886	3.4002	3.4002	47,893,869	3.0196	3.0196
		Debt Service	40,044,954	0.6018	0.4629	40,463,886	0.5826	0.4629	47,893,869	0.4138	0.4138
	Lafayette Co C-1 School District	Operating Funds-Schools	57,254,383	3.2487	3.1613	58,484,630	3.2780	3.1613	67,072,115	3.0152	3.0152
		Debt Service	57,254,383	1.4311	1.0000	58,484,630	1.3939	1.0000	67,072,115	1.1634	1.0000
	Odessa R-VII School District	Operating Funds-Schools	110,753,279	3.8817	3.8800	113,150,174	3.8817	3.8800	134,450,733	3.4425	3.4425
		Debt Service	110,726,363	1.0182	0.6600	113,150,174	0.6649	0.6600	134,450,733	0.8923	0.8800
	Santa Fe R-X School District	Operating Funds-Schools	24,022,028	3.7454	3.7200	24,078,120	3.7350	3.5200	28,112,673	3.3856	3.2500
		Debt Service	24,022,028	0.7832	0.6200	24,078,120	0.7392	0.5700	28,112,673	0.6055	0.5400
	Wellington-Napoleon R-IX Sch Dist	Operating Funds-Schools	22,221,368	3.8072	3.7500	22,703,599	3.8440	3.7500	25,541,193	3.5696	3.5696
		Debt Service	22,221,368	1.5768	0.7500	22,703,599	1.3573	0.7500	25,541,193	0.9693	0.7500
	Lexington R-V School District	Operating Funds-Schools	48,429,767	3.5803	3.5803	49,427,168	3.6061	3.6061	56,376,623	3.2856	3.2856
		Debt Service	48,429,767	1.2307	0.7300	49,427,168	0.7954	0.7300	56,376,623	0.9431	0.9300
	Lafayette County	General Revenue	338,560,554	0.3003	0.1500	343,231,593	0.3019	0.1600	397,784,115	0.2717	0.1600
		Johnson Grass	338,560,554	0.0282	0.0001	343,231,593	0.0284	0.0020	397,784,115	0.0256	0.0030
		Road & Bridge	338,560,554	0.2252	0.2252	343,231,593	0.2264	0.2264	397,784,115	0.2038	0.2038
		Health	338,560,554	0.0750	0.0750	343,231,593	0.0754	0.0754	397,784,115	0.0679	0.0679
		Senate Bill 40	338,560,554	0.0657	0.0657	343,231,593	0.0661	0.0661	397,784,115	0.0595	0.0595
		2-W Common Rd District	30,801,022	0.3300	0.3300	31,805,874	0.3300	0.3300	**	**	**
		I-E Common Road Dist	11,440,475	0.3500	0.3500	11,793,862	0.3500	0.3500	14,225,869	0.3096	0.3096

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Lafayette	Lafayette County	2-W Common Rd Dist	**	**	**	**	**	**	39,383,988	0.0033	0.3300 E
Lawrence	Mt Vernon Ambulance District	General Revenue	123,044,232	0.1391	0.1391	131,214,896	0.1394	0.1394	144,562,376	0.1354	0.1354
	Lawrence County Nursing Home Dist	General Revenue	345,218,654	0.1073	0.1073	362,502,469	0.1079	0.1079	398,196,177	0.1049	0.1049
	Aurora Spec Road Dist Lawrence Co	Special Road and Bridge	85,896,507	0.1700	0.1700 A	88,823,692	0.1700	0.1700	96,084,404	0.1652	0.1652
	Buck Prairie Sp Rd Dist Lawrence Co	Special Road and Bridge	30,003,682	0.3020	0.3020	31,313,244	0.3100	0.3100 A	34,006,495	0.3016	0.3016
	Freistatt Spec Rd Dist Lawrence Co	Special Road and Bridge	7,281,370	0.3402	0.3402	7,348,340	0.3468	0.3468	8,003,634	0.3500	0.3500 A
	Greene Benefit Spec Rd Lawrence Co	Special Road and Bridge	7,307,968	0.2200	0.2200 A	7,112,561	0.2200	0.2200	7,212,149	0.2200	0.2200
	Midway Benefit Spec Rd Lawrence Co	Special Road and Bridge	1,784,933	0.2329	0.2329	1,836,305	0.2400	0.2400 A	2,069,261	0.2257	0.2257
	Miller Benefit Spec Rd Lawrence Co	Special Road and Bridge	16,381,243	0.1849	0.1849	17,602,233	0.1900	0.1900 A	18,060,225	0.1900	0.1900
	Mt Pleasant Benefit SRD Lawrence Co	Special Road and Bridge	3,858,427	0.1982	0.1982	3,987,326	0.2000	0.2000 A	4,233,200	0.1975	0.1975
	Mt Vernon Benefit Sp Rd Lawrence Co	Special Road and Bridge	80,019,744	0.1542	0.1542	84,625,528	0.1600	0.1600 A	94,663,768	0.1550	0.1550
	Pierce Benefit SRD Lawrence Co	Special Road and Bridge	19,884,667	0.1900	0.1900 A	20,647,803	0.1900	0.1900	22,454,483	0.1861	0.1861
	Red Oak Benefit Sp Rd Lawrence Co	Special Road and Bridge	4,536,033	0.1983	0.1983	4,673,417	0.2000	0.2000 A	4,807,502	0.2000	0.2000
	Verona Benefit SRD Lawrence Co	Special Road and Bridge	19,537,569	0.1868	0.1868	22,546,508	0.1900	0.1900 A	27,420,588	0.1862	0.1862
	Vineyard Benefit Sp Rd Lawrence Co	Special Road and Bridge	3,505,038	0.2200	0.2200 A	3,800,887	0.2200	0.2200	4,034,827	0.2156	0.2156
	City of Aurora	General Revenue	64,541,968	0.3623	0.3623	66,625,555	0.3638	0.3638	71,980,472	0.3531	0.3531
		Parks & Recreation	64,541,968	0.1410	0.1410	66,625,555	0.1416	0.1416	71,980,472	0.1374	0.1374
		Debt Service	64,541,968	0.1531	0.1531	66,625,555	0.1746	0.1746	71,980,472	0.1510	0.1510
	Village of Freistatt	General Revenue	969,745	0.2453	0.2453	999,353	0.2464	0.2464	1,028,807	0.2464	0.2464
	City of Marionville	General Revenue	13,679,918	0.6054	0.6054	14,395,410	0.6077	0.6077	15,685,782	0.5896	0.5896
	City of Miller	General Revenue	4,030,349	0.9924	0.9924	4,195,446	0.9924	0.9924	4,415,478	0.9860	0.9860
	City of Pierce City	General Revenue	7,775,563	0.5127	0.5127	8,232,595	0.5256	0.5256	9,018,879	0.5130	0.5130
		Parks & Recreation	7,775,563	0.1145	0.1145	8,232,595	0.1174	0.1174	9,018,879	0.1146	0.1146
		Fire	7,775,563	0.1145	0.1145	8,232,595	0.1174	0.1174	9,018,879	0.1146	0.1146
	City of Stotts City	General Revenue	818,506	0.4501	0.4501	861,240	0.4612	0.4612	854,074	0.4707	0.4707
	City of Verona	General Revenue	5,352,125	0.6098	0.5400	7,655,800	0.6115	0.5750	9,600,169	0.6111	0.6111
	Miller R-II School District	Operating Funds-Schools	35,471,740	3.3390	3.3390	37,876,365	3.5474	3.3390	39,867,624	3.4766	3.4766
		Operating Funds-Temp	**	**	**	**	**	**	39,867,624	0.5134	0.5134 A
	Pierce City R-VI School District	Operating Funds-Schools	30,241,883	2.7500	2.7500	31,594,215	2.7500	2.7500	34,796,921	2.7500	2.7500
		Debt Service	30,241,883	0.7048	0.6300	31,594,215	0.8672	0.6300	34,796,921	0.6855	0.6600
	Marionville R-IX School District	Operating Funds-Schools	30,097,683	2.8743	2.7500	31,690,724	2.9126	2.7500	34,700,929	2.8477	2.7500
		Debt Service	30,097,683	0.4587	0.4587	31,690,724	0.6438	0.5000	34,700,929	0.9569	0.8100
	Mt. Vernon R-V School District	Operating Funds-Schools	85,895,790	2.7500	2.7500	91,399,010	2.7500	2.7500	102,269,865	2.7500	2.7500
		Debt Service	85,895,790	0.5700	0.5700	91,399,010	0.5700	0.5700	102,269,865	0.9828	0.5700
	Aurora R-VIII School District	Operating Funds-Schools	91,693,440	2.5286	2.5286	95,116,423	2.5261	2.5261	103,714,604	2.4811	2.4811
		Operating Funds-Temp	91,693,440	0.3934	0.3934	95,116,423	0.3951	0.3951	103,714,604	0.3852	0.3852
		Debt Service	91,693,440	1.1037	0.8300	95,116,423	0.9302	0.8300	103,714,604	0.8423	0.8300
	Verona R-VII School District	Operating Funds-Schools	18,034,337	3.2906	2.7500	21,114,640	3.3053	2.7500	25,529,457	3.3255	2.7500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Lawrence	Verona R-VII School District	Debt Service	18,034,337	0.7784	0.7000	21,114,640	0.7423	0.7000		25,529,457	1.3545	0.8300	
	Lawrence County	General Revenue	345,218,654	0.2829	0.0963	362,502,469	0.2846	0.1150		398,196,177	0.2767	0.1170	
		Road & Bridge	345,218,654	0.2048	0.0700	362,502,469	0.2060	0.0700		398,196,177	0.2003	0.0700	
		Developmentally Disabled	345,218,654	0.0878	0.0800	362,502,469	0.0883	0.0883		398,196,177	0.0859	0.0859	
		Senior Services	345,218,654	0.0483	0.0483	362,502,469	0.0486	0.0486		398,196,177	0.0473	0.0473	
		Common I Road District	25,132,127	0.1976	0.1976	362,502,469	0.2000	0.2000	A	29,329,015	0.2000	0.2000	
		Common II Road District	9,696,726	0.2100	0.2100	362,502,469	0.2100	0.2100	A	11,117,895	0.2100	0.2100	
Lewis	Lewis County Ambulance District	General Revenue	90,148,330	0.2500	0.2500	93,814,455	0.2500	0.2500		97,852,120	0.2500	0.2500	
	Lewis County Nursing Home	General Revenue	90,148,330	0.1500	0.1500	93,814,455	0.1500	0.1500		97,852,120	0.1500	0.1500	
	Buck & Doe Run Creeks Sub District	General Revenue	2,158,380	0.3716	0.3716	2,209,320	0.3716	0.3716		2,376,770	0.3558	0.3558	
	Durgens Creek Watershed Sub Dist	General Revenue	2,250,035	0.4000	0.4000	2,304,645	0.4000	0.4000		2,439,725	0.3969	0.3969	
	Troublesome Watershed Sub District	General Revenue	8,144,577	0.3976	0.3976	8,008,251	0.4000	0.4000		9,140,496	0.3730	0.3730	
	Grassey Creek Watershed Sub Dist	General Revenue	5,205,435	0.4000	0.4000	5,409,065	0.4000	0.4000		5,920,955	0.3867	0.3867	
	Canton Spec Rd Dist Lewis Co	Road & Bridge	22,882,098	0.2717	0.2500	23,606,044	0.2717	0.2500		25,038,311	0.3064	0.2500	
	Dickerson Spec Road Dist Lewis Co	Road & Bridge	741,776	0.3500	0.3500	725,967	0.3500	0.3500		727,581	0.3500	0.3500	
	La Grange Spec Rd Dist Lewis Co	Road & Bridge	15,482,502	0.3312	0.3000	17,013,813	0.3319	0.3000		17,803,558	0.3319	0.3000	
	City of Canton	General Revenue	14,870,933	0.7092	0.6850	15,103,528	0.7095	0.6850		15,998,296	0.7095	0.6850	
		Parks & Recreation	14,870,933	0.2000	0.2000	15,103,528	0.2000	0.2000		15,998,296	0.2000	0.2000	
		Library	14,870,933	0.2500	0.2500	15,103,528	0.2500	0.2500		15,998,296	0.2500	0.2500	
		Levee	14,870,933	0.2000	0.2000	15,103,528	0.2000	0.2000		15,998,296	0.2000	0.2000	
	City of Ewing	General Revenue	2,403,216	0.6367	0.6300	2,477,003	0.6470	0.6400		2,531,826	0.6470	0.6400	
	City of La Belle	General Revenue	3,436,055	0.7642	0.7600	3,474,410	0.7673	0.7673		3,597,433	0.7673	0.7673	
		Streets	3,436,055	0.1000	0.1000	A 3,474,410	0.1000	0.1000		3,597,433	0.1000	0.1000	
		Streets-Temp	3,436,055	0.3500	0.3500	3,474,410	0.3500	0.3500		3,597,433	0.0035	0.3500	E
	City of La Grange	General Revenue	9,716,253	0.5500	0.4900	11,190,150	0.5500	0.4900		11,908,802	0.5500	0.4900	
		Streets	9,716,253	0.3000	0.2700	11,190,150	0.3000	0.2700		11,908,802	0.3000	0.2700	
		Cemetery	9,716,253	0.1500	0.1300	11,190,150	0.1500	0.1300		11,908,802	0.1500	0.1300	
	City of Lewistown	General Revenue	3,184,195	0.6520	0.6520	3,437,645	0.6545	0.6545		3,583,182	0.6545	0.6545	
		Debt Service	3,184,195	0.3894	0.3894	3,437,645	0.3403	0.3403		3,583,182	0.3070	0.3070	
	Village of Monticello	General Revenue	751,695	0.6563	0.6563	793,639	0.6568	0.6568		799,289	0.6568	0.6568	
	Lewis County Library	General Revenue	75,269,057	0.1000	0.1000	78,708,158	0.1000	0.1000		81,738,186	0.1000	0.1000	
	Canton R-V Fire Protection District	General Revenue	25,147,861	0.2520	0.2520	25,790,368	0.2524	0.2524		27,253,224	0.2524	0.2524	
		Debt Service	**	**	**	**	**	**		27,253,224	0.2006	0.2006	
	Ewing-Maywood R-4 Fire Prot Dist	General Revenue	17,980,372	0.4400	0.4400	18,946,767	0.4400	0.4400		20,259,795	0.4369	0.4369	
	La Belle Fire Protection District	General Revenue	14,440,545	0.4300	0.4300	14,597,935	0.4300	0.4300		14,916,881	0.4300	0.4300	
		Debt Service	14,440,545	0.2539	0.2539	14,597,935	0.2144	0.2144		14,916,881	0.2408	0.2408	
	Canton R-V School District	Operating Funds-Schools	26,662,820	2.8650	2.8650	27,560,303	2.8570	2.8570		29,179,286	3.4300	3.4300	B
		Debt Service	26,662,820	0.8298	0.5500	27,560,303	0.6414	0.5500		29,179,286	0.6037	0.5500	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Lewis	Lewis Co C-1 School District	Operating Funds-Schools	55,258,990	3.6100	3.6100 B	58,262,240	3.6208	3.6205	61,007,606	3.6039	3.6039
	Lewis County	General Revenue	90,148,330	0.4155	0.2652	93,814,455	0.4170	0.2598	97,852,120	0.4170	0.2712
		Road & Bridge	51,041,959	0.2817	0.2817	52,450,156	0.2833	0.2833	54,282,669	0.2833	0.2833
		Common Road District	51,041,959	0.2100	0.2100 A	52,450,156	0.2100	0.2100	54,282,669	0.2100	0.2100
		Health	90,148,330	0.1000	0.1000	93,814,455	0.1000	0.1000	97,852,120	0.1000	0.1000
Lincoln	Lincoln County Ambulance	General Revenue	515,014,560	0.2784	0.1589	550,235,439	0.2784	0.1018	602,564,012	0.2754	0.0978
	Clarence Cannon Memorial Sub Dist	General Revenue	7,289,740	0.3824	0.2000	7,674,640	0.3759	0.2000	8,684,830	0.3408	0.2000
	City of Elsberry	General Revenue	12,250,039	0.5188	0.5188	12,533,375	0.5188	0.5188	13,700,672	0.5178	0.5178
		Cemetery	12,250,039	0.1556	0.1556	12,533,375	0.1556	0.1556	13,700,672	0.1553	0.1553
	City of Foley	General Revenue	855,609	0.6392	0.6392	845,394	0.6564	0.6564	843,096	0.6582	0.6582
	City of Hawk Point	General Revenue	3,796,217	0.3514	0.3514	4,144,810	0.3514	0.3514	4,469,022	0.3498	0.3498
	City of Moscow Mills	General Revenue	19,437,586	0.2422	0.2385	19,751,463	0.2488	0.2385	21,239,467	0.2487	0.2385
		GR-Waterworks	19,437,586	0.4742	0.4671	19,751,463	0.4871	0.4671	21,239,467	0.4868	0.4671
	City of Old Monroe	General Revenue	2,861,897	0.4229	0.4229	2,760,321	0.4409	0.4409	2,912,709	0.4367	0.4367
	Village of Silex	General Revenue	1,340,778	0.2620	0.2620	1,381,038	0.2620	0.2620	1,567,279	0.2371	0.2371
	City of Troy	General Revenue	143,106,932	0.3212	0.3212	151,183,110	0.3212	0.3212	158,158,170	0.3212	0.3212
	City of Winfield	General Revenue	8,552,689	0.3772	0.3772	9,812,386	0.3772	0.3772	11,511,129	0.3666	0.3666
	Village of Truxton	General Revenue	334,469	0.5000	0.5000	285,881	0.5000	0.5000	326,450	0.4881	0.4881
	Village of Chain of Rocks	General Revenue	787,340	0.4278	0.4278	802,550	0.4371	0.4371	857,720	0.4360	0.4360
	Village of Fountain 'N Lakes	General Revenue	426,530	0.5000	0.5000	413,110	0.5000	0.5000	463,180	0.5000	0.5000
	Winfield-Foley Fire Protection Dist	General Revenue	68,585,094	0.2539	0.2539	72,363,121	0.2539	0.2539	82,184,083	0.2464	0.2464
	Lincoln County Fire Protection Dist	General Revenue	304,817,872	0.5436	0.5436	327,505,906	0.5436	0.5436	359,887,421	0.5366	0.5366
	Elsberry Fire Protection District	General Revenue	40,856,740	0.2975	0.2975	42,103,898	0.2975	0.2975	45,790,200	0.2948	0.2948
	Hawk Point Fire Protection District	General Revenue	26,319,630	0.3000	0.3000	29,751,542	0.2912	0.2912	33,100,546	0.2828	0.2828
	Old Monroe Fire Protection District	General Revenue	23,408,217	0.3000	0.3000	24,128,384	0.3000	0.3000	26,242,128	0.2903	0.2903
	Silex R-I School District	Operating Funds-Schools	23,499,020	3.5862	3.5821 B	23,715,745	3.6616	3.5862	27,147,740	3.4758	3.4758
		Debt Service	23,499,020	0.8497	0.6600	23,715,745	0.6770	0.6600	27,147,740	0.6679	0.6600
	Elsberry R-II School District	Operating Funds-Schools	35,150,529	2.7944	2.7900	37,130,774	2.7796	2.7796	40,612,696	2.7803	2.7803
		Debt Service	35,150,529	1.1044	1.0100	37,130,774	1.1019	1.0500	40,612,696	1.4794	1.0500
	Troy R-III School District	Operating Funds-Schools	323,719,582	2.9382	2.7500	351,945,831	2.9286	2.7500	384,132,428	2.8941	2.7500
		Debt Service	323,719,582	0.9828	0.7400	351,945,831	1.5771	1.1100	384,132,428	1.2505	1.1100
	Winfield R-IV School District	Operating Funds-Schools	67,830,655	3.4160	3.2800	78,486,430	3.2221	3.2221	87,477,680	3.1893	3.1893
		Debt Service	67,830,655	1.0264	0.7700	78,486,430	0.9291	0.8000	87,477,680	0.8412	0.8412
	Lincoln County	General Revenue	515,014,560	0.3380	0.1282	550,235,439	0.3380	0.1239	602,564,012	0.3343	0.1528
		Road & Bridge	515,014,560	0.2585	0.2585	550,235,439	0.2585	0.2585	602,564,012	0.2557	0.2557
		Health	515,014,560	0.1988	0.1988	550,235,439	0.1988	0.1988	602,564,012	0.1966	0.1966
		Hospital	515,014,560	0.1690	0.1690	550,235,439	0.1690	0.1690	602,564,012	0.1672	0.1672
		Senate Bill 40	515,014,560	0.0994	0.0994	550,235,439	0.0994	0.0994	602,564,012	0.0983	0.0983

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Lincoln	Lincoln County	Debt Service	515,014,560	0.1800	0.1800	550,235,439	0.1600	0.1600	602,564,012	0.1300	0.1300	
Linn	Linn County Ambulance District	General Revenue	122,995,249	0.2880	0.2880	125,325,355	0.2880	0.2880	127,919,809	0.2880	0.2880	
	East Yellow Creek Watershed	General Revenue	7,414,140	0.3648	0.3648	8,219,459	0.3620	0.3620	8,655,755	0.3620	0.3620	
	Marceline Spec Rd Dist Linn Co	General Revenue	19,452,098	0.0994	0.0994	19,999,716	0.0994	0.0994	20,398,630	0.0994	0.0994	
		Road & Bridge	19,452,098	0.3436	0.3436	19,999,716	0.3437	0.3436	20,398,630	0.3437	0.3437	
	Purdin Special Road Dist Linn Co	General Revenue	1,463,466	0.1000	0.1000	1,387,827	0.1000	0.0000	1,414,326	0.1000	0.1000	
		Road & Bridge	1,463,466	0.4934	0.4934	1,387,827	0.5000	0.0000	1,414,326	0.5000	0.5000	
		Special Road and Bridge	1,463,466	0.3500	0.3500	1,387,827	0.3500	0.0000	1,414,326	0.3500	0.3500	A
	City of Brookfield	General Revenue	36,339,018	0.6874	0.6874	36,061,068	0.6960	0.6960	36,867,343	0.6994	0.6994	
		Parks & Recreation	36,339,018	0.1979	0.1979	36,061,068	0.2000	0.2000	36,867,343	0.2000	0.2000	
		Library	36,339,018	0.3541	0.3541	36,061,068	0.3585	0.3585	36,867,343	0.3603	0.3603	
		Cemetery	36,339,018	0.1000	0.1000	36,061,068	0.1000	0.1000	36,867,343	0.1000	0.1000	
	City of Browning	General Revenue	761,408	1.0000	1.0000	770,390	1.0000	1.0000	753,344	1.0000	1.0000	
	City of Bucklin	General Revenue	2,747,068	1.0000	1.0000	2,787,742	1.0000	1.0000	2,854,070	1.0000	1.0000	
		Streets	2,747,068	0.5000	0.5000	2,787,742	0.5000	0.5000	2,854,070	0.5000	0.5000	
		Streets-temp	2,747,068	0.6000	0.6000	2,787,742	0.6000	0.6000	**	**	**	
		Special Road and Bridge	**	**	**	**	**	**	2,854,070	0.6000	0.6000	A
	City of Laclede	General Revenue	1,864,669	0.7960	0.7960	1,921,100	0.7960	0.7960	2,050,590	0.7939	0.7939	
		Cemetery	1,864,669	0.0934	0.0934	1,921,100	0.0934	0.0934	2,050,590	0.0932	0.0932	
	City of Linneus	General Revenue	1,306,687	0.5612	0.5612	1,298,823	0.5744	0.5744	1,287,557	0.5798	0.5798	
		Streets	1,306,687	0.3846	0.3846	1,298,823	0.3937	0.3937	1,287,557	0.3974	0.3974	
	City of Marceline	General Revenue	19,010,482	0.4631	0.4631	19,434,051	0.4633	0.4633	19,809,614	0.4633	0.4633	
		Library	19,010,482	0.2086	0.2086	19,434,051	0.2087	0.2087	19,809,614	0.2087	0.2087	
	City of Meadville	General Revenue	2,289,958	0.3801	0.3801	2,335,530	0.3801	0.3801	2,384,320	0.3801	0.3801	
	City of Purdin	General Revenue	687,893	0.8952	0.8952	584,458	1.0000	1.0000	554,847	1.0000	1.0000	
	Baker Township of Linn Co	General Revenue	3,233,005	0.1000	0.1000	3,207,418	0.1000	0.1000	3,227,908	0.1000	0.1000	
		Road & Bridge	3,233,005	0.5000	0.5000	3,207,418	0.5000	0.5000	3,227,908	0.5000	0.5000	
		Special Road and Bridge	3,233,005	0.3500	0.3500	3,207,418	0.3500	0.3500	3,227,908	0.3500	0.3500	A
	North Benton Township of Linn Co	General Revenue	1,657,557	0.1000	0.1000	1,762,501	0.0985	0.0985	1,739,111	0.0999	0.0999	
		Road & Bridge	1,657,557	0.5000	0.5000	1,762,501	0.4924	0.4924	1,739,111	0.4993	0.4993	
		Special Road and Bridge	1,657,557	0.3500	0.3500	1,762,501	0.3447	0.3447	1,739,111	0.3500	0.3500	A
	Brookfield Township of Linn Co	General Revenue	46,561,322	0.1000	0.1000	46,412,302	0.1000	0.1000	47,435,900	0.1000	0.1000	
		Road & Bridge	46,561,322	0.3738	0.3738	46,412,302	0.3771	0.3771	47,435,900	0.3779	0.3779	
	Bucklin Township of Linn Co	General Revenue	7,181,851	0.1000	0.1000	7,395,821	0.1000	0.1000	7,578,312	0.1000	0.1000	
		Road & Bridge	7,181,851	0.4803	0.4803	7,395,821	0.4803	0.4803	7,578,312	0.4803	0.4803	
		Special Road and Bridge	7,181,851	0.3500	0.3500	7,395,821	0.3500	0.3500	7,578,312	0.3500	0.3500	A
	Clay Township of Linn Co	General Revenue	3,514,591	0.1000	0.1000	3,659,619	0.1000	0.1000	3,647,998	0.1000	0.1000	
		Road & Bridge	3,514,591	0.5000	0.5000	3,659,619	0.5000	0.5000	3,647,998	0.5000	0.5000	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Linn	Clay Township of Linn Co	Special Road and Bridge	3,514,591	0.3500	0.3500	3,659,619	0.3500	0.3500	3,647,998	0.3500	0.3500	A
	Enterprise Township of Linn Co	General Revenue	1,573,479	0.1000	0.1000	1,573,327	0.1000	0.1000	1,617,389	0.1000	0.1000	
		Road & Bridge	1,573,479	0.5000	0.5000	1,573,327	0.5000	0.5000	1,617,389	0.5000	0.5000	
		Special Road and Bridge	1,573,479	0.3500	0.3500	1,573,327	0.3500	0.3500	1,617,389	0.3500	0.3500	A
	Grantsville Township of Linn Co	General Revenue	2,903,148	0.1000	0.1000	3,045,031	0.1000	0.1000	3,088,546	0.1000	0.1000	
		Road & Bridge	2,903,148	0.5000	0.5000	3,045,031	0.5000	0.5000	3,088,546	0.5000	0.5000	
		Special Road and Bridge	2,903,148	0.3500	0.3500	3,045,031	0.3500	0.3500	3,088,546	0.3500	0.3500	A
	Jackson Township of Linn Co	General Revenue	2,828,937	0.1000	0.1000	2,905,638	0.1000	0.1000	3,586,653	0.0836	0.0836	
		Road & Bridge	2,828,937	0.5000	0.5000	2,905,638	0.5000	0.5000	3,586,653	0.4181	0.4181	
		Special Road and Bridge	2,828,937	0.3500	0.3500	2,905,638	0.3500	0.3500	3,586,653	0.3500	0.3500	A
		Debt Service	2,828,937	0.6160	0.6160	**	**	**	**	**	**	
	Jefferson Township of Linn Co	General Revenue	8,385,151	0.0939	0.0939	8,638,571	0.0939	0.0939	8,664,452	0.0964	0.0964	
		Road & Bridge	8,385,151	0.3663	0.3663	8,638,571	0.3663	0.3663	8,664,452	0.3760	0.3760	
		Special Road and Bridge	8,385,151	0.3500	0.3500	8,638,571	0.3500	0.3500	8,664,452	0.3500	0.3500	A
	Locust Creek Township of Linn Co	General Revenue	5,258,733	0.0997	0.0997	5,423,098	0.0997	0.0997	5,158,015	0.1000	0.1000	
		Road & Bridge	5,258,733	0.4892	0.4892	5,423,098	0.4892	0.4892	5,158,015	0.5000	0.5000	
		Special Road and Bridge	5,258,733	0.3500	0.3500	5,423,098	0.3500	0.3500	5,158,015	0.3500	0.3500	A
	Marceline Township of Linn Co	General Revenue	4,148,085	0.1000	0.1000	4,418,355	0.1000	0.1000	4,469,330	0.1000	0.1000	
		Road & Bridge	4,148,085	0.5000	0.5000	4,418,355	0.5000	0.5000	4,469,330	0.5000	0.5000	
		Special Road and Bridge	4,148,085	0.3500	0.3500	4,418,355	0.3500	0.3500	4,469,330	0.3500	0.3500	A
	North Salem Township of Linn Co	General Revenue	2,059,358	0.0997	0.0997	2,068,004	0.1000	0.1000	2,189,916	0.1000	0.1000	
		Road & Bridge	2,059,358	0.4983	0.4983	2,068,004	0.5000	0.5000	2,189,916	0.5000	0.5000	
		Special Road and Bridge	2,059,358	0.3500	0.3500	2,068,004	0.3500	0.3500	2,189,916	0.3500	0.3500	A
	Parson Creek Township of Linn Co	General Revenue	6,897,804	0.0990	0.0990	7,217,962	0.0990	0.0990	8,896,632	0.0854	0.0854	
		Road & Bridge	6,897,804	0.4644	0.4644	7,217,962	0.4644	0.4644	8,896,632	0.4006	0.4006	
		Special Road and Bridge	6,897,804	0.3500	0.3500	7,217,962	0.3500	0.3500	8,896,632	0.3500	0.3500	A
	Yellow Creek Township of Linn Co	General Revenue	5,876,664	0.0993	0.0993	6,210,165	0.0993	0.0993	4,806,691	0.1000	0.1000	
		Road & Bridge	5,876,664	0.3476	0.3476	6,210,165	0.3476	0.3476	4,806,691	0.4560	0.4560	
		Special Road and Bridge	5,876,664	0.3478	0.3478	6,210,165	0.3478	0.3478	4,806,691	0.3500	0.3500	A
	Laclede Community Fire Prot Dist	General Revenue	8,385,151	0.2399	0.2399	8,638,571	0.2399	0.2399	8,664,452	0.2463	0.2463	
	Linneus Fire Protection District	General Revenue	6,283,127	0.2948	0.2948	6,455,868	0.2948	0.2948	9,286,338	0.2294	0.2294	
	Linn Co R-I School District	Operating Funds-Schools	14,418,107	4.3061	3.7177	14,472,109	4.2962	3.6029	14,708,465	4.2804	3.4123	
	Bucklin R-II School District	Operating Funds-Schools	8,854,388	4.4000	4.4000	9,460,027	4.4000	4.4000	9,695,562	4.4000	4.4000	
	Meadville R-IV School District	Operating Funds-Schools	12,393,456	4.8461	3.8100	12,882,845	4.8356	3.8400	13,083,239	4.8699	3.8600	
		Debt Service	12,393,456	1.1982	1.0200	12,882,845	1.0225	1.0200	13,083,239	1.0284	1.0200	
	Marceline R-V School District	Operating Funds-Schools	30,722,932	4.1628	3.4478	31,954,025	4.1179	3.8229	33,037,706	4.1881	3.9296	
		Debt Service	30,722,932	0.8323	0.7525	31,954,025	0.3047	0.3047	33,037,706	0.2704	0.2704	
	Brookfield R-III School District	Operating Funds-Schools	52,585,451	3.4267	3.0092	53,018,969	3.4377	3.4377	54,595,179	3.4176	3.4176	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Linn	Brookfield R-III School District	Debt Service	52,585,451	1.1976	0.3900	53,018,969	1.1945	0.3900	54,595,179	1.1541	0.3900
	Linn County	General Revenue	122,995,249	0.3575	0.0725	125,325,355	0.3575	0.0725	127,919,809	0.3575	0.0725
		Health	122,995,249	0.2384	0.2000	125,325,355	0.2384	0.2000	127,919,809	0.2384	0.2000
		Senate Bill 40	122,995,249	0.1986	0.1986	125,325,355	0.1986	0.1986	127,919,809	0.1986	0.1986
		Senior Services	**	**	**	**	**	**	127,919,809	0.0500	0.0500 A
Livingston	Livingston County Ambulance Dist	General Revenue	145,572,694	0.2957	0.1500	148,777,281	0.2983	0.1500	155,215,456	0.2983	0.1300
	Livingston County Nursing Home Dist	General Revenue	145,572,694	0.1497	0.1497	148,777,281	0.1500	0.1500	155,215,456	0.1500	0.1500
	City of Chillicothe	General Revenue	84,068,918	0.6300	0.6300	85,463,058	0.6369	0.6369	90,159,184	0.6374	0.6374
		Parks & Recreation	84,068,918	0.1771	0.1771	85,463,058	0.1790	0.1790	90,159,184	0.1791	0.1791
		Temp Gen Indus Imp	84,068,918	0.2756	0.0000	85,463,058	0.2786	0.0000	90,159,184	0.2788	0.0000
	City of Chula	General Revenue	1,069,154	0.8936	0.8936	808,884	1.0000	1.0000	820,625	1.0000	1.0000
	Village of Ludlow	General Revenue	641,049	0.8871	0.8871	631,523	0.9005	0.9005	581,181	0.9803	0.9803
	Village of Mooresville	General Revenue	541,940	0.5299	0.5299	542,628	0.5300	0.5300	561,990	0.5300	0.5300
	City of Wheeling	General Revenue	968,939	0.6778	0.6778	953,807	0.7256	0.7256	868,453	0.7500	0.7500
	Livingston County Memorial Library	General Revenue	145,572,694	0.2650	0.2650	148,777,281	0.2673	0.2673	155,215,456	0.2673	0.2673
	Blue Mound Township Livingston Co	General Revenue	4,820,155	0.1000	0.1000	5,119,075	0.1000	0.1000	5,246,619	0.1000	0.1000
		Road & Bridge	4,820,155	0.4684	0.4684	5,119,075	0.4684	0.4684	5,246,619	0.4684	0.4684
		Special Road and Bridge	4,820,155	0.3300	0.3300	5,119,075	0.3300	0.3300	5,246,619	0.3300	0.3300 A
	Chillicothe Township, Livingston Co	General Revenue	97,063,007	0.0976	0.0976	98,836,909	0.0985	0.0985	104,150,901	0.0985	0.0985
		Road & Bridge	97,063,007	0.2683	0.2683	98,836,909	0.2709	0.2709	104,150,901	0.2709	0.2709
	Cream Ridge Township, Livingston Co	General Revenue	5,417,824	0.0989	0.0989	5,377,508	0.1000	0.1000	5,540,844	0.1000	0.1000
		Road & Bridge	5,417,824	0.4042	0.4042	5,377,508	0.4214	0.4214	5,540,844	0.4214	0.4214
		Special Road and Bridge	5,417,824	0.2472	0.2472	5,377,508	0.2472	0.2472 A	5,540,844	0.2472	0.2472
	Grand River Township, Livingston Co	General Revenue	3,330,245	0.0941	0.0941	3,437,187	0.0948	0.0948	3,511,215	0.0948	0.0948
		Road & Bridge	3,330,245	0.3864	0.3864	3,437,187	0.3894	0.3894	3,511,215	0.3894	0.3894
		Special Road and Bridge	3,330,245	0.3500	0.3500 A	3,437,187	0.3500	0.3500	3,511,215	0.3500	0.3500
	Green Township of Livingston Co	General Revenue	3,388,436	0.1000	0.1000	3,354,898	0.1000	0.1000	3,524,277	0.1000	0.1000
		Road & Bridge	3,388,436	0.5000	0.5000	3,354,898	0.5000	0.5000	3,524,277	0.5000	0.5000
	Jackson Township of Livingston Co	General Revenue	6,000,301	0.1000	0.1000	6,231,976	0.1000	0.1000	6,492,663	0.1000	0.1000
		Road & Bridge	6,000,301	0.2957	0.2957	6,231,976	0.2957	0.2957	6,492,663	0.2957	0.2957
		Special Road and Bridge	6,000,301	0.3400	0.3400	6,231,976	0.3400	0.3400	6,492,663	0.3400	0.3400 A
	Medicine Township of Livingston Co	General Revenue	1,663,006	0.1000	0.1000	1,725,576	0.1000	0.1000	1,774,286	0.1000	0.1000
		Road & Bridge	1,663,006	0.4160	0.4160	1,725,576	0.4160	0.4160	1,774,286	0.4160	0.4160
		Special Road and Bridge	1,663,006	0.3000	0.3000	1,725,576	0.3000	0.3000	1,774,286	0.3000	0.3000 A
	Monroe Township of Livingston Co	General Revenue	3,465,505	0.0974	0.0974	3,546,388	0.0992	0.0992	3,593,844	0.0992	0.0992
		Road & Bridge	3,465,505	0.4549	0.4549	3,546,388	0.4632	0.4632	3,593,844	0.4632	0.4632
		Special Road and Bridge	3,465,505	0.3500	0.3500 A	3,546,388	0.3500	0.3500	3,593,844	0.3500	0.3500
	Mooresville Township Livingston Co	General Revenue	2,795,655	0.1000	0.1000	2,816,902	0.1000	0.1000	2,856,892	0.1000	0.1000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Livingston	Mooresville Township Livingston Co	Road & Bridge	2,795,655	0.5000	0.5000	2,816,902	0.5000	0.5000	2,856,892	0.5000	0.5000
		Special Road and Bridge	2,795,655	0.3500	0.3500 A	2,816,902	0.3500	0.3500	2,856,892	0.3500	0.3500
	Rich Hill Township of Livingston Co	General Revenue	6,178,707	0.0979	0.0979	6,492,108	0.0987	0.0987	6,624,199	0.1000	0.1000
		Road & Bridge	6,178,707	0.4328	0.4328	6,492,108	0.4362	0.4362	6,624,199	0.4445	0.4445
		Special Road and Bridge	6,178,707	0.3328	0.3328	6,492,108	0.3354	0.3354	6,624,199	0.3354	0.3354 A
	Sampsel Township of Livingston Co	General Revenue	3,667,527	0.1000	0.1000	3,775,295	0.1000	0.1000	3,821,752	0.1000	0.1000
		Road & Bridge	3,667,527	0.4522	0.4522	3,775,295	0.4522	0.4522	3,821,752	0.4560	0.4560
		Special Road and Bridge	3,667,527	0.2500	0.2500	3,775,295	0.2500	0.2500 A	3,821,752	0.2500	0.2500
	Wheeling Township of Livingston Co	General Revenue	3,355,970	0.1000	0.1000	3,416,539	0.1000	0.1000	3,317,535	0.1000	0.1000
		Road & Bridge	3,355,970	0.4947	0.4947	3,416,539	0.5000	0.5000	3,317,535	0.5000	0.5000
		Special Road and Bridge	3,355,970	0.3500	0.3500 A	3,416,539	0.3500	0.3500	3,317,535	0.3500	0.3500
	Fairview Township of Livingston Co	General Revenue	4,427,356	0.1000	0.1000	4,646,919	0.1000	0.1000	4,760,429	0.1000	0.1000
		Road & Bridge	4,427,356	0.4209	0.4209	4,646,919	0.4209	0.4209	4,760,429	0.4215	0.4215
		Special Road and Bridge	4,427,356	0.3500	0.3500 A	4,646,919	0.3500	0.3500	4,760,429	0.3500	0.3500
	Green Township Fire District	General Revenue	3,388,436	0.3000	0.3000	3,354,898	0.3000	0.3000	3,524,277	0.3000	0.3000
	Mooresville Township Fire Prot Dist	General Revenue	2,795,655	0.2979	0.2979	2,816,902	0.3000	0.3000	2,856,892	0.3000	0.3000
	Livingston County Health Center	General Revenue	145,572,694	0.2447	0.2447	148,777,281	0.2468	0.2468	155,215,456	0.2468	0.2468
	Southwest Livingston Co R-I Sch Dis	Operating Funds-Schools	9,356,030	4.4700	4.4700	9,369,306	4.4700	4.4700	9,460,292	4.4700	4.4700
	Livingston Co R-III School Dist	Operating Funds-Schools	5,630,470	4.8748	4.2176	5,631,388	5.1015	4.4401	5,671,863	5.1338	4.4318
	Chillicothe R-II School District	Operating Funds-Schools	116,843,815	3.4550	3.4550	120,077,707	3.4975	3.2969	125,502,022	3.5671	3.2969
		Capital Projects	116,843,815	0.1178	0.0000	120,077,707	0.1189	0.0000	125,502,022	0.1200	0.0000
		Debt Service	116,843,815	0.8961	0.2919	120,077,707	0.8931	0.4500	125,502,022	0.8505	0.4500
	Livingston County	General Revenue	145,572,694	0.3262	0.0000	148,777,281	0.3291	0.0000	155,215,456	0.3291	0.0000
		Developmentally Disabled	145,572,694	0.0998	0.0998	148,777,281	0.1000	0.1000	155,215,456	0.1000	0.1000
Mc Donald	City of Anderson	General Revenue	9,903,044	0.2267	0.2267	9,975,050	0.2267	0.2700 D	10,759,546	0.2156	0.2156
		General Revenue-Temp	9,903,044	0.3500	0.3500	9,975,050	0.3500	0.3500	10,759,546	0.3329	0.3329
	City of Goodman	General Revenue	6,598,301	0.5589	0.5589	7,298,584	0.5792	0.5792	7,617,986	0.5792	0.5792
	City of Lanagan	General Revenue	1,499,791	0.5613	0.5613	1,500,765	0.5671	0.5671	1,556,143	0.5671	0.5671
	City of Pineville	General Revenue	4,645,407	0.4452	0.4452	5,313,032	0.4452	0.4452	6,092,969	0.4385	0.4385
	City of Southwest City	General Revenue	13,807,774	0.6180	0.6180	12,892,568	0.6500	0.6500	17,469,201	0.6500	0.6500
		Debt Service	13,807,774	0.2406	0.2406	12,892,568	0.2211	0.2211	17,469,201	0.1632	0.1632
	McDonald County Library	General Revenue	199,603,858	0.0984	0.0984	212,796,471	0.0987	0.0987	383,071,848	0.0987	0.0987
	Goodman Area Fire Protection Dist	General Revenue	**	**	**	22,078,972	0.3000	0.1500 A	24,659,571	0.2848	0.1500
	McDonald Co R-I School District	Operating Funds-Schools	161,642,372	2.7500	2.7500	170,597,213	2.7996	2.7500	341,170,813	2.7500	2.7500
		Debt Service	161,642,372	0.3153	0.2500	170,597,213	0.7466	0.6700	341,170,813	0.7914	0.6700
	McDonald County	Road & Bridge	199,603,858	0.2189	0.0000	212,796,187	0.2196	0.0000	383,071,848	0.2196	0.0000
Macon	Macon County Ambulance District	General Revenue	153,913,086	0.1500	0.1500	157,616,062	0.1500	0.1500	173,211,803	0.1441	0.1441
	Samaritan Memorial Hospital	General Revenue	153,913,086	0.2000	0.2000	157,616,062	0.2000	0.2000	173,211,803	0.1922	0.1922

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Macon	La Plata Nursing Home District	General Revenue	31,321,951	0.1500	0.1500	34,185,368	0.1500	0.1497	37,098,681	0.1465	0.1465
	Macon County Nursing Home District	Maintenance	124,175,450	0.1500	0.1500	126,315,319	0.1500	0.1500	139,402,488	0.1436	0.1436
	Hudson Spec Rd Dist Macon Co	Road & Bridge	64,752,240	0.2922	0.2922	66,227,530	0.2922	0.2922	75,111,183	0.2747	0.2747
		Special Road and Bridge	64,752,240	0.2000	0.2000 A	66,227,530	0.2000	0.2000	75,111,183	0.1880	0.1880
	La Plata Spec Rd Dist Macon Co	Road & Bridge	11,831,854	0.3123	0.3123	12,480,582	0.3123	0.3123	13,273,058	0.3093	0.3093
		Special Road District	11,831,854	0.3500	0.3500	12,480,582	0.3500	0.3500	13,273,058	0.3467	0.3467
	City of Atlanta	General Revenue	1,594,514	1.0000	1.0000	1,620,302	1.0000	1.0000	1,829,905	0.9700	0.9700
	City of Bevier	General Revenue	2,863,449	0.7863	0.7863	2,902,079	0.7863	0.7863	3,178,757	0.7558	0.7558
		Lights	2,863,449	0.2793	0.2793	2,902,079	0.2793	0.2793	3,178,757	0.2685	0.2685
	City of Callao	General Revenue	1,009,276	0.9999	0.9999	1,064,508	0.9999	0.9999	1,106,544	0.9959	0.9959
		Debt Service	1,009,276	1.2714	1.2714	1,064,508	1.6339	1.6339	1,106,544	1.3190	1.3190
	City of Elmer	General Revenue	340,164	1.0000	1.0000	356,430	1.0000	1.0000	364,130	0.9999	0.9999
	City of Ethel	General Revenue	325,189	0.8500	0.8500	335,989	0.8500	0.8500	351,099	0.8345	0.8345
	City of La Plata	General Revenue	7,608,933	0.8364	0.8364	8,029,864	0.8364	0.8364	8,875,853	0.8070	0.8070
		Parks & Recreation	7,608,933	0.1915	0.1915	8,029,864	0.1915	0.1915	8,875,853	0.1848	0.1848
		Library	7,608,933	0.1915	0.1915	8,029,864	0.1915	0.1915	8,875,853	0.1848	0.1848
	City of Macon	General Revenue	49,809,380	0.6083	0.6083	50,889,186	0.6083	0.6083	58,272,170	0.5707	0.5707
		Library	49,809,380	0.2433	0.2433	50,889,186	0.2433	0.2433	58,272,170	0.2283	0.2283
	City of New Cambria	General Revenue	884,805	0.9747	0.9747	905,809	0.9747	0.9747	996,007	0.9349	0.9349
	Village of South Gifford	General Revenue	74,953	0.5000	0.5000	88,913	0.5000	0.5000	90,527	0.5000	0.5000
	LaPlata Community Fire Prot Dist	General Revenue	**	**	**	24,154,435	0.4500	0.4500 A	27,011,098	0.4425	0.4425
	Atlanta C-3 School District	Operating Funds-Schools	11,008,623	4.2833	3.5679	11,335,492	4.1902	3.4749	12,531,651	4.0475	3.4399
	Bevier C-4 School District	Operating Funds-Schools	9,512,239	4.2709	3.2614	10,013,722	4.1511	3.1988	10,773,807	3.8729	2.8470
	La Plata R-II School District	Operating Funds-Schools	18,526,450	3.5737	3.5663	19,920,612	3.5575	3.5575	21,790,277	3.4942	3.4942
		Debt Service	18,526,450	2.5904	1.2300	19,920,612	2.5587	1.2300	21,790,277	1.7637	1.3006
	Macon Co R-I School District	Operating Funds-Schools	78,306,231	3.5933	3.4300	80,427,129	3.5073	3.4300	90,467,754	3.3355	3.3355
	Callao C-8 School District	Operating Funds-Schools	4,632,736	5.6000	4.4803	4,838,921	5.6000	4.4803	5,174,195	5.4994	4.4303
	Macon Co R-IV School District	Operating Funds-Schools	10,900,365	4.7741	4.1981	10,146,567	4.8500	4.1766	10,480,040	4.8500	4.2871
	Macon County	General Revenue	153,913,086	0.4329	0.2142	157,616,062	0.4329	0.1978	173,211,803	0.4160	0.2172
		Common Road District	77,328,993	0.3276	0.3276	78,907,943	0.3276	0.3276	84,827,566	0.3203	0.3203
		Health	153,913,086	0.1500	0.1500	157,616,062	0.1500	0.1500	173,211,803	0.1441	0.1441
		Developmentally Disabled	153,913,086	0.1000	0.1000	157,616,062	0.1000	0.1000	173,211,803	0.0961	0.0961
		Special Road and Bridge	77,328,993	0.3500	0.3500	78,907,943	0.3500	0.3500	84,827,566	0.3500	0.3500 A
Madison	Village of Cobalt City	General Revenue	821,180	0.1918	0.1918	906,220	0.1918	0.1918	1,001,960	0.1918	0.1918
	City of Fredericktown	General Revenue	29,720,303	0.6749	0.6749	31,828,745	0.6855	0.6855	32,057,971	0.6893	0.6893
		Parks & Recreation	29,720,303	0.1170	0.1170	31,828,745	0.1188	0.1188	32,057,971	0.1195	0.1195
	Village of Junction City	General Revenue	1,814,620	0.2278	0.2278	2,001,880	0.2290	0.2290	2,145,810	0.2267	0.2267
	City of Marquand	General Revenue	987,228	0.8679	0.8679	1,093,319	0.8592	0.8592	1,165,064	0.8342	0.8342

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Madison	Marquand-Zion R-VI School District	Operating Funds-Schools	9,356,690	3.4601	3.4600	9,725,199	3.4351	3.4300	9,888,025	3.6551	3.4300	B
		Debt Service	9,356,690	0.7523	0.4600	9,725,199	0.5247	0.3200	9,888,025	0.5049	0.5049	
	Fredericktown R-I School District	Operating Funds-Schools	82,393,428	3.1415	3.1415	86,492,764	3.1255	3.1255	88,516,421	3.2000	3.2000	
	Madison County	General Revenue	102,459,833	0.3708	0.1704	108,785,343	0.3749	0.1347	107,825,695	0.3848	0.1531	
		Library	102,459,833	0.0917	0.0917	108,785,343	0.0927	0.0927	107,825,695	0.0952	0.0952	
		Road & Bridge	102,459,833	0.2662	0.2662	108,785,343	0.2691	0.2662	107,825,695	0.2762	0.2762	
		Health	102,459,833	0.0917	0.0917	108,785,343	0.0927	0.0927	107,825,695	0.0952	0.0952	
		Hospital	102,459,833	0.1806	0.1806	108,785,343	0.1826	0.1826	107,825,695	0.1874	0.1874	
		Senate Bill 40	102,459,833	0.1806	0.1806	108,785,343	0.1826	0.1826	107,825,695	0.1874	0.1874	
Maries	Maries-Osage Ambulance District	General Revenue	72,056,028	0.1783	0.1783	74,420,854	0.1783	0.1771	77,665,384	0.1783	0.1783	
	Ozark Central Ambulance District	General Revenue	64,453,596	0.2534	0.2534	65,695,589	0.2534	0.2534	69,096,966	0.2640	0.2632	
	Belle Special Road Dist No. 6	Road & Bridge	10,405,937	0.2273	0.2273	10,513,420	0.2286	0.2286	10,992,680	0.2286	0.2286	
	Spec Rd Dist No 8, Maries County	Road & Bridge	6,505,185	0.2120	0.2120	6,634,013	0.2165	0.2165	6,967,923	0.2135	0.2135	
	City of Vienna	General Revenue	6,443,058	0.5590	0.5590	6,272,749	0.5988	0.5988	6,781,410	0.5733	0.5733	
	City of Belle	General Revenue	10,500,815	0.6896	0.6896	10,617,725	0.6928	0.6928	11,094,956	0.6928	0.6928	
		Parks & Recreation	10,500,815	0.1499	0.1499	10,617,725	0.1506	0.1506	11,094,956	0.1506	0.1506	
	Maries County Library	General Revenue	100,041,361	0.1511	0.1511	102,707,827	0.1513	0.1513	108,181,520	0.1543	0.1543	
	Maries Co R-I School District	Operating Funds-Schools	38,792,960	3.1963	3.1963	39,572,022	3.2415	3.2179	41,596,720	3.1955	3.1372	
		Debt Service	**	**	**	39,572,022	0.7088	0.4000	41,596,720	0.5731	0.4807	
	Maries Co R-II School District	Operating Funds-Schools	50,501,918	3.0923	3.0923	51,333,768	3.0992	3.0992	54,101,892	3.3285	3.1100	
	Maries County	General Revenue	100,041,361	0.4440	0.3200	102,707,827	0.4447	0.3250	108,181,520	0.4534	0.3375	
		Road #1	43,863,614	0.2631	0.2631	45,340,732	0.2631	0.2631	47,738,473	0.2624	0.2624	
		Road #2	40,984,737	0.2133	0.2133	41,957,571	0.2133	0.2133	44,185,371	0.2339	0.2339	
Marion	Marion County Ambulance District	General Revenue	314,217,578	0.2322	0.2322	319,557,244	0.2350	0.2350	347,611,861	0.2289	0.0000	
		Pension	314,217,578	0.0499	0.0499	319,557,244	0.0500	0.0500	347,611,861	0.0487	0.0487	
	Marion Co Nursing Home District	General Revenue	304,678,146	0.1491	0.1491	313,012,263	0.1491	0.1491	343,396,408	0.1446	0.1446	
	City of Hannibal	General Revenue	170,968,868	0.7357	0.7357	170,841,617	0.7533	0.7533	172,966,202	0.7533	0.7533	
		Library	170,968,868	0.2879	0.2879	170,841,617	0.2948	0.2948	172,966,202	0.2948	0.2948	
		Police & Fire	170,968,868	0.1293	0.1293	170,841,617	0.1324	0.1324	172,966,202	0.1324	0.1324	
	City of Palmyra	General Revenue	32,217,522	0.6216	0.6216	32,929,878	0.6242	0.6242	35,959,480	0.6017	0.6017	
	Marion Co R-II School District	Operating Funds-Schools	10,473,090	4.2953	3.6100	10,916,480	4.3002	3.7000	12,065,702	4.2092	3.7000	
		Debt Service	10,473,090	0.2912	0.2900	10,916,480	0.2061	0.2000	12,065,702	0.2238	0.2000	
	Palmyra R-I School District	Operating Funds-Schools	103,413,300	3.0000	3.0000	107,559,780	2.9908	2.9908	116,585,500	2.9334	2.9334	
		Debt Service	103,413,300	0.8148	0.5800	107,559,780	0.5986	0.5800	116,585,500	1.3598	0.5800	
	Hannibal 60 School District	Operating Funds-Schools	223,894,080	3.4997	2.8012	224,219,030	3.5664	2.9012	243,547,730	3.5007	2.9236	
		Debt Service	223,894,080	0.7899	0.4600	224,219,030	0.5924	0.4600	243,547,730	0.6282	0.4600	
	Marion County	General Revenue	304,678,146	0.4431	0.0900	313,012,263	0.4431	0.1153	343,396,408	0.4297	0.0950	
		Road & Bridge	304,678,146	0.3323	0.3323	313,012,263	0.3323	0.3323	343,396,408	0.3223	0.3223	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Marion	Marion County	Health	304,678,146	0.1491	0.1491	313,012,263	0.1491	0.1491	343,396,408	0.1446	0.1446	
		Senate Bill 40	304,678,146	0.1391	0.1391	313,012,263	0.1391	0.1391	343,396,408	0.1349	0.1349	
Mercer	Mercer County Ambulance District	General Revenue	53,083,287	0.3300	0.3300	54,152,946	0.3300	0.3300	56,349,846	0.3300	0.3300	
	City of Mercer	General Revenue	1,541,066	0.7563	0.7563	1,555,823	0.7572	0.7572	1,728,949	0.7383	0.7383	
		Streets	1,541,066	0.4214	0.4214	1,555,823	0.4219	0.4219	1,728,949	0.4114	0.4114	
	City of Princeton	General Revenue	7,487,579	0.9014	0.9014	7,497,173	0.9039	0.9039	7,728,662	0.9039	0.9039	
		Band	7,487,579	0.1000	0.1000	7,497,173	0.1000	0.1000	7,728,662	0.1000	0.1000	
	Village of South Lineville	General Revenue	269,446	0.4053	0.4053	276,255	0.4054	0.4054	283,310	0.4053	0.4053	
	Mercer County Library	General Revenue	53,083,287	0.2000	0.2000	54,152,946	0.2000	0.2000	56,349,846	0.2000	0.2000	
	Harrison Township of Mercer Co	General Revenue	2,579,195	0.1000	0.1000	2,605,598	0.1000	0.1000	2,854,890	0.1000	0.1000	
		Road & Bridge	2,579,195	0.5000	0.5000	2,605,598	0.5000	0.5000	2,854,890	0.5000	0.5000	
		Special Road and Bridge	2,579,195	0.3500	0.3500	2,605,598	0.3500	0.3500	2,854,890	0.3500	0.3500	A
	Lindley Township of Mercer Co	General Revenue	2,209,904	0.1000	0.1000	2,292,881	0.1000	0.1000	2,449,667	0.1000	0.1000	
		Road & Bridge	2,209,904	0.5000	0.5000	2,292,881	0.5000	0.5000	2,449,667	0.5000	0.5000	
		Special Road and Bridge	2,209,904	0.3500	0.3500	2,292,881	0.3500	0.3500	2,449,667	0.3500	0.3500	A
	Madison Township of Mercer Co	General Revenue	2,319,423	0.1000	0.1000	2,383,713	0.1000	0.1000	2,481,356	0.1000	0.1000	
		Road & Bridge	2,319,423	0.5000	0.5000	2,383,713	0.5000	0.5000	2,481,356	0.5000	0.5000	
		Special Road and Bridge	2,319,423	0.3500	0.3500	2,383,713	0.3500	0.3500	2,481,356	0.3500	0.3500	A
	Marion Township of Mercer Co	General Revenue	6,855,478	0.1000	0.1000	7,195,366	0.1000	0.1000	7,776,608	0.1000	0.1000	
		Road & Bridge	6,855,478	0.4305	0.4305	7,195,366	0.4305	0.4305	7,776,608	0.4305	0.4305	
		Special Road and Bridge	6,855,478	0.3500	0.3500	7,195,366	0.3500	0.3500	7,776,608	0.3500	0.3500	A
	Medicine Township of Mercer Co	General Revenue	2,838,360	0.1000	0.1000	2,989,725	0.1000	0.1000	2,934,606	0.1000	0.1000	
		Road & Bridge	2,838,360	0.5000	0.5000	2,989,725	0.5000	0.5000	2,934,606	0.5000	0.5000	
		Special Road and Bridge	2,838,360	0.3500	0.3500	2,989,725	0.3500	0.3500	2,934,606	0.3500	0.3500	A
	Morgan Township of Mercer Co	General Revenue	17,647,861	0.1000	0.1000	18,496,371	0.1000	0.1000	18,702,496	0.1000	0.1000	
		Road & Bridge	17,647,861	0.3500	0.3500	18,496,371	0.3500	0.3500	18,702,496	0.3500	0.3500	
	Ravanna Township of Mercer Co	General Revenue	8,125,104	0.1000	0.1000	7,839,002	0.1000	0.1000	7,915,825	0.1000	0.1000	
		Road & Bridge	8,125,104	0.5000	0.5000	7,839,002	0.5000	0.5000	7,915,825	0.5000	0.5000	
		Special Road and Bridge	8,125,104	0.3500	0.3500	7,839,002	0.3500	0.3500	7,915,825	0.3500	0.3500	A
	Somerset Township of Mercer Co	General Revenue	5,806,727	0.1000	0.1000	5,429,956	0.1000	0.1000	6,108,495	0.1000	0.1000	
		Road & Bridge	5,806,727	0.5000	0.5000	5,429,956	0.5000	0.5000	6,108,495	0.5000	0.5000	
		Special Road and Bridge	5,806,727	0.3500	0.3500	5,429,956	0.3500	0.3500	6,108,495	0.3500	0.3500	A
	Washington Township of Mercer Co	General Revenue	4,701,235	0.1000	0.1000	4,920,334	0.1000	0.1000	5,125,903	0.1000	0.1000	
		Road & Bridge	4,701,235	0.5000	0.5000	4,920,334	0.5000	0.5000	5,125,903	0.5000	0.5000	
		Special Road and Bridge	4,701,235	0.3500	0.3500	4,920,334	0.3500	0.3500	5,125,903	0.3500	0.3500	A
	Mercer County Fire Protection Dist	General Revenue	29,996,157	0.3000	0.3000	31,356,032	0.3000	0.3000	32,316,378	0.3000	0.3000	
	Mercer Fire Protection District	General Revenue	14,123,084	0.3000	0.3000	14,016,251	0.3000	0.3000	15,379,372	0.3000	0.3000	
	North Mercer Co R-III School Dist	Operating Funds-Schools	12,540,199	5.2500	4.6500	12,323,824	5.2500	4.6500	13,576,586	5.2500	4.5500	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Mercer	North Mercer Co R-III School Dist	Debt Service	12,540,199	0.9114	0.5300	12,323,824	0.7576	0.5300	13,576,586	0.7684	0.5300
	Princeton R-V School District	Operating Funds-Schools	31,274,357	4.5826	4.3600	32,232,569	4.5793	4.4158	33,031,670	4.5020	4.5020
		Debt Service	**	**	**	32,232,569	1.2846	0.6900	33,031,670	1.1993	0.6900
	Mercer County	General Revenue	53,083,287	0.4000	0.2400	54,152,936	0.4000	0.2400	56,349,846	0.4000	0.3000
		Road & Bridge	53,083,287	0.1500	0.0000	54,152,936	0.1500	0.0000	56,349,846	0.1500	0.0000
		Health	53,083,287	0.3000	0.3000	54,152,936	0.3000	0.3000	56,349,846	0.3000	0.3000
Miller	Miller County Ambulance District	General Revenue	208,996,595	0.1500	0.0000	217,959,999	0.1500	0.0000	242,533,399	0.1417	0.0000
	Miller County Nursing Home District	General Revenue	302,356,467	0.1160	0.1160	316,392,187	0.1160	0.1160	357,236,446	0.1084	0.1084
		Debt Service	302,356,467	0.0904	0.0600	316,392,187	0.0692	0.0692	357,236,446	0.0503	0.0503
	Bagnell Spec Rd Dist Miller Co	Road & Bridge	79,178,929	0.1841	0.1841	83,315,602	0.1841	0.1841	97,527,991	0.1673	0.1673
	Kaiser Special Road Dist Miller Co	Road & Bridge	56,627,995	0.1788	0.1788	60,383,718	0.1788	0.1788	66,982,433	0.1693	0.1693
	City of Bagnell	General Revenue	474,201	0.5000	0.5000	465,350	0.5000	0.5000	613,168	0.3979	0.3979
	Village of Brumley	General Revenue	368,701	0.4247	0.4247	398,554	0.4132	0.4132	440,109	0.3902	0.3902
	City of Iberia	General Revenue	4,409,362	0.4783	0.1783	4,523,469	0.4783	0.1783	5,114,177	0.4488	0.4488
	Village of Olean	General Revenue	552,087	0.3081	0.3081	547,753	0.3121	0.3121	599,477	0.2926	0.2926
	Village of St Elizabeth	General Revenue	3,033,366	0.2360	0.2360	3,211,859	0.2360	0.2360	3,662,816	0.2152	0.2152
	Village of Tuscumbia	General Revenue	1,203,643	0.3080	0.3080	1,155,748	0.3222	0.3222	1,278,344	0.3158	0.3158
	City of Lake Ozark	General Revenue	55,083,969	0.2524	0.2524	57,869,189	0.2524	0.2524	75,979,590	0.2342	0.2342
	Miller County Library	General Revenue	302,356,467	0.1275	0.1275	316,392,187	0.1275	0.1275	357,236,446	0.1192	0.1192
	Lake Ozark Fire Protection District	General Revenue	323,587,321	0.2880	0.2880	337,665,461	0.6000	0.6000	390,808,125	0.5532	0.5532
		Ambulance	323,587,321	0.2902	0.2902	337,665,461	0.2902	0.2902	390,808,125	0.2676	0.2676
		Debt Service	323,587,321	0.0640	0.0640	337,665,461	0.0693	0.0693	390,808,125	0.0606	0.0606
	Brumley Fire Protection District	General Revenue	16,193,988	0.3000	0.3000	17,160,747	0.3000	0.3000	19,064,285	0.2871	0.2871
	Tuscumbia Fire Protection District	General Revenue	8,816,516	0.3000	0.3000	9,046,754	0.3000	0.3000	9,635,124	0.2917	0.2917
	Moreau Fire Protection Dist #2	General Revenue	90,208,009	0.2670	0.2670	92,528,799	0.2670	0.2670	102,868,951	0.2528	0.2528
	St. Elizabeth Fire Protection Dist	General Revenue	9,554,071	0.3000	0.3000	10,122,645	0.3000	0.3000	11,430,087	0.2783	0.2783
	Iberia Fire Protection District	General Revenue	25,307,596	0.2998	0.2998	26,705,881	0.2998	0.2998	29,136,005	0.2853	0.2856 D
	Eldon R-I School District	Operating Funds-Schools	147,315,015	3.0500	3.0500 B	150,412,739	3.0503	3.0500	171,529,569	2.8155	2.8155
		Debt Service	147,315,015	0.6483	0.5100	150,412,739	0.5334	0.5100	171,529,569	0.5126	0.5100
	Miller Co R-III School District	Operating Funds-Schools	8,748,687	3.8497	3.8100	9,162,058	3.8469	3.2100	10,193,295	3.7087	3.4300
		Debt Service	8,748,687	1.4921	0.1800	9,162,058	1.0369	0.0000	10,193,295	0.7263	0.0000
	St. Elizabeth R-IV School District	Operating Funds-Schools	11,220,826	3.7225	3.3000	11,882,994	3.7500	3.4300	13,442,816	3.4658	3.4300
		Debt Service	11,220,826	0.7999	0.1800	11,882,994	1.0192	0.0000	13,442,816	0.6027	0.0000
	School of the Osage R-II Sch Dist	Operating Funds-Schools	395,309,381	2.5668	2.3500	417,127,664	2.5638	2.3500	484,967,637	2.5899	2.4000
		Debt Service	395,309,381	0.2232	0.2200	417,127,664	0.6487	0.3200	484,967,637	0.5565	0.3200
	Iberia R-V School District	Operating Funds-Schools	26,316,986	3.6528	3.4300	27,920,717	3.6827	3.0200	30,917,953	3.4168	3.4100
	Miller County	General Revenue	302,356,467	0.2637	0.0192	316,392,187	0.2637	0.0355	357,236,446	0.2465	0.0076
		Road & Bridge	87,584,904	0.2513	0.2513	172,663,449	0.2513	0.2513	192,918,320	0.2368	0.2368

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Miller	Miller County	Health	302,356,467	0.1471	0.1471	316,392,187	0.1471	0.1471	357,236,446	0.1375	0.1375
		Developmentally Disabled	302,356,467	0.0844	0.0844	316,392,187	0.0844	0.0844	357,236,446	0.0789	0.0789
		Senior Services	302,356,467	0.0490	0.0490	316,392,187	0.0490	0.0490	357,236,446	0.0458	0.0458
Mississippi	Mississippi County Ambulance Dist	General Revenue	114,370,343	0.3000	0.3000	126,459,982	0.2990	0.2990	131,532,931	0.2980	0.2980
	City of Anniston	General Revenue	668,451	0.6563	0.6563	758,411	0.6001	0.6001	783,194	0.5961	0.5961
	City of Bertrand	General Revenue	3,135,255	0.5428	0.5428	3,165,813	0.5448	0.5448	3,410,937	0.5241	0.5241
	City of Charleston	General Revenue	26,806,077	0.7796	0.7000	28,209,438	0.7796	0.7000	28,583,565	0.7796	0.7000
		Parks & Recreation	26,806,077	0.1952	0.1800	28,209,438	0.1952	0.1800	28,583,565	0.1952	0.1800
	City of East Prairie	General Revenue	14,714,450	0.7563	0.7563	14,914,560	0.7563	0.7563	16,042,203	0.7346	0.7346
	Village of Wilson City	General Revenue	173,358	0.4286	0.4286	164,879	0.4506	0.4506	179,412	0.4247	0.4247
	City of Wyatt	General Revenue	1,694,074	0.7196	0.7196	1,662,267	0.7334	0.7334	1,704,106	0.7334	0.7334
	Mississippi County Library	General Revenue	114,370,343	0.2054	0.2054	126,459,982	0.2047	0.2047	131,532,931	0.2040	0.2040
	Mississippi (Scott) Fire Prot Dist	General Revenue	50,059,006	0.3000	0.1500	55,414,587	0.2999	0.1300	58,523,514	0.2994	0.1300
	Mississippi County Senate Bill 40	General Revenue	114,370,343	0.1232	0.1232	126,459,982	0.1228	0.1228	131,532,931	0.1224	0.1224
	East Prairie R-II School District	Operating Funds-Schools	45,469,885	2.9027	2.7500	47,612,993	2.9018	2.7500	51,420,920	2.8910	2.7500
		Debt Service	45,469,885	0.4815	0.3500	47,612,993	0.7972	0.3500	51,420,920	0.3967	0.3500
	Charleston R-I School District	Operating Funds-Schools	63,312,280	2.7706	2.7500	66,903,290	2.7762	2.7500	68,358,305	2.8059	2.7500
	Mississippi County	General Revenue	114,370,343	0.4723	0.3002	126,459,982	0.4707	0.3105	131,532,931	0.4692	0.3021
		Johnson Grass	114,370,343	0.0500	0.0500	126,459,982	0.0498	0.0498	131,532,931	0.0496	0.0496
		Road & Bridge	114,370,343	0.3500	0.3500	126,459,982	0.3488	0.3488	131,532,931	0.3477	0.3477
		Health	114,370,343	0.1000	0.1000	126,459,982	0.0997	0.0997	131,532,931	0.0994	0.0994
Moniteau	Mid Mo Ambulance District	General Revenue	421,733,320	0.1704	0.1704	429,917,884	0.1706	0.1500	473,589,337	0.1633	0.1000
	City of California	General Revenue	40,596,556	0.3781	0.3781	41,144,815	0.3781	0.3781	44,243,996	0.3653	0.3653
		Parks & Recreation	40,596,556	0.1492	0.1492	41,144,815	0.1492	0.1492	44,243,996	0.1442	0.1442
	City of Clarksburg	General Revenue	1,357,012	0.9791	0.9791	1,345,298	0.9877	0.9877	1,486,071	0.9628	0.9628
	City of Jamestown	General Revenue	2,614,489	0.8761	0.8761	2,721,734	0.8761	0.8761	2,869,346	0.8528	0.8528
	City of Lupus	General Revenue	209,591	0.9493	0.8300	220,541	0.9494	0.8300	233,177	0.9456	0.8300
	City of Tipton	General Revenue	21,463,813	0.6934	0.5500	22,236,854	0.6934	0.5500	23,209,452	0.6829	0.6829
		Debt Service	21,463,813	0.5149	0.5149	22,236,854	0.4951	0.4951	23,209,452	0.2971	0.2971
	Moniteau Co Library Subdistrict Two	General Revenue	42,436,661	0.1200	0.1200	42,865,189	0.1200	0.1200	46,043,818	0.1167	0.1167
	Moniteau Co Lib Subdist-California	General Revenue	40,596,556	0.0987	0.0987	41,144,815	0.0987	0.0987	44,243,996	0.0954	0.0954
	California Rural Fire Prot Dist	General Revenue	38,210,634	0.2000	0.2000	38,495,605	0.2000	0.2000	42,104,164	0.1926	0.1926
	Fortuna Fire Protection District	General Revenue	27,814,286	0.2883	0.2883	29,295,878	0.2883	0.2883	31,504,771	0.2798	0.2798
	Tipton Rural Fire Protection Dist	Fire	11,302,402	0.2500	0.2500	11,357,659	0.2500	0.2500	12,111,815	0.2483	0.2483
	Jamestown Rural Fire Prot Dist	General Revenue	13,945,589	0.2932	0.3000 D	14,559,351	0.2932	0.2932	15,409,887	0.2878	0.2878
		Debt Service	**	**	**	**	**	**	15,409,887	0.2867	0.1900
	Moniteau Co R-I School District	Operating Funds-Schools	69,801,688	3.0000	3.0000 B	70,176,022	3.0193	3.0000	76,740,021	2.8948	2.8873
		Debt Service	69,801,688	1.2252	0.8200	70,176,022	0.9655	0.8200	76,740,021	1.0081	0.9327

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Moniteau	High Point R-III School District	Operating Funds-Schools	7,639,730	3.5241	3.5241	8,062,812	3.5537	3.5530	8,745,673	3.4010	3.4010	
	Moniteau Co R-V School District	Operating Funds-Schools	6,523,379	3.2917	3.2796	6,626,356	3.3451	3.3451	7,259,909	3.7500	3.6000	B
	Moniteau Co R-VI School District	Operating Funds-Schools	38,629,182	2.9684	2.9682	39,289,140	2.9626	2.9626	41,952,250	2.8784	2.8784	
		Debt Service	38,629,182	2.0812	0.8861	39,289,140	2.0993	0.8861	41,952,250	2.0594	0.9700	
	Moniteau Co C-1 School District	Operating Funds-Schools	11,948,751	3.8107	3.8107	12,412,871	3.8792	3.8792	13,257,526	3.7040	3.7040	
		Debt Service	11,948,751	0.9416	0.8893	12,412,871	0.9429	0.8208	13,257,526	1.0295	0.9960	
	Clarksburg C-2 School District	Operating Funds-Schools	5,465,628	3.4380	3.4380	5,573,288	3.4689	3.4380	6,057,885	3.6108	3.4300	
	Moniteau County	General Revenue	151,252,907	0.3410	0.1816	154,079,378	0.3410	0.1810	165,756,021	0.3306	0.1765	
		Common Road District	151,252,907	0.2507	0.2507	154,079,378	0.2507	0.2507	165,756,021	0.2431	0.2431	
		Health	151,252,907	0.2407	0.1500	154,079,378	0.2407	0.1500	165,756,021	0.2334	0.1500	
		Developmentally Disabled	151,252,907	0.1200	0.1000	154,079,378	0.1200	0.1000	165,756,021	0.1163	0.0500	
Monroe	Monroe County Ambulance District	General Revenue	65,305,041	0.4200	0.4200	68,214,525	0.4200	0.4200	68,521,742	0.4200	0.4200	
	Monroe City Ambulance District	General Revenue	74,992,250	0.2657	0.2657	78,695,554	0.2657	0.2657	81,835,170	0.2657	0.2657	
	Monroe County Nursing Home District	General Revenue	76,312,682	0.1500	0.1500	80,411,181	0.1500	0.1500	81,054,694	0.1500	0.1500	
	Madison Special Road Dist Monroe Co	Special Road and Bridge	8,012,625	0.3487	0.3487	8,806,157	0.3487	0.3487	10,653,580	0.3487	0.3487	
	Monroe City Spec Rd Dist Monroe Co	Special Road and Bridge	27,703,847	0.3500	0.3500	28,893,713	0.3500	0.3500	28,475,658	0.3500	0.3500	A
	Village of Holliday	General Revenue	788,363	0.3648	0.3648	807,489	0.3648	0.3648	799,189	0.3744	0.3744	
	City of Madison	General Revenue	2,986,221	0.6720	0.6720	3,116,932	0.6720	0.6720	3,149,012	0.6774	0.6774	
	City of Paris	General Revenue	8,425,899	0.3315	0.3315	8,568,305	0.3315	0.3315	8,556,736	0.3341	0.3341	
		Streets	8,425,899	0.1184	0.1184	8,568,305	0.1184	0.1184	8,556,736	0.1193	0.1193	
		Fire	8,425,899	0.1382	0.1382	8,568,305	0.1382	0.1382	8,556,736	0.1393	0.1393	
		Cemetery	8,425,899	0.2591	0.2591	8,568,305	0.2591	0.2591	8,556,736	0.2611	0.2611	
	Village of Stoutsville	General Revenue	385,213	0.1763	0.1763	433,039	0.1763	0.1763	462,391	0.1763	0.1763	
	City of Monroe City	General Revenue	28,368,261	0.6039	0.5900	29,272,810	0.6039	0.5900	29,506,719	0.6039	0.5900	
		Library	28,368,261	0.2115	0.2000	29,272,810	0.2115	0.2000	29,506,719	0.2115	0.2000	
	Monroe County Library	General Revenue	80,819,872	0.1626	0.1626	85,051,232	0.1626	0.1626	85,711,271	0.1634	0.1634	
		Debt Service	80,819,872	0.1391	0.1391	85,051,232	0.0025	0.0000	**	**	**	
	Paris Rural Fire Protection Dist	General Revenue	21,498,746	0.2500	0.2500	22,521,967	0.2500	0.2500	22,848,508	0.2500	0.2500	
	Madison-West Monroe Fire Prot Dist	General Revenue	22,345,066	0.2997	0.2997	22,946,527	0.3000	0.3000	23,472,623	0.3000	0.3000	
	Middle Grove C-1 School District	Operating Funds-Schools	3,371,210	5.9159	5.7500	3,443,282	5.8340	5.6000	3,566,643	5.8734	5.6000	
	Monroe City R-I School District	Operating Funds-Schools	63,626,386	4.0837	4.0837	66,202,008	4.0843	4.0843	69,601,354	3.9388	3.9388	
	Holliday C-2 School District	Operating Funds-Schools	6,218,200	3.6237	3.6237	6,540,623	3.6500	3.6500	6,420,784	3.7357	3.6500	
	Madison C-3 School District	Operating Funds-Schools	10,756,739	3.5280	3.5280	11,311,402	3.4462	3.4456	11,631,196	3.6956	3.4456	B
		Debt Service	10,756,739	1.3369	0.9542	11,311,402	0.9492	0.9492	11,631,196	0.3967	0.3967	
	Paris R-II School District	Operating Funds-Schools	32,796,875	3.5402	3.5400	34,068,502	3.5398	3.2000	34,808,586	3.5519	3.2000	
		Debt Service	32,796,875	0.5604	0.4900	34,068,502	0.5081	0.4900	34,808,586	0.8024	0.4900	
	Monroe County	General Revenue	102,271,337	0.3836	0.3000	107,319,208	0.3836	0.2500	107,405,275	0.3876	0.2400	
		Road & Bridge	102,271,337	0.2799	0.2799	107,319,208	0.2799	0.2799	107,405,275	0.2828	0.2828	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Monroe	Monroe County	Health	102,271,337	0.1000	0.0900	107,319,208	0.1000	0.1000	107,405,275	0.1000	0.1000
		Senate Bill 40	102,271,337	0.1000	0.0900	107,319,208	0.1000	0.1000	107,405,275	0.1000	0.1000
Montgomery	Montgomery County Ambulance Dist	General Revenue	141,007,855	0.2517	0.2517	145,851,251	0.2516	0.2516	156,691,421	0.2477	0.2477
	Rhineland Bottom SRD Montgomery C	Special Road and Bridge	6,828,729	0.2423	0.2423	6,736,344	0.2500	0.2499	7,218,467	0.2500	0.2499 A
	Wellsville Road Dist Montgomery Co	Special Road and Bridge	17,357,746	0.1977	0.1977	17,986,946	0.2000	0.1977 A	18,838,588	0.2000	0.2000
	City of Bellflower	General Revenue	1,903,830	0.8166	0.8166	1,915,131	0.8282	0.8273	2,075,186	0.8124	0.8124
	City of High Hill	General Revenue	2,804,268	0.4639	0.3700	2,914,817	0.4639	0.3700	2,980,150	0.4639	0.3700
	City of Jonesburg	General Revenue	8,435,816	0.5032	0.5032	9,078,324	0.5017	0.5017	9,789,372	0.4977	0.4977
		Debt Service	8,435,816	0.3192	0.3192	9,078,324	0.2180	0.2180	9,789,372	0.2076	0.2076
	City of McKittrick	General Revenue	459,293	0.6062	0.6062	444,023	0.6363	0.6363	478,524	0.6277	0.6277
	City of Middletown	General Revenue	1,366,875	0.8085	0.7867	1,445,635	0.8085	0.7867	1,555,684	0.8035	0.7867
	City of Montgomery	General Revenue	30,329,694	0.5330	0.4600	31,421,105	0.5338	0.4670	34,094,927	0.5261	0.4776
		Library	30,329,694	0.3861	0.3861	31,421,105	0.3867	0.3867	34,094,927	0.3811	0.3811
	City of New Florence	General Revenue	5,570,198	0.7432	0.7432	5,923,811	0.7432	0.7432	6,755,887	0.6878	0.6878
	Village of Rhineland	General Revenue	2,229,388	0.8621	0.7500	2,235,386	0.8922	0.7500	2,345,330	0.8922	0.7500
	City of Wellsville	General Revenue	7,966,808	0.7251	0.7251	8,123,690	0.7251	0.7251	8,552,332	0.7251	0.7251
		Library	7,966,808	0.1987	0.1987	8,123,690	0.1987	0.1987	8,552,332	0.1987	0.1987
	Bellflower Volunteer Fire Prot Dist	General Revenue	12,239,892	0.2790	0.2500	12,172,892	0.2856	0.2500	13,085,844	0.2807	0.2500
	Jonesburg-High Hill Fire Prot Dist	General Revenue	35,046,155	0.2719	0.2500	36,989,406	0.2717	0.2500	42,601,239	0.2532	0.2500
	New Florence Fire Protection Dist	General Revenue	17,193,121	0.3000	0.3000	18,899,404	0.3000	0.3000	20,722,942	0.2901	0.2901
	Montgomery Volunteer Fire Prot Dist	General Revenue	57,381,678	0.2599	0.2599	59,024,953	0.2598	0.2598	63,394,035	0.2568	0.2568
	Wellsville Fire Protection District	General Revenue	**	**	**	**	**	**	20,171,761	0.3000	0.3000 A
	Wellsville-Middletown R-I Sch Dist	Operating Funds-Schools	24,717,882	3.3349	3.3349	24,827,524	3.2654	3.2654	26,903,001	3.3833	3.3833
		Debt Service	24,717,882	1.0150	0.4600	24,827,524	0.5157	0.4600	26,903,001	0.4988	0.4800
	Montgomery Co R-II School District	Operating Funds-Schools	95,074,120	3.3464	3.3464	99,201,106	3.3145	3.3145	108,340,038	3.2778	3.2778
	Montgomery County	General Revenue	162,339,286	0.3884	0.2619	168,178,700	0.3883	0.2454	181,163,150	0.3822	0.2606
		Johnson Grass	162,339,286	0.0491	0.0000	168,178,700	0.0491	0.0000	181,163,150	0.0483	0.0483
		Road & Bridge	162,339,286	0.2863	0.2863	168,178,700	0.2862	0.2862	181,163,150	0.2817	0.2817
		Health	162,339,286	0.1473	0.1300	168,178,700	0.1473	0.1300	181,163,150	0.1450	0.1200
		Senate Bill 40	162,339,286	0.0982	0.0982	168,178,700	0.0982	0.0982	181,163,150	0.0967	0.0967
		Special Road and Bridge	138,172,502	0.2946	0.2946	143,119,094	0.2945	0.2945	181,163,150	0.3000	0.2884 A
Morgan	Golden Age Nursing Home Health #1	General Revenue	82,919,975	0.1804	0.1804	84,671,430	0.1804	0.1804	92,290,917	0.1745	0.1745
	Good Shepherd Nursing Home District	General Revenue	546,350,083	0.1466	0.1466	559,988,369	0.1468	0.1468	647,239,556	0.1359	0.1359
	Barnett Spec Road Dist #3 Morgan Co	Road & Bridge	9,942,169	0.2799	0.2799	9,949,024	0.2803	0.2803	10,834,843	0.2721	0.2803 D
	Gravois Spec Rd Dist #8 Morgan Co	Road & Bridge	153,217,781	0.1249	0.1249	155,228,040	0.1260	0.1260	178,518,307	0.1171	0.1171
		Special Road and Bridge	153,217,781	0.1000	0.1000 A	155,228,040	0.1000	0.1000	178,518,307	0.1000	0.1000
	Versailles Sp Rd Dist 4 Morgan Co	Road & Bridge	47,632,254	0.2126	0.2126	47,477,612	0.2156	0.2156	52,074,447	0.2113	0.2113
	City of Barnett	General Revenue	1,185,343	0.5300	0.5300	1,153,807	0.5445	0.5445	1,182,765	0.5444	0.5444

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Morgan	City of Barnett	Water	1,185,343	0.3415	0.3415	1,153,807	0.3508	0.3508	1,182,765	0.3509	0.3509
	City of Stover	General Revenue	7,444,557	0.5009	0.5009	7,555,735	0.5023	0.5023	8,185,290	0.4813	0.4813
	City of Syracuse	General Revenue	1,643,559	0.6982	0.6982	1,676,574	0.7023	0.7023	1,830,961	0.6899	0.6899
	City of Versailles	General Revenue	27,537,132	0.5456	0.5456	26,854,515	0.5639	0.5639	29,005,641	0.5619	0.5619
	Morgan County Library District	General Revenue	400,873,985	0.0727	0.0727	408,737,874	0.0730	0.0730	461,253,946	0.0689	0.0689
	Rocky Mount Fire Protection Dist	General Revenue	85,407,163	0.4000	0.4000	88,760,349	0.4000	0.4000	103,559,637	0.3677	0.3677
	Versailles Fire Protection Dist #4	General Revenue	33,085,367	0.4467	0.4467	34,167,390	0.4467	0.4467	38,210,065	0.4290	0.4290
	Gravois Fire Protection District	General Revenue	187,079,745	0.2319	0.2319	190,980,887	0.3919	0.3919	217,066,324	0.3661	0.3661
		Debt Service	**	**	**	190,980,887	0.5145	0.2600	217,066,324	0.2939	0.2939
	Stover Rural Fire Protection Dist 6	General Revenue	31,227,856	0.2471	0.2471	31,801,470	0.2486	0.2486	35,036,806	0.2395	0.2395
	Morgan Co R-I School District	Operating Funds-Schools	67,670,735	2.7500	2.7500	69,703,604	2.7500	2.7500	69,210,931	2.7500	2.7500
		Debt Service	67,670,735	0.5120	0.3800	69,703,604	0.4006	0.3800	69,210,931	0.5097	0.3800
	Morgan Co R-II School District	Operating Funds-Schools	209,879,983	2.7500	2.7500	212,443,641	2.7500	2.7500	242,463,869	2.7500	2.7500
	Morgan County	General Revenue	400,873,985	0.2019	0.0850	408,737,874	0.2027	0.0867	461,253,946	0.1912	0.0839
		Johnson Grass	400,873,985	0.0404	0.0000	408,737,874	0.0406	0.0000	461,253,946	0.0383	0.0000
		Road & Bridge	189,878,326	0.1535	0.1535	206,796,369	0.1535	0.1535	219,544,271	0.1530	0.1530
		Health	400,873,985	0.0727	0.0727	408,737,874	0.0730	0.0730	461,253,946	0.0689	0.0689
		Senate Bill 40	400,873,985	0.0404	0.0404	408,737,874	0.0406	0.0406	461,253,946	0.0383	0.0383
		Senior Services	400,873,985	0.0404	0.0404	408,737,874	0.0406	0.0406	461,253,946	0.0383	0.0383
New Madrid	New Madrid County Ambulance Dist.	General Revenue	381,602,870	0.1500	0.1500	391,858,411	0.1500	0.1500	397,245,714	0.1500	0.0600
	City of Canalou	General Revenue	982,426	1.0000	0.7522	1,047,187	0.9999	0.9999	1,080,700	0.9999	0.7522
	Village of Catron	General Revenue	715,891	0.4846	0.4444	721,038	0.4910	0.4444	754,744	0.4910	0.4910
		Additional Gen.	715,891	0.2461	0.2391	721,038	0.2494	0.2391	754,744	0.2494	0.2494
	City of Gideon	General Revenue	4,913,957	0.6060	0.6060	5,051,400	0.6060	0.6060	5,306,841	0.6060	0.6060
		Parks & Recreation	4,913,957	0.1541	0.1541	5,051,400	0.1541	0.1541	5,306,841	0.1541	0.1541
	City of Howardville	General Revenue	1,061,779	1.0000	1.0000	1,230,134	1.0000	1.0000	1,230,230	1.0000	1.0000
	City of Lilbourn	General Revenue	6,682,451	0.6050	0.6050	6,901,076	0.6050	0.6050	7,082,873	0.6050	0.6050
		Parks & Recreation	6,682,451	0.1743	0.1743	6,901,076	0.1743	0.1743	7,082,873	0.1743	0.1743
		Library	6,682,451	0.1743	0.1743	6,901,076	0.1743	0.1743	7,082,873	0.1743	0.1743
		Health	6,682,451	0.1743	0.1743	6,901,076	0.1743	0.1743	7,082,873	0.1743	0.1743
		Debt Service	6,682,451	0.2179	0.2179	6,901,076	0.4114	0.2179	7,082,873	0.4105	0.2179
	City of Marston	General Revenue	4,708,666	0.5336	0.5336	4,641,801	0.5443	0.5443	4,719,112	0.5443	0.5443
	City of Matthews	General Revenue	7,613,932	0.5207	0.5207	7,870,871	0.5207	0.5207	8,434,041	0.5207	0.5207
	City of Morehouse	General Revenue	5,234,909	0.5576	0.5576	5,328,849	0.5576	0.5576	5,113,929	0.5855	0.5700
	City of New Madrid	General Revenue	22,587,703	0.5820	0.5800	24,132,652	0.5820	0.5800	25,841,047	0.5765	0.5765
		Additional Gen. Rev.	22,587,703	0.2107	0.2100	24,132,652	0.2107	0.2100	25,841,047	0.2087	0.2087
	Village of North Lilbourn	General Revenue	128,950	0.5000	0.5000	130,073	0.5000	0.5000	130,970	0.5000	0.5000
	City of Parma	General Revenue	3,942,935	0.6329	0.6329	3,997,995	0.6329	0.6329	4,079,871	0.6329	0.6329

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
New Madrid	City of Portageville	General Revenue	27,096,295	0.5705	0.5705	27,725,517	0.5705	0.5705	29,384,492	0.5705	0.5705	
		Parks & Recreation	27,096,295	0.1292	0.1292	27,725,517	0.1292	0.1292	29,384,492	0.1292	0.1292	
		Health	27,096,295	0.1506	0.1506	27,725,517	0.1506	0.1506	29,384,492	0.1506	0.1506	
	City of Risco	General Revenue	2,069,675	0.6998	0.6998	2,119,686	0.6998	0.6998	2,153,092	0.6998	0.6998	
	Village of Tallapoosa	General Revenue	389,917	0.8465	0.8426	437,399	0.8437	0.8437	461,776	0.8233	0.8233	
	New Madrid County Library	General Revenue	358,027,587	0.1102	0.1102	366,094,792	0.1102	0.1102	370,358,573	0.1102	0.1102	
	Risco R-II School District	Operating Funds-Schools	8,804,775	4.5467	4.5467	8,911,984	4.5661	4.5661	9,100,875	4.6281	4.6281	
	Portageville School District	Operating Funds-Schools	40,424,890	3.3017	3.2500	41,724,067	3.2956	3.2883	43,731,137	3.3460	2.7500	
		Operating Funds-Temp	40,424,890	0.5000	0.0000	41,724,067	0.5000	0.0000	43,731,137	0.5000	0.0000	
		Debt Service	40,424,890	0.2500	0.2500	41,724,067	0.2117	0.2117	43,731,137	0.7500	0.7500	
	Gideon 37 School District	Operating Funds-Schools	12,214,667	3.6379	3.4300	12,479,373	3.6687	3.4300	12,936,050	3.6422	3.4300	
	New Madrid Co R-I School District	Operating Funds-Schools	263,979,545	2.7500	2.7500	267,986,592	2.7500	2.7500	270,231,101	2.8500	2.8500	B
		Debt Service	263,979,545	0.3129	0.1800	267,986,592	0.2407	0.2400	270,231,101	0.3576	0.2400	
	New Madrid County	General Revenue	381,602,870	0.3228	0.1345	391,858,411	0.3228	0.1350	397,245,714	0.3228	0.1350	
		Johnson Grass	381,602,870	0.0303	0.0100	391,858,411	0.0303	0.0100	397,245,714	0.0303	0.0100	
		Road & Bridge	381,602,870	0.2422	0.2422	391,858,411	0.2422	0.2422	397,245,714	0.2422	0.2422	
		Health	381,602,870	0.0908	0.0900	391,858,411	0.0908	0.0900	397,245,714	0.0908	0.0900	
		Senate Bill 40	381,602,870	0.0200	0.0200	391,858,411	0.0200	0.0200	397,245,714	0.0200	0.0200	
Newton	Newton County Ambulance District	General Revenue	500,423,678	0.1900	0.1900	521,608,449	0.1900	0.1900	553,755,335	0.1898	0.1898	
	Lost Creek Watershed Sub District	General Revenue	24,451,450	0.3173	0.1500	25,102,270	0.3173	0.1500	27,805,410	0.3009	0.1500	
	Diamond Special Road Dist Newton Co	Road & Bridge	25,984,910	0.3250	0.3250	26,933,956	0.3250	0.3250	28,778,719	0.3231	0.3231	
		Special Road and Bridge	25,984,910	0.1700	0.1700	26,933,956	0.1700	0.1700	28,778,719	0.1690	0.1690	
	Fairview Special Rd Dist Newton Co	Road & Bridge	8,751,602	0.2126	0.2126	9,090,778	0.2126	0.2126	9,292,693	0.2126	0.2126	
		Special Road and Bridge	8,751,602	0.1540	0.1540	9,090,778	0.1540	0.1540	9,292,693	0.1540	0.1540	
	Midway Special Rd Dist Newton Co	Road & Bridge	10,243,723	0.2002	0.2002	10,716,264	0.2002	0.2002	11,130,974	0.1998	0.1998	
		Special Road and Bridge	10,243,723	0.1647	0.1647	10,716,264	0.1647	0.1647	11,130,974	0.1643	0.1643	
	Neosho Special Rd Dist Newton Co	Road & Bridge	149,981,400	0.1900	0.1900	156,139,602	0.1900	0.1900	164,507,081	0.1900	0.1900	
		Special Road and Bridge	149,981,400	0.1500	0.1500	156,139,602	0.1500	0.1500	164,507,081	0.1500	0.1500	
	Seneca Special Rd Dist Newton Co	Road & Bridge	49,893,598	0.2008	0.2008	51,306,482	0.2008	0.2008	55,048,431	0.1983	0.1983	
		Special Road and Bridge	49,893,598	0.1498	0.1498	51,306,482	0.1498	0.1498	55,048,431	0.1480	0.1480	
	Stella Special Road Dist Newton Co	Road & Bridge	5,913,327	0.2370	0.2370	6,055,294	0.2370	0.2370	6,467,620	0.2356	0.2356	
		Special Road and Bridge	5,913,327	0.1352	0.1352	6,055,294	0.1352	0.1352	6,467,620	0.1344	0.1344	
	City of Diamond	General Revenue	3,882,870	0.3340	0.3340	4,247,384	0.3340	0.3340	4,623,434	0.3204	0.3204	
	City of Fairview	General Revenue	1,760,178	0.3558	0.3558	1,778,501	0.3578	0.3578	1,863,934	0.3568	0.3568	
		Streets	1,760,178	0.3114	0.3114	1,778,501	0.3131	0.3131	1,863,934	0.3122	0.3122	
	City of Granby	General Revenue	8,097,156	0.3450	0.3450	8,298,393	0.3469	0.3469	9,222,989	0.3272	0.3272	
		Cemetery	8,097,156	0.0800	0.0800	8,298,393	0.0800	0.0800	9,222,989	0.0755	0.0755	
	Village of Leawood	General Revenue	7,114,075	0.2230	0.2230	7,122,291	0.2235	0.2235	7,386,094	0.2235	0.2235	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Newton	Village of Newtonia	General Revenue	918,980	0.1988	0.1988	943,876	0.2016	0.2016	1,057,716	0.1886	0.1886
	Village of Ritchey	General Revenue	356,517	0.5325	0.5325	357,723	0.5360	0.5360	359,210	0.5359	0.5359
	Village of Saginaw	General Revenue	3,387,413	0.2495	0.2000	3,318,949	0.2586	0.2000	3,599,224	0.2541	0.2000
	City of Seneca	General Revenue	15,186,893	0.4300	0.4300	14,956,919	0.4397	0.4300	16,261,811	0.4276	0.4276
		Parks & Recreation	15,186,893	0.0500	0.0500	14,956,919	0.0500	0.0500	16,261,811	0.0486	0.0486
	Village of Shoal Creek Drive	General Revenue	2,632,380	0.2027	0.2027	2,624,238	0.2033	0.2033	2,716,160	0.2021	0.2021
	Village of Silver Creek	General Revenue	7,325,902	0.1614	0.1500	7,679,434	0.1614	0.1500	8,060,521	0.1592	0.1592
	Village of Stella	General Revenue	1,184,006	0.8000	0.8000	1,152,056	0.8000	0.8000	1,142,735	0.8000	0.8000
	Village of Wentworth	General Revenue	756,487	0.2770	0.2770	763,899	0.2769	0.2769	805,929	0.2768	0.2768
	Village of Shoal Creek Estates	General Revenue	977,801	0.4991	0.4991	980,352	0.4991	0.4991	1,030,592	0.4881	0.4881
	Town of Loma Linda	General Revenue	9,271,460	0.4864	0.4864	10,085,180	0.4864	0.4864	10,861,340	0.4864	0.4864
		Sewer	9,271,460	0.4864	0.4864	10,085,180	0.4864	0.1515	10,861,340	0.4864	0.0000
		Public Health and Sewer	9,271,460	0.1945	0.1945	10,085,180	0.1945	0.1945	10,861,340	0.1945	0.1945
	Neosho Newton County Library	General Revenue	525,063,861	0.1000	0.0997	542,557,107	0.1000	0.0997	572,905,949	0.0999	0.0997
	Neosho Area Fire Protection Dist	General Revenue	69,978,990	0.4071	0.4071	71,952,066	0.4110	0.4110	77,118,142	0.4110	0.4110
	Redings Mill Area Fire Prot Dist	General Revenue	135,422,912	0.3595	0.3595	140,795,971	0.7095	0.7095	145,832,492	0.7095	0.7095
		Debt Service	135,422,912	0.1028	0.1028	140,795,971	0.1008	0.1008	145,832,492	0.0942	0.0942
	Diamond Area Fire Protection Dist	General Revenue	30,977,747	0.2582	0.2582	32,259,162	0.2582	0.2582	34,314,133	0.2578	0.2578
	Seneca Area Fire Protection Dist	General Revenue	30,901,970	0.2814	0.2814	32,416,575	0.2814	0.2814	34,144,079	0.2814	0.2814
	East Newton Fire Protection Dist	General Revenue	17,732,682	0.2822	0.2822	18,137,949	0.2824	0.2824	19,187,781	0.2824	0.2824
	Crowder College	General Revenue	613,602,787	0.4000	0.4000	641,906,135	0.4000	0.4000	829,827,872	0.4000	0.4000
	East Newton Co R-VI School District	Operating Funds-Schools	55,273,390	2.7500	2.7500	57,645,239	2.7500	2.7500	61,779,143	2.7500	2.7500
		Debt Service	55,273,390	1.0291	0.6250	57,645,239	0.7808	0.6250	61,779,143	0.5071	0.4496
	Diamond R-IV School District	Operating Funds-Schools	49,144,831	2.7500	2.7500	48,629,273	2.7500	2.7500	51,895,291	2.7500	2.7500
		Debt Service	49,144,831	1.5267	0.9900	48,629,273	0.9901	0.9900	51,895,291	1.2843	0.9900
	Westview C-6 School District	Operating Funds-Schools	6,137,505	2.7500	2.7500	6,513,407	2.7500	2.7500	7,082,955	2.7500	2.7500
	Seneca R-VII School District	Operating Funds-Schools	65,572,631	2.7500	2.7500	68,375,974	2.7500	2.7500	74,408,224	2.7500	2.7500
	Neosho R-V School District	Operating Funds-Schools	218,606,471	2.8829	2.7500	229,944,535	2.8799	2.7500	243,266,651	2.8924	2.7500
		Debt Service	**	**	**	229,944,535	0.6924	0.3600	243,266,651	0.5582	0.3600
	Newton County	Common Road District	90,564,682	0.2244	0.2244	95,247,470	0.2244	0.2244	102,603,396	0.2223	0.2223
		Health	598,466,285	0.0500	0.0500	621,321,604	0.0500	0.0500	657,238,514	0.0500	0.0500
		Mental Health	598,466,285	0.0803	0.0803	621,321,604	0.0803	0.0803	657,238,514	0.0803	0.0803
		County Fair	598,466,285	0.0100	0.0100	621,321,604	0.0100	0.0100	657,238,514	0.0100	0.0100
Nodaway	Hoover Frankum Watershed Sub Dist	General Revenue	1,186,682	0.3836	0.3836	1,186,682	0.3836	0.3800	1,186,682	0.3836	0.3800
	Mozingo Creek Watershed Sub Dist	General Revenue	12,003,061	0.0000	0.0000	12,003,061	0.0000	0.0000	12,003,061	0.0000	0.0000
	102 River Tributaries Sub District	General Revenue	8,521,103	0.2333	0.1000	8,521,103	0.2333	0.1000	8,521,103	0.2333	0.1000
	City of Arkoe	General Revenue	250,133	1.0000	0.9859	261,399	1.0000	1.0000	280,503	0.9817	0.9817
	City of Barnard	General Revenue	838,989	0.8045	0.8045	880,856	0.8045	0.8000	892,015	0.8365	0.8365

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Nodaway	City of Barnard	Streets	838,989	1.0000	1.0000 A	880,856	1.0000	1.0000	892,015	1.2500	1.2500 A
	City of Burlington Junction	General Revenue	2,412,416	0.9462	0.9462	2,359,115	0.9714	0.9714	2,596,248	0.9313	0.9313
		general revenue-temp	2,412,416	0.3500	0.3500	2,359,115	0.3500	0.3500	**	**	**
		General Revenue - Temp	**	**	**	**	**	**	2,596,248	0.3000	0.3000 A
	City of Clearmont	General Revenue	835,752	0.7772	0.7700	847,888	0.7789	0.7789	859,606	0.7789	0.7789
	Village of Clyde	General Revenue	272,955	0.5000	0.5000	256,465	0.5000	0.5000	295,549	0.4579	0.4579
	City of Conception Junction	General Revenue	809,451	1.0000	1.0000	818,571	1.0000	1.0000	876,729	0.9861	0.9861
	City of Elmo	General Revenue	546,777	1.0000	1.0000	590,522	1.0000	1.0000	567,644	1.0000	1.0000
		Streets	546,777	0.4499	0.4499	**	**	**	**	**	**
		General Revenue-Temp	546,777	1.0000	0.0000	590,522	1.0000	1.0000	567,644	1.0000	1.0000
		Streets	546,777	0.4499	0.0000	590,522	0.4499	0.4499	567,644	0.4500	0.4500
	City of Graham	General Revenue	765,412	1.0000	1.0000	786,163	0.9999	0.9999	814,693	0.9999	0.9999
		Streets	765,412	1.1400	1.1400	786,163	1.1400	1.1400 A	814,693	1.1400	1.1400 A
		Street Improvement	765,412	1.1400	0.0000 A	**	**	**	**	**	**
	Village of Guilford	General Revenue	354,109	1.0000	1.0000	368,141	0.9999	0.9999	374,716	0.9998	0.9998
		Streets	354,109	0.5000	0.5000 A	368,141	0.5000	0.5000	374,716	0.5000	0.5000
	City of Hopkins	General Revenue	2,532,913	0.3823	0.3823	2,465,694	0.3927	0.3927	2,575,190	0.3877	0.3877
		Lights	2,532,913	0.2011	0.2011	2,465,694	0.2066	0.2066	2,575,190	0.2040	0.2040
		Streets	2,532,913	0.2011	0.2011	2,465,694	0.2066	0.2066	2,575,190	0.2040	0.2040
		General Revenue-Temp	2,532,913	0.2000	0.2000	2,465,694	0.2000	0.2000	2,575,190	0.1974	0.1974
		Street Improvements	2,532,913	0.7500	0.7500	2,465,694	0.7500	0.7500 A	2,575,190	0.7405	0.7405
	City of Maryville	General Revenue	112,446,483	0.3148	0.3148	112,596,554	0.3192	0.3192	121,558,099	0.3153	0.3153
		Parks & Recreation	112,446,483	0.3148	0.3148	112,596,554	0.3192	0.3192	121,558,099	0.3153	0.3153
		Library	112,446,483	0.1422	0.1422	112,596,554	0.1442	0.1442	121,558,099	0.1424	0.1424
		Debt Service	112,446,483	0.1221	0.1221	112,596,554	0.1035	0.1035	121,558,099	0.1194	0.1194
	City of Parnell	General Revenue	474,093	1.0000	1.0000	455,669	1.0000	1.0000	473,851	0.9969	0.9969
		Parks & Recreation	474,093	0.4000	0.4000 A	455,669	0.4000	0.4000	473,851	0.3988	0.3988
		General Revenue-Temp	474,093	0.3000	0.3000 A	455,669	0.3000	0.3000	473,851	0.2992	0.2992
	Village of Pickering	General Revenue	614,821	0.8392	0.8392	613,179	0.8429	0.7800	650,041	0.8211	0.7800
		Streets Temp	614,821	1.0000	1.0000	613,179	1.0000	1.0000	**	**	**
		Streets - Temp	**	**	**	**	**	**	650,041	1.0000	1.0000 A
	Village of Quitman	General Revenue	132,025	1.0000	1.0000	135,957	1.0000	1.0000	127,634	1.0000	1.0000
	City of Ravenwood	General Revenue	2,301,349	0.7499	0.7285	2,370,965	0.7499	0.7499	2,469,741	0.7499	0.7285
		Streets	2,301,349	0.7500	0.7500	2,370,965	0.7500	0.7500 A	2,469,741	0.7500	0.7500
	City of Skidmore	General Revenue	1,175,158	1.0000	1.0000	1,242,638	1.0000	1.0000	1,269,443	0.9999	0.9999
		Streets	1,175,158	1.0000	1.0000	1,242,638	1.0000	1.0000	1,269,443	0.9999	0.9999
	Atchison Township of Nodaway Co	General Revenue	4,896,854	0.0500	0.0500	4,980,717	0.0500	0.0500	5,221,371	0.0499	0.0499
		Road & Bridge	4,896,854	0.5000	0.5000	4,980,717	0.5000	0.5000	5,221,371	0.4993	0.4993

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Nodaway	Atchison Township of Nodaway Co	Special Road and Bridge	4,896,854	0.3500	0.3500 A	4,980,717	0.3500	0.3500	5,221,371	0.3495	0.3495
		Debt Service	4,896,854	2.1185	2.1185	4,980,717	1.4916	1.4916	5,221,371	0.0000	0.0000
	Grant Township of Nodaway Co	General Revenue	5,904,631	0.0499	0.0499	6,140,794	0.0499	0.0499	6,167,355	0.0500	0.0500
		Road & Bridge	5,904,631	0.4994	0.4994	6,140,794	0.4994	0.4994	6,167,355	0.5000	0.5000
		Special Road and Bridge	5,904,631	0.3500	0.3500 A	6,140,794	0.3500	0.3500	6,167,355	0.3500	0.3500
	Green Township of Nodaway Co	General Revenue	4,352,296	0.0500	0.0500	4,464,657	0.0500	0.0500	4,667,406	0.0500	0.0500
		Road & Bridge	4,352,296	0.5000	0.5000	4,464,657	0.5000	0.5000	4,667,406	0.5000	0.5000
		Special Road and Bridge	4,352,296	0.3500	0.3500 A	4,464,657	0.3500	0.3500	4,667,406	0.3500	0.3500
		Debt Service	4,352,296	0.3641	0.3641	4,464,657	1.6037	1.2500	4,667,406	1.3455	1.3455
	Hopkins Township of Nodaway Co	General Revenue	6,050,042	0.0500	0.0500	6,006,157	0.0500	0.0500	6,246,152	0.0494	0.0494
		Road & Bridge	6,050,042	0.5000	0.5000	6,006,157	0.5000	0.5000	6,246,152	0.4944	0.4944
		Special Road and Bridge	6,050,042	0.3500	0.3500 A	6,006,157	0.3500	0.3500	6,246,152	0.3461	0.3461
	Hughes Township of Nodaway Co	General Revenue	7,373,862	0.0500	0.0500	7,722,268	0.0500	0.0500	8,199,636	0.0500	0.0500
		Road & Bridge	7,373,862	0.5000	0.5000	7,722,268	0.5000	0.5000	8,199,636	0.5000	0.5000
		Special Road and Bridge	7,373,862	0.3500	0.3500 A	7,722,268	0.3500	0.3500	8,199,636	0.3500	0.3500
		Debt Service	**	**	**	7,722,268	0.8093	0.8093	8,199,636	0.4974	0.4974
	Independence Township of Nodaway C	General Revenue	3,987,965	0.0465	0.0465	3,986,770	0.0467	0.0467	4,171,605	0.0465	0.0465
		Road & Bridge	3,987,965	0.4652	0.4652	3,986,770	0.4673	0.4673	4,171,605	0.4658	0.4658
		Special Road and Bridge	3,987,965	0.3500	0.3500 A	3,986,770	0.3500	0.3500	4,171,605	0.3489	0.3489
		Debt Service	3,987,965	1.0613	1.0613	3,986,770	0.6586	0.6586	**	**	**
	Jackson Township of Nodaway Co	General Revenue	10,215,744	0.0500	0.0500	10,140,045	0.0500	0.0500	10,825,723	0.0500	0.0500
		Road & Bridge	10,215,744	0.5000	0.5000	10,140,045	0.5000	0.5000	10,825,723	0.4996	0.4996
		Special Road and Bridge	10,215,744	0.3500	0.3500	10,140,045	0.3500	0.3500	10,825,723	0.3500	0.3500 A
		Debt Service	10,215,744	0.4482	0.4482	10,140,045	0.5872	0.5872	10,825,723	0.5210	0.5210
	Jefferson Township of Nodaway Co	General Revenue	5,717,475	0.0500	0.0500	5,892,451	0.0500	0.0500	6,205,743	0.0498	0.0498
		Road & Bridge	5,717,475	0.5000	0.5000	5,892,451	0.5000	0.5000	6,205,743	0.4977	0.4977
		Special Road and Bridge	5,717,475	0.3500	0.3500 A	5,892,451	0.3500	0.3500	6,205,743	0.3484	0.3484
	Lincoln Township of Nodaway Co	General Revenue	4,973,817	0.0500	0.0500	5,191,646	0.0500	0.0500	5,328,213	0.0500	0.0500
		Road & Bridge	4,973,817	0.5000	0.5000	5,191,646	0.5000	0.5000	5,328,213	0.5000	0.5000
		Special Road and Bridge	4,973,817	0.3500	0.3500	5,191,646	0.3500	0.3500	5,328,213	0.3500	0.3500 A
	Monroe Township of Nodaway Co	General Revenue	4,183,338	0.0500	0.0500	4,242,288	0.0500	0.0500	4,449,844	0.0492	0.0492
		Road & Bridge	4,183,338	0.4742	0.4742	4,242,288	0.4775	0.4775	4,449,844	0.4697	0.4697
		Special Road and Bridge	4,183,338	0.3500	0.3500 A	4,242,288	0.3500	0.3500	4,449,844	0.3443	0.3443
		Debt Service	4,183,338	0.5886	0.5886	4,242,288	0.9105	0.9105	4,449,844	1.4562	1.4562
	Nodaway Township of Nodaway Co	General Revenue	7,307,455	0.0500	0.0500	7,147,525	0.0500	0.0500	7,584,393	0.0496	0.0496
		Road & Bridge	7,307,455	0.4863	0.4863	7,147,525	0.4989	0.4989	7,584,393	0.4950	0.4950
		Special Road and Bridge	7,307,455	0.3500	0.3500	7,147,525	0.3500	0.3500	7,584,393	0.3500	0.3500 A
		Debt Service	7,307,455	0.5943	0.5943	7,147,525	0.2260	0.2260	**	**	**

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Nodaway	Polk Township of Nodaway Co	General Revenue	170,464,676	0.0500	0.0500	177,906,684	0.0500	0.0500	189,944,065	0.0495	0.0495
		Road & Bridge	170,464,676	0.2697	0.2697	177,906,684	0.2720	0.2720	189,944,065	0.2690	0.2690
		Special Road and Bridge	170,464,676	0.3500	0.3500	177,906,684	0.3500	0.3500	189,944,065	0.3462	0.3462
	Union Township of Nodaway Co	General Revenue	4,924,267	0.0500	0.0500	5,073,617	0.0500	0.0500	5,356,229	0.0495	0.0495
		Road & Bridge	4,924,267	0.5000	0.5000	5,073,617	0.5000	0.5000	5,356,229	0.4948	0.4948
		Special Road and Bridge	4,924,267	0.3500	0.3500	5,073,617	0.3500	0.3500	5,356,229	0.3500	0.3500 A
		Debt Service	4,924,267	0.6788	0.6788	5,073,617	0.1996	0.1996	5,356,229	0.8887	0.8887
	Washington Township of Nodaway Co	General Revenue	3,928,182	0.0500	0.0500	4,056,438	0.0500	0.0500	4,266,622	0.0496	0.0496
		Road & Bridge	3,928,182	0.5000	0.5000	4,056,438	0.5000	0.5000	4,266,622	0.4958	0.4958
		Special Road and Bridge	3,928,182	0.3500	0.3500 A	4,056,438	0.3500	0.3500	4,266,622	0.3471	0.3471
		Debt Service	**	**	**	4,056,438	1.3152	1.3152	4,266,622	0.7436	0.7436
	White Cloud Township of Nodaway Co	General Revenue	6,712,415	0.0460	0.0460	6,915,891	0.0463	0.0463	7,268,245	0.0461	0.0461
		Road & Bridge	6,712,415	0.4518	0.4518	6,915,891	0.4543	0.4543	7,268,245	0.4523	0.4523
		Special Road and Bridge	6,712,415	0.3218	0.3218	6,915,891	0.3236	0.3157	7,268,245	0.3500	0.3500 A
		Debt Service	6,712,415	0.8414	0.8414	6,915,891	0.1323	0.1323	**	**	**
	Barnard Fire Protection District	General Revenue	9,777,207	0.2000	0.2000	10,258,105	0.2000	0.2000	10,489,608	0.2000	0.2000
	Graham Fire Protection District	General Revenue	7,657,458	0.1000	0.1000	8,013,176	0.1000	0.1000	8,488,903	0.1000	0.1000
	Hopkins Fire Protection District	General Revenue	8,405,376	0.1324	0.1324	8,414,149	0.1326	0.1326	8,776,467	0.1314	0.1314
	Polk Fire Protection District	General Revenue	58,987,886	0.0500	0.0500	66,257,535	0.0500	0.0500	69,454,317	0.0497	0.0497
	Clearmont Fire Protection District	General Revenue	4,532,704	0.3000	0.3000	4,655,924	0.3000	0.3000	4,854,771	0.3000	0.3000
	Skidmore Fire Protection District	General Revenue	6,912,352	0.2100	0.2100	7,018,086	0.2100	0.2100	7,328,064	0.2089	0.2089
	West Nodaway Fire Protection Dist	General Revenue	11,070,803	0.3000	0.2800	11,026,283	0.3000	0.2800	11,612,737	0.2993	0.2800
	Jackson Township Fire Prot Dist	General Revenue	10,217,658	0.0000	0.0000	10,140,154	0.0000	0.0000	10,827,547	0.0000	0.0000
		Fire	10,217,658	0.3000	0.2500	10,140,154	0.3000	0.3000	10,827,547	0.2997	0.2997
	Union Township Fire Protection Dist	General Revenue	3,792,846	0.2982	0.2982	3,912,508	0.2982	0.2982	4,127,701	0.2939	0.2939
	Elmo Fire Protection District	General Revenue	3,449,890	0.3000	0.3000	3,569,299	0.3000	0.3000	3,669,954	0.3000	0.3000
	Parnell Fire Protection District	General Revenue	4,451,103	0.2779	0.2779	4,471,901	0.2784	0.2784	4,372,744	0.2853	0.2853
	Nodaway-Holt R-VII School District	Operating Funds-Schools	19,565,937	3.7500	3.7500	20,818,791	3.7500	3.7500	21,532,695	3.7500	3.7500
		Operating Funds-Temps	19,565,937	0.9000	0.9000	20,818,791	0.9000	0.9000	21,532,695	0.9000	0.9000
	West Nodaway Co R-I School District	Operating Funds-Schools	17,926,475	3.6786	3.6786	18,232,410	3.7500	3.7500	19,052,740	3.7500	3.7500
		Debt Service	17,926,475	0.8684	0.7000	18,232,410	0.7126	0.7000	19,052,740	0.7019	0.7000
	Northeast Nodaway Co R-V Sch Dist	Operating Funds-Schools	11,985,157	5.2100	5.2100	11,783,751	5.2100	5.2100	12,588,574	5.0963	5.0963
		Debt Service	11,985,157	1.6669	0.6600	11,783,751	0.7846	0.6600	12,588,574	1.2193	0.6600
	Jefferson C-123 School District	Operating Funds-Schools	5,949,482	6.2245	5.1860	6,110,327	6.2245	5.1570	6,436,977	6.2159	5.2079
	North Nodaway Co R-VI School Dist	Operating Funds-Schools	12,214,760	4.4294	4.4000	12,299,970	4.5237	4.5000	12,951,490	4.4853	4.4000
		Debt Service	12,214,760	1.1422	0.5900	12,299,970	0.7627	0.5900	12,951,490	0.6910	0.5900
	Maryville R-II School District	Operating Funds-Schools	167,597,751	3.9581	3.6481	175,025,606	4.6112	4.2481 B	187,019,392	4.5638	4.2172
		Debt Service	167,597,751	1.1148	0.4643	175,025,606	1.1960	0.5643	187,019,392	0.9909	0.5643

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Nodaway	South Nodaway Co R-IV School Dist	Operating Funds-Schools	9,600,600	5.5474	5.1446	10,047,487	5.5500	5.1446	10,334,692	5.5500	5.2446	
		Debt Service	9,600,600	0.8262	0.7282	10,047,487	1.0721	0.7282	10,334,692	0.6474	0.6282	
	Nodaway County	General Revenue	250,999,026	0.3593	0.0000	259,867,925	0.3613	0.0000	275,902,148	0.3589	0.1600	
		Health	250,999,026	0.0500	0.0500	259,867,925	0.0500	0.0500	275,902,148	0.0497	0.0497	
		Ambulance	250,999,026	0.1848	0.0000	259,867,925	0.1858	0.0000	275,902,148	0.1845	0.0000	
		Senate Bill 40	250,999,026	0.0500	0.0500	259,867,925	0.0500	0.0500	275,902,148	0.0497	0.0497	
		Senior Services	250,999,026	0.0500	0.0500	259,867,925	0.0500	0.0500	275,902,148	0.0497	0.0497	
Oregon	Oregon County Ambulance District	General Revenue	72,764,660	0.1406	0.1406	76,264,883	0.1406	0.1406	79,233,754	0.1406	0.1406	
	Thayer Spec Rd Dist Oregon Co	Road & Bridge	27,686,797	0.2108	0.2108	29,127,358	0.2108	0.2108	30,439,108	0.2094	0.2094	
	City of Alton	General Revenue	4,135,960	0.5202	0.5202	4,402,043	0.5202	0.5202	4,769,967	0.5172	0.5172	
	City of Koshkonong	General Revenue	659,199	0.8227	0.8227	690,316	0.8226	0.8226	737,729	0.8227	0.8227	
	City of Thayer	General Revenue	12,759,796	0.4467	0.4467	13,671,318	0.4467	0.4467	14,432,283	0.4440	0.4440	
	Oregon County Library District	General Revenue	72,764,660	0.1909	0.1909	76,264,883	0.1909	0.1909	79,233,754	0.1909	0.1909	
	Couch R-I School District	Operating Funds-Schools	8,403,358	2.7500	2.7500	8,532,218	2.7500	2.7500	9,262,999	3.4300	3.4300	B
		Debt Service	8,403,358	0.9968	0.6100	8,532,218	0.8499	0.6800	**	**	**	
	Thayer R-II School District	Operating Funds-Schools	23,618,989	2.7500	2.7500	24,726,058	2.7500	2.7500	26,047,536	2.7500	2.7500	
		Debt Service	23,618,989	1.7860	0.9200	24,726,058	1.1620	0.9200	26,047,536	1.0090	0.9200	
	Oregon-Howell R-III School District	Operating Funds-Schools	10,122,253	2.7500	2.7500	10,719,048	2.7500	2.7500	11,397,709	2.7045	2.7045	
		Operating Funds-Temp	**	**	**	**	**	**	11,397,709	0.8255	0.8255	A
		Debt Service	10,122,253	1.0497	0.8184	10,719,048	1.0575	0.7900	11,397,709	0.7940	0.0000	
	Alton R-IV School District	Operating Funds-Schools	26,655,076	2.7500	2.7500	28,291,105	2.7500	2.7500	29,222,082	2.7500	2.7500	
	Oregon County	General Revenue	72,764,660	0.3416	0.0600	76,264,883	0.3416	0.0600	79,233,754	0.3416	0.0700	
		Common Road District	45,064,807	0.2624	0.2500	47,114,769	0.2624	0.2500	48,773,795	0.2624	0.2500	
		Health	72,764,660	0.1000	0.1000	76,264,883	0.1000	0.1000	79,233,754	0.1000	0.1000	
		Senate Bill 40	72,764,660	0.1000	0.1000	76,264,883	0.1000	0.1000	79,233,754	0.1000	0.1000	
		Senior Services	72,764,660	0.0500	0.0500	76,264,883	0.0500	0.0500	79,233,754	0.0500	0.0500	
Osage	Osage Ambulance District	General Revenue	109,121,533	0.2990	0.2900	112,778,409	0.2990	0.1400	117,618,821	0.2990	0.1400	
	Chamois Spec Rd Dist Osage Co	Road & Bridge	4,860,770	0.3406	0.3406	5,014,835	0.3411	0.3411	5,209,346	0.3411	0.3411	
	Linn City Spec Rd Dist Osage Co	Road & Bridge	14,725,125	0.2426	0.2426	15,029,588	0.2426	0.2426	15,510,820	0.2426	0.2426	
	Starke Spec Rd Dist Osage Co	Road & Bridge	784,752	0.3500	0.3000	801,122	0.3500	0.2500	704,091	0.3500	0.3500	
	Westphalia Spec Rd Dist Osage Co	Road & Bridge	3,667,992	0.2237	0.2237	3,805,357	0.2250	0.2237	4,020,127	0.2200	0.2200	
		Special Road and Bridge	3,667,992	0.1766	0.1766	3,805,357	0.1777	0.1777	4,020,127	0.1777	0.1738	A
	Village of Argyle	General Revenue	1,022,715	0.3856	0.2900	1,140,864	0.3688	0.2900	1,172,937	0.3688	0.2900	
	City of Chamois	General Revenue	2,703,748	0.5976	0.5976	2,782,446	0.5976	0.5976	2,866,214	0.5976	0.5976	
	City of Linn	General Revenue	14,651,159	0.5156	0.5156	14,897,654	0.5164	0.5164	15,357,891	0.5164	0.5164	
		Parks & Recreation	14,651,159	0.0500	0.0500	14,897,654	0.0500	0.0500	15,357,891	0.0500	0.0500	
		Debt Service	14,651,159	0.9274	0.9274	14,897,654	0.7061	0.7061	**	**	**	
	City of Meta	General Revenue	3,225,608	0.4880	0.4300	3,775,079	0.4906	0.4300	4,258,972	0.4941	0.4300	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Osage	Osage County Library	General Revenue	162,331,410	0.1702	0.1702	167,959,193	0.1702	0.1702		176,295,860	0.1702	0.1702	
	Chamois Fire Protection District	General Revenue	10,403,262	0.2941	0.2941	10,871,079	0.2941	0.2941		11,398,942	0.2910	0.2908	
	Meta Fire & Rescue Fire Prot Dist	General Revenue	10,592,547	0.2992	0.2800	11,361,698	0.2943	0.2800		12,299,560	0.2943	0.2800	
	Linn Fire Protection District	General Revenue	70,012,695	0.2742	0.2742	71,969,750	0.2743	0.2700		76,951,121	0.2698	0.2600	
	Osage Co R-I School District	Operating Funds-Schools	11,917,868	4.4011	4.4011	12,291,088	4.3929	4.3511		12,882,977	4.3921	4.3613	
	Osage Co R-II School District	Operating Funds-Schools	49,344,129	2.7500	2.7500	50,744,782	2.7500	2.7500		53,259,681	2.7512	2.7512	
		Debt Service	49,344,129	0.9936	0.3900	50,744,782	0.9034	0.3900		53,259,681	0.9602	0.5800	
	Osage Co R-III School District	Operating Funds-Schools	67,958,005	2.7500	2.7500	71,425,096	2.7500	2.7500		75,303,159	2.7500	2.7500	
		Debt Service	67,958,005	0.6124	0.4200	71,425,096	0.4054	0.4054		75,303,159	0.0000	0.0000	
	Osage County	General Revenue	162,331,410	0.3104	0.1583	167,959,193	0.3104	0.1641		176,340,010	0.3104	0.1683	
		Common Road District	136,574,662	0.2101	0.2101	141,560,995	0.2112	0.2101		149,119,202	0.2109	0.2109	
		Developmentally Disabled	162,331,410	0.0996	0.0996	167,959,193	0.0996	0.0996		176,340,010	0.0996	0.0996	
Ozark	Village of Bakersfield	General Revenue	971,296	0.2755	0.2755	1,091,427	0.2755	0.2755		1,230,793	0.2507	0.2507	
		Health	971,296	0.1375	0.1375	1,091,427	0.1376	0.1376		1,230,793	0.1252	0.1252	
	City of Gainesville	General Revenue	7,089,469	0.4758	0.4758	7,329,783	0.4758	0.4758		9,031,220	0.4081	0.4081	
	City of Theodosia	General Revenue	2,639,397	0.3815	0.3815	2,731,333	0.3815	0.3815		3,712,271	0.2940	0.2940	
	Thornfield R-I School District	Operating Funds-Schools	4,951,572	2.7500	2.7500	5,090,552	2.7500	2.7500		5,787,779	2.7500	2.7500	
		Debt Service	4,951,572	0.6862	0.5397	5,090,552	0.7242	0.5397		5,787,779	0.5914	0.5397	
	Bakersfield R-IV School District	Operating Funds-Schools	9,532,548	3.6637	3.3137	10,089,725	3.6593	3.6593		11,730,089	3.3218	3.2717	
		Debt Service	9,532,548	0.4170	0.3500	10,089,725	0.3086	0.0000		11,730,089	0.3853	0.3500	
	Gainesville R-V School District	Operating Funds-Schools	34,880,395	2.7500	2.7500	36,480,920	2.7500	2.7500		43,020,342	2.7500	2.7500	
		Debt Service	34,880,395	0.4939	0.4939	36,480,920	0.4939	0.4939		43,020,342	0.5207	0.4939	
	Dora R-III School District	Operating Funds-Schools	11,381,723	3.3534	3.3534	11,933,084	3.3911	3.3500		13,758,311	3.1147	3.1147	
		Operating - Temp	**	**	**	11,933,084	0.2300	0.0800	A	13,758,311	0.2098	0.2098	
		Debt Service	11,381,723	0.2372	0.2372	11,933,084	0.2346	0.0900		13,758,311	0.2035	0.2035	
	Lutie R-VI School District	Operating Funds-Schools	14,772,439	3.1828	3.1828	15,366,273	3.1835	3.1835		19,816,603	3.6500	3.4800	B
		Debt Service	14,772,439	0.5213	0.5213	15,366,273	0.6645	0.6165		19,816,603	0.0000	0.0000	
	Ozark County	General Revenue	79,602,759	0.3399	0.1706	83,142,576	0.3399	0.1717		97,596,937	0.3037	0.1750	
		Road & Bridge	79,602,759	0.2575	0.2575	83,142,576	0.2575	0.2575		97,596,937	0.2300	0.2300	
		Health	79,602,759	0.1000	0.1000	83,142,576	0.1000	0.1000		97,596,937	0.0893	0.0893	
		Ambulance	79,602,759	0.1339	0.1339	83,142,576	0.1339	0.1339		97,596,937	0.1196	0.1196	
Pemiscot	City of Bragg City	General Revenue	501,266	0.5000	0.5000	523,788	0.5000	0.5000		551,414	0.5000	0.5000	
	City of Caruthersville	General Revenue	41,377,387	0.5547	0.5500	40,019,292	0.5793	0.5793		44,008,313	0.5622	0.5622	
		Sewer	41,377,387	0.1887	0.1800	40,019,292	0.1971	0.1971		44,008,313	0.1913	0.1913	
		Library	41,377,387	0.1000	0.1000	40,019,292	0.1000	0.1000		44,008,313	0.0970	0.0970	
		Health	41,377,387	0.1665	0.1600	40,019,292	0.1739	0.1739		44,008,313	0.1688	0.1688	
		Cemetery	41,377,387	0.0500	0.0500	40,019,292	0.0500	0.0500		44,008,313	0.0485	0.0485	
	Town of Cooter	General Revenue	3,039,712	1.0000	0.9600	3,145,745	1.0000	0.9600		3,595,576	1.0000	0.9600	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Pemiscot	City of Hayti	General Revenue	19,214,074	0.5263	0.5263	20,123,959	0.5274	0.5274	20,922,610	0.5269	0.5269
		Parks & Recreation	19,214,074	0.2373	0.2373	20,123,959	0.2378	0.2378	20,922,610	0.2376	0.2376
		Library	19,214,074	0.1754	0.1754	20,123,959	0.1758	0.1758	20,922,610	0.1756	0.1756
		Health	19,214,074	0.1445	0.1445	20,123,959	0.1448	0.1448	20,922,610	0.1447	0.1447
		Cemetery	19,214,074	0.0500	0.0500	20,123,959	0.0500	0.0500	20,922,610	0.0500	0.0500
	City of Hayti Heights	General Revenue	1,053,288	0.7344	0.7344	1,069,491	0.7431	0.7431	1,063,983	0.7600	0.7600
		Health	1,053,288	0.2000	0.2000	1,069,491	0.2000	0.2000	1,063,983	0.2000	0.2000
	Village of Holland	General Revenue	1,079,762	0.5594	0.5594	1,090,044	0.5594	0.5594	1,112,005	0.5594	0.5594
	City of Homestown	General Revenue	199,010	0.6000	0.6000	176,970	0.6000	0.6000	234,380	0.5931	0.5931
	City of Steele	General Revenue	11,691,827	0.5226	0.5226	11,828,384	0.5240	0.5240	12,297,692	0.5240	0.5240
		Parks & Recreation	11,691,827	0.1508	0.1508	11,828,384	0.1512	0.1512	12,297,692	0.1512	0.1512
		Library	11,691,827	0.1508	0.1508	11,828,384	0.1512	0.1512	12,297,692	0.1512	0.1512
		Health	11,691,827	0.1508	0.1508	11,828,384	0.1512	0.1512	12,297,692	0.1512	0.1512
	Village of Wardell	General Revenue	1,191,936	0.6593	0.6500	1,211,895	0.6612	0.6600	1,379,829	0.6505	0.6500
		Health	1,191,936	0.1000	0.1000	1,211,895	0.1000	0.1000	1,379,829	0.0984	0.0984
	Village of North Wardell	General Revenue	348,470	0.2926	0.2926	351,740	0.2956	0.2956	**	**	**
		Health	348,470	0.1871	0.1593	351,740	0.1890	0.1890	**	**	**
	North Pemiscot Co R-I School Dist	Operating Funds-Schools	16,010,360	3.4374	3.4300	16,381,091	3.5000	2.8500	17,091,448	3.5000	2.8500
	Hayti R-II School District	Operating Funds-Schools	23,402,724	3.4755	3.2500	24,447,099	3.5023	3.2800	25,626,016	3.4441	3.2800
	Pemiscot Co R-III School District	Operating Funds-Schools	8,692,730	3.9151	3.9151	8,433,420	3.9792	3.9151	9,750,287	3.9439	3.4300
		Debt Service	**	**	**	**	**	**	9,750,287	0.7646	0.4851
	Cooter R-IV School District	Operating Funds-Schools	6,465,985	3.6245	3.4300	6,571,025	3.6213	3.4300	7,310,217	3.6691	3.4300
	South Pemiscot Co R-V School Dist	Operating Funds-Schools	23,841,346	3.2026	3.2026	24,472,048	3.1745	3.1745	26,006,940	3.1690	3.1690
	Pemiscot Co C-7 School District	Operating Funds-Schools	9,324,145	3.7187	3.4300	9,260,163	3.7929	2.9500	8,996,469	3.8500	2.9500
	Caruthersville 18 School District	Operating Funds-Schools	42,222,728	3.6045	3.0000	39,214,677	3.9132	3.0000	45,050,071	3.7121	3.7121
		Debt Service	42,222,728	0.3654	0.3600	39,214,677	0.3923	0.3900	45,050,071	0.2095	0.2095
	Pemiscot Co Special School District	Operating Funds-Schools	162,659,235	0.4739	0.4739	161,046,364	0.4814	0.4814	170,863,899	0.4814	0.4814
		Debt Service	162,659,235	0.0680	0.0300	161,046,364	0.0438	0.0400	170,863,899	0.0203	0.0203
	Pemiscot County	General Revenue	161,455,731	0.3970	0.2074	161,559,784	0.3999	0.1935	171,632,254	0.3999	0.1811
		Johnson Grass	161,455,731	0.0500	0.0500	161,559,784	0.0500	0.0500	171,632,254	0.0500	0.0500
		Road & Bridge	161,455,731	0.2925	0.2925	161,559,784	0.2946	0.2946	171,632,254	0.2946	0.2946
		Health	161,455,731	0.1000	0.1000	161,559,784	0.1000	0.1000	171,632,254	0.1000	0.1000
		Hospital	161,455,731	0.3761	0.3761	161,559,784	0.3789	0.3789	171,632,254	0.3789	0.3789
		Senate Bill 40	161,455,731	0.1000	0.1000	161,559,784	0.1000	0.1000	171,632,254	0.1000	0.1000
Perry	City of Altenburg	General Revenue	4,179,019	0.4929	0.4929	4,274,636	0.4929	0.4929	4,746,810	0.4707	0.4707
		Debt Service	4,179,019	0.2824	0.2824	4,274,636	0.2094	0.2094	**	**	**
	City of Frohna	General Revenue	4,641,889	0.5746	0.5746	4,696,727	0.5746	0.5746	5,254,828	0.5562	0.5562
		Debt Service	4,641,889	0.1758	0.1758	4,696,727	0.1608	0.1608	**	**	**

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Perry	Village of Longtown	General Revenue	630,592	0.3104	0.3104	646,252	0.3104	0.3104	707,562	0.2944	0.2944	
	City of Perryville	General Revenue	119,436,802	0.4493	0.3100	115,353,705	0.4699	0.3100	113,876,426	0.4798	0.3600	
		Parks & Recreation	119,436,802	0.1614	0.1100	115,353,705	0.1688	0.1600	113,876,426	0.1724	0.1600	
		Debt Service	119,436,802	0.2500	0.2500	115,353,705	0.2500	0.2500	113,876,426	0.2147	0.2100	
	Perry County Library District	General Revenue	257,185,976	0.0895	0.0895	256,640,533	0.0908	0.0908	269,894,801	0.0898	0.0898	
	Perry Co 32 School District	Operating Funds-Schools	227,910,893	3.1866	3.1866	227,117,272	3.2391	3.2391	238,639,472	3.2134	3.2134	
	Altenburg 48 School District	Operating Funds-Schools	13,807,619	3.0731	3.0731	14,173,603	3.0738	3.0738	15,673,392	3.6038	3.4300	B
	Perry County	General Revenue	257,185,976	0.4273	0.1800	256,640,533	0.4337	0.1800	269,894,801	0.4288	0.1800	
		Road & Bridge	257,185,976	0.3080	0.3000	256,640,533	0.3126	0.3000	269,894,801	0.3091	0.3000	
		Health	257,185,976	0.1788	0.1788	256,640,533	0.1815	0.1815	269,894,801	0.1795	0.1795	
		Hospital	257,185,976	0.0895	0.0895	256,640,533	0.0908	0.0908	269,894,801	0.0898	0.0898	
		Mental Health	257,185,976	0.0895	0.0895	256,640,533	0.0908	0.0908	269,894,801	0.0898	0.0898	
		Senate Bill 40	257,185,976	0.0895	0.0895	256,640,533	0.0908	0.0908	269,894,801	0.0898	0.0898	
Pettis	City of Green Ridge	General Revenue	2,239,186	0.9665	0.9665	2,308,990	0.9665	0.9665	2,594,943	0.9186	0.9186	
		Debt Service	2,239,186	0.0000	0.0000	**	**	**	**	**	**	
	City of Houstonia	General Revenue	1,055,411	0.9265	0.9265	983,553	1.0000	0.9265	1,086,522	0.9322	0.9322	
	Village of Hughesville	General Revenue	897,585	0.4051	0.4051	925,775	0.4101	0.4101	1,040,809	0.3792	0.3792	
		General Revenue-Temp	897,585	0.3000	0.3000	925,775	0.3000	0.3000	1,040,809	0.2773	0.2773	
	City of La Monte	General Revenue	5,028,515	0.8718	0.8718	4,970,264	0.8820	0.8820	5,954,560	0.8028	0.8028	
		Parks & Recreation	5,028,515	0.0400	0.0400	4,970,264	0.0400	0.0400	5,954,560	0.0364	0.0364	
	City of Sedalia	General Revenue	192,910,984	0.4644	0.4644	199,823,926	0.4674	0.4674	230,275,301	0.4209	0.4209	
		Parks & Recreation	192,910,984	0.3230	0.1615	199,823,926	0.3251	0.1625	230,275,301	0.2927	0.1464	
		Library	166,121,556	0.2230	0.2230	166,427,439	0.2277	0.2277	195,075,321	0.2033	0.2021	
		Police	192,910,984	0.0908	0.0908	199,823,926	0.0914	0.0914	230,275,301	0.0823	0.0823	
		Fire	192,910,984	0.0500	0.0500	199,823,926	0.0500	0.0500	230,275,301	0.0450	0.0450	
	City of Smithton	General Revenue	3,340,247	0.8552	0.8552	3,433,865	0.8552	0.8552	3,871,368	0.7982	0.7982	
	Boonslick Regional Library	General Revenue	646,905,732	0.1430	0.1430	671,780,873	0.1430	0.1430	746,540,472	0.1377	0.1377	
	Pettis County Fire Prot Dist #1	General Revenue	169,882,543	0.3000	0.2772	174,225,647	0.3000	0.2772	201,030,147	0.2791	0.2772	
	Sedalia Special Business District	General Revenue	4,090,840	0.8005	0.8005	3,986,620	0.8214	0.8214	5,614,220	0.5984	0.5984	
	State Fair Community College	General Revenue	638,430,870	0.4244	0.4244	664,193,903	0.4244	0.4244	744,063,154	0.3990	0.3990	
	Pettis Co R-V School District	Operating Funds-Schools	19,035,532	3.3136	3.3136	19,854,640	3.3995	3.3995	21,702,170	3.3349	3.3349	
		Debt Service	19,035,532	0.5327	0.4303	19,854,640	0.4464	0.4303	21,702,170	0.5827	0.4303	
	La Monte R-IV School District	Operating Funds-Schools	14,712,950	3.3008	2.9500	15,194,641	3.3545	2.9500	17,227,780	3.2004	2.9500	
		Debt Service	14,712,950	1.1537	0.7500	15,194,641	0.8489	0.8000	17,227,780	1.1883	0.8000	
	Smithton R-VI School District	Operating Funds-Schools	29,479,823	2.8898	2.8756	30,711,217	2.9284	2.8756	33,725,723	2.7949	2.7949	
		Operating Funds-Temp	29,479,823	0.6000	0.6000	30,711,217	0.6000	0.6000	33,725,723	0.5684	0.5684	
		Debt Service	29,479,823	0.3800	0.3800	30,711,217	0.4001	0.4001	33,725,723	0.5997	0.5124	
	Green Ridge R-VIII School District	Operating Funds-Schools	17,564,170	3.5016	3.5016	18,523,130	3.4992	3.4992	20,331,750	3.3628	3.3628	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Pettis	Green Ridge R-VIII School District	Debt Service	17,564,170	0.5777	0.3884	18,523,130	0.5606	0.3908	20,331,750	0.5275	0.5272
	Pettis Co R-XII School District	Operating Funds-Schools	46,855,990	3.4471	2.9900	44,262,810	3.4500	2.9900	53,792,525	3.2809	2.8900
	Sedalia 200 School District	Operating Funds-Schools	267,898,282	3.1691	3.1691	279,595,672	3.2229	3.2229	323,633,382	2.9101	2.9101
		Operating - Temporary	**	**	**	**	**	**	323,633,382	0.8628	0.8628 A
	Pettis County	General Revenue	439,547,365	0.4136	0.0385	452,583,073	0.4136	0.0355	516,889,282	0.3807	0.0257
		Johnson Grass	439,547,365	0.0500	0.0050	452,583,073	0.0500	0.0050	516,889,282	0.0460	0.0050
		Road & Bridge	439,547,365	0.2998	0.2998	452,583,073	0.2998	0.2998	516,889,282	0.2760	0.2760
		Health	439,547,365	0.0931	0.0931	452,583,073	0.0931	0.0931	516,889,282	0.0857	0.0857
		Developmentally Disabled	439,547,365	0.0931	0.0931	452,583,073	0.0931	0.0931	516,889,282	0.0857	0.0857
Phelps	St James Ambulance District	General Revenue	79,083,717	0.1619	0.1619	81,304,946	0.1619	0.0119	108,392,007	0.1289	0.0151
	City of Doolittle	General Revenue	3,486,018	0.4696	0.4696	2,506,565	0.4373	0.4373	4,255,099	0.2674	0.2674
	City of Newburg	General Revenue	1,182,942	0.7410	0.7410	1,266,387	0.7410	0.7410	1,820,620	0.6441	0.6441
		Library	1,182,942	0.2000	0.2000	1,266,387	0.2000	0.2000	1,820,620	0.1739	0.1739
	City of Rolla	General Revenue	158,709,746	0.6745	0.6745	126,343,343	0.6267	0.6267	186,530,545	0.4443	0.4443
		Parks & Recreation	158,709,746	0.1712	0.1712	126,343,343	0.1543	0.1543	186,530,545	0.1094	0.1094
		Library	158,709,746	0.2818	0.2818	126,343,343	0.2614	0.2614	186,530,545	0.1853	0.1853
	City of St James	General Revenue	33,814,484	0.5669	0.5669	22,337,146	0.5641	0.5641	33,807,870	0.3861	0.3845
		Parks & Recreation	33,814,484	0.0880	0.0880	22,337,146	0.0876	0.0876	33,807,870	0.0600	0.0597
	City of Edgar Springs	General Revenue	905,728	0.7000	0.7000	915,287	0.7015	0.7015	1,563,826	0.4416	0.4416
		Debt Service	905,728	0.2840	0.2840	915,287	0.3029	0.3029	**	**	**
	Doolittle Rural Fire Protection Dis	General Revenue	15,102,364	0.3000	0.3000	16,283,246	0.2978	0.2978	23,817,019	0.2225	0.2225
	Rolla Rural Fire Protection Dist	General Revenue	87,526,805	0.3000	0.3000	94,876,781	0.2918	0.2918	131,039,948	0.2287	0.2287
	Duke Fire Protection District	General Revenue	3,163,464	0.3000	0.3000 A	3,369,078	0.2982	0.2982	4,828,591	0.2219	0.2219
	St. James Fire Protection District	General Revenue	**	**	**	69,635,382	0.3000	0.3000 A	95,668,450	0.2324	0.2324
	St. James R-I School District	Operating Funds-Schools	74,533,551	2.7516	2.7516	76,482,574	3.2500	3.2500 B	103,479,633	2.6600	2.6600
		Debt Service	74,533,551	1.2248	0.5284	76,482,574	1.1915	0.5300	103,479,633	0.8292	0.5300
	Newburg R-II School District	Operating Funds-Schools	15,995,892	2.9576	2.9576	17,305,096	2.9517	2.9517	24,507,265	2.7500	2.7500
		Debt Service	15,995,892	0.4228	0.4228	17,305,096	0.4671	0.4228	24,507,265	1.4176	0.2500
	Rolla 31 School District	Operating Funds-Schools	244,957,347	3.6349	3.0794	260,026,053	4.1615	3.5400 B	357,030,344	3.2273	2.7926 C
		Operating Funds Temp	244,957,347	0.6134	0.6134	**	**	**	**	**	**
		Debt Service	244,957,347	0.2664	0.1800	260,026,053	0.3351	0.3299	357,030,344	0.3459	0.2500
	Phelps Co R-III School District	Operating Funds-Schools	10,561,987	2.7500	2.7500	11,238,712	2.7500	2.7500	16,496,510	2.7500	2.7500
		Debt Service	10,561,987	0.3537	0.3537	11,238,712	0.3185	0.3185	16,496,510	0.2408	0.2408
	Phelps County	General Revenue	355,042,841	0.3539	0.1611	374,069,777	0.3539	0.1673	511,330,021	0.2731	0.1375
		Road & Bridge	355,042,841	0.2528	0.0991	374,069,777	0.2528	0.1030	511,330,021	0.1951	0.0844
		Developmentally Disabled	355,042,841	0.0910	0.0910	374,069,777	0.0910	0.0910	511,330,021	0.0702	0.0702
Pike	Village of Annada	General Revenue	407,877	0.5417	0.5417	431,414	0.5454	0.5454	404,378	0.5819	0.5819
	City of Bowling Green	General Revenue	24,528,395	0.6467	0.6467	25,213,970	0.6484	0.6484	30,438,248	0.5930	0.5930

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Pike	City of Bowling Green	Parks & Recreation	24,528,395	0.1000	0.0000	25,213,970	0.1000	0.0000	30,438,248	0.0915	0.0000
		Library	24,528,395	0.2000	0.2000	25,213,970	0.2000	0.2000	30,438,248	0.1829	0.1829
		Cemetery	24,528,395	0.1000	0.1000	25,213,970	0.1000	0.1000	30,438,248	0.0915	0.0915
	City of Clarksville	General Revenue	3,308,162	0.7279	0.7279	3,337,919	0.7315	0.7315	3,927,255	0.6642	0.6642
		Debt Service	3,308,162	0.2237	0.2237	3,337,919	0.3433	0.2201	3,927,255	0.1885	0.1885
	City of Curryville	General Revenue	1,203,692	0.9405	0.9405	1,187,979	0.9854	0.9854	1,339,848	0.9200	0.9200
	Village of Eolia	General Revenue	3,039,562	0.4366	0.4366	3,243,460	0.4366	0.4366	3,846,538	0.3910	0.3910
	City of Frankford	General Revenue	1,705,561	0.9997	0.9997	1,704,436	1.0000	1.0000	1,830,276	0.9623	0.9623
	City of Louisiana	General Revenue	30,391,425	0.7320	0.7308	30,509,311	0.7350	0.7308	32,380,598	0.7199	0.7199
		Library	30,391,425	0.1000	0.1000	30,509,311	0.1000	0.1000	32,380,598	0.0979	0.0979
	Buffalo Township Fire Prot Dist	General Revenue	30,456,183	0.3028	0.3028	31,753,251	0.3028	0.3028	34,445,466	0.2973	0.2973
	Pike Co Agency for Dev Disabilities	General Revenue	191,886,712	0.1990	0.1990	197,639,643	0.1990	0.1990	220,333,624	0.1906	0.1906
	Bowling Green R-I School District	Operating Funds-Schools	71,827,426	3.4402	3.4402	74,673,610	3.3986	3.3986	85,688,909	3.2729	3.2729
	Pike Co R-III School District	Operating Funds-Schools	34,129,775	3.7500	3.5500	36,823,084	3.7127	3.5500	45,518,058	3.6055	3.6055
		Debt Service	34,129,775	0.9415	0.6900	36,823,084	0.7723	0.6900	45,518,058	0.7497	0.7497
	Boncl R-X School District	Operating Funds-Schools	8,965,331	4.9345	3.9500	9,183,463	5.0155	3.9500	10,172,108	4.9174	4.0500
	Louisiana R-II School District	Operating Funds-Schools	42,259,107	3.4218	3.3787	43,227,268	3.3212	3.3212	46,638,665	3.5712	3.4300 B
		Debt Service	42,259,107	0.7239	0.5700	43,227,268	0.7102	0.5700	46,638,665	0.5982	0.4600
	Pike County	General Revenue	191,886,712	0.4421	0.2726	197,639,643	0.4421	0.2746	220,333,624	0.4234	0.2694
		Road & Bridge	191,886,712	0.3205	0.3205	197,639,643	0.3205	0.3205	220,333,624	0.3069	0.3069
		Health	191,886,712	0.2500	0.1600	197,639,643	0.2500	0.1600	220,333,624	0.2394	0.1800
		Hospital	191,886,712	0.2200	0.2200	197,639,643	0.2200	0.2200	220,333,624	0.2107	0.2107
Platte	Northland Ambulance District No. 1	General Revenue	350,371,132	0.2886	0.2886	381,563,021	0.4386	0.4386	445,356,880	0.4080	0.4080
	Southern Platte County Ambulance	General Revenue	**	**	**	388,035,707	0.2100	0.1400 A	463,514,245	0.1900	0.0800
	Platte Co Drainage Ditch Dist 1	General Revenue	1,866,405	0.0965	0.0965	1,881,233	0.0965	0.0965	2,437,655	0.0769	0.0769
	Farley Special Road Dist, Platte Co	Road & Bridge	13,531,236	0.3157	0.3157	13,543,613	0.3209	0.3209	14,404,497	0.3227	0.3227
		Special Road and Bridge	13,531,236	0.3500	0.3500 A	13,543,613	0.3500	0.3500	14,404,497	0.3500	0.3500
	Parkville Spec Road Dist Platte Co	Road & Bridge	545,262,711	0.2662	0.2662	575,395,057	0.2662	0.2662	667,193,505	0.2499	0.2499
	Platte City Spec Rd Dist Platte Co	Road & Bridge	759,224,315	0.2900	0.2500	791,754,203	0.2900	0.2500	916,350,062	0.2778	0.2150
	Weston Spec Rd Dist Platte Co	Road & Bridge	42,486,049	0.2603	0.2603	43,173,370	0.2603	0.2603	53,318,168	0.2660	0.2660
		Special Road and Bridge	42,486,049	0.3500	0.3500	43,173,370	0.3500	0.3500	53,318,168	0.3500	0.3500
	City of Camden Point	General Revenue	4,447,469	0.7844	0.7844	4,577,056	0.7844	0.7844	5,532,273	0.6658	0.6658
	City of Dearborn	General Revenue	4,110,705	0.5598	0.5598	4,006,398	0.5754	0.5754	5,108,792	0.4689	0.4689
	City of Edgerton	General Revenue	3,854,548	0.8158	0.8158	3,984,329	0.8158	0.8158	5,301,033	0.6573	0.6573
	Village of Farley	General Revenue	2,549,241	0.4451	0.4451	2,607,294	0.4451	0.4451	2,698,356	0.4483	0.4483
	Village of Ferrelview	General Revenue	1,882,425	0.5830	0.5830	1,847,093	0.5942	0.5830	2,451,013	0.4676	0.4361
	Village of Iatan	General Revenue	215,623	0.5000	0.5000	166,809	0.5000	0.5000	246,874	0.3882	0.3882
	City of Platte City	General Revenue	59,877,301	0.5945	0.5600	63,390,015	0.5945	0.5600	74,981,725	0.5240	0.5095

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Platte	City of Platte City	Debt Service	59,877,301	1.4321	0.5000	63,390,015	1.4208	0.5000	74,981,725	1.6373	0.5000
	City of Platte Woods	General Revenue	7,602,182	0.9000	0.8300	8,181,424	0.9000	0.8000	10,640,483	0.7100	0.6000
	City of Tracy	General Revenue	1,600,078	0.7965	0.7965	1,586,270	0.8035	0.8035	2,180,684	0.6510	0.6510
		Debt Service	1,600,078	1.2739	0.3990	1,586,270	0.7656	0.7656	2,180,684	0.8470	0.8470
	City of Weatherby Lake	General Revenue	39,694,815	0.6989	0.6989	40,003,477	0.7019	0.7019	40,795,338	1.0000	1.0000
		Parks & Recreation	39,694,815	0.2060	0.2060	40,003,477	0.2069	0.2069	40,795,338	0.2069	0.2069
		Debt Service	39,694,815	0.5596	0.5596	40,003,477	0.4847	0.4847	40,795,338	0.7360	0.5596
	City of Weston	General Revenue	14,864,470	0.5493	0.5493	15,375,572	0.5493	0.5493	20,302,702	0.4520	0.4520
		Parks & Recreation	14,864,470	0.1000	0.1000	15,375,572	0.2000	0.2000	20,302,702	0.1646	0.1646
		Lights	14,864,470	0.1554	0.1554	15,375,572	0.1554	0.1554	20,302,702	0.1279	0.1279
	City of Lake Waukomis	General Revenue	13,748,134	0.7879	0.7879	13,816,884	0.7879	0.7879	13,825,224	0.7879	0.7879
		General Revenue-Temp	13,748,134	1.1194	1.1194	**	**	**	**	**	**
		GR - Temp	**	**	**	13,816,884	0.7000	0.7000 A	13,825,224	0.7000	0.7000
	City of Parkville	General Revenue	141,108,956	0.4860	0.4860	151,980,941	0.4860	0.4860	167,927,385	0.4734	0.4734
		General Revenue-Temp	141,108,956	0.1838	0.0950	151,980,941	0.1838	0.0960	167,927,385	0.1790	0.1250
		Debt Service	141,108,956	0.0702	0.0702	151,980,941	0.0618	0.0618	**	**	**
	City of Northmoor	General Revenue	5,086,104	0.3442	0.0000	5,061,583	0.3467	0.0000	6,224,826	0.2912	0.0000
	Town of Ridgely	General Revenue	957,161	0.3132	0.3132	971,328	0.3238	0.3238	1,065,486	0.3029	0.3029
	City of Houston Lake	General Revenue	1,845,316	0.9705	0.9705	1,858,687	0.9705	0.9705	2,973,755	0.6253	0.6253
		Streets	1,845,316	0.2500	0.2500	1,858,687	0.2500	0.0000	**	**	**
		Fire	**	**	**	1,858,687	1.1000	1.1000 A	2,973,755	0.7087	0.7087
	Central Platte Fire Protection Dist	General Revenue	137,121,161	0.3370	0.3370	150,663,553	0.3370	0.3370	187,303,663	0.2997	0.2997
		Debt Service	137,121,161	0.2178	0.1800	150,663,553	0.2960	0.1800	187,303,663	0.2525	0.2173
	Southern Platte Fire Prot Dist	General Revenue	317,516,476	0.9722	0.9722	333,898,376	0.9722	0.9722	384,991,528	0.9086	0.9086
		Debt Service	317,516,476	0.0915	0.0915	333,898,376	0.0909	0.0909	384,991,528	0.0932	0.0932
	Weatherby Lake Fire Protection Dist	General Revenue	39,665,710	1.1300	1.1300	40,003,477	1.1300	1.1300	40,795,338	1.1300	1.1000
	West Platte Fire Protection Dist	General Revenue	54,101,922	0.3795	0.3795	54,468,997	0.3796	0.3796	86,707,546	0.3576	0.3576
		Ambulance	54,101,922	0.3795	0.3795	54,468,997	0.3796	0.3796	86,707,546	0.3576	0.3576
	Camden Point Fire Protection Dist	General Revenue	16,193,933	0.4918	0.4918	16,657,376	0.5007	0.5007	18,765,636	0.4712	0.4712
	Smithville Area Fire Prot Dist	General Revenue	186,370,514	0.2788	0.2788	197,777,292	0.2788	0.2788	219,981,226	0.2699	0.2699
	Edgerton-Trimble Fire Prot Dist	General Revenue	28,428,872	0.5161	0.5161	30,730,137	0.5161	0.5161	35,031,099	0.4883	0.4883
	Dearborn Area Fire Protection Dist	General Revenue	21,954,319	0.5500	0.5500	22,154,015	0.5500	0.5500	24,676,993	0.5213	0.5213
	North Platte Co R-I School District	Operating Funds-Schools	42,475,942	3.9462	3.9462	44,127,487	3.9462	3.7262	50,476,728	3.6088	3.6088
		Operating Funds-Temp	42,475,942	0.3120	0.3120	44,127,487	0.3120	0.3120	50,476,728	0.2870	0.2870
		Operating -Temp	42,475,942	0.2200	0.2200 A	44,127,487	0.2200	0.0000	**	**	**
	West Platte Co R-II School District	Operating Funds-Schools	62,342,283	4.1000	4.1000	62,985,497	4.1000	4.1000	96,516,707	3.9050	3.9050
		Debt Service	62,342,283	1.6762	0.8560	62,985,497	1.4277	0.8560	96,516,707	1.0713	0.6560
	Platte Co R-III School District	Operating Funds-Schools	324,774,867	3.7052	3.4240	353,554,988	3.6719	3.4106	420,674,492	3.4937	3.2353

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Platte	Platte Co R-III School District	Debt Service	324,774,867	1.9274	0.9600	353,554,988	1.6670	0.9600	420,674,492	1.7072	0.9600
	Park Hill R-V School District	Operating Funds-Schools	1,085,590,416	4.9607	4.9607	1,136,192,317	4.9467	4.9467	1,310,454,667	4.6827	4.6467
		Debt Service	1,085,590,416	0.8626	0.6562	1,136,192,317	0.9188	0.6562	1,310,454,667	0.8104	0.6562
	Platte County	General Revenue	1,585,012,806	0.3346	0.0400	1,659,935,428	0.3346	0.0400	1,947,408,113	0.3161	0.0300
		Road & Bridge	224,508,496	0.2521	0.2521	236,069,186	0.2521	0.2521	294,981,361	0.2315	0.2315
		Health	1,585,012,806	0.0785	0.0785	1,659,935,428	0.0785	0.0785	1,947,408,113	0.0742	0.0742
		Mental Health	1,585,012,806	0.0982	0.0982	1,659,935,428	0.0982	0.0982	1,947,408,113	0.0928	0.0928
		Senate Bill 40	1,585,012,806	0.1276	0.1276	1,659,935,428	0.1276	0.1276	1,947,408,113	0.1205	0.1205
		Senior Services	1,585,012,806	0.0491	0.0491	1,659,935,428	0.0491	0.0491	1,947,408,113	0.0464	0.0464
		Debt Service	1,585,012,806	0.7624	0.0000	1,659,935,428	0.2753	0.0000	1,947,408,113	0.1303	0.0000
Polk	Blue Mound Spec Rd Dist Polk Co	Road & Bridge	1,922,951	0.3500	0.3500	2,031,280	0.3500	0.3500	2,243,376	0.3475	0.3475
	Bolivar Spec Rd Dist Polk Co	Road & Bridge	81,364,263	0.1966	0.1966	85,044,212	0.1990	0.1990	96,088,515	0.1984	0.1984
	Flemington Spec Rd Dist Polk Co	Road & Bridge	1,436,726	0.3435	0.3435	1,416,389	0.3484	0.3484	1,493,905	0.3500	0.3500
	Humansville Spec Rd Dist Polk Co	Road & Bridge	9,634,924	0.2662	0.2662	9,807,614	0.2685	0.2685	10,226,568	0.2698	0.2698
		Special Road and Bridge	9,634,924	0.3500	0.3500 A	9,807,614	0.3500	0.3500	10,226,568	0.3500	0.3500
	Providence Spec Rd Dist Polk Co	Road & Bridge	1,550,493	0.3499	0.3499	1,552,809	0.3499	0.3499	1,736,049	0.3499	0.3499
	Southwest Special Rd Dist Polk Co	Road & Bridge	1,011,454	0.3492	0.3492	1,029,598	0.3500	0.3500	1,057,110	0.3500	0.3500
	Polk County Road District	Road & Bridge	131,522,743	0.2669	0.2669	139,346,203	0.2653	0.2653	155,088,384	0.2653	0.2653
	Village of Aldrich	General Revenue	442,893	0.3441	0.3441	457,790	0.3597	0.3597	495,933	0.3852	0.3852
	City of Bolivar	General Revenue	78,152,447	0.4537	0.0000	81,567,375	0.4543	0.0000	93,038,834	0.4506	0.0000
		Parks & Recreation	78,152,447	0.0888	0.0000	81,567,375	0.0889	0.0000	93,038,834	0.0882	0.0000
	City of Fair Play	General Revenue	1,939,425	0.9620	0.9600	2,025,495	1.0000	1.0000	2,096,831	1.0000	1.0000
	City of Humansville	General Revenue	4,636,610	0.6064	0.6064	4,591,211	0.6124	0.6124	4,766,746	0.6227	0.6227
	City of Morrisville	General Revenue	1,431,806	0.5666	0.5666	1,683,246	0.4989	0.4989	1,867,152	0.4989	0.4989
	Polk County Library District	General Revenue	230,115,294	0.0899	0.0899	242,010,257	0.0905	0.0905	267,933,907	0.0863	0.0863
	Bolivar R-I School District	Operating Funds-Schools	123,527,190	3.3834	3.3800	130,040,505	3.3802	3.2300	146,422,280	3.3100	3.0800
		Debt Service	123,527,190	0.8920	0.4000	130,040,505	0.9871	0.4500	146,422,280	0.8561	0.4500
	Fair Play R-II School District	Operating Funds-Schools	14,180,310	3.1910	3.1910	14,857,810	3.1786	2.7500	15,940,510	3.2034	2.7500
		Debt Service	14,180,310	1.2955	0.5658	14,857,810	1.9105	0.9800	15,940,510	1.8084	0.9800
	Halfway R-III School District	Operating Funds-Schools	14,579,120	3.3251	3.3251	15,091,180	3.3317	3.3317	16,124,480	3.3303	3.3303
	Humansville R-IV School District	Operating Funds-Schools	16,924,562	2.8431	2.8431	17,557,042	2.8845	2.8400	18,807,784	2.8733	2.8600
		Debt Service	16,924,562	0.4200	0.4200	17,557,042	0.3903	0.3900	18,769,944	0.4594	0.3900
	Marion C. Early R-V School District	Operating Funds-Schools	25,676,270	3.2068	2.8100	27,493,390	3.2255	2.8100	31,314,630	3.1399	2.8100
		Debt Service	25,676,270	0.6002	0.4500	27,493,390	0.5606	0.4500	31,314,630	0.4922	0.4500
	Pleasant Hope R-VI School District	Operating Funds-Schools	31,579,440	2.4814	2.4814	33,496,240	2.5093	2.5093	37,428,410	2.4637	2.4637
		Capital Improvements	31,579,440	0.6700	0.6700	33,496,240	0.6700	0.6700	37,428,410	0.6563	0.6563
		Debt Service	31,579,440	0.9283	0.6000	33,496,240	0.8882	0.6000	37,428,410	0.8759	0.6000
	Polk County	General Revenue	230,115,294	0.3197	0.3197	242,010,257	0.3218	0.3218	267,933,907	0.3067	0.3067

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Polk	Polk County	Health	230,115,294	0.0899	0.0899	242,010,257	0.0905	0.0905		267,933,907	0.1763	0.1763
		Senate Bill 40	230,115,294	0.0899	0.0200	242,010,257	0.0905	0.0200		267,933,907	0.0863	0.0200
		Senior Services	**	**	**	242,010,257	0.0500	0.0500	A	267,933,907	0.0477	0.0477
Pulaski	Dixon Ambulance District	General Revenue	49,353,496	0.2791	0.2791	53,108,438	0.2812	0.2812		57,277,207	0.2773	0.2773
	Pulaski County Ambulance District	General Revenue	237,648,512	0.2778	0.2778	265,728,756	0.2778	0.2778		307,855,798	0.2607	0.0000
	City of Crocker	General Revenue	6,536,118	0.7177	0.7177	6,735,149	0.7241	0.7241		7,968,250	0.6444	0.6444
		Parks & Recreation	6,536,118	0.1802	0.1802	6,735,149	0.1818	0.1818		7,968,250	0.1618	0.1618
	City of Dixon	General Revenue	10,689,060	0.4507	0.4500	11,316,549	0.4601	0.4601		12,624,970	0.4378	0.4378
		Library	10,689,060	0.0465	0.0465	11,316,549	0.0475	0.0475		12,624,970	0.0452	0.0452
		Debt Service	10,689,060	1.0108	0.6100	11,316,549	0.9442	0.6100		12,624,970	0.8251	0.6180
	City of St Robert	General Revenue	55,578,651	0.3258	0.3258	61,658,363	0.3258	0.3258		71,222,710	0.2997	0.2997
	City of Waynesville	General Revenue	31,004,644	0.6123	0.6123	33,734,524	0.6137	0.6137		40,429,750	0.5546	0.5546
	City of Richland	General Revenue	11,132,837	0.6297	0.6297	11,647,439	0.6300	0.6300		12,891,365	0.5916	0.5916
	Pulaski County Library	General Revenue	256,549,852	0.1402	0.1402	268,382,229	0.1456	0.1402		329,966,187	0.1295	0.1295
	Hazelgreen Fire Protection District	General Revenue	14,889,380	0.2954	0.2954	16,003,368	0.2957	0.2957		18,928,656	0.2636	0.2636
	Crocker Fire Protection District	General Revenue	20,329,372	0.2727	0.2727	22,004,008	0.2732	0.2732		22,542,418	0.2782	0.2782
	Waynesville Rural Fire Prot Dist	General Revenue	85,029,309	0.2696	0.2696	98,422,665	0.2459	0.2459		124,533,219	0.2190	0.2190
	Dixon Rural Fire Protection Dist	General Revenue	52,652,177	0.2722	0.2722	54,914,712	0.2749	0.2749		59,357,220	0.2691	0.2691
	Swedeborg R-III School District	Operating Funds-Schools	3,610,670	2.7531	2.7531	3,753,842	2.7608	2.7608		4,694,570	2.7500	2.7500
		Operating Funds-Temp	3,610,670	0.3397	0.3397	**	**	**		**	**	**
	Pulaski Co R-IV School District	Operating Funds-Schools	23,675,049	2.8038	2.8038	24,947,163	2.7883	2.7883		29,015,569	2.7500	2.7500
		Operating Funds-Temp	23,675,049	0.2415	0.2415	**	**	**		**	**	**
	Laquey R-V School District	Operating Funds-Schools	21,102,370	2.7500	2.7500	22,589,112	2.7500	2.7500		27,233,722	2.7500	2.7500
		Debt Service	21,102,370	0.1615	0.1615	22,589,112	0.2057	0.2057		27,233,722	0.1752	0.1752
	Waynesville R-VI School District	Operating Funds-Schools	154,124,966	2.7500	2.7500	174,227,343	2.7500	2.7500		214,659,037	2.7500	2.7500
	Dixon R-I School District	Operating Funds-Schools	43,523,353	2.7500	2.7500	46,234,223	2.7500	2.7500		54,434,737	2.7500	2.7500
		Debt Service	43,523,353	0.4091	0.2700	46,234,223	0.2700	0.2700		54,434,737	0.2700	0.2700
	Crocker R-II School District	Operating Funds-Schools	20,500,270	2.7500	2.7500	21,544,748	2.7500	2.7500		26,061,857	2.7500	2.7500
		Debt Service	20,500,270	0.9516	0.8900	21,544,748	0.9088	0.8900		26,061,857	0.7240	0.7240
	Pulaski County	General Revenue	267,238,911	0.2807	0.0000	297,922,964	0.2808	0.0000		342,591,157	0.2650	0.0000
		Road & Bridge	267,238,911	0.2060	0.1542	297,922,964	0.2061	0.1826		342,591,157	0.1945	0.1826
		Health	267,238,911	0.0748	0.0748	297,922,964	0.0748	0.0748		342,591,157	0.0706	0.0706
		Senate Bill 40	267,238,911	0.0748	0.0748	297,922,964	0.0748	0.0748		342,591,157	0.0706	0.0706
		Senior Services	267,238,911	0.0467	0.0467	297,922,964	0.0467	0.0467		342,591,157	0.0441	0.0441
Putnam	Putnam County Ambulance District	General Revenue	60,985,930	0.3814	0.3814	64,096,533	0.3814	0.3814		67,735,062	0.3803	0.3803
	Putnam County Care Center	General Revenue	60,985,930	0.1430	0.1430	64,096,533	0.1430	0.1430		67,735,062	0.1426	0.1426
	Unionville Spec Road Dist Putnam Co	Road & Bridge	10,376,457	0.3144	0.3144	10,527,746	0.3144	0.3144		11,239,322	0.3087	0.3087
		Special Road and Bridge	10,376,457	0.3397	0.3397	10,527,746	0.3500	0.3500	A	11,239,322	0.3437	0.3437

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Putnam	Lake Thunderhead Spec Rd District	Road & Bridge	11,529,635	0.3516	0.3516	12,057,039	0.3516	0.3516	13,115,292	0.3447	0.3447
		Special Road and Bridge	12,052,425	0.3500	0.3500 A	12,057,039	0.3500	0.3500	13,115,292	0.3432	0.3432
	Village of Livonia	General Revenue	273,214	0.4824	0.4824	283,806	0.4951	0.4951	286,228	0.4951	0.4951
	Village of Lucerne	General Revenue	1,332,819	0.4402	0.4402	1,351,219	0.4402	0.4402	1,274,205	0.4688	0.4688
	Village of Powersville	General Revenue	304,609	0.5000	0.5000	300,484	0.5000	0.5000	332,440	0.4665	0.4665
	City of Unionville	General Revenue	9,918,891	0.9558	0.9558	10,139,581	0.9558	0.9558	10,882,413	0.9340	0.9340
		Parks & Recreation	9,918,891	0.1932	0.1932	10,139,581	0.1932	0.1932	10,882,413	0.1888	0.1888
		Fire	9,918,891	0.1932	0.1932	10,139,581	0.1932	0.1932	10,882,413	0.1888	0.1888
	Village of Worthington	General Revenue	132,302	0.4123	0.4123	164,935	0.3637	0.3637	271,038	0.3515	0.3515
	Elm Township of Putnam Co	Road & Bridge	5,171,882	0.3999	0.3999	5,545,830	0.3999	0.3999	5,963,967	0.3986	0.3986
		Special Road and Bridge	5,171,882	0.3394	0.3394	5,545,830	0.3394	0.3394	5,897,004	0.3500	0.3500 A
	Grant Township of Putnam Co	Road & Bridge	1,693,026	0.4463	0.4463	1,773,532	0.4463	0.4463	1,838,075	0.4463	0.4463
		Special Road and Bridge	1,693,026	0.3500	0.3500 A	1,773,532	0.3500	0.3500	1,838,075	0.3500	0.3500
	Jackson Township of Putnam Co	Road & Bridge	2,374,411	0.4895	0.4895	2,423,898	0.4895	0.4895	2,654,533	0.4895	0.4895
		Special Road and Bridge	2,374,411	0.3427	0.3427	2,423,898	0.3427	0.3427	2,648,456	0.3500	0.3500 A
	Liberty Township of Putnam Co	Road & Bridge	2,566,694	0.5000	0.5000	2,818,641	0.5000	0.5000	3,006,366	0.4968	0.4968
		Special Road and Bridge	2,566,694	0.3500	0.3500 A	2,818,641	0.3500	0.3500	3,006,366	0.3478	0.3478
	Lincoln Township of Putnam Co	Road & Bridge	4,844,267	0.5000	0.5000	5,052,441	0.5000	0.5000	5,131,704	0.5000	0.5000
		Special Road and Bridge	4,844,267	0.3500	0.3500 A	5,052,441	0.3500	0.3500	5,131,704	0.3500	0.3500
	Medicine Township of Putnam Co	Road & Bridge	7,293,874	0.4995	0.4995	7,748,672	0.4995	0.4995	7,574,942	0.5000	0.5000
		Special Road and Bridge	7,293,874	0.3500	0.3500 A	7,748,672	0.3500	0.3500	7,574,942	0.3500	0.3500
	Richland Township of Putnam Co	Road & Bridge	2,902,924	0.4777	0.4777	2,989,868	0.4777	0.4777	3,091,126	0.4777	0.4777
		Special Road and Bridge	2,902,924	0.3500	0.3500 A	2,989,868	0.3500	0.3500	3,091,126	0.3500	0.3500
	Sherman Township of Putnam Co	Road & Bridge	1,760,983	0.5000	0.5000	1,953,394	0.5000	0.5000	2,120,179	0.5000	0.5000
		Special Road and Bridge	1,760,983	0.3500	0.3500 A	1,953,394	0.3500	0.3500	2,120,179	0.3500	0.3500
	Union Township of Putnam Co	Road & Bridge	3,808,274	0.4859	0.4859	4,181,245	0.4859	0.4859	4,457,124	0.4768	0.4768
		Special Road and Bridge	3,808,274	0.3401	0.3401	4,181,245	0.3401	0.3401	4,430,039	0.3500	0.3500 A
	Wilson Township of Putnam Co	Road & Bridge	3,349,420	0.5000	0.5000	3,527,162	0.5000	0.5000	3,784,554	0.4933	0.4933
		Special Road and Bridge	3,349,420	0.3500	0.3500 A	3,527,162	0.3500	0.3500	3,784,554	0.3453	0.3453
	York Township of Putnam Co	Road & Bridge	3,334,313	0.4993	0.4993	3,523,100	0.4993	0.4993	3,858,290	0.4859	0.4859
		Special Road and Bridge	3,334,313	0.3500	0.3500 A	3,523,100	0.3500	0.3500	3,858,290	0.3406	0.3406
		Debt Service	3,334,313	0.3580	0.3580	3,523,100	0.3118	0.3118	3,845,594	0.2566	0.2566
	Elm Township Fire Protection Dist	General Revenue	5,171,882	0.2856	0.2856	5,545,830	0.2856	0.2856	5,963,967	0.2847	0.2847
	Liberty Fire Protection District	General Revenue	2,566,694	0.3000	0.3000	2,818,641	0.3000	0.3000	3,006,366	0.2910	0.2910
	Grant Township Fire Protection Dist	General Revenue	1,693,026	0.2907	0.2907	1,773,532	0.2907	0.2907	1,838,075	0.2907	0.2907
	Putnam Co R-I School District	Operating Funds-Schools	57,238,710	3.3748	3.3500	59,969,788	3.3782	3.3500	63,335,228	3.3491	3.3400
		Debt Service	57,238,710	0.8401	0.3700	59,969,788	0.9626	0.3700	63,335,228	0.4974	0.3700
	Putnam County	General Revenue	60,985,930	0.4768	0.4768	64,096,533	0.4768	0.4768	67,735,062	0.4755	0.4755

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Putnam	Putnam County	Library	60,985,930	0.1430	0.1430	64,096,533	0.1430	0.1430	67,735,062	0.1426	0.1426
		Health	60,985,930	0.2861	0.2861	64,096,533	0.2861	0.2861	67,735,062	0.2853	0.2853
		Hospital	60,985,930	0.4768	0.4768	64,096,533	0.4768	0.4768	67,735,062	0.4755	0.4755
		Senior Services	60,985,930	0.0477	0.0477	64,096,533	0.0477	0.0477	67,735,062	0.0476	0.0476
Ralls	Ralls County Ambulance District #3	General Revenue	113,169,118	0.1800	0.1800	113,080,317	0.1800	0.1800	119,572,465	0.1800	0.1800
	City of Center	General Revenue	4,090,129	0.7433	0.7348	4,048,308	0.7510	0.7348	4,270,981	0.7510	0.7510
		Fire	4,090,129	0.1981	0.1959	4,048,308	0.2000	0.1959	4,270,981	0.2000	0.2000
	City of New London	General Revenue	6,130,734	0.4676	0.4676	6,124,975	0.4712	0.4712	6,087,264	0.4767	0.4767
	City of Perry	General Revenue	6,114,612	0.5407	0.5407	6,044,808	0.5472	0.5472	6,278,971	0.5472	0.5472
		Fire	6,114,612	0.0960	0.0960	6,044,808	0.0972	0.0972	6,278,971	0.0972	0.0972
	Ralls County Public Library	General Revenue	129,631,992	0.1300	0.1296	130,465,716	0.1300	0.1296	138,936,015	0.1298	0.1000
	Hannibal Rural Fire Protection Dist	General Revenue	60,310,954	0.1500	0.1500	59,905,452	0.1500	0.1488	66,805,976	0.1474	0.1474
	Ralls Co R-II School District	Operating Funds-Schools	57,557,227	2.7500	2.7500	58,158,075	2.7500	2.7500	61,287,714	2.7500	2.7500
		Debt Service	57,557,227	0.9320	0.7100	58,158,075	0.8196	0.7100	61,287,714	0.8722	0.7100
	Ralls County	General Revenue	157,476,097	0.3772	0.2490	155,108,171	0.3895	0.2490	162,476,186	0.3895	0.2546
		Road & Bridge	157,476,097	0.2829	0.2700	155,108,171	0.2921	0.2700	162,476,186	0.2921	0.2700
		Health	157,476,097	0.1000	0.1000	155,108,171	0.1000	0.1000	162,476,186	0.1000	0.1000
Randolph	Randolph County Ambulance District	General Revenue	293,995,127	0.1900	0.1900	299,450,050	0.1900	0.0954	322,685,953	0.1900	0.0000
	Moberly Spec Rd Dist Randolph Co	Special Road and Bridge	150,172,961	0.0881	0.0881	153,373,971	0.0885	0.0885	166,165,390	0.0864	0.0864
	Village of Cairo	General Revenue	1,523,292	0.4824	0.4824	1,486,636	0.4972	0.4972	1,539,574	0.4926	0.4926
		General Revenue-Temp	1,523,292	0.2026	0.2026	1,486,636	0.2088	0.2088	1,539,574	0.2069	0.2069
	City of Clark	General Revenue	1,337,197	1.0000	1.0000	1,414,502	1.0000	1.0000	1,422,855	1.0000	1.0000
	City of Clifton Hill	General Revenue	617,591	0.7437	0.7437	641,623	0.7437	0.7437	659,823	0.7420	0.7420
	City of Higbee	General Revenue	2,344,056	0.8776	0.8776	2,298,752	0.9050	0.9050	2,415,915	0.9050	0.9050
		Parks & Recreation	2,344,056	0.1434	0.0953	2,298,752	0.1479	0.1305	2,415,915	0.1479	0.1305
		Debt Service	2,344,056	0.5171	0.5171	**	**	**	**	**	**
	City of Huntsville	General Revenue	8,540,312	0.7342	0.7342	9,147,597	0.7342	0.7342	9,392,582	0.7342	0.7342
		Parks & Recreation	8,540,312	0.0974	0.0974	9,147,597	0.0974	0.0974	9,392,582	0.0974	0.0974
		Fire	8,540,312	0.1911	0.1911	9,147,597	0.1911	0.1911	9,392,582	0.1911	0.1911
		Cemetery	8,540,312	0.1810	0.1810	9,147,597	0.1810	0.1810	9,392,582	0.1810	0.1810
	Village of Jacksonville	General Revenue	408,424	0.5000	0.5000	488,043	0.4999	0.4999	498,452	0.5000	0.5000
		Parks & Recreation	408,424	0.4000	0.4000	488,043	0.4000	0.4000	498,452	0.3999	0.3999
	City of Moberly	General Revenue	118,167,887	0.6887	0.6887	120,037,918	0.6945	0.6945	130,627,514	0.6763	0.6763
		Parks & Recreation	118,167,887	0.3195	0.3195	120,037,918	0.3222	0.3222	130,627,514	0.3138	0.3138
	Village of Renick	General Revenue	858,434	0.5000	0.5000	898,022	0.5000	0.5000	935,312	0.5000	0.5000
	Randolph County Library	General Revenue	293,995,127	0.2500	0.2100	299,450,050	0.2500	0.2400	322,685,953	0.2500	0.2400
	Higbee Fire Protection District	General Revenue	14,110,581	0.2448	0.2448	14,540,444	0.2454	0.2448	15,972,090	0.2423	0.2423
	Southeastern Fire Protection Dist	General Revenue	**	**	**	**	**	**	11,332,190	0.3000	0.3000 A

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Randolph	Moberly Area Jr. College	General Revenue	149,512,628	0.3322	0.3322	153,716,087	0.3322	0.3322	164,303,120	0.3250	0.3248
	Northeast Randolph Co R-IV Sch Dist	Operating Funds-Schools	16,571,556	3.5223	3.5223	17,521,924	3.5136	3.5136	19,160,630	3.5072	3.5072
		Debt Service	16,571,556	1.0666	0.8585	17,521,924	0.9653	0.8700	19,160,630	0.9834	0.9000
	Renick R-V School District	Operating Funds-Schools	9,198,004	4.5258	4.5200	9,851,108	3.9413	3.9413	10,932,480	3.9121	3.5556
		Operating Funds - Temp	**	**	**	9,851,108	0.4700	0.1587 A	10,932,480	0.4644	0.4644
	Higbee R-VIII School District	Operating Funds-Schools	8,126,306	3.7569	3.7569	8,814,497	3.6517	3.6517	9,460,480	3.5394	3.5394
		Debt Service	8,126,306	1.9596	1.0000	8,814,497	1.6036	1.0000	9,460,480	1.0370	1.0000
	Westran R-I School District	Operating Funds-Schools	86,368,187	3.7500	3.7500	86,298,955	3.7500	3.7500	92,746,210	3.7500	3.7500
	Moberly School District	Operating Funds-Schools	135,044,587	3.7336	3.4000	138,521,645	3.7252	3.4300	151,643,795	3.6297	3.4800
		Debt Service	135,044,587	1.1224	0.5800	138,521,645	1.0622	0.5800	151,643,795	0.9280	0.5800
	Randolph County	General Revenue	293,995,127	0.3769	0.1658	303,673,013	0.3769	0.1683	322,685,953	0.3769	0.1782
		Road & Bridge	293,995,127	0.2013	0.2013	303,673,013	0.2013	0.2593	322,685,953	0.2013	0.2013 C
		Health	293,995,127	0.1500	0.1500	303,673,013	0.1500	0.1500	322,685,953	0.1500	0.1500
Ray	Ray County Ambulance District	General Revenue	201,724,678	0.2974	0.2974	208,875,850	0.2974	0.2974	214,820,847	0.2974	0.2974
	Shirkey Leisure Acres Nursing Home	General Revenue	248,853,008	0.1419	0.1419	257,734,012	0.1419	0.1419	264,235,365	0.1419	0.1419
	Willow Creek Watershed Subdistrict	General Revenue	**	**	**	12,776,840	0.4000	0.4000 A	12,793,670	0.4000	0.4000
	Camden Special Road Dist Ray Co	Road & Bridge	8,025,229	0.3500	0.3500	8,147,302	0.3500	0.3500	8,472,577	0.3500	0.3500
		Special Road and Bridge	8,025,229	0.2400	0.2400	8,147,302	0.2400	0.2400	8,472,577	0.2400	0.2400
	Hardin Spec Rd Dist Ray Co	Road & Bridge	11,107,824	0.3500	0.3500	11,282,521	0.3500	0.3500	11,515,943	0.3500	0.3500
	Henrietta Spec Rd Dist Ray Co	Road & Bridge	4,700,775	0.3500	0.3500	4,728,734	0.3500	0.3500	5,088,285	0.3500	0.3500
	Lawson Special Road Dist Ray Co	Road & Bridge	31,101,456	0.2481	0.2481	9,621,978	0.3500	0.3000	32,609,324	0.2486	0.2486
		Special Road and Bridge	31,101,456	0.3000	0.3000	9,621,978	0.3000	0.3000	32,609,324	0.3000	0.3000
	Orrick Spec Rd Dist Ray Co	Road & Bridge	14,267,408	0.3348	0.3348	14,493,981	0.3348	0.3348	15,539,043	0.3348	0.3348
	Richmond Spec Rd Dist Ray Co	Road & Bridge	76,675,584	0.2467	0.2467	80,510,011	0.2467	0.2467	81,884,696	0.2467	0.2467
	Ray County Special Road District	Road & Bridge	101,276,351	0.2464	0.2464	104,364,212	0.2464	0.2464	107,412,875	0.2464	0.2464
	City of Camden	General Revenue	1,233,559	0.6283	0.6283	1,259,051	0.6283	0.6283	1,307,636	0.6283	0.6283
		Streets	1,233,559	1.3827	1.3827	1,259,051	1.3827	1.3827	1,307,636	1.3827	1.3827
		Fire	1,233,559	0.0497	0.0497	1,259,051	0.0497	0.0497	1,307,636	0.0497	0.0497
		Fire Temporary	1,233,559	0.1500	0.1500 A	1,259,051	0.1500	0.1500	1,307,636	0.1500	0.1500
	Village of Elmira	General Revenue	439,634	0.4415	0.4415	476,458	0.4414	0.4414	480,727	0.4414	0.4414
	City of Hardin	General Revenue	5,269,396	1.0000	1.0000	5,221,124	1.0000	1.0000	5,238,850	1.0000	1.0000
	City of Henrietta	General Revenue	2,819,907	0.9641	0.9641	2,588,575	1.0000	0.9641	2,760,890	1.0000	1.0000
		Streets	**	**	**	2,588,575	0.3000	0.3000 A	2,760,890	0.3000	0.3000
		Fire	2,819,907	0.3000	0.3000 A	2,588,575	0.3000	0.3000	2,760,890	0.3000	0.3000
	City of Orrick	General Revenue	6,093,072	0.6321	0.6321	5,979,240	0.6518	0.6518	6,576,442	0.6518	0.6518
		Debt Service	6,093,072	0.2627	0.2627	5,979,240	0.2594	0.2594	6,576,442	0.3516	0.3516
	Village of Rayville	General Revenue	738,147	1.0000	1.0000 A	795,495	1.0000	0.5000	789,226	1.0000	0.5000
		Fire	738,147	0.6500	0.6500 A	795,495	0.6500	0.6500	789,226	0.6500	0.6500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Ray	City of Richmond	General Revenue	53,812,661	0.5926	0.5926	56,538,289	0.5926	0.5926	57,377,843	0.5926	0.5926
		Parks & Recreation	53,812,661	0.1481	0.1481	56,538,289	0.1481	0.1481	57,377,843	0.1481	0.1481
		Debt Service	53,812,661	0.7101	0.4253	56,538,289	0.7996	0.4253	57,377,843	0.7298	0.4253
	City of Wood Heights	General Revenue	7,336,065	0.3496	0.3496	7,376,538	0.3500	0.3500	7,496,586	0.3500	0.3500
		Debt Service	7,336,065	0.6627	0.6627	7,376,538	0.5543	0.5543	7,496,586	0.6414	0.6414
	City of Homestead Village	General Revenue	873,847	0.5000	0.5000	885,555	0.5000	0.5000	886,631	0.5000	0.5000
	City of Excelsior Estates	General Revenue	**	**	**	**	**	**	472,141	1.0000	1.0000 A
	City of Crystal Lakes	General Revenue	3,784,229	1.0000	1.0000	3,854,434	1.0000	1.0000	3,899,910	1.0000	1.0000
		Streets	3,784,229	0.3000	0.3000	3,854,434	0.3000	0.3000 A	3,899,910	0.3000	0.3000
	City of Lawson	General Revenue	22,589,833	0.6362	0.4400	19,741,971	0.7405	0.6300	23,819,300	0.6362	0.6362
		Debt Service	22,589,833	0.9716	0.9700	19,741,971	1.3802	1.1700	23,819,300	1.1633	1.1633
	Ray County Library District	General Revenue	250,038,841	0.1043	0.1043	258,987,380	0.1043	0.1043	265,479,176	0.1043	0.1043
	Orrick Fire Protection District	General Revenue	24,362,969	0.2963	0.0440	24,725,795	0.2963	0.0400	26,137,757	0.2963	0.0700
	Wood Heights Fire Protection Dist	General Revenue	39,186,550	0.2602	0.2602	40,392,586	0.2779	0.2779	41,844,654	0.2779	0.2779
	Lawson Community Fire & Rescue Dist	General Revenue	75,126,104	0.2701	0.2701	75,767,967	0.2744	0.2744	78,092,215	0.2744	0.2744
		Ambulance	75,126,104	0.6852	0.6852	75,767,967	0.6852	0.6852	78,092,215	0.6852	0.6852
	Hardin Fire Protection District	General Revenue	14,947,928	0.1589	0.1589	15,342,432	0.1589	0.1589	11,515,943	0.2000	0.2000
	Stet Fire Protection District	Fire	10,054,805	0.1800	0.1800	10,916,462	0.1800	0.1800	11,477,966	0.1800	0.1800
	Stet R-XV School District	Operating Funds-Schools	6,951,535	5.2332	5.2332	12,344,135	5.1824	5.1824	7,218,579	5.0074	5.0070
	Lawson R-XIV School District	Operating Funds-Schools	61,618,360	3.3087	3.3087	62,733,692	3.3394	3.3394	64,656,454	3.2976	3.2976
		Debt Service	61,618,360	1.6727	0.9500	62,733,692	1.2771	0.9500	64,656,454	1.1893	0.9500
	Orrick R-XI School District	Operating Funds-Schools	19,368,981	3.8537	3.8537	19,331,468	3.8555	3.8500	20,405,863	3.8503	3.8503
		Debt Service	19,368,981	0.1807	0.1807	19,331,468	1.3648	0.7500	20,405,863	1.3997	0.7500
	Hardin-Central C-2 School District	Operating Funds-Schools	11,781,271	4.8533	4.8533	11,955,858	4.9832	4.9832	11,756,242	5.0500	4.7698
	Richmond R-XVI School District	Operating Funds-Schools	95,689,588	4.0946	4.0946 B	99,813,607	4.0946	3.3747	101,861,419	4.0946	3.9847
		Debt Service	95,689,588	0.8083	0.3400	99,813,607	0.7082	0.3700	101,861,419	0.2279	0.2200
	Ray County	General Revenue	250,038,842	0.3882	0.0000	258,890,404	0.3882	0.0000	236,183,378	0.4318	0.0000
		Health	250,038,842	0.0947	0.0947	258,890,404	0.0947	0.0947	236,183,378	0.1000	0.1000
		Hospital	250,038,842	0.1704	0.1704	258,890,404	0.1704	0.1704	236,183,378	0.1896	0.1896
		Mental Health	250,038,842	0.0948	0.0948	258,890,404	0.0948	0.0948	236,183,378	0.1000	0.1000
		Senate Bill 40	250,038,842	0.1704	0.1704	258,890,404	0.1704	0.1704	236,183,378	0.1896	0.1896
		Noxious Weed	250,038,842	0.0473	0.0000	258,890,404	0.0473	0.0000	236,183,378	0.0500	0.0000
Reynolds	Reynolds County Ambulance District	General Revenue	102,590,268	0.1500	0.1398	104,958,043	0.1500	0.1500	129,320,899	0.1288	0.1288
	City of Bunker	General Revenue	1,932,844	0.4391	0.4391	1,962,256	0.4424	0.4424	1,878,251	0.4700	0.4700
	City of Centerville	General Revenue	898,103	0.5311	0.3500	896,216	0.5418	0.3500	892,072	0.5461	0.3500
	Reynolds County Library District	General Revenue	100,737,914	0.1982	0.1200	103,022,663	0.1982	0.1200	127,297,839	0.1777	0.1200
	Garwood Fire Protection District	General Revenue	2,388,827	0.3000	0.3000	2,423,443	0.3000	0.3000	2,345,023	0.3000	0.3000
	Northern Reynolds County Fire Prot	General Revenue	**	**	**	25,601,465	0.3000	0.2000 A	28,771,560	0.3000	0.2000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Reynolds	Centerville R-I School District	Operating Funds-Schools	5,518,855	3.8934	3.7500	5,570,531	3.9189	3.8000		5,796,363	3.9460	3.8800	
	Southern Reynolds Co R-II Sch Dist	Operating Funds-Schools	26,398,088	3.7000	2.9272	26,906,318	3.7000	2.8540		27,784,349	3.7000	2.8456	
		Debt Service	26,398,088	0.8004	0.7800	26,906,318	1.0159	0.8532		27,784,349	0.8585	0.7800	
	Bunker R-III School District	Operating Funds-Schools	37,265,287	2.8777	2.7500	37,325,318	2.8811	2.7500		58,791,518	2.7500	2.7500	
	Lesterville R-IV School District	Operating Funds-Schools	24,080,203	3.5596	3.4300	25,675,255	3.4683	3.4300		27,671,785	3.4562	3.4300	
	Reynolds County	General Revenue	100,737,914	0.3960	0.2040	103,022,663	0.3960	0.1480		127,297,839	0.3550	0.2037	
		Road & Bridge	100,737,914	0.2913	0.2000	103,022,663	0.2913	0.2913		127,297,839	0.2611	0.2611	
		Health	100,737,914	0.1000	0.1000	103,022,663	0.1000	0.1000		127,297,839	0.0896	0.0896	
		Senate Bill 40	100,737,914	0.1000	0.1000	103,022,663	0.1000	0.1000		127,297,839	0.0896	0.0896	
		Senior Services	100,737,914	0.0300	0.0300	103,022,663	0.0300	0.0300		127,297,839	0.0269	0.0269	
Ripley	Ripley County Ambulance District	General Revenue	62,679,473	0.3000	0.1200	64,282,816	0.3000	0.1200		67,141,888	0.2988	0.2988	
	Ripley County Memorial Hospital	General Revenue	75,019,955	0.3000	0.3000	77,003,179	0.3000	0.3000		80,403,833	0.2983	0.2983	
	Fourche Creek Watershed Sub Dist	General Revenue	3,508,580	0.1549	0.1549	3,507,260	0.1554	0.1554		3,708,760	0.1554	0.1554	
	Bennett Special Road Dist Ripley Co	Road & Bridge	368,131	0.2063	0.1700	368,374	0.2063	0.1700		369,298	0.2064	0.1700	
	Current River Sp Rd Dist Ripley Co	Road & Bridge	575,517	0.2317	0.2317	593,757	0.2316	0.2316		772,186	0.2063	0.2063	
	Doniphan Spec Rd Dist Ripley Co	Road & Bridge	35,994,197	0.2281	0.2281	36,862,519	0.2281	0.2281		38,446,832	0.2275	0.2275	
		Special Road and Bridge	35,994,197	0.1500	0.1500	36,862,519	0.1500	0.1500	A	38,446,832	0.1496	0.1496	
	Fairdealing Spec Rd Dist Ripley Co	Road & Bridge	3,643,045	0.2061	0.2061	3,807,424	0.2068	0.2068		4,193,039	0.1965	0.1965	
	Flatwoods Spec Rd Dist Ripley Co	Road & Bridge	1,842,633	0.3500	0.3500	1,940,909	0.3500	0.3500		1,993,331	0.3500	0.3500	
	Jordan Spec Rd Dist Ripley Co	Road & Bridge	7,024,465	0.2015	0.2015	7,326,733	0.2015	0.2015		7,336,860	0.2020	0.2020	
	Little Black Spec Rd Dist Ripley Co	Road & Bridge	1,283,171	0.3500	0.3500	1,292,927	0.3500	0.3500		1,375,851	0.3418	0.3418	
	Logan Creek Spec Rd Dist Ripley Co	Road & Bridge	3,572,385	0.2049	0.2049	3,688,014	0.2055	0.2055		3,961,986	0.1989	0.1989	
	Mabrey Bay Spec Rd Dist Ripley Co	Road & Bridge	191,796	0.2191	0.2191	207,336	0.2188	0.2188		204,092	0.2224	0.2224	
	Naylor Spec Rd Dist Ripley Co	Road & Bridge	5,270,089	0.3057	0.3057	5,376,598	0.3057	0.3057		5,427,232	0.3098	0.3098	
		Special Road and Bridge	5,270,089	0.5000	0.5000	5,376,598	0.5000	0.5000		5,427,232	0.5000	0.5000	A
	Oxly Spec Rd Dist Ripley Co	Road & Bridge	2,362,314	0.3390	0.3390	2,419,637	0.3404	0.3404		2,481,734	0.3404	0.3404	
	Pine Bardley Spec Rd Dist Ripley Co	Road & Bridge	2,403,283	0.1843	0.1843	2,450,328	0.1843	0.1843		2,459,098	0.1843	0.1843	
	Ponder Gatewood Road Dist Ripley Co	Road & Bridge	4,848,709	0.1630	0.1630	4,914,133	0.1630	0.1630		5,185,889	0.1619	0.1619	
		Special Road and Bridge	4,848,709	0.3399	0.3399	4,914,133	0.3399	0.3399		5,185,889	0.3399	0.3399	A
	Poynor Spec Rd Dist Ripley Co	Road & Bridge	1,709,283	0.1881	0.1881	1,779,662	0.1881	0.1881		1,904,866	0.1841	0.1841	
	Pratt Spec Rd Dist Ripley Co	Road & Bridge	358,396	0.2431	0.2431	360,108	0.2466	0.2466		460,141	0.2260	0.2260	
	Purman Spec Rd Dist Ripley Co	Road & Bridge	2,224,959	0.1642	0.1642	2,267,109	0.1642	0.1642		2,425,846	0.1638	0.1638	
		Special Road and Bridge	2,224,959	0.3000	0.3000	2,267,109	0.3000	0.3000		2,425,846	0.3000	0.3000	A
	Running Water Sp Rd Dist Ripley Co	Road & Bridge	345,066	0.2205	0.1800	349,505	0.2205	0.1800		349,076	0.2216	0.1800	
	Tucker Bay Spec Rd Dist Ripley Co	Road & Bridge	222,087	0.1765	0.1500	220,072	0.1781	0.1500		222,818	0.1782	0.1500	
	Wolfe Creek Spec Rd Dist Ripley Co	Road & Bridge	780,429	0.2808	0.2808	778,028	0.2816	0.2816		833,658	0.2728	0.0912	
		Special Road and Bridge	780,429	0.0965	0.0965	778,028	0.0968	0.0968		833,658	0.2816	0.2816	A
	City of Doniphan	General Revenue	14,717,701	0.3891	0.3891	14,889,743	0.3891	0.3891		15,040,360	0.3891	0.3891	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Ripley	City of Naylor	General Revenue	1,938,554	0.7399	0.7399	1,986,240	0.7413	0.7413	2,035,972	0.7694	0.7694
	Doniphan-Ripley County Library	General Revenue	75,019,955	0.1811	0.1811	77,003,179	0.1811	0.1811	80,403,833	0.1801	0.1801
		Debt Service	75,019,955	0.0340	0.0300	77,003,179	0.0250	0.0250	80,403,833	0.0155	0.0155
	Naylor R-II School District	Operating Funds-Schools	8,618,790	3.2868	3.2800	8,842,595	3.2968	3.2900	9,138,602	3.2980	3.2980
	Doniphan R-I School District	Operating Funds-Schools	54,232,260	2.7500	2.7500	55,771,935	2.7500	2.7500	58,652,131	2.7500	2.7500
	Ripley Co R-IV School District	Operating Funds-Schools	4,385,021	2.8500	2.7500	4,547,391	2.8500	2.7500	4,787,763	2.8379	2.7500
	Ripley Co R-III School District	Operating Funds-Schools	4,191,946	2.7500	2.7500	4,234,689	2.7500	2.7500	4,498,031	2.7500	2.7500
	Ripley County	General Revenue	75,019,955	0.3120	0.3120	77,003,179	0.3120	0.3120	80,403,833	0.3103	0.3103
		Health	75,019,955	0.1500	0.1500	77,003,179	0.1500	0.1500	80,403,833	0.1492	0.1492
		Senate Bill 40	75,019,955	0.1000	0.1000	77,003,179	0.1000	0.1000	80,403,833	0.0994	0.0994
		Senior Services	75,019,955	0.0500	0.0500	77,003,179	0.0500	0.0500	80,403,833	0.0497	0.0497
St. Charles	St Charles County Ambulance Dist	General Revenue	6,170,477,015	0.1241	0.1241	6,517,802,573	0.1241	0.1241	7,366,062,773	0.1170	0.1170
		Debt Service	6,170,477,015	0.0288	0.0200	6,517,802,573	0.0240	0.0200	7,366,062,773	0.0164	0.0164
	Town of Augusta	General Revenue	5,666,695	0.2096	0.2096	6,040,042	0.2096	0.2096	6,725,829	0.1943	0.1943
		Lights	5,666,695	0.1047	0.1047	6,040,042	0.1047	0.1047	6,725,829	0.0971	0.0971
	City of Lake St Louis	General Revenue	250,772,596	0.6435	0.6435	265,052,240	0.6435	0.6435	306,115,639	0.5951	0.5951
		Debt Service	250,772,596	0.3997	0.3994	265,052,240	0.3994	0.3994	306,115,639	0.3994	0.3994
	City of O'Fallon	General Revenue	1,284,361,194	0.3486	0.3483	1,377,230,459	0.3486	0.3483	1,548,342,490	0.3326	0.3324
		Parks & Recreation	1,284,361,194	0.1268	0.1267	1,377,230,459	0.1268	0.1267	1,548,342,490	0.1210	0.1209
		Debt Service	1,284,361,194	0.4776	0.3100	1,377,230,459	0.3577	0.3100	1,548,342,490	0.3682	0.2900
	City of Portage Des Sioux	General Revenue	4,083,583	0.7499	0.7499	4,274,593	0.7499	0.7499	5,048,449	0.6792	0.6792
		Debt Service	4,083,583	0.4506	0.4506	4,274,593	0.0000	0.0000	5,048,449	0.1904	0.1904
	City of St Charles	General Revenue	1,081,112,449	0.5298	0.5270	1,135,012,311	0.5298	0.5270	1,289,417,810	0.5001	0.5000
		Parks & Recreation	1,081,112,449	0.2392	0.2370	1,135,012,311	0.2392	0.2370	1,289,417,810	0.2258	0.2250
		Debt Service	1,081,112,449	0.1869	0.1560	1,135,012,311	0.2662	0.1560	1,289,417,810	0.1846	0.1560
	City of St Peters	General Revenue	969,454,773	0.5559	0.5500	998,541,542	0.5559	0.5500	1,080,803,170	0.5345	0.5300
		Debt Service	969,454,773	0.4872	0.2500	998,541,542	0.4474	0.2500	1,080,803,170	0.4646	0.2400
	City of Wentzville	General Revenue	437,876,649	0.8930	0.8926	505,099,609	0.8930	0.8930	603,230,779	0.8329	0.8329
		Parks & Recreation	437,876,649	0.0804	0.0803	505,099,609	0.0804	0.0804	603,230,779	0.0750	0.0750
	City of St Paul	General Revenue	30,449,295	0.1887	0.1887	31,267,190	0.1887	0.1887	40,260,358	0.1650	0.1650
	Town of Weldon Springs Heights	General Revenue	2,127,095	0.4481	0.4481	2,174,647	0.4482	0.4481	2,234,128	0.4482	0.4481
	City of New Melle	General Revenue	11,169,071	0.2320	0.2320	11,909,240	0.2325	0.2325	13,841,070	0.2141	0.2140
	City of Cottleville	General Revenue	60,467,444	0.3400	0.3400	69,623,438	0.3400	0.3400	81,425,327	0.3164	0.3164
	Town of Dardenne Prairie	General Revenue	182,102,086	0.1238	0.1238	199,405,449	0.1238	0.1238	240,596,554	0.1159	0.1159
	St Charles City-County Library	General Revenue	6,170,477,015	0.2064	0.2064	6,517,802,573	0.2064	0.2064	7,366,062,773	0.1946	0.1946
	Cottleville Com Fire Prot District	General Revenue	1,028,393,535	0.4714	0.4714	1,076,423,148	0.4714	0.4714	1,204,548,246	0.4465	0.4465
		Pension	1,028,393,535	0.0827	0.0568	1,076,423,148	0.0827	0.0500	1,204,548,246	0.0783	0.0460
		Debt Service	1,028,393,535	0.0813	0.0404	1,076,423,148	0.0777	0.0500	1,204,548,246	0.0838	0.0500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
St. Charles	Lake St Louis Fire Prot District	General Revenue	223,377,341	0.3898	0.3898	230,968,276	0.3898	0.3898	254,306,609	0.3671	0.3671
		Pension	223,377,341	0.0255	0.0255	230,968,276	0.0255	0.0255	254,306,609	0.0240	0.0240
	O'Fallon Fire Protection District	General Revenue	1,218,202,892	0.5422	0.5422	1,284,703,695	0.5422	0.5422	1,424,925,480	0.5145	0.5145
		Pension	1,218,202,892	0.0392	0.0392	1,284,703,695	0.0392	0.0392	1,424,925,480	0.0372	0.0372
	Wentzville Fire Protection Dist 13	General Revenue	905,877,952	0.4644	0.4644	1,024,237,583	0.4644	0.4644	1,247,416,830	0.4299	0.4299
	Augusta Fire Protection District	General Revenue	38,647,016	0.2495	0.2495	40,369,643	0.2495	0.2495	47,415,566	0.2239	0.2239
	New Melle Fire Protection District	General Revenue	161,333,186	0.5219	0.5219	170,582,839	0.5219	0.5219	204,754,356	0.4608	0.4608
	Orchard Farm Fire Protection Dist	General Revenue	26,833,773	0.2955	0.2955	26,840,938	0.2972	0.2972	28,458,404	0.2962	0.2962
	Central County Fire and Rescue	General Revenue	1,449,652,907	0.4893	0.4893	1,490,253,293	0.4893	0.4893	1,612,718,663	0.4672	0.4672
		Pension	1,449,652,907	0.0422	0.0422	1,490,253,293	0.0422	0.0422	1,612,718,663	0.0403	0.0403
		Debt Service	1,449,652,907	0.0427	0.0427	1,490,253,293	0.0497	0.0497	1,612,718,663	0.0828	0.0828
	West Alton Fire Protection District	Fire	25,199,379	0.3000	0.2000	25,921,035	0.3000	0.2000	47,193,162	0.2924	0.2000
	St. Charles Co. Community College	General Revenue	6,136,867,553	0.1596	0.1596	6,484,128,289	0.1796	0.1796	7,325,012,763	0.1694	0.1694
		Debt Service	6,136,867,553	0.0823	0.0600	6,484,128,289	0.0836	0.0400	7,325,012,763	0.0797	0.0400
	Fort Zumwalt R-II School District	Operating Funds-Schools	1,851,339,048	3.8464	3.8464	1,942,033,111	3.8572	3.8572	2,146,805,075	3.6818	3.5818
		Operating Funds-Temp	1,851,339,048	0.1852	0.0857	1,942,033,111	0.1857	0.0857	2,146,805,075	0.1771	0.1771
		Debt Service	1,851,339,048	0.6200	0.6200	1,942,033,111	0.6201	0.6200	2,146,805,075	0.6200	0.6200
	Francis Howell R-III School Dist	Operating Funds-Schools	2,001,363,568	4.1097	3.8597	2,092,239,030	4.1105	3.8605	2,345,717,323	3.8568	3.6068
		Operating Funds-Temp	2,001,363,568	0.1858	0.1858	2,092,239,030	0.1858	0.1858	2,345,717,323	0.1741	0.1741
		Debt Service	2,001,363,568	0.6713	0.6713	2,092,239,030	0.6713	0.6713	2,345,717,323	0.6713	0.6713
	Wentzville R-IV School District	Operating Funds-Schools	1,103,154,949	3.7633	3.7854	1,222,621,324	3.7743	3.7843	1,457,749,797	3.5794	3.5794 C
		Debt Service	1,103,154,949	1.0608	0.6200	1,222,621,324	1.0407	0.6200	1,457,749,797	1.1300	0.7700
	St Charles R-VI School District	Operating Funds-Schools	858,348,620	3.1601	3.1601	871,183,493	3.4401	3.4401 B	962,623,784	3.2971	3.2971
		Debt Service	858,348,620	1.4589	1.3099	871,183,493	1.2326	1.0299	962,623,784	1.1201	1.0729
	St Charles Co R-V School District	Operating Funds-Schools	187,579,860	4.1157	3.9064	210,677,062	4.0764	3.8884	264,163,419	3.8772	3.6951
		Debt Service	187,579,860	0.7982	0.7120	210,677,062	0.7642	0.7300	264,163,419	0.8191	0.7300
	St. Charles County	General Revenue	6,170,477,015	0.2233	0.0030	6,517,802,573	0.2233	0.0025	7,366,062,773	0.2105	0.0020
		Johnson Grass	6,170,477,015	0.0414	0.0000	6,517,802,573	0.0414	0.0000	7,366,062,773	0.0390	0.0000
		Road & Bridge	6,170,477,015	0.2151	0.2148	6,517,802,573	0.2151	0.2148	7,366,062,773	0.2028	0.2025
		Senate Bill 40	6,170,477,015	0.1323	0.1323	6,517,802,573	0.1323	0.1323	7,366,062,773	0.1247	0.1247
		Dispatch	6,170,477,015	0.0414	0.0413	6,517,802,573	0.0414	0.0413	7,366,062,773	0.0390	0.0390
St. Clair	Ellett Memorial Hospital District	General Revenue	31,520,435	0.4963	0.4963	32,239,537	0.4963	0.4963	34,416,311	0.4921	0.4921
	Chloe Spec Rd Dist St Clair Co	Special Road and Bridge	2,005,706	0.2900	0.2900	2,015,220	0.2900	0.2900	2,157,493	0.2900	0.2900 A
	Collins Spec Rd Dist St Clair Co	Special Road and Bridge	5,571,491	0.2800	0.2800	5,811,611	0.2800	0.2800 A	6,580,569	0.2800	0.2800
	Hillsdale Spec Rd Dist St Clair Co	Special Road and Bridge	1,320,534	0.3500	0.3500 A	1,432,803	0.3500	0.3500	1,473,014	0.3500	0.3500
	Lowry City Sp Rd Dist St Clair Co	Special Road and Bridge	3,630,560	0.3200	0.3200	3,746,812	0.3200	0.3200	3,799,663	0.3200	0.3200 A
	Osceola Spec Rd Dist St Clair Co	Special Road and Bridge	12,377,643	0.3100	0.3100	13,221,178	0.3100	0.3100	13,971,720	0.3100	0.3100 A
	Vista Spec Rd Dist St Clair Co	Special Road and Bridge	2,791,563	0.5500	0.5500	2,956,561	0.5500	0.5500	3,222,359	0.5362	0.5362

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
St. Clair	City of Appleton City	General Revenue	6,758,965	0.6530	0.6530	6,936,782	0.6530	0.6530	7,349,437	0.6481	0.6481	
		Parks & Recreation	6,758,965	0.3686	0.3686	6,936,782	0.3686	0.3686	7,349,437	0.3659	0.3659	
		Library	6,758,965	0.2318	0.2318	6,936,782	0.2318	0.2318	7,349,437	0.2301	0.2301	
		Police & Fire	6,758,965	0.2001	0.2001	6,936,782	0.2001	0.2001	7,349,437	0.1986	0.1986	
	City of Lowry City	General Revenue	3,627,384	0.6415	0.6415	3,743,976	0.6415	0.6415	3,798,001	0.6415	0.6415	
		Lights	3,627,384	0.1990	0.1990	3,743,976	0.1990	0.1990	3,798,001	0.1990	0.1990	
		Health	3,627,384	0.1658	0.0000	3,743,976	0.1658	0.0000	3,798,001	0.1658	0.0000	
	City of Osceola	General Revenue	4,690,606	0.7154	0.7100	5,269,750	0.7154	0.7100	5,391,382	0.7154	0.7100	
		Parks & Recreation	4,690,606	0.1000	0.1000	5,269,750	0.1000	0.1000	5,391,382	0.1000	0.1000	
	Village of Roscoe	General Revenue	519,337	0.4809	0.4407	516,053	0.5000	0.4809	537,127	0.4999	0.4809	
	St Clair County Library	General Revenue	75,939,642	0.1954	0.1954	79,506,897	0.1954	0.1954	85,259,583	0.1926	0.1926	
	Iconium Fire Protection District	General Revenue	8,360,259	0.3000	0.2500	8,706,274	0.3000	0.2500	9,216,423	0.2964	0.2500	
	Sac Osage Fire Protection District	General Revenue	22,509,765	0.2500	0.2500	24,122,567	0.2500	0.2500	25,624,832	0.2450	0.2450	
	Appleton City R-II School District	Operating Funds-Schools	19,231,400	3.3850	3.3850	20,528,595	3.4125	3.4125	21,780,272	3.9625	3.9625	B
	Roscoe C-1 School District	Operating Funds-Schools	5,815,818	3.0588	3.0588	5,872,044	3.1740	3.1740	6,423,857	3.0731	3.0731	
		Debt Service	5,815,818	0.6278	0.6278	5,872,044	0.4683	0.4683	6,423,857	0.3711	0.3711	
	Lakeland R-III School District	Operating Funds-Schools	24,287,614	3.1783	3.1783	25,557,643	3.2045	3.2045	26,811,078	3.1786	3.1786	
		Debt Service	24,287,614	1.6646	0.6200	25,557,643	1.6883	0.6700	26,811,078	1.0817	0.6959	
	Osceola School District	Operating Funds-Schools	22,899,803	2.3645	2.3645	24,565,802	2.3775	2.3775	26,296,244	2.3142	2.3142	
		Building-Temp.	22,899,803	0.9172	0.9172	24,565,802	0.9185	0.9185	26,296,244	0.8914	0.8914	
		Building-Temporary	**	**	**	**	**	**	26,296,244	0.7104	0.7104	A
	St. Clair County	General Revenue	82,692,231	0.4947	0.3325	86,429,702	0.4947	0.3370	92,596,473	0.4880	0.3411	
		Road & Bridge	82,692,231	0.2886	0.2886	86,429,702	0.2886	0.2886	92,596,473	0.2847	0.2832	
		Health	82,692,231	0.2100	0.2100	86,429,702	0.2100	0.2100	92,596,473	0.2071	0.2071	
		Common Road District	44,699,621	0.3200	0.3200	46,551,119	0.3200	0.3200	50,097,637	0.3200	0.3200	A
St. Francois	Flat River Sp Rd #2 St Francois Co	Road & Bridge	24,914,046	0.2256	0.2256	26,519,307	0.2256	0.2256	29,657,220	0.2242	0.2242	
	City of Bismarck	General Revenue	8,148,594	0.5069	0.4900	8,333,965	0.5099	0.4900	9,233,840	0.4779	0.4779	
		Health	8,148,594	0.1595	0.1500	8,333,965	0.1604	0.1500	9,233,840	0.1503	0.1500	
	City of Desloge	General Revenue	29,608,253	0.4618	0.4618	30,444,707	0.4618	0.4618	33,840,654	0.4360	0.4360	
		Debt Service	29,608,253	0.0076	0.0076	**	**	**	**	**	**	
	City of Farmington	General Revenue	147,779,713	0.4449	0.4200	155,684,066	0.4449	0.4449	171,250,436	0.4337	0.4337	
		Debt Service	147,779,713	0.0990	0.0600	155,684,066	0.1179	0.1179	171,250,436	0.0518	0.0518	
	City of Leadington	General Revenue	6,102,755	0.3487	0.2900	6,708,178	0.3487	0.2900	7,134,677	0.3482	0.2900	
		Debt Service	**	**	**	**	**	**	7,134,677	0.0000	0.0000	
	City of Leadwood	General Revenue	4,140,605	0.8268	0.8268	4,273,802	0.8330	0.8330	4,546,921	0.8326	0.8326	
		Debt Service	4,140,605	0.8356	0.8356	4,273,802	0.0000	0.0000	4,546,921	1.0630	1.0630	
	City of Iron Mountain Lake	General Revenue	2,463,869	0.7338	0.7338	2,532,173	0.7450	0.7450	2,787,012	0.7078	0.7078	
		Debt Service	2,463,869	2.3526	2.0200	2,532,173	1.9935	1.9935	2,787,012	1.2836	1.2836	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
St. Francois	City of Park Hills	General Revenue	38,576,876	0.6840	0.6840	55,974,214	0.6840	0.6840	43,812,512	0.6813	0.6813
	Leadwood Fire Protection District	General Revenue	11,957,316	0.5466	0.5466	12,349,479	0.5471	0.5471	12,854,060	0.5471	0.5471
	Doe Run Fire Protection District	General Revenue	36,310,747	0.3188	0.3188	38,734,301	0.3188	0.3188	41,640,503	0.3156	0.3156
	Mineral Area College	General Revenue	667,150,015	0.3357	0.3357	699,010,923	0.3357	0.3357	750,003,937	0.3317	0.3317
		Debt Service	667,150,015	0.2096	0.1300	699,010,923	0.2137	0.1300	750,003,937	0.2034	0.1300
	Bismarck R-V School District	Operating Funds-Schools	20,117,985	3.5033	3.5033	21,194,405	3.5860	3.4300	23,595,557	3.7726	3.4300
		Debt Service	20,117,985	1.5771	0.6500	21,194,405	0.9545	0.6500	23,595,557	0.8922	0.6500
	Farmington R-VII School District	Operating Funds-Schools	249,621,960	2.9992	2.9992	265,435,396	2.9906	2.9906	291,800,008	2.9237	2.9237
		Debt Service	249,621,960	0.7624	0.6200	265,435,396	0.9866	0.6200	291,800,008	1.0951	0.6200
	North St. Francois Co R-I Sch Dist	Operating Funds-Schools	130,368,214	3.4836	3.4836	135,735,297	3.4796	3.4796	147,328,375	3.4283	3.4283
		Debt Service	130,368,214	2.1804	0.7500	135,735,297	2.1156	0.7540	147,328,375	1.3101	0.8053
	Central R-III School District	Operating Funds-Schools	74,342,079	3.3455	3.3400	77,709,521	3.3211	3.2000	83,490,992	3.3722	3.2000
		Debt Service	74,342,079	1.2614	0.7100	77,709,521	1.7903	0.8583	81,648,702	1.6373	0.8583
	West St Francois Co R-IV Sch Dist	Operating Funds-Schools	33,884,708	3.3659	3.3000	35,366,884	3.3918	3.1200	38,271,382	3.3203	3.1200
		Debt Service	33,884,708	1.8728	0.7500	35,366,884	1.8197	0.9300	38,271,382	2.9134	0.9300
	St. Francois County	General Revenue	542,482,779	0.3315	0.0300	568,183,832	0.3315	0.0310	612,843,688	0.3271	0.0596
		Road & Bridge	517,568,733	0.2493	0.2493	541,664,525	0.2493	0.2493	583,186,469	0.2459	0.2459
		Health	542,482,779	0.0921	0.0921	568,183,832	0.0921	0.0921	612,843,688	0.0909	0.0909
		Ambulance	542,482,779	0.1381	0.1381	568,183,832	0.1381	0.0000	612,843,688	0.1363	0.0000
		Developmentally Disabled	542,482,779	0.0921	0.0921	568,183,832	0.0921	0.0921	612,843,688	0.0909	0.0909
		Senior Services	542,482,779	0.0500	0.0500	568,183,832	0.0500	0.0500	612,843,688	0.0493	0.0493
Ste. Genevieve	City of Bloomsdale	General Revenue	6,003,998	0.3178	0.3178	6,007,564	0.3269	0.3269	7,254,529	0.2964	0.2964
	City of St Mary	General Revenue	3,481,613	0.8855	0.8855	3,560,605	0.8855	0.8855	4,097,195	0.8301	0.8301
	City of Ste Genevieve	General Revenue	50,415,798	0.4857	0.4857	51,598,442	0.4872	0.4872	58,131,364	0.4501	0.4501
		Parks & Recreation	50,415,798	0.1263	0.1263	51,598,442	0.1267	0.1267	58,131,364	0.1170	0.1170
		Band	50,415,798	0.0778	0.0778	51,598,442	0.0780	0.0780	58,131,364	0.0721	0.0721
		Cemetery	50,415,798	0.0485	0.0485	51,598,442	0.0487	0.0487	58,131,364	0.0450	0.0450
	Ste. Genevieve County Library	General Revenue	294,349,688	0.0987	0.0987	305,848,483	0.0988	0.0988	344,083,170	0.0933	0.0933
	Ste. Genevieve Co R-II School Dist	Operating Funds-Schools	243,798,006	3.1000	3.0481 B	254,245,138	3.1000	3.1000	287,814,845	2.9263	2.9263
		Debt Service	243,798,006	0.4259	0.2600	254,245,138	0.3551	0.2600	287,814,845	0.3804	0.2600
	Ste. Genevieve County	General Revenue	294,349,688	0.3677	0.2382	305,848,483	0.3679	0.2403	344,083,170	0.3473	0.2208
		Road & Bridge	294,349,688	0.2782	0.2782	305,848,483	0.2784	0.2784	344,083,170	0.2628	0.2628
		Health	294,349,688	0.0987	0.0987	305,848,483	0.0988	0.0988	344,083,170	0.0933	0.0933
		Hospital	294,349,688	0.1690	0.1690	305,848,483	0.1691	0.1690	344,083,170	0.1597	0.1597
		Ambulance	294,349,688	0.1392	0.1392	305,848,483	0.1393	0.1393	344,083,170	0.1315	0.1315
		Mental Health	294,349,688	0.0987	0.0987	305,848,483	0.0988	0.0988	344,083,170	0.0933	0.0933
		Senate Bill 40	294,349,688	0.0987	0.0700	305,848,483	0.0988	0.0700	344,083,170	0.0933	0.0650
		Senior Services	294,349,688	0.0493	0.0300	305,848,483	0.0493	0.0350	344,083,170	0.0465	0.0350

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
St. Louis	Eureka Fire Protection District	General Revenue	301,810,811	0.6622	0.6647	321,044,144	0.6622	0.6622	377,209,925	0.5886	0.5886 C
		Ambulance	301,810,811	0.2667	0.2679	321,044,144	0.2667	0.2667	377,209,925	0.2370	0.2370 C
		Pension	301,810,811	0.0890	0.0893	321,044,144	0.0890	0.0890	377,209,925	0.0791	0.0791 C
		Dispatch	301,810,811	0.0266	0.0267	321,044,144	0.0266	0.0266	377,209,925	0.0236	0.0236 C
		Debt Service	301,810,811	0.1500	0.1500	321,044,144	0.1500	0.1500	377,209,925	0.1500	0.1500
	Metropolitan Sewer Dist St Louis Co	General Revenue -Gen. Adm	23,834,740,810	0.0186	0.0186	24,221,145,601	0.0187	0.0187	28,008,945,322	0.0167	0.0167
		General Revenue -Storm	14,171,203,173	0.0637	0.0500	14,365,302,952	0.0640	0.0500	16,554,865,023	0.0576	0.0500
	Metro Zoological Park & Museum Dist	Art Museum	24,262,856,477	0.0744	0.0763	24,750,210,488	0.0746	0.0746	28,560,794,165	0.0667	0.0667 C
		Botanical Garden	24,262,856,477	0.0371	0.0376	24,750,210,488	0.0372	0.0373	28,560,794,165	0.0332	0.0332 C
		Museum of Mo. History	24,262,856,477	0.0371	0.0376	24,750,210,488	0.0372	0.0373	28,560,794,165	0.0332	0.0332 C
		Museum of Nat. History	24,262,856,477	0.0371	0.0376	24,750,210,488	0.0372	0.0373	28,560,794,165	0.0332	0.0332 C
		Zoological Park	24,262,856,477	0.0744	0.0763	24,750,210,488	0.0746	0.0746	28,560,794,165	0.0667	0.0667 C
	Rockwood R-VI School District	Operating Funds-Schools	2,823,917,500	3.6809	3.7574	2,913,395,160	3.6643	3.6677	3,422,821,505	3.2330	3.2487 C
		Debt Service	2,823,917,500	0.7562	0.7500	2,913,395,160	0.7580	0.7500	3,422,821,505	0.7575	0.7500
	Special Sch Dist of St. Louis Co	Operating Funds-Schools	20,480,719,495	0.8230	0.8399	20,917,764,888	0.8235	0.8235	24,249,922,600	1.0035	0.9084 C
Saline	Saline Co Ambulance Dist No 3	General Revenue	166,026,800	0.2121	0.2121	173,650,363	0.2121	0.2121	178,600,036	0.2121	0.2121
	Slater Ambulance District No 1	General Revenue	34,974,072	0.3700	0.3700	35,691,445	0.3700	0.3700	37,933,476	0.3661	0.3661
	Sweet Springs Ambulance District	General Revenue	42,899,162	0.4339	0.3500	43,873,489	0.4339	0.3500	46,716,464	0.4289	0.3500
	Blackburn Elmwood Sp Rd Saline Co	Road & Bridge	5,385,859	0.3178	0.3178	5,615,598	0.3178	0.3178	5,965,963	0.3123	0.3123
		Special Road and Bridge	5,385,859	0.3524	0.3524	5,615,598	0.3600	0.3600 A	5,965,963	0.3538	0.3538
		Debt Service	5,385,859	0.5021	0.5021	5,615,598	0.4933	0.4933	5,965,963	0.4710	0.4710
	Gilliam Spec Rd Dist Saline Co	Road & Bridge	6,791,696	0.3086	0.3086	6,779,458	0.3118	0.3118	7,186,296	0.3096	0.3096
		Special Road and Bridge	6,791,696	0.2900	0.2900 A	6,779,458	0.2900	0.2900	7,186,296	0.2880	0.2880
	Grand Pass Spec Road Dist Saline Co	Road & Bridge	3,840,875	0.2983	0.2983	3,959,139	0.2983	0.2983	4,086,831	0.2983	0.2983
		Special Road and Bridge	3,840,875	0.3600	0.3600	3,959,139	0.3600	0.3600	4,086,831	0.3600	0.3600 A
	Marshall Spec Rd Dist Saline Co	Road & Bridge	118,225,334	0.2731	0.2731	123,801,727	0.2731	0.2731	127,649,242	0.2731	0.2731
	Slater Spec Rd Dist Saline Co	Road & Bridge	22,289,252	0.3172	0.3172	22,548,157	0.3172	0.3172	24,386,766	0.3102	0.3102
		Special Road and Bridge	22,289,252	0.3600	0.3600	22,548,157	0.3600	0.3600 A	24,386,766	0.3521	0.3521
	Sweet Springs Sp Rd Dist Saline Co	Road & Bridge	20,151,876	0.2991	0.2991	19,704,981	0.3069	0.3069	20,778,145	0.3046	0.3046
		Special Road and Bridge	20,151,876	0.3000	0.3000 A	19,704,981	0.3000	0.3000	20,778,145	0.2978	0.2978
	Malta Bend Spec Rd Dist Saline Co	Road & Bridge	9,985,887	0.3104	0.3104	12,106,972	0.3104	0.3104	10,780,378	0.3500	0.3500
		Special Road and Bridge	9,985,887	0.3000	0.3000 A	12,106,972	0.3000	0.3000	10,780,378	0.3000	0.3000
	Village of Arrow Rock	General Revenue	937,785	0.3099	0.3099	959,312	0.3105	0.3105	1,050,964	0.2967	0.2967
		General Revenue-Temp	937,785	0.2717	0.2717	959,312	0.2722	0.2722	1,050,964	0.2601	0.2601
	City of Blackburn	General Revenue	1,517,667	0.5634	0.5634	1,607,370	0.5634	0.5634	1,800,650	0.5221	0.5221
		Lights	1,517,667	0.1145	0.1145	1,607,370	0.1145	0.1145	1,800,650	0.1061	0.1061
		General Revenue-Temp	1,517,667	0.2740	0.2740	**	**	**	**	**	**
		GR Temp	**	**	**	1,607,370	0.2900	0.2900 A	1,800,650	0.2687	0.2687

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Saline	City of Gilliam	General Revenue	943,816	0.7287	0.7287	904,517	0.7500	0.7500	1,102,895	0.6714	0.6714
		Lights	943,816	0.3885	0.3885	904,517	0.4000	0.4000	1,102,895	0.3581	0.3581
	Village of Grand Pass	General Revenue	395,137	0.4617	0.4617	322,050	0.5000	0.4617	445,213	0.4493	0.4493
	City of Malta Bend	General Revenue	943,986	1.0000	0.7828	1,283,440	0.7615	0.7615	1,427,813	0.7023	0.7023
	City of Marshall	General Revenue	102,740,366	0.6962	0.6962	108,048,408	0.6962	0.6962	111,060,592	0.6995	0.6995
		Parks & Recreation	102,740,366	0.3010	0.3010	108,048,408	0.3010	0.3010	111,060,592	0.3024	0.3024
		Library	102,740,366	0.1787	0.1787	108,048,408	0.1787	0.1787	111,060,592	0.1795	0.1795
		Band	102,740,366	0.0467	0.0467	108,048,408	0.0467	0.0467	111,060,592	0.0469	0.0469
	City of Miami	General Revenue	998,382	0.4767	0.4767	996,697	0.4798	0.4798	1,013,472	0.4798	0.4798
		Streets	998,382	0.6196	0.6196	996,697	0.6237	0.6237	1,013,472	0.6237	0.6237
	Village of Mount Leonard	General Revenue	273,051	0.9568	0.9568	258,139	1.0000	1.0000	325,446	0.8313	0.8313
	City of Nelson	General Revenue	750,292	0.8420	0.8420	766,232	0.8419	0.8419	866,191	0.7642	0.7642
	City of Slater	General Revenue	11,927,494	0.7126	0.7126	11,846,671	0.7200	0.7200	13,287,197	0.7020	0.7020
		Parks & Recreation	11,927,494	0.2000	0.2000	11,846,671	0.2000	0.2000	13,287,197	0.1950	0.1950
		Library	11,927,494	0.2227	0.2227	11,846,671	0.2250	0.2250	13,287,197	0.2194	0.2194
	City of Sweet Springs	General Revenue	9,286,776	0.7571	0.7571	9,577,018	0.7571	0.7571	10,024,538	0.7449	0.7449
		Parks & Recreation	9,286,776	0.3598	0.3598	9,577,018	0.3598	0.3598	10,024,538	0.3540	0.3540
		Library	9,286,776	0.2163	0.2163	9,577,018	0.2163	0.2163	10,024,538	0.2128	0.2128
		Debt Service	9,286,776	0.2194	0.2194	9,577,018	0.1923	0.1923	10,024,538	0.1905	0.1905
	City of Emma	General Revenue	1,775,849	0.4906	0.4906	1,838,720	0.4983	0.4983	1,942,034	0.4969	0.4969
	Malta Bend Fire Protection District	General Revenue	10,381,114	0.2776	0.2776	10,820,283	0.2776	0.2776	11,234,653	0.2773	0.2773
	Miami R-I School District	Operating Funds-Schools	7,608,396	3.9291	3.9291	7,893,999	3.9171	3.9171	8,022,747	3.9291	3.9291
	Orearville R-IV School District	Operating Funds-Schools	5,121,423	3.7785	3.6973	5,244,560	3.6766	3.6766	5,111,339	4.1208	3.6766
		Debt Service	5,121,423	1.1473	0.8500	5,244,560	0.8568	0.8500	5,111,339	0.8309	0.8309
	Malta Bend R-V School District	Operating Funds-Schools	8,000,103	4.3627	4.3627	8,397,336	4.4145	4.2139	8,817,448	4.3457	4.3316
		Debt Service	8,000,103	0.6322	0.6322	8,397,336	0.7810	0.7810	8,817,448	0.6633	0.6633
	Hardeman R-X School District	Operating Funds-Schools	5,981,343	3.7134	3.7134	6,018,598	3.8463	3.8463	6,330,651	3.7919	3.7919
		Debt Service	5,981,343	0.9337	0.9337	6,018,598	0.9337	0.9337	6,330,651	0.9609	0.9337
	Gilliam C-4 School District	Operating Funds-Schools	2,530,943	4.3350	4.3350	2,459,148	4.5342	4.4000	2,785,829	4.1833	4.1833
	Marshall School District	Operating Funds-Schools	122,893,747	3.3552	3.3552	128,514,864	3.3248	3.3248	133,558,405	3.3262	3.3262
	Slater School District	Operating Funds-Schools	16,100,703	3.7576	3.7576	16,273,810	3.7303	3.7303	18,108,769	3.6996	3.6996
		Debt Service	16,100,703	0.7310	0.5400	16,273,810	0.5850	0.5400	18,108,769	0.5802	0.5802
	Sweet Springs R-VII School District	Operating Funds-Schools	21,554,235	4.0468	4.0000 B	22,255,063	4.0468	3.3500	23,879,034	4.0093	3.3500
		Debt Service	21,554,235	0.6803	0.6400	22,255,063	0.6570	0.6400	23,879,034	0.6482	0.6400
	Saline County	General Revenue	234,620,426	0.3984	0.1992	243,387,278	0.3984	0.1992	252,719,231	0.3984	0.1992
		Common Road District	49,479,471	0.2891	0.2891	51,500,812	0.2891	0.2891	52,861,800	0.2891	0.2891
		Health	234,620,426	0.1397	0.1397	243,387,278	0.1397	0.1397	252,719,231	0.1397	0.1397
		Senate Bill 40	234,620,426	0.0663	0.0663	243,387,278	0.0663	0.0663	252,719,231	0.0663	0.0663

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Saline	Saline County	Common Road-Temp	**	**	**	243,387,278	0.2500	0.2500	A	52,861,800	0.2500	0.2500	
		Special Road and Bridge	49,479,471	0.3587	0.3587	51,500,812	0.3587	0.3587		52,861,800	0.3600	0.3600	A
Schuyler	Schuyler County Ambulance District	General Revenue	36,751,852	0.3000	0.3000	37,713,206	0.3000	0.3000		38,288,214	0.3000	0.3000	
	Schuyler County Nursing Home Dist	General Revenue	36,751,852	0.1500	0.1500	37,713,206	0.1500	0.1500		38,288,214	0.1500	0.1500	
	Glenwood Chariton SRD 4 Schuyler Co	Road & Bridge	4,917,017	0.3221	0.3221	5,053,423	0.3221	0.3221		**	**	**	
		Special Road and Bridge	4,917,017	0.3600	0.3600	5,053,423	0.3600	0.3600		**	**	**	
	City of Downing	General Revenue	1,695,227	1.0000	1.0000	1,761,792	1.0000	1.0007	D	1,770,754	1.0000	1.0000	
	Village of Glenwood	General Revenue	997,086	0.4774	0.4774	995,796	0.4784	0.4774		958,584	0.4970	0.4970	
		Debt Service	997,086	0.5920	0.4500	995,796	0.3334	0.3300		958,584	0.4990	0.4990	
	City of Greentop	General Revenue	2,273,965	0.9216	0.9216	2,306,250	0.9244	0.9222		2,359,091	0.9235	0.9235	
	City of Lancaster	General Revenue	4,965,156	0.8568	0.8500	4,963,891	0.8605	0.8600		4,956,568	0.8666	0.8600	
		Parks & Recreation	4,965,156	0.1905	0.1900	4,963,891	0.1913	0.1900		4,956,568	0.1927	0.1900	
	City of Queen City	General Revenue	2,753,322	1.0000	1.0000	2,848,453	1.0000	1.0000		2,946,670	1.0000	1.0000	
	Schuyler County Library	General Revenue	36,751,852	0.1500	0.1500	37,713,206	0.1500	0.1500		38,288,214	0.1500	0.1500	
	Schuyler Co R-I School District	Operating Funds-Schools	31,402,080	3.3672	2.7500	32,346,288	3.3534	2.7500		33,258,016	3.3661	2.7500	
		Debt Service	31,402,080	1.0083	0.7700	32,346,288	1.0035	0.7700		33,258,016	1.0270	0.7700	
	Schuyler County	General Revenue	36,751,852	0.5000	0.3300	37,713,206	0.5000	0.3300		38,288,214	0.5000	0.3310	
		Common Road District	31,834,835	0.5000	0.5000	32,659,783	0.5000	0.5000		38,288,214	0.4688	0.4688	
		Special Road and Bridge	31,834,835	0.2600	0.2600	32,659,783	0.2600	0.2600		38,288,214	0.2438	0.2438	
		Health	36,751,852	0.3000	0.2500	37,713,206	0.3000	0.2500		38,288,214	0.3000	0.2500	
		Senior Services	36,751,852	0.0500	0.0500	37,713,206	0.0500	0.0500		38,288,214	0.0500	0.0500	
Scotland	Scotland County Ambulance District	General Revenue	48,711,271	0.2500	0.2500	50,550,637	0.2500	0.2500		50,555,368	0.2500	0.2500	
	Scotland County Memorial Hosp Dist	General Revenue	48,711,271	0.4977	0.4977	50,550,637	0.4977	0.4977		50,555,368	0.5000	0.5000	
	Scotland County Nursing Home Dist	General Revenue	48,711,271	0.3000	0.3000	50,550,637	0.3000	0.3000		50,555,368	0.3000	0.3000	
	Bear Creek Watershed Subdistrict	General Revenue	996,783	0.4000	0.4000	996,081	0.4000	0.4000		1,015,206	0.3999	0.3999	
	Village of Arbela	General Revenue	144,267	0.5000	0.5000	139,991	0.5000	0.5000		223,522	0.3640	0.3640	
	Village of Granger	General Revenue	198,003	0.8000	0.6400	179,174	0.8000	0.6400		208,437	0.8000	0.6400	
	City of Memphis	General Revenue	12,630,886	0.2986	0.2700	12,969,168	0.2986	0.2700		13,161,569	0.2986	0.2986	
		Streets	12,630,886	0.3733	0.3400	12,969,168	0.3733	0.3400		13,161,569	0.3733	0.3400	
		Fire	12,630,886	0.1707	0.1300	12,969,168	0.1707	0.1300		13,161,569	0.1707	0.1300	
		Cemetery	12,630,886	0.1000	0.1000	12,969,168	0.1000	0.1000		13,161,569	0.1000	0.0500	
		Swimming Pool	12,630,886	0.1814	0.1600	12,969,168	0.1814	0.1600		13,161,569	0.1814	0.1814	
	Village of Rutledge	General Revenue	395,938	0.4237	0.4230	406,946	0.4237	0.4230		408,213	0.4236	0.4230	
	City of South Gorin	General Revenue	547,592	0.8000	0.8000	685,500	0.7410	0.7410		704,996	0.7426	0.7410	
		Fire	547,592	0.2000	0.2000	685,500	0.1852	0.1852		704,996	0.1857	0.1852	
	Scotland County Library District	General Revenue	48,711,271	0.1900	0.1900	50,550,637	0.1900	0.1900		50,555,368	0.1900	0.1900	
	Gorin R-III School District	Operating Funds-Schools	3,019,739	5.2650	4.4646	3,192,878	5.2871	4.6679		3,223,151	5.2608	4.5614	
	Scotland Co R-I School District	Operating Funds-Schools	39,681,302	3.6735	3.6500	41,192,577	3.6284	3.3600		43,001,414	3.6288	3.3600	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Scotland	Scotland County	General Revenue	48,711,271	0.4977	0.4977	50,550,637	0.4977	0.4977	50,555,368	0.5000	0.5000
		Road & Bridge	48,711,271	0.3452	0.3452	50,550,637	0.3452	0.3452	50,555,368	0.3500	0.3500
		Special Road and Bridge	48,711,271	0.3100	0.3100	50,550,637	0.3100	0.3100	50,555,368	0.3100	0.3100
		Health	48,711,271	0.1500	0.1500	50,550,637	0.1500	0.1500	50,555,368	0.1500	0.1500
Scott	Southern Scott Co Ambulance Dist	General Revenue	215,341,173	0.3000	0.2700	218,077,279	0.3000	0.3000	227,550,038	0.3000	0.3000
	North Scott Co Ambulance District	General Revenue	157,313,162	0.3000	0.3000	163,148,056	0.3000	0.3000	166,870,060	0.3000	0.3000
	Illmo Special Road Dist Scott Co	Road & Bridge	51,027,049	0.3096	0.3096	54,977,456	0.3096	0.3096	54,227,221	0.3188	0.3188
	Sikeston Special Road Dist Scott Co	Road & Bridge	182,499,428	0.1800	0.1400	184,495,749	0.1800	0.1800	192,438,943	0.1800	0.1800
	City of Benton	General Revenue	5,485,355	0.5859	0.5859	5,849,319	0.5859	0.5859	6,460,874	0.5813	0.5813
		Parks & Recreation	5,485,355	0.1819	0.1819	5,849,319	0.1819	0.1819	6,460,874	0.1805	0.1805
	Village of Blodgett	General Revenue	1,198,365	0.3802	0.2800	1,202,355	0.3814	0.2800	1,192,865	0.3845	0.2800
	City of Chaffee	General Revenue	16,804,337	0.7679	0.7679	17,003,156	0.7691	0.7691	17,502,309	0.7691	0.7691
		Parks & Recreation	16,804,337	0.1638	0.1638	17,003,156	0.1641	0.1641	17,502,309	0.1641	0.1641
		Library	16,804,337	0.1638	0.1638	17,003,156	0.1641	0.1641	17,502,309	0.1641	0.1641
	Village of Commerce	General Revenue	639,343	0.5000	0.5000	632,502	0.5000	0.5000	662,778	0.5000	0.5000
	Village of Diehlstadt	General Revenue	489,427	0.3439	0.3439	523,276	0.3439	0.3439	528,236	0.3440	0.3439
	Village of Haywood City	General Revenue	419,431	0.5000	0.2900	427,987	0.5000	0.2900	438,723	0.4999	0.3400
	Village of Kelso	General Revenue	5,213,863	0.4993	0.4993	5,315,203	0.4993	0.4993	5,461,999	0.4993	0.4993
		Fire	5,213,863	0.1298	0.1298	5,315,203	0.1300	0.1300 A	5,461,999	0.1300	0.1300
	City of Miner	General Revenue	20,985,646	0.2967	0.1900	21,125,236	0.2967	0.1900	21,137,221	0.3003	0.1900
	City of Morley	General Revenue	3,690,584	0.6079	0.6079	3,763,810	0.6079	0.6079	3,967,602	0.6079	0.6079
	City of Oran	General Revenue	7,289,475	0.6270	0.6270	7,746,797	0.6270	0.6270	7,948,699	0.6270	0.6270
		Parks & Recreation	7,289,475	0.1882	0.1882	7,746,797	0.1882	0.1882	7,948,699	0.1882	0.1882
	City of Scott City	General Revenue	37,543,131	0.4706	0.4706	41,067,037	0.4706	0.4706	38,686,887	0.5051	0.5051
		Parks & Recreation	37,543,131	0.1681	0.1681	41,067,037	0.1681	0.1681	38,686,887	0.1804	0.1804
		Cemetery	37,543,131	0.0500	0.0500	41,067,037	0.0500	0.0500	38,686,887	0.0500	0.0500
		Debt Service	37,543,131	0.3711	0.3711	41,067,037	0.4566	0.4566	38,686,887	0.5036	0.5036
	Village of Vanduser	General Revenue	1,152,967	0.3476	0.3476	1,171,256	0.3476	0.3476	1,110,811	0.3712	0.3712
		Fire	1,152,967	0.1000	0.1000	1,171,256	0.1000	0.1000	1,110,811	0.1000	0.1000
	City of Sikeston	General Revenue	172,937,794	0.5530	0.3693	176,999,205	0.5530	0.3693	184,908,202	0.5530	0.3693
		Parks & Recreation	172,937,794	0.1609	0.1609	176,999,205	0.1609	0.1609	184,908,202	0.1609	0.1609
		Library	172,937,794	0.1609	0.1609	176,999,205	0.1609	0.1609	184,908,202	0.1609	0.1609
	Scott County Library	General Revenue	242,682,179	0.0968	0.0968	249,705,621	0.0968	0.0968	254,653,410	0.0968	0.0968
	Sikeston Fire Protection District	General Revenue	41,385,361	0.3000	0.0800	41,856,302	0.3000	0.0800	43,066,796	0.3000	0.1200
	NBC Fire Protection District	General Revenue	37,935,278	0.3000	0.3000	38,422,984	0.3000	0.3000	39,971,035	0.3000	0.3000
	Scott County Rural Fire Prot Dist	General Revenue	34,298,280	0.3000	0.3000	35,409,037	0.3000	0.3000	37,248,918	0.3000	0.3000
	Oran Fire Protection District	General Revenue	13,790,586	0.4019	0.4019	14,523,298	0.4019	0.4019	15,070,542	0.4019	0.4019
	Scott City R-I School District	Operating Funds-Schools	46,943,790	2.9933	2.7500	50,529,520	2.9979	2.7500	49,887,730	3.0851	2.7500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Scott	Scott City R-I School District	Debt Service	46,943,790	0.5938	0.4900	50,529,520	0.7546	0.4900	49,887,730	0.5670	0.4900
	Chaffee R-II School District	Operating Funds-Schools	21,719,830	2.8731	2.8731	21,984,770	2.8729	2.8729	22,762,500	2.8699	2.8699
		Debt Service	21,719,830	2.6685	1.1800	21,984,770	1.5018	1.1500	22,762,500	1.5050	1.1500
	Scott Co R-IV School District	Operating Funds-Schools	45,710,060	2.7500	2.7500	47,407,470	2.7500	2.7500	50,845,450	2.7500	2.7500
		Debt Service	45,710,060	0.5692	0.4200	47,407,470	0.4706	0.4200	50,845,450	0.4297	0.4200
	Scott Co R-V School District	Operating Funds-Schools	13,284,390	3.1947	3.1947	13,573,610	3.2057	2.7900	14,112,580	3.2587	2.7900
		Debt Service	13,284,390	1.4739	1.1000	13,573,610	1.1237	1.1000	14,112,580	1.1526	1.1000
	Sikeston R-VI School District	Operating Funds-Schools	201,712,308	3.3944	3.2500	205,501,384	3.4156	3.2500	214,055,096	3.3984	3.2500
		Debt Service	201,712,308	0.2910	0.1900	205,501,384	0.2247	0.1900	214,055,096	0.2063	0.1900
	Kelso C-7 School District	Operating Funds-Schools	20,485,130	2.8531	2.8531	20,861,780	2.8537	2.8537	21,635,830	2.8618	2.8618
	Oran R-III School District	Operating Funds-Schools	17,299,590	3.5489	3.3200	17,900,030	3.5290	2.7500	18,486,580	3.5527	2.7500
		Debt Service	17,299,590	0.9881	0.1800	17,900,030	1.8277	0.7500	18,486,580	1.7440	0.7500
	Scott County	General Revenue	372,654,339	0.3760	0.1000	381,225,334	0.3760	0.1000	394,420,098	0.3760	0.1000
		Johnson Grass	372,654,339	0.0100	0.0100	381,225,334	0.0100	0.0100	394,420,098	0.0100	0.0100
		Common Road District	139,127,858	0.2992	0.2992	141,752,130	0.2993	0.2993	147,753,936	0.2993	0.2993
		Health	372,654,339	0.1000	0.1000	381,225,334	0.1000	0.1000	394,420,098	0.1000	0.1000
		Senate Bill 40	372,654,339	0.1000	0.0400	381,225,334	0.1000	0.0400	394,420,098	0.1000	0.0400
Shannon	Shannon County Ambulance District	General Revenue	47,582,498	0.1285	0.1285	48,816,471	0.1288	0.1288	50,670,931	0.1288	0.1288
	City of Birch Tree	General Revenue	3,346,724	0.3984	0.3984	3,407,677	0.4002	0.3984	3,547,302	0.4039	0.3984
	City of Winona	General Revenue	6,261,855	0.0000	0.0000	6,420,069	0.0000	0.0000	6,627,253	0.0000	0.0000
	Timber Community Fire Prot Dist	General Revenue	2,993,095	0.3000	0.3000	3,098,380	0.3000	0.3000	3,373,405	0.3000	0.3000
	Winona R-III School District	Operating Funds-Schools	14,047,876	2.7500	2.7500	14,453,003	2.7500	2.7500	15,325,280	2.7500	2.7500
	Eminence R-I School District	Operating Funds-Schools	16,294,930	2.7500	2.7500	16,666,314	2.7500	2.7500	17,370,730	2.7500	2.7500
		Debt Service	16,294,930	0.6931	0.6900	16,666,314	0.6900	0.6900	17,370,730	0.9325	0.6900
	Shannon County	General Revenue	60,285,698	0.3066	0.1300	61,995,344	0.3071	0.1300	64,336,465	0.3071	0.1300
		Road & Bridge	60,285,698	0.2373	0.2358	61,995,344	0.2377	0.2358	64,336,465	0.2377	0.2358
		Health	60,285,698	0.0981	0.0977	61,995,344	0.0983	0.0981	64,336,465	0.0983	0.0983
		Senate Bill 40	60,285,698	0.0981	0.0975	61,995,344	0.0983	0.0975	64,336,465	0.0983	0.0975
		Senior Services	60,285,698	0.0490	0.0490	61,995,344	0.0491	0.0491	64,336,465	0.0491	0.0491
Shelby	Salt River Ambulance District	General Revenue	71,244,733	0.2500	0.2500	76,582,448	0.2500	0.1373	81,161,861	0.2499	0.1299
	Clarence Nursing Home District	General Revenue	19,817,317	0.2200	0.2200	20,675,702	0.2200	0.2200	22,002,218	0.2183	0.2183
	Salt River Nursing Home District	General Revenue	61,999,872	0.1500	0.1500	66,763,053	0.3000	0.3000	70,252,873	0.3000	0.3000
	Shelbina Special Rd Dist Shelby Co	Road & Bridge	20,218,915	0.4700	0.4700	39,728,776	0.4700	0.4700	25,219,143	0.4696	0.4696
	Village of Bethel	General Revenue	501,697	0.7500	0.7500	528,711	0.7500	0.7500	599,332	0.7238	0.7238
		Lights	501,697	0.2500	0.2500	528,711	0.2500	0.2500	599,332	0.2413	0.2413
	City of Clarence	General Revenue	4,697,716	1.0000	1.0000	5,009,473	1.0000	1.0000	5,453,541	0.9625	0.9625
		Library	4,697,716	0.1000	0.1000	5,009,473	0.1000	0.1000	5,453,541	0.0962	0.0962
		Streets	4,697,716	0.2000	0.2000	5,009,473	0.2000	0.2000	5,453,541	0.1925	0.1925

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Shelby	City of Hunnewell	General Revenue	921,774	0.8773	0.8500	916,318	0.8826	0.8500	969,218	0.8772	0.8772
	Village of Leonard	General Revenue	633,773	0.4999	0.4600	643,126	0.5000	0.4600	676,263	0.5000	0.4600
	City of Shelbina	General Revenue	15,244,698	0.8111	0.8100	18,392,389	0.8157	0.7200	19,950,403	0.8124	0.8124
		Library	15,244,698	0.2380	0.2300	18,392,389	0.2394	0.2100	19,950,403	0.2384	0.2384
	City of Shelbyville	General Revenue	3,344,189	0.8488	0.8488	3,465,397	0.8517	0.8517	3,647,108	0.8388	0.8388
		Gen Rev-Temp	3,344,189	0.3000	0.3000	**	**	**	**	**	**
		General Revenue - Temp	**	**	**	3,465,397	0.3000	0.3000 A	3,647,108	0.2954	0.2954
	Shelbina Fire Protection District	General Revenue	35,882,209	0.2193	0.2193	38,089,734	0.2253	0.2253	61,611,232	0.2212	0.2212
	North Shelby School District	Operating Funds-Schools	24,627,683	4.0938	4.0900	25,887,170	4.0775	3.6300	27,179,306	4.0905	3.4800
		Debt Service	24,627,683	0.3459	0.1800	25,887,170	0.2285	0.2200	27,179,306	0.4499	0.3700
	Shelby Co R-IV School District	Operating Funds-Schools	47,987,801	3.3700	3.3700	52,051,237	3.3700	3.3700	55,341,806	3.3700	3.3700
		Operating Funds-Temp	47,987,801	0.3800	0.3800	52,051,237	0.3800	0.3800	55,341,806	0.3800	0.3800
	Shelby County	General Revenue	75,312,119	0.4757	0.3300	80,687,446	0.4765	0.3400	85,434,087	0.4764	0.3300
		Road & Bridge	55,093,177	0.3435	0.3435	57,303,797	0.3500	0.3439	60,213,550	0.3500	0.3500
		Health	75,312,119	0.2500	0.2500	80,687,446	0.2500	0.2500	85,434,087	0.2500	0.2500
Stoddard	Stoddard County Ambulance District	General Revenue	342,754,834	0.2004	0.2004	360,203,148	0.2004	0.2004	369,554,530	0.2004	0.2004
	Bluff Spec Rd Dist Stoddard Co	Johnson Grass	8,254,929	0.0500	0.0500	8,315,935	0.0500	0.0500	8,418,156	0.0500	0.0500
		Road & Bridge	8,254,929	0.1605	0.1605	8,315,935	0.1605	0.1605	8,418,156	0.1605	0.1605
		Special Road and Bridge	8,254,929	0.3500	0.3500	8,315,935	0.3500	0.3500 A	8,418,156	0.3500	0.3500
	Crowder Zeta Sp Rd Dist Stoddard Co	Johnson Grass	2,709,521	0.0500	0.0500	2,780,102	0.0500	0.0500	2,828,751	0.0500	0.0500
		Road & Bridge	2,709,521	0.2857	0.2857	2,780,102	0.2887	0.2887	2,828,751	0.2887	0.2887
	Dudley Spec Rd Dist Stoddard Co	Johnson Grass	12,834,821	0.0500	0.0500	14,603,519	0.0500	0.0500	15,625,372	0.0500	0.0500
		Road & Bridge	12,834,821	0.2631	0.2631	14,603,519	0.2631	0.2631	15,625,372	0.2631	0.1631
		Special Road and Bridge	12,834,821	0.2500	0.2500	14,603,519	0.2500	0.2500	15,625,372	0.3500	0.3500 A
	Essex Spec Rd Dist Stoddard Co	Johnson Grass	13,257,780	0.0500	0.0500	13,410,535	0.0500	0.0500	13,771,080	0.0500	0.0500
		Road & Bridge	13,257,780	0.2428	0.2428	13,410,535	0.2428	0.2428	13,771,080	0.2428	0.2428
		Special Road and Bridge	13,257,780	0.3500	0.3500 A	13,410,535	0.3500	0.3500	13,771,080	0.3500	0.3500
	Gray Ridge Spec Rd Dist Stoddard Co	Road & Bridge	8,513,868	0.3106	0.3106	8,687,154	0.3106	0.3106	8,596,581	0.3162	0.3162
	Lavalle Spec Road Dist Stoddard Co	Road & Bridge	2,378,478	0.3500	0.3500	2,340,920	0.3500	0.3500	2,389,733	0.3500	0.3500
	City of Bell City	General Revenue	1,994,689	0.6828	0.6828	1,990,449	0.6864	0.6864	2,101,196	0.6853	0.6853
	City of Bernie	General Revenue	12,584,343	0.4960	0.4960	12,921,830	0.4960	0.4960	12,443,953	0.5196	0.5196
		Parks & Recreation	12,584,343	0.0900	0.0900	12,921,830	0.0900	0.0900	12,443,953	0.0900	0.0900
	City of Bloomfield	General Revenue	10,260,573	0.4800	0.4800	10,779,773	0.4800	0.4800	11,366,074	0.4783	0.4783
		Library	10,260,573	0.1400	0.1400	10,779,773	0.1400	0.1400	11,366,074	0.1395	0.1395
		Debt Service	10,260,573	0.2529	0.2529	10,779,773	0.2275	0.2275	11,366,074	0.2196	0.2196
	City of Dexter	General Revenue	86,573,707	0.4972	0.4972	94,464,799	0.4972	0.4972	93,359,159	0.5096	0.5096
		Library	86,573,707	0.1392	0.1392	94,464,799	0.1392	0.1392	93,359,159	0.1427	0.1427
	City of Dudley	General Revenue	6,010,213	0.5376	0.5376	7,573,077	0.5387	0.5387	8,665,484	0.5387	0.5387

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied
Stoddard	City of Essex	General Revenue	3,102,576	0.3940	0.3940	3,075,368	0.3980	0.3980	3,162,850	0.3980	0.3980
	City of Puxico	General Revenue	5,764,450	0.4948	0.4948	6,253,280	0.4948	0.4948	6,461,197	0.4948	0.4948
		Parks & Recreation	5,764,450	0.2120	0.2120	6,253,280	0.2120	0.2120	6,461,197	0.2120	0.2120
		Library	5,764,450	0.0707	0.0707	6,253,280	0.0707	0.0707	6,461,197	0.0707	0.0707
		Health	5,764,450	0.1009	0.1009	6,253,280	0.1009	0.1009	6,461,197	0.1009	0.1009
		Cemetery	5,764,450	0.1009	0.1009	6,253,280	0.1009	0.1009	6,461,197	0.1009	0.1009
	Village of Penermon	General Revenue	151,136	0.3989	0.3989	145,873	0.4134	0.4134	149,150	0.4211	0.4211
	Castor Township of Stoddard Co	General Revenue	46,760,724	0.0700	0.0700	48,688,175	0.0700	0.0700	50,709,777	0.0700	0.0700
		Road & Bridge	38,505,795	0.2210	0.2210	40,372,240	0.2210	0.2210	42,291,621	0.2210	0.2210
	Duck Creek Township of Stoddard Co	General Revenue	36,800,174	0.1000	0.1000	39,507,946	0.1000	0.1000	41,685,503	0.1000	0.1000
		Johnson Grass	36,800,174	0.0376	0.0376	24,904,427	0.0500	0.0500	41,685,503	0.0366	0.0366
		Road & Bridge	23,965,353	0.2518	0.2518	24,904,427	0.2528	0.2528	26,060,131	0.2528	0.2528
		Special Road and Bridge	23,965,353	0.3500	0.3500	24,904,427	0.3500	0.3500	41,685,503	0.2565	0.2565
	Elk Township of Stoddard Co	General Revenue	11,984,637	0.1000	0.1000	12,288,024	0.1000	0.1000	12,585,707	0.1000	0.1000
		Road & Bridge	9,606,159	0.3157	0.3157	9,947,104	0.3159	0.3159	10,195,974	0.3159	0.3159
		Special Road and Bridge	9,606,159	0.3500	0.3500	9,947,104	0.3500	0.3500	10,195,974	0.3500	0.3500 A
	Liberty Township of Stoddard Co	General Revenue	168,766,262	0.0800	0.0800	178,628,189	0.0800	0.0800	178,157,359	0.0810	0.0800
		Johnson Grass	168,766,262	0.0500	0.0500	178,628,189	0.0500	0.0500	178,157,359	0.0500	0.0500
		Road & Bridge	168,766,262	0.3500	0.1000	178,628,189	0.3500	0.1100	178,157,359	0.3500	0.1200
		Special Road and Bridge	168,766,262	0.3500	0.3500	178,628,189	0.3500	0.3500	178,157,359	0.3500	0.3500 A
	New Lisbon Township of Stoddard Co	General Revenue	9,306,725	0.0809	0.0809	9,679,186	0.0813	0.0813	10,087,873	0.0813	0.0813
		Johnson Grass	9,306,725	0.0500	0.0500	9,679,186	0.0500	0.0500	10,087,873	0.0500	0.0500
		Road & Bridge	9,306,725	0.2325	0.2325	9,679,186	0.2336	0.2336	10,087,873	0.2336	0.2336
		Special Road and Bridge	9,306,725	0.3500	0.3500 A	9,679,186	0.3500	0.3500	10,087,873	0.3500	0.3500
	Pike Township of Stoddard Co	General Revenue	45,772,412	0.0905	0.0905	47,628,792	0.0906	0.0906	52,250,353	0.0906	0.0906
		Johnson Grass	45,772,412	0.0407	0.0407	44,848,690	0.0430	0.0430	52,250,353	0.0410	0.0410
		Road & Bridge	43,062,891	0.2314	0.2314	44,848,690	0.2315	0.2315	49,421,602	0.2315	0.2315
	Richland Township of Stoddard Co	General Revenue	23,363,900	0.0820	0.0820	23,782,836	0.0820	0.0820	24,077,958	0.0820	0.0820
		Road & Bridge	1,592,252	0.3500	0.3500	1,685,147	0.3500	0.3500	1,710,297	0.3500	0.3500
	Richland R-I School District	Operating Funds-Schools	20,196,143	4.2400	3.6700	20,691,134	4.2637	3.2669	21,141,371	4.2884	3.4867
		Debt Service	20,196,143	0.3467	0.3300	20,691,134	0.3752	0.3300	21,141,371	0.4042	0.3300
	Bell City R-II School District	Operating Funds-Schools	21,059,112	3.2760	3.1500	22,441,575	3.2839	3.1500	26,619,093	3.3456	3.1500
	Advance R-IV School District	Operating Funds-Schools	26,019,000	2.7500	2.7500	26,654,659	2.8136	2.7500	27,666,724	2.7862	2.7500
		Debt Service	26,019,000	0.6137	0.4300	26,654,659	1.1001	0.6800	27,666,724	0.9658	0.6800
	Puxico R-VIII School District	Operating Funds-Schools	33,676,411	2.7500	2.7500	35,240,114	2.7500	2.7500	36,706,443	2.7500	2.7500
		Debt Service	**	**	**	35,240,114	1.1587	0.7900	36,706,443	1.2027	0.7900
	Bloomfield R-XIV School District	Operating Funds-Schools	35,799,453	2.7956	2.7500	37,061,736	2.8289	2.7500	38,710,125	2.8466	2.7500
	Dexter R-XI School District	Operating Funds-Schools	145,399,817	2.7500	2.7500	157,235,714	2.7500	2.7500	158,654,057	2.7500	2.7500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Stoddard	Dexter R-XI School District	Debt Service	145,399,817	0.5913	0.5700	157,235,714	0.5703	0.5700	158,654,057	0.7508	0.5700
	Bernie R-XIII School District	Operating Funds-Schools	27,531,923	2.8740	2.8740	28,792,964	2.9447	2.9447	29,445,405	2.8812	2.8812
		Debt Service	27,531,923	0.5613	0.3000	28,792,964	0.4688	0.3000	29,445,405	0.4519	0.3000
	Stoddard County	General Revenue	342,754,834	0.2505	0.0000	360,203,148	0.2505	0.0000	369,554,530	0.2505	0.0000
		Johnson Grass	342,754,834	0.0500	0.0000	360,203,148	0.0500	0.0000	369,554,530	0.0500	0.0000
		Health	342,754,834	0.1000	0.1000	360,203,148	0.1000	0.1000	369,554,530	0.1000	0.1000
		Senate Bill 40	342,754,834	0.0802	0.0800	360,203,148	0.0802	0.0800	369,554,530	0.0802	0.0800
Stone	City of Crane	General Revenue	6,430,601	0.8022	0.8022	6,726,436	0.8022	0.8022	7,194,630	0.7761	0.7761
		Parks & Recreation	6,430,601	0.1267	0.1267	6,726,436	0.1267	0.1267	7,194,630	0.1226	0.1226
		Library	6,430,601	0.1267	0.0000	6,726,436	0.1267	0.0000	7,194,630	0.1226	0.0000
	City of Galena	General Revenue	2,484,842	0.5052	0.5052	2,547,497	0.5052	0.5052	2,663,349	0.5052	0.5052
	City of Hurley	General Revenue	625,725	0.6435	0.6435	622,963	0.6668	0.6435	680,259	0.6524	0.6435
	City of Kimberling City	General Revenue	36,053,319	0.4410	0.4410	37,126,975	0.4410	0.4410	39,226,241	0.4347	0.4347
	City of Reeds Spring	General Revenue	4,183,129	0.6560	0.6560	4,405,852	0.6643	0.6643	5,142,619	0.6084	0.6084
	Village of McCord Bend	General Revenue	901,706	0.4966	0.4966	874,928	0.5000	0.4966	871,127	0.5000	0.5000
	Stone County Library	General Revenue	406,480,802	0.0682	0.0682	423,162,763	0.1000	0.1000	463,062,828	0.0985	0.0985
	Southern Stone Co Fire Prot Dist	General Revenue	323,679,229	0.2620	0.0000	337,239,012	0.2620	0.0000	369,594,744	0.2583	0.0000
	Hurley Fire Protection District	General Revenue	11,875,014	0.3243	0.3243	12,296,400	0.3243	0.3243	13,457,101	0.3223	0.3223
	North Stone-Northeast Barry FPD	General Revenue	23,950,678	0.2924	0.2924	24,720,850	0.2924	0.2924	35,531,141	0.2203	0.2203
	Hurley R-I School District	Operating Funds-Schools	8,340,414	3.9700	3.9700	8,677,124	3.9700	3.9700	9,587,152	3.9316	3.8315
		Debt Service	8,340,414	0.5830	0.5830	8,677,124	0.5830	0.5830	9,587,152	0.7601	0.7215
	Galena R-II School District	Operating Funds-Schools	22,198,339	3.2039	3.2039	23,412,066	3.2104	3.2039	25,677,739	3.1776	3.1769
		Debt Service	22,198,339	0.8755	0.5322	23,412,066	0.8617	0.5322	25,677,739	0.5300	0.5300
	Crane R-III School District	Operating Funds-Schools	20,577,576	3.1521	3.1521	21,187,250	3.1424	3.1424	23,263,518	3.0684	3.0684
		Debt Service	**	**	**	21,187,250	0.5207	0.4500	23,263,518	0.7111	0.5240
	Reeds Spring R-IV School District	Operating Funds-Schools	253,440,359	3.0500	3.0500 B	264,837,279	3.0507	3.0500	291,135,023	2.9938	2.9938
		Debt Service	253,440,359	1.2315	0.7100	264,837,279	1.2446	0.7100	291,135,023	1.3012	0.7600
	Blue Eye R-V School District	Operating Funds-Schools	69,685,208	3.2602	3.2602	71,594,793	3.2691	3.2691	78,089,299	3.2259	3.2259
		Debt Service	69,685,208	1.3374	0.8000	71,594,793	1.1857	0.8000	78,089,299	0.8191	0.8000
	Stone County	General Revenue	406,480,802	0.2828	0.1300	423,162,763	0.2828	0.1300	463,062,828	0.2785	0.1300
		Road & Bridge	406,480,802	0.2048	0.0000	423,162,763	0.2048	0.0000	463,062,828	0.2017	0.0000
		Health	406,480,802	0.0780	0.0780	423,162,763	0.0780	0.0780	463,062,828	0.0768	0.0768
		Senior Services	406,480,802	0.0480	0.0480	423,162,763	0.0480	0.0480	463,062,828	0.0473	0.0473
Sullivan	Sullivan County Ambulance District	General Revenue	68,712,025	0.5013	0.5000	72,905,759	0.5013	0.5000	74,958,821	0.5013	0.5000
	Locust Creek Watershed Subdistrict	General Revenue	20,555,146	0.3858	0.3858	21,406,673	0.3858	0.3858	22,497,790	0.3871	0.3871
	Harris Spec Rd Dist Sullivan Co	Road & Bridge	435,584	0.3497	0.3497	473,597	0.3469	0.3469	541,982	0.3330	0.3330
	Milan Special Road Dist Sullivan Co	Road & Bridge	11,047,927	0.3171	0.3171	11,076,463	0.3188	0.3188	10,673,538	0.3325	0.3325
	West Buchanan Road Dist Sullivan Co	Road & Bridge	2,493,099	0.3500	0.3500	2,609,835	0.3500	0.3500	2,445,692	0.3500	0.3500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Sullivan	West Buchanan Road Dist Sullivan Co	Special Road and Bridge	2,493,099	0.3500	0.3500	2,609,835	0.3500	0.3500	**	**	**
	City of Green Castle	General Revenue	941,499	0.5557	0.5557	927,812	0.5678	0.5678	987,630	0.5677	0.5677
	City of Green City	General Revenue	4,044,862	0.5039	0.5000	4,134,525	0.5060	0.5060	4,302,103	0.5060	0.5060
		Lights	4,044,862	0.1800	0.1800	4,134,525	0.1800	0.1800	4,302,103	0.1800	0.1800
		Fire	4,044,862	0.3066	0.3000	4,134,525	0.3079	0.3079	4,302,103	0.3079	0.3079
	City of Harris	General Revenue	148,378	0.9000	0.0000	186,655	0.8998	0.0000	194,820	0.8876	0.0000
	Village of Humphreys	General Revenue	232,621	0.7500	0.0100	237,436	0.7500	0.7300	259,967	0.7500	0.7500
		Parks & Recreation	232,621	0.5000	0.0100	237,436	0.4998	0.4900	259,967	0.5000	0.5000
		Lights	232,621	1.5000	0.5000	237,436	1.4997	0.0100	259,967	1.5000	0.0000
		Streets	232,621	1.0000	0.7500	237,436	1.0000	0.0100	259,967	1.0000	0.0000
	City of Milan	General Revenue	10,963,442	0.7417	0.6800	11,051,715	0.7457	0.6800	10,700,289	0.7741	0.7200
		Park	10,963,442	0.1000	0.1000	11,051,715	0.1000	0.1000	10,700,289	0.1000	0.1000
		Recreation	10,963,442	0.0500	0.0500	11,051,715	0.0500	0.0500	10,700,289	0.0500	0.0500
	Village of Newtown	General Revenue	667,946	1.0000	1.0000	680,361	0.9999	0.9999	698,858	0.9999	0.9999
		Parks & Recreation	**	**	**	680,361	0.2000	0.2000 A	698,858	0.2000	0.2000
		GR - Temp	**	**	**	680,361	0.3000	0.3000 A	698,858	0.2999	0.2999
		Debt Service	667,946	0.4342	0.4342	680,361	0.4189	0.4189	698,858	0.3935	0.3935
	Village of Osgood	General Revenue	116,493	1.0000	1.0000	122,644	0.9998	0.9998	110,186	1.0000	1.0000
		General Revenue-temp	116,493	0.3000	0.3000 A	122,644	0.2996	0.2996	110,186	0.3000	0.3000
	Sullivan County Library	General Revenue	68,712,025	0.1000	0.1000	72,905,759	0.1000	0.1000	74,958,821	0.1000	0.1000
	Bowman Township of Sullivan Co	General Revenue	5,589,173	0.1000	0.1000	5,722,667	0.1000	0.1000	5,976,840	0.1000	0.1000
		Road & Bridge	5,589,173	0.5000	0.5000	5,722,667	0.5000	0.5000	5,976,840	0.5000	0.5000
		Special Road and Bridge	5,589,173	0.3500	0.3500 A	5,722,667	0.3500	0.3500	5,976,840	0.3500	0.3500
	Buchanan Township of Sullivan Co	General Revenue	3,662,985	0.1000	0.1000	3,777,237	0.1000	0.1000	3,701,723	0.1000	0.1000
		Road & Bridge	3,662,985	0.5000	0.5000	3,777,237	0.5000	0.5000	3,701,723	0.5000	0.5000
		Special Road and Bridge	3,662,985	0.3500	0.3500 A	3,777,237	0.3500	0.3500	3,701,723	0.3500	0.3500
	Clay Township of Sullivan Co	General Revenue	5,072,018	0.1000	0.1000	5,369,043	0.1000	0.1000	5,716,105	0.1000	0.1000
		Road & Bridge	5,072,018	0.5000	0.5000	5,369,043	0.5000	0.5000	5,716,105	0.5000	0.5000
		Special Road and Bridge	5,072,018	0.3500	0.3500	5,369,043	0.3500	0.3500	5,716,105	0.3500	0.0000 A
	Duncan Township of Sullivan Co	General Revenue	3,414,441	0.1000	0.1000	3,525,534	0.1000	0.1000	3,721,949	0.1000	0.1000
		Road & Bridge	3,414,441	0.5000	0.5000	3,525,534	0.5000	0.5000	3,721,949	0.5000	0.5000
		Special Road and Bridge	3,414,441	0.3500	0.3500	3,525,534	0.3500	0.3500	3,721,949	0.3500	0.3500 A
	Jackson Township of Sullivan Co	General Revenue	4,237,520	0.1000	0.1000	4,425,014	0.1000	0.1000	4,597,173	0.1000	0.1000
		Road & Bridge	4,237,520	0.4780	0.4780	4,425,014	0.4780	0.4780	4,597,173	0.4780	0.4780
		Special Road and Bridge	4,237,520	0.3500	0.3500 A	4,425,014	0.3500	0.3500	4,597,173	0.3500	0.3500
	Liberty Township of Sullivan Co	General Revenue	2,815,590	0.1000	0.1000	2,926,451	0.1000	0.1000	3,137,844	0.0999	0.0999
		Road & Bridge	2,815,590	0.5000	0.5000	2,926,451	0.5000	0.5000	3,137,844	0.4995	0.4995
		Special Road and Bridge	2,815,590	0.3500	0.3500	2,926,451	0.3500	0.3500	3,137,844	0.3497	0.3497

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Sullivan	Morris Township of Sullivan Co	General Revenue	2,503,664	0.1000	0.1000	2,864,315	0.1000	0.1000	3,042,353	0.1000	0.1000	
		Road & Bridge	2,503,664	0.5000	0.5000	2,864,315	0.5000	0.5000	3,042,353	0.5000	0.5000	
		Special Road and Bridge	2,503,664	0.3500	0.3500	A	2,864,315	0.3500	0.3500	3,042,353	0.3500	0.3500
	Penn Township of Sullivan Co	General Revenue	9,826,212	0.1000	0.1000	11,446,543	0.1000	0.1000	11,676,572	0.1000	0.1000	
		Road & Bridge	9,826,212	0.5000	0.5000	11,446,543	0.5000	0.5000	11,676,572	0.5000	0.5000	
	Pleasant Hill Township, Sullivan Co	General Revenue	3,588,020	0.1000	0.1000	3,797,027	0.1000	0.1000	3,810,906	0.1000	0.1000	
		Road & Bridge	3,588,020	0.5000	0.5000	3,797,027	0.5000	0.5000	3,810,906	0.5000	0.5000	
		Special Road and Bridge	3,588,020	0.3500	0.3500	3,797,027	0.3500	0.3500	3,810,906	0.3500	0.3500	A
	Polk Township of Sullivan Co	General Revenue	22,132,576	0.1000	0.1000	22,933,482	0.1000	0.1000	23,358,116	0.1000	0.1000	
		Road & Bridge	22,132,576	0.5000	0.5000	22,933,482	0.5000	0.5000	23,358,116	0.5000	0.5000	
		Special Road and Bridge	22,132,576	0.3500	0.3500	22,933,482	0.3500	0.3500	23,358,116	0.3500	0.3500	
	Taylor Township of Sullivan Co	General Revenue	1,612,877	0.1000	0.1000	1,673,221	0.1000	0.1000	1,725,753	0.1000	0.1000	
		Road & Bridge	1,612,877	0.5000	0.5000	1,673,221	0.5000	0.5000	1,725,753	0.5000	0.5000	
		Special Road and Bridge	1,612,877	0.3500	0.3500	1,673,221	0.3500	0.3500	1,725,753	0.3500	0.3500	A
	Union Township of Sullivan Co	General Revenue	4,162,587	0.1000	0.1000	4,338,187	0.1000	0.1000	4,388,138	0.1000	0.1000	
		Road & Bridge	4,162,587	0.5000	0.5000	4,338,187	0.5000	0.5000	4,388,138	0.5000	0.5000	
		Special Road and Bridge	4,162,587	0.3500	0.3500	4,338,187	0.3500	0.3500	4,388,138	0.3500	0.3500	A
	Medicine Creek Fire Protection Dist	General Revenue	21,607,669	0.3000	0.3000	21,986,976	0.3000	0.3000	22,383,671	0.3000	0.3000	
	Galt Fire Protection District	General Revenue	11,391,565	0.3000	0.3000	11,652,632	0.3000	0.3000	12,184,614	0.3000	0.3000	
	Green City R-I School District	Operating Funds-Schools	17,996,087	4.4603	3.7632	22,600,415	4.4602	3.7941	20,665,245	4.4491	3.7599	
		Debt Service	17,996,087	0.8151	0.5800	22,600,415	0.6244	0.5800	20,665,245	0.7198	0.6200	
	Milan C-2 School District	Operating Funds-Schools	32,450,122	3.7400	3.7400	33,771,560	3.7400	3.3500	34,689,685	3.7008	3.3500	
	Newtown-Harris R-III School Dist	Operating Funds-Schools	9,542,580	6.7015	5.0000	9,423,093	6.8070	5.0000	9,762,628	6.8257	5.0000	
	Sullivan County	General Revenue	68,712,025	0.4000	0.2312	72,905,759	0.4000	0.2436	74,958,821	0.4000	0.2485	
		Health	68,712,025	0.2504	0.2504	72,905,759	0.2504	0.2504	74,958,821	0.2504	0.2504	
		Hospital	68,712,025	0.4300	0.4300	72,905,759	0.4300	0.4300	74,958,821	0.4300	0.4300	
Taney	Taney County Ambulance District	General Revenue	738,690,163	0.2014	0.0000	780,797,702	0.2015	0.0000	917,522,797	0.1893	0.0000	
	City of Branson	General Revenue	378,311,049	0.4853	0.4853	390,306,697	0.4902	0.4902	471,418,771	0.4542	0.4535	
	City of Forsyth	General Revenue	19,883,949	0.5336	0.5336	20,476,320	0.5337	0.5337	22,193,765	0.5218	0.5218	
		Debt Service	19,883,949	0.4600	0.3500	20,476,320	0.3919	0.3500	22,193,765	0.3576	0.3576	
	City of Hollister	General Revenue	36,240,256	0.5677	0.5677	37,584,249	0.5691	0.5690	43,101,356	0.5527	0.5527	
		Debt Service	36,240,256	0.6961	0.1285	37,584,249	0.6898	0.1272	43,101,356	0.5941	0.2935	
	City of Rockaway Beach	General Revenue	5,111,575	0.6923	0.6923	5,405,404	0.6958	0.6958	6,115,468	0.6693	0.6693	
		Debt Service	5,111,575	0.5801	0.5801	**	**	**	**	**	**	
	Village of Merriam Woods	General Revenue	5,346,867	0.5000	0.5000	5,826,715	0.5000	0.5000	7,779,232	0.4737	0.4737	
		Debt Service	5,346,867	0.1942	0.1942	**	**	**	**	**	**	
	Village of Bull Creek	General Revenue	472,879	0.5000	0.4945	456,596	0.5000	0.4945	530,106	0.4503	0.4503	
	Western Taney Co Fire Prot Dist	General Revenue	227,942,830	0.3900	0.3900	250,040,908	0.3900	0.3900	293,091,953	0.3643	0.3643	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Taney	Central Taney County Fire Prot Dist	General Revenue	57,684,868	0.4100	0.4100	62,460,773	0.4100	0.4100	67,869,456	0.4007	0.4007
	Cedarcreek Fire Protection Dist	General Revenue	3,866,414	0.3000	0.3000 A	3,953,448	0.3000	0.3000	4,226,837	0.2967	0.2967
	Protem Fire Protection District	General Revenue	5,291,706	0.3000	0.3000 A	5,560,516	0.3000	0.3000	5,877,415	0.3000	0.3000
	Bradleyville R-I School District	Operating Funds-Schools	6,630,217	3.9124	3.7000	7,166,065	3.9124	3.7000	7,151,405	3.9124	3.7000
	Taneyville R-II School District	Operating Funds-Schools	8,256,912	3.3384	3.3384	8,817,878	3.5516	3.4300 B	8,850,418	3.5516	3.4300
		Debt Service	8,256,912	0.8940	0.8318	8,817,878	0.9536	0.8344	8,850,418	0.9296	0.8344
	Forsyth R-III School District	Operating Funds-Schools	59,456,035	3.3207	3.3207	63,546,040	3.3233	3.3233	69,140,943	3.2476	3.2476
		Debt Service	59,456,035	0.7253	0.4200	63,546,040	0.9658	0.4200	69,140,943	0.8056	0.8056
	Branson R-IV School District	Operating Funds-Schools	497,140,209	2.7500	2.7500	522,078,775	2.7500	2.7500	603,035,761	3.2000	3.2000 B
		Debt Service	497,140,209	0.9862	0.7000	522,078,775	1.1330	0.7000	624,029,091	0.7630	0.7000
	Hollister R-V School District	Operating Funds-Schools	112,684,049	3.6618	3.6604	120,559,753	3.6638	3.5604	146,532,152	3.3803	3.3803
		Debt Service	112,684,049	0.5796	0.5796	120,559,753	0.6960	0.6796	146,532,152	0.8926	0.8597
	Kirbyville R-VI School District	Operating Funds-Schools	26,306,206	3.3824	3.3824	27,888,112	3.3907	3.3907	32,472,446	3.2079	3.2079
		Debt Service	26,306,206	1.5460	0.9000	27,888,112	1.5643	0.9000	32,472,446	1.2548	0.9000
	Mark Twain R-VIII School District	Operating Funds-Schools	5,296,046	3.5013	3.5000	5,317,818	3.5013	3.4935	5,626,662	3.4879	3.4879
	Taney County	General Revenue	738,690,163	0.2618	0.0000	780,797,702	0.2620	0.0000	896,529,467	0.2523	0.0000
		Road & Bridge	738,690,163	0.2014	0.0000	780,797,702	0.2015	0.0000	917,522,797	0.1893	0.0000
		Health	738,690,163	0.1404	0.1404	780,797,702	0.1404	0.1404	896,529,467	0.1352	0.1352
		Developmentally Disabled	738,690,163	0.0906	0.0906	780,797,702	0.0907	0.0907	896,529,467	0.0873	0.0873
Texas	City of Cabool	General Revenue	14,950,064	0.7468	0.7468	15,614,190	0.7496	0.7496	15,887,721	0.7496	0.7496
	City of Houston	General Revenue	18,482,996	0.3409	0.3409	18,986,569	0.3433	0.3433	20,430,547	0.3290	0.3290
		Debt Service	18,482,996	0.3117	0.3117	18,986,569	0.2840	0.2840	20,430,547	0.2147	0.2147
	City of Licking	General Revenue	9,340,046	0.4424	0.4424	9,786,168	0.4424	0.4424	9,663,378	0.4496	0.4496
		Debt Service	9,340,046	0.2677	0.2677	9,786,168	0.3995	0.3995	9,663,378	0.3622	0.3622
	Village of Raymondville	General Revenue	1,803,089	0.3582	0.3582	2,085,821	0.3582	0.3582	2,010,630	0.3800	0.3800
	City of Summersville	General Revenue	2,697,853	0.6289	0.6289	2,857,853	0.6289	0.6289	3,381,468	0.5823	0.5823
		Debt Service	2,697,853	0.8374	0.8374	2,857,853	0.7734	0.7734	3,381,468	0.6566	0.6566
	Texas County Library District	General Revenue	158,183,821	0.1000	0.1000	165,519,461	0.1000	0.1000	169,541,524	0.1000	0.1000
	Boone Township of Texas Co	General Revenue	1,565,272	0.1000	0.0750	1,685,703	0.1000	0.0750	1,723,518	0.1000	0.0750
		Road & Bridge	1,565,272	0.2835	0.2469	1,685,703	0.2843	0.2469	1,723,518	0.2843	0.2469
	Burdine Township of Texas Co	General Revenue	24,301,063	0.0928	0.0928	25,346,583	0.0928	0.0928	26,074,694	0.0928	0.0928
		Road & Bridge	24,301,063	0.3096	0.3096	25,346,583	0.3096	0.3096	26,074,694	0.3096	0.3096
	Carroll Township of Texas Co	General Revenue	6,491,304	0.1000	0.1000	6,795,904	0.1000	0.1000	7,681,527	0.0968	0.0968
		Road & Bridge	6,491,304	0.3530	0.3530	6,795,904	0.3530	0.3530	7,681,527	0.3417	0.3417
	Cass Township of Texas Co	General Revenue	8,083,046	0.1000	0.1000	8,496,222	0.1000	0.1000	8,623,986	0.1000	0.1000
		Road & Bridge	8,083,046	0.3352	0.3352	8,496,222	0.3352	0.3352	8,623,986	0.3352	0.3352
	Clinton Township of Texas Co	General Revenue	11,833,165	0.1000	0.1000	12,133,810	0.1000	0.1000	11,994,231	0.1000	0.1000
		Road & Bridge	11,833,165	0.5000	0.5000	12,133,810	0.5000	0.5000	11,994,231	0.5000	0.5000

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Texas	Current Township of Texas Co	General Revenue	1,523,546	0.0994	0.0994	1,588,839	0.0993	0.0993	1,588,274	0.0994	0.0994
		Road & Bridge	1,523,546	0.3018	0.3018	1,588,839	0.3018	0.3018	1,588,274	0.3021	0.3021
	Date Township of Texas Co	General Revenue	2,953,007	0.0920	0.0920	3,064,983	0.0920	0.0920	3,437,595	0.0920	0.0920
		Road & Bridge	2,953,007	0.2864	0.2864	3,064,983	0.2864	0.2864	3,437,595	0.2864	0.2864
	Jackson Township of Texas Co	General Revenue	7,119,666	0.1000	0.1000	7,632,227	0.1000	0.1000	7,820,102	0.1000	0.1000
		Road & Bridge	7,119,666	0.3598	0.3598	7,632,227	0.3598	0.3598	7,820,102	0.3621	0.3621
	Lynch Township of Texas Co	General Revenue	8,502,325	0.0999	0.0999	8,801,804	0.1000	0.1000	8,634,777	0.1000	0.1000
		Road & Bridge	8,502,325	0.3054	0.3054	8,801,804	0.3086	0.3086	8,634,777	0.3146	0.3146
	Morris Township of Texas Co	General Revenue	5,799,369	0.1000	0.1000	5,748,420	0.1000	0.1000	5,792,995	0.1000	0.1000
		Road & Bridge	5,799,369	0.3237	0.3237	5,748,420	0.3269	0.3269	5,792,995	0.3269	0.3269
	Ozark Township of Texas Co	General Revenue	3,577,102	0.1000	0.1000	3,639,774	0.1000	0.1000	3,717,904	0.1000	0.1000
		Road & Bridge	3,577,102	0.3460	0.3460	3,639,774	0.3460	0.3460	3,717,904	0.3503	0.3503
	Pierce Township of Texas Co	General Revenue	2,992,047	0.1000	0.1000	3,103,635	0.1000	0.1000	3,450,625	0.1000	0.1000
		Road & Bridge	2,992,047	0.3257	0.3257	3,103,635	0.3257	0.3257	3,450,625	0.3257	0.3257
	Piney Township of Texas Co	General Revenue	34,426,740	0.1000	0.1000	35,870,150	0.1000	0.1000	37,458,913	0.0992	0.0992
		Road & Bridge	34,426,740	0.3116	0.3116	35,870,150	0.3122	0.3122	37,458,913	0.3098	0.3098
	Roubidoux Township of Texas Co	General Revenue	10,267,247	0.0978	0.0978	11,393,243	0.0978	0.0978	11,251,769	0.0990	0.0990
		Road & Bridge	10,267,247	0.2921	0.2921	11,393,243	0.2922	0.2922	11,251,769	0.2959	0.2959
	Sargent Township of Texas Co	General Revenue	2,465,473	0.0700	0.0700	2,504,208	0.0700	0.0700	2,726,596	0.0700	0.0700
		Road & Bridge	2,465,473	0.2800	0.2800	2,504,208	0.2800	0.2800	2,726,596	0.2800	0.2800
	Sherrill Township of Texas Co	General Revenue	22,054,381	0.0991	0.0991	23,249,958	0.0991	0.0991	23,133,012	0.0997	0.0997
		Road & Bridge	22,054,381	0.3497	0.3497	23,249,958	0.3499	0.3499	23,133,012	0.3522	0.3522
	Upton Township of Texas Co	General Revenue	4,592,057	0.1000	0.1000	4,815,550	0.1000	0.1000	4,753,168	0.1000	0.1000
		Road & Bridge	4,592,057	0.3099	0.3099	4,815,550	0.3106	0.3106	4,753,168	0.3147	0.3147
	Success R-VI School District	Operating Funds-Schools	5,737,297	2.7500	2.7500	5,943,680	2.7500	2.7500	5,838,099	2.7500	2.7500
	Houston R-I School District	Operating Funds-Schools	41,438,440	2.8589	2.8589	43,014,495	2.8758	2.8758	44,849,657	2.8437	2.8437
		Debt Service	41,438,440	0.7851	0.6800	43,014,495	0.6056	0.6056	44,849,657	0.8894	0.8000
	Summersville R-II School District	Operating Funds-Schools	20,120,618	3.0000	3.0000	20,886,370	3.0000	3.0000	22,943,562	2.9631	2.9631
	Licking R-VIII School District	Operating Funds-Schools	27,460,797	2.7500	2.7500	29,039,754	2.7500	2.7500	29,344,047	2.7500	2.7500
	Cabool R-IV School District	Operating Funds-Schools	35,294,781	2.6472	2.6472	36,781,039	2.5961	2.5961	38,061,350	2.6613	2.6613
		Operating Schools - Temp	35,294,781	0.5628	0.5628 A	36,781,039	0.5628	0.5628	38,061,350	0.5628	0.5487
	Plato R-V School District	Operating Funds-Schools	21,343,394	2.9414	2.9414	23,356,107	2.9311	2.9311	24,442,039	2.8990	2.8990
	Raymondville R-VII School District	Operating Funds-Schools	6,428,747	3.1411	2.9500	6,963,385	3.1336	3.1336	7,123,965	3.2130	3.2000
		Debt Service	6,428,747	1.1239	0.7200	6,963,385	0.2026	0.2026	7,123,965	0.3763	0.3500
	Texas County	General Revenue	158,183,821	0.2776	0.0000	165,519,461	0.2776	0.0000	169,541,524	0.2776	0.0000
		Health	158,183,821	0.1000	0.1000	165,519,461	0.1000	0.1000	169,541,524	0.1000	0.1000
		Senate Bill 40	158,183,821	0.1000	0.1000	165,519,461	0.1000	0.1000	169,541,524	0.1000	0.1000
Vernon	Vernon County Ambulance District	General Revenue	204,709,781	0.1500	0.1500	210,895,439	0.1500	0.1500	214,323,916	0.1500	0.1500

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Vernon	City of Bronaugh	General Revenue	935,453	0.1330	0.1300	956,765	0.1330	0.1300	976,418	0.1329	0.1329
		Streets	935,453	0.2994	0.2700	956,765	0.2994	0.2700	976,418	0.2995	0.2995
	Village of Deerfield	General Revenue	419,672	0.3500	0.3500	435,156	0.3500	0.3500	447,588	0.3500	0.3500
	Village of Harwood	General Revenue	267,434	1.0000	0.9939	248,938	1.0000	0.9939	268,457	0.9998	0.9939
	City of Metz	General Revenue	407,098	0.6000	0.5608	348,085	0.6000	0.5608	424,181	0.6000	0.5608
	Village of Milo	General Revenue	265,162	0.7499	0.7499	265,870	0.7500	0.7500	283,781	0.7500	0.7500
	Village of Moundville	General Revenue	534,667	0.4079	0.4079	520,966	0.4187	0.4079	504,576	0.4330	0.4330
		Parks & Recreation	534,667	0.2000	0.2000	520,966	0.2000	0.2000	504,576	0.2000	0.2000
	City of Nevada	General Revenue	85,156,348	0.6533	0.5350	86,360,958	0.6548	0.6548	85,052,540	0.6696	0.6696
		Parks & Recreation	85,156,348	0.1988	0.0000	86,360,958	0.1992	0.0000	85,052,540	0.2000	0.0000
		Library	85,156,348	0.1988	0.1988	86,360,958	0.1992	0.1988	85,052,540	0.2000	0.2000
	City of Richards	General Revenue	361,108	0.5000	0.3900	341,243	0.5000	0.5000	370,176	0.4984	0.4984
		Streets	361,108	0.2500	0.2000	341,243	0.2500	0.2500	370,176	0.2492	0.2492
	City of Schell City	General Revenue	967,072	0.7682	0.7682	983,941	0.7694	0.7694	991,113	0.7740	0.7740
	City of Sheldon	General Revenue	2,347,043	0.5294	0.5294	2,416,893	0.5294	0.5294	2,391,651	0.5373	0.5373
		Streets	2,347,043	0.1696	0.1696	2,416,893	0.1696	0.1696	2,391,651	0.1721	0.1721
	Village of Stotesbury	General Revenue	38,819	0.3500	0.3500	38,243	0.3500	0.3500	42,871	0.3245	0.3245
		Lights	38,819	0.1000	0.1000	38,243	0.1000	0.1000	42,871	0.0924	0.0924
		Streets	38,819	0.0500	0.0500	38,243	0.0497	0.0497	42,871	0.0450	0.0450
	City of Walker	General Revenue	1,328,014	0.5264	0.5264	1,344,644	0.5296	0.5296	1,441,619	0.5296	0.5296
		Lights	1,328,014	0.0500	0.0500	1,344,644	0.0500	0.0500	1,441,619	0.0500	0.0500
		Streets	1,328,014	0.1346	0.1346	1,344,644	0.1354	0.1354	1,441,619	0.1355	0.1355
	Bacon Township of Vernon Co	General Revenue	4,528,488	0.1000	0.1000	4,882,231	0.1000	0.1000	5,300,750	0.1000	0.1000
		Road & Bridge	4,528,488	0.3809	0.3809	4,882,231	0.3809	0.3809	5,300,750	0.3809	0.3809
		Special Road and Bridge	4,528,488	0.1700	0.1700 A	4,882,231	0.1700	0.1700	5,300,750	0.1700	0.1700 A
	Badger Township of Vernon Co	General Revenue	4,574,064	0.0950	0.0950	4,582,694	0.0961	0.0961	4,654,403	0.0961	0.0961
		Road & Bridge	4,574,064	0.3484	0.3484	4,582,694	0.3500	0.3500	4,654,403	0.3500	0.3500
		Special Road and Bridge	4,574,064	0.3400	0.3400 A	4,582,694	0.3400	0.3400	4,654,403	0.3400	0.3400
	Blue Mound Township of Vernon Co	General Revenue	3,416,684	0.1000	0.1000	3,438,863	0.1000	0.1000	3,434,453	0.1000	0.1000
		Road & Bridge	3,416,684	0.2610	0.2610	3,438,863	0.2610	0.2610	3,434,453	0.2617	0.2617
		Special Road and Bridge	3,416,684	0.1860	0.1860 A	3,438,863	0.1860	0.1860	3,434,453	0.1860	0.1860
	Center Township of Vernon Co	General Revenue	102,549,010	0.0997	0.1020	104,759,475	0.0997	0.0997	104,653,369	0.1000	0.1000 C
		Road & Bridge	102,549,010	0.3283	0.3523	104,759,475	0.3283	0.3283	104,653,369	0.3323	0.3323 C
	Clear Creek Township of Vernon Co	General Revenue	4,738,794	0.0989	0.0989	5,127,338	0.0989	0.0989	5,334,283	0.0989	0.0989
		Road & Bridge	4,738,794	0.3518	0.3518	5,127,338	0.3518	0.3518	5,334,283	0.3518	0.3518
	Coal Township of Vernon Co	General Revenue	3,454,162	0.1000	0.1000	3,600,101	0.1000	0.1000	3,694,345	0.1000	0.1000
		Road & Bridge	3,454,162	0.3500	0.3500	3,600,101	0.3500	0.3500	3,694,345	0.3500	0.3500
	Deerfield Township of Vernon Co	General Revenue	8,077,004	0.0925	0.0925	8,569,029	0.0925	0.0925	9,036,027	0.0919	0.0919

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Vernon	Deerfield Township of Vernon Co	Road & Bridge	8,077,004	0.3500	0.3500	8,569,029	0.3500	0.3500	9,036,027	0.3479	0.3479
		Special Road and Bridge	8,077,004	0.3500	0.3500 A	8,569,029	0.3500	0.3500	9,036,027	0.3479	0.3479
	Dover Township of Vernon Co	General Revenue	4,706,282	0.0996	0.0996	5,020,963	0.0996	0.0996	4,975,483	0.1000	0.0996
		Road & Bridge	4,706,282	0.3487	0.3487	5,020,963	0.3487	0.2702	4,975,483	0.3500	0.2702
		Special Road and Bridge	4,706,282	0.3487	0.3487	5,020,963	0.0034	0.3487 E	4,975,483	0.3487	0.3487
	Drywood Township of Vernon Co	General Revenue	9,389,356	0.1000	0.1000	9,510,600	0.1000	0.1000	9,731,652	0.1000	0.1000
		Road & Bridge	9,389,356	0.2860	0.2860	9,510,600	0.2864	0.2860	9,731,652	0.2864	0.2860
		Special Road and Bridge	9,389,356	0.2400	0.2400	9,510,600	0.2400	0.2400	9,731,652	0.3000	0.3000 A
	Harrison Township of Vernon Co	General Revenue	3,964,943	0.1000	0.1000	4,212,363	0.1000	0.1000	4,320,832	0.1000	0.1000
		Road & Bridge	3,964,943	0.3500	0.3500	4,212,363	0.3500	0.3500	4,320,832	0.3500	0.3500
		Special Road and Bridge	3,964,943	0.3500	0.3500 A	4,212,363	0.3500	0.3500	4,320,832	0.3500	0.3500
	Henry Township of Vernon Co	General Revenue	3,409,134	0.1000	0.1000	3,356,595	0.1000	0.1000	3,668,938	0.0990	0.0990
		Road & Bridge	3,409,134	0.3500	0.3500	3,356,595	0.3500	0.3500	3,668,938	0.3466	0.3466
		Special Road and Bridge	3,409,134	0.3500	0.3500 A	3,356,595	0.3500	0.3500	3,668,938	0.3466	0.3466
	Lake Township of Vernon Co	General Revenue	2,593,427	0.1000	0.1000	2,596,994	0.1000	0.1000	2,642,364	0.1000	0.1000
		Road & Bridge	2,593,427	0.5000	0.5000	2,596,994	0.5000	0.5000	2,642,364	0.5000	0.5000
		Special Road and Bridge	2,593,427	0.3500	0.3500 A	2,596,994	0.3500	0.3500	2,642,364	0.3500	0.3500
	Metz Township of Vernon Co	General Revenue	3,703,306	0.1000	0.1000	3,709,401	0.1000	0.1000	4,131,482	0.0996	0.0996
		Road & Bridge	3,703,306	0.3277	0.3277	3,709,401	0.3318	0.3318	4,131,482	0.3304	0.3304
		Special Road and Bridge	3,703,306	0.3500	0.3500	3,709,401	0.3500	0.3500	4,131,482	0.3500	0.3500 A
	Montevallo Township of Vernon Co	General Revenue	4,247,200	0.1000	0.1000	4,755,512	0.1000	0.1000	4,404,291	0.1000	0.1000
		Road & Bridge	4,247,200	0.3500	0.3500	4,755,512	0.3500	0.3500	4,404,291	0.3500	0.3500
		Special Road and Bridge	4,247,200	0.2500	0.2500 A	4,755,512	0.2500	0.2500	4,404,291	0.2500	0.2500 A
	Moundville Township of Vernon Co	General Revenue	5,879,659	0.1000	0.1000	5,878,838	0.1000	0.1000	6,076,507	0.1000	0.1000
		Road & Bridge	5,879,659	0.3500	0.3500	5,878,838	0.3500	0.3500	6,076,507	0.3500	0.3500
		Special Road and Bridge	5,879,659	0.2400	0.2400 A	5,878,838	0.2400	0.2400	6,076,507	0.2400	0.2400
	Osage Township of Vernon Co	General Revenue	3,760,943	0.1000	0.1000	3,918,949	0.1000	0.1000	3,605,056	0.1000	0.1000
		Road & Bridge	3,760,943	0.3500	0.3500	3,918,949	0.3500	0.3500	3,605,056	0.3500	0.3500
		Special Road and Bridge	3,760,943	0.2500	0.2500	3,918,949	0.2500	0.2500	3,605,056	0.2500	0.2500
	Richland Township of Vernon Co	General Revenue	2,762,374	0.1000	0.1000	2,777,500	0.1000	0.1000	2,969,164	0.0984	0.0984
		Road & Bridge	2,762,374	0.3500	0.3500	2,777,500	0.3500	0.3500	2,969,164	0.3445	0.3445
		Special Road and Bridge	2,762,374	0.3500	0.3500 A	2,777,500	0.3500	0.3500	2,969,164	0.3500	0.3500 A
	Virgil Township of Vernon Co	General Revenue	3,530,186	0.0809	0.0809	3,690,116	0.0809	0.0809	3,855,799	0.0809	0.0809
		Road & Bridge	3,530,186	0.2934	0.2934	3,690,116	0.2934	0.2934	3,855,799	0.2934	0.2934
	Walker Township of Vernon Co	General Revenue	5,257,935	0.0987	0.0987	5,356,864	0.0987	0.0987	5,342,134	0.0990	0.0987
		Road & Bridge	5,257,935	0.3285	0.3285	5,356,864	0.3285	0.3285	5,342,134	0.3295	0.3285
		Special Road and Bridge	5,257,935	0.3500	0.3500 A	5,356,864	0.3500	0.3500	5,342,134	0.3500	0.3500
	Washington Township of Vernon Co	General Revenue	20,166,830	0.1000	0.1000	21,151,013	0.1000	0.1000	22,492,584	0.0983	0.0983

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Vernon	Washington Township of Vernon Co	Road & Bridge	20,166,830	0.3500	0.3500	21,151,013	0.3500	0.3500	22,492,584	0.3441	0.3441
		Special Road and Bridge	20,166,830	0.3000	0.3000 A	21,151,013	0.3000	0.3000	22,492,584	0.2949	0.2949
	Nevada R-V School District	Operating Funds-Schools	144,982,406	3.4041	3.4202	149,111,289	3.4263	3.2965	151,988,072	3.4411	3.4411 C
		Operating Funds-Temp	144,982,406	0.1398	0.1398	149,111,289	0.1398	0.1398	151,988,072	0.1398	0.0000
		Debt Service	144,982,406	0.1973	0.0100	149,111,289	0.1895	0.1400	151,988,072	0.1400	0.1300
	Bronaugh R-VII School District	Operating Funds-Schools	10,752,378	3.5705	3.5705	11,050,290	3.6211	3.6211	11,262,050	3.6209	3.6209
	Sheldon R-VIII School District	Operating Funds-Schools	9,482,992	4.1821	3.4300	9,666,390	4.1821	3.4300	9,908,128	4.1869	3.4300
		Debt Service	9,482,992	0.9079	0.4900	9,666,390	0.7770	0.4900	9,908,128	0.7921	0.5500
	Northeast Vernon County R-I	Operating Funds-Schools	15,024,269	4.1897	3.4500	15,610,341	4.2350	3.4500	16,227,864	4.2551	3.4500
	Vernon County	General Revenue	204,709,781	0.3620	0.0995	210,895,439	0.3620	0.1584	214,323,916	0.3620	0.1422
		Health	204,709,781	0.1000	0.1000	210,895,439	0.1000	0.1000	214,323,916	0.1000	0.1000
Warren	Marthasville Community Amb Dist	General Revenue	76,168,515	0.1543	0.1543	79,552,952	0.1543	0.1543	84,641,295	0.1531	0.1531
		Ambulance	76,168,515	0.1350	0.1350	79,552,952	0.1350	0.1350	84,641,295	0.1339	0.1339
	Warren County Ambulance District	General Revenue	346,899,870	0.3328	0.3328	371,619,407	0.3328	0.3328	410,108,410	0.3253	0.3253
	City of Marthasville	General Revenue	9,907,005	0.5379	0.5379	11,313,290	0.5413	0.5413	12,677,777	0.5294	0.5294
		Lights	9,907,005	0.1227	0.1227	11,313,290	0.1235	0.1235	12,677,777	0.1208	0.1208
	City of Truesdale	General Revenue	12,281,047	0.6701	0.6701	14,521,782	0.6537	0.6537	16,377,048	0.6446	0.6446
		Debt Service	12,281,047	0.0686	0.0686	14,521,782	0.0819	0.0819	16,377,048	0.0575	0.0575
	City of Warrenton	General Revenue	82,613,526	0.2592	0.2592	87,903,229	0.2592	0.2592	100,569,874	0.2521	0.2521
		Parks & Recreation	82,613,526	0.1536	0.1536	87,903,229	0.1536	0.1536	100,569,874	0.1494	0.1494
	City of Wright City	General Revenue	31,990,265	0.4937	0.4937	37,733,065	0.4934	0.4934	43,742,363	0.4605	0.4605
		Parks & Recreation	31,990,265	0.0917	0.0917	37,733,065	0.0917	0.0917	43,742,363	0.0856	0.0856
		Lights	31,990,265	0.1833	0.1833	37,733,065	0.1832	0.1832	43,742,363	0.1710	0.1710
		Debt Service	31,990,265	0.0293	0.0293	37,733,065	0.1234	0.1234	43,742,363	0.0723	0.0723
	Village of Innsbrook	General Revenue	42,598,342	0.1300	0.1300	43,463,962	0.1342	0.1342	48,819,976	0.1273	0.1273
	Village of Pendleton	General Revenue	319,409	0.5000	0.5000	343,053	0.5000	0.5000	336,146	0.5000	0.5000
	Warren County Library District	General Revenue	426,588,591	0.0667	0.0667	455,489,720	0.0667	0.0667	499,334,789	0.0654	0.0654
		Library	426,588,591	0.0381	0.0381	455,489,720	0.0381	0.0381	499,334,789	0.0374	0.0374
	Wright City Fire Protection Dist	General Revenue	146,128,797	0.4069	0.4069	157,982,281	0.4069	0.4069	173,784,002	0.3953	0.3953
	Marthasville Fire Protection Dist	General Revenue	57,550,863	0.4062	0.4047	60,022,586	0.4062	0.4062	63,869,559	0.4018	0.3979
	Warrenton Fire Protection District	General Revenue	199,198,465	0.4323	0.4323	212,980,062	0.4323	0.4323	236,312,164	0.4238	0.4238
	Wright City R-II School District	Operating Funds-Schools	137,646,646	3.0966	3.0966	149,208,573	3.0938	3.0938	164,560,092	3.0068	3.0068
		Debt Service	137,646,646	1.0874	0.6800	149,208,573	0.8651	0.8500	164,560,092	1.2806	0.9370
	Warren Co R-III School District	Operating Funds-Schools	212,793,441	3.3224	3.2914	227,583,282	3.3186	3.2914	252,503,643	3.2677	3.2677
		Debt Service	212,793,441	0.6819	0.6189	227,583,282	1.2866	0.6189	252,503,643	1.0310	0.6189
	Warren County	General Revenue	426,588,591	0.2381	0.0936	455,489,720	0.2381	0.0754	499,334,789	0.2334	0.0993
		Road & Bridge	426,588,591	0.1715	0.1715	455,489,720	0.1715	0.1715	499,334,789	0.1681	0.1681
		Developmentally Disabled	426,588,591	0.1809	0.1600	455,489,720	0.1809	0.1600	499,334,789	0.1774	0.1600

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006				2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Washington	Washington County Ambulance Dist	General Revenue	181,214,404	0.2479	0.2479	188,727,688	0.2491	0.2491		209,456,486	0.2346	0.2346
	Village of Caledonia	General Revenue	1,042,510	0.1480	0.1480	1,086,799	0.1484	0.1484		1,179,163	0.1431	0.1431
	City of Irondale	General Revenue	1,800,822	0.4866	0.4866	1,858,599	0.4866	0.4866		1,919,619	0.4866	0.4866
	Village of Mineral Point	General Revenue	921,476	0.2714	0.2714	939,127	0.2852	0.2852		954,638	0.2851	0.2851
	City of Potosi	General Revenue	22,248,487	0.5870	0.5870	22,924,055	0.5889	0.5889		24,804,430	0.5698	0.5698
	Washington County Library District	General Revenue	181,214,404	0.1983	0.1983	188,727,688	0.1993	0.1993		209,456,486	0.1877	0.1877
	Potosi Fire Protection District	General Revenue	119,506,743	0.2495	0.2495	102,320,798	0.2996	0.2996		137,564,488	0.2367	0.2367
	Richwoods Fire Protection District	General Revenue	10,913,252	0.2899	0.2899	12,501,001	0.2899	0.2899		14,961,066	0.2572	0.2572
	Irondale Fire Protection District	General Revenue	7,724,786	0.4950	0.4950	8,168,449	0.4981	0.4981		9,114,362	0.4664	0.4664
	Caledonia Fire Protection District	General Revenue	4,479,374	0.3550	0.3550	4,653,084	0.3590	0.3590		5,290,220	0.3408	0.3408
	Kingston K-14 School District	Operating Funds-Schools	22,261,695	3.0694	3.0694	22,996,530	3.1196	3.0694		27,022,300	2.9246	2.9246
		Debt Service	22,261,695	1.9812	0.8700	22,996,530	1.3973	0.8700		27,022,300	1.4106	1.0148
	Potosi R-III School District	Operating Funds-Schools	67,125,881	2.7500	2.7500	70,833,230	2.7500	2.7500		80,568,478	2.7500	2.7500
		Debt Service	67,125,881	0.8065	0.5000	70,833,230	0.5206	0.5000		80,568,478	1.0456	0.5000
	Richwoods R-VII School District	Operating Funds-Schools	8,479,189	3.6728	3.2500	10,139,023	3.6734	3.2500		12,401,127	3.2385	3.2385
	Valley R-VI School District	Operating Funds-Schools	17,712,110	3.9742	3.9742	18,669,728	4.1296	4.1296		20,906,172	3.4760	3.4760
	Washington County	General Revenue	181,214,404	0.3868	0.1900	188,727,688	0.3887	0.1900		209,456,486	0.3661	0.1830
		Road & Bridge	181,214,404	0.2718	0.2718	188,727,688	0.2732	0.2732		209,456,486	0.2573	0.2573
		Health	181,214,404	0.1487	0.1487	188,727,688	0.1494	0.1494		209,456,486	0.1407	0.1407
		Hospital	181,214,404	0.1983	0.1983	188,727,688	0.1993	0.1993		209,456,486	0.1877	0.1877
		Senate Bill 40	181,214,404	0.1983	0.1983	188,727,688	0.1993	0.1993		209,456,486	0.1877	0.1877
		Senior Services	181,214,404	0.0496	0.0496	188,727,688	0.0498	0.0498		209,456,486	0.0469	0.0469
Wayne	East Wayne County Ambulance Dist	General Revenue	45,642,104	0.3000	0.3000	46,967,147	0.3000	0.3000		50,504,577	0.2922	0.2922
	Clearwater Ambulance District	General Revenue	52,868,815	0.3000	0.3000	56,423,429	0.3000	0.3000		63,544,443	0.2774	0.2774
	Village of Mill Spring	General Revenue	421,484	0.6752	0.4500	425,503	0.6848	1.1200	D	519,821	0.6213	0.6213
	City of Piedmont	General Revenue	15,022,818	0.2678	0.2200	15,504,248	0.2678	0.2200		18,780,603	0.2292	0.2200
		Lights	15,022,165	0.1751	0.1300	15,504,248	0.1751	0.1300		18,780,603	0.1498	0.1300
		Library	15,022,165	0.1134	0.1000	15,504,248	0.1134	0.1000		18,780,603	0.0970	0.0970
		Cemetery	15,022,165	0.0500	0.0300	15,504,248	0.0500	0.0300		18,780,603	0.0428	0.0300
	Clearwater Fire Protection District	General Revenue	37,791,641	0.3000	0.3000	42,569,774	0.2952	0.2952		47,141,576	0.2781	0.2781
	Greenville R-II School District	Operating Funds-Schools	30,983,591	2.7500	2.7500	32,476,069	2.7500	2.7500		35,844,351	2.7500	2.7500
		Debt Service	30,983,591	0.4661	0.3600	32,476,069	0.4006	0.3600		35,844,351	0.3991	0.3600
	Clearwater R-I School District	Operating Funds-Schools	52,303,636	2.7500	2.7500	55,705,823	2.7500	2.7500		63,229,908	2.7500	2.7500
		Debt Service	52,303,636	0.8119	0.3423	55,705,823	0.3575	0.3423		63,229,908	0.3665	0.3423
	Wayne County	General Revenue	101,908,748	0.3024	0.1450	106,370,793	0.3024	0.1450		117,227,222	0.2860	0.1450
		Road & Bridge	101,908,748	0.2318	0.1100	106,370,793	0.2318	0.1100		117,227,222	0.2192	0.1100
		Health	101,908,748	0.1000	0.1000	106,370,793	0.1000	0.1000		117,227,222	0.0946	0.0946
		Senate Bill 40	101,908,748	0.0907	0.0800	106,370,793	0.0907	0.0800		117,227,222	0.0858	0.0800

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007			
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Webster	Village of Diggins	General Revenue	1,776,333	0.2100	0.2100	1,806,192	0.2100	0.2100	1,963,998	0.2016	0.2016	
	City of Fordland	General Revenue	3,904,698	0.4038	0.4038	3,988,853	0.4043	0.4043	4,356,447	0.3893	0.3893	
	City of Marshfield	Parks & Recreation	57,457,245	0.1140	0.1000	59,252,256	0.1140	0.1000	69,828,636	0.1074	0.1000	
		Cemetery	57,457,245	0.1348	0.1000	59,252,256	0.1348	0.1000	69,828,636	0.1270	0.1000	
		Debt Service	57,457,245	0.3501	0.3501	59,252,256	0.4673	0.3700	69,828,636	0.3904	0.3700	
	City of Niangua	General Revenue	1,514,638	0.2688	0.2688	1,559,403	0.2687	0.2687	1,766,301	0.2494	0.2494	
	City of Rogersville	General Revenue	17,854,570	0.3315	0.3315	20,241,151	0.3315	0.1579	26,392,254	0.3077	0.3077	
		Debt Service	17,854,570	0.6630	0.4605	20,241,151	0.6341	0.6341	26,392,254	0.3887	0.3887	
	City of Seymour	General Revenue	12,780,946	0.3650	0.3600	13,121,561	0.3650	0.3600	14,475,275	0.3508	0.3508	
		Parks & Recreation	12,780,946	0.0811	0.0800	13,121,561	0.0811	0.0800	14,475,275	0.0779	0.0779	
		Library	12,780,946	0.0608	0.0600	13,121,561	0.0608	0.0600	6,687,331	0.0595	0.0595	
		Cemetery Fund	12,780,946	0.0507	0.0500	13,121,561	0.0507	0.0500	14,475,275	0.0487	0.0487	
	Webster County Library District	General Revenue	255,892,605	0.1200	0.1200	268,952,264	0.1200	0.1200	311,617,166	0.1158	0.1158	
	Southern Webster Co Fire Prot Dist	General Revenue	53,349,957	0.2954	0.2954	54,858,254	0.2984	0.2984	59,821,092	0.2919	0.2919	
	Marshfield Fire Protection District	General Revenue	**	**	**	**	**	**	46,716,089	0.3000	0.3000	A
	Niangua Fire Protection District	General Revenue	**	**	**	**	**	**	**	**	**	E
	Niangua R-V School District	Operating Funds-Schools	11,318,208	3.1268	3.1200	11,903,502	3.1750	3.1750	12,996,658	3.1253	3.0253	
	Fordland R-III School District	Operating Funds-Schools	24,681,788	2.7500	2.7500	25,329,362	2.7500	2.7500	26,960,665	2.7500	2.7500	
		Debt Service	24,681,788	1.4162	0.7900	25,329,362	0.8572	0.7900	26,960,665	0.9059	0.7900	
	Marshfield R-I School District	Operating Funds-Schools	136,064,031	2.7000	2.7000	142,794,021	2.7000	2.7000	162,071,717	2.7000	2.7000	
		Debt Service	136,064,031	1.1798	0.4000	142,794,021	1.1771	0.5000	162,071,717	0.9902	0.5000	
	Seymour R-II School District	Operating Funds-Schools	34,559,791	2.7500	2.7500	35,798,156	2.7500	2.7500	40,141,884	2.7500	2.7500	
	Webster County	General Revenue	268,762,971	0.2700	0.0583	282,156,830	0.2700	0.0000	318,431,737	0.2602	0.0000	
		Road & Bridge	268,762,971	0.1900	0.1900	282,156,830	0.1900	0.1900	318,431,737	0.1831	0.1831	
		Health	268,762,971	0.1400	0.1400	282,156,830	0.1400	0.1400	318,431,737	0.1349	0.1349	
		Senate Bill 40	268,762,971	0.0800	0.0800	282,156,830	0.0800	0.0800	318,431,737	0.0771	0.0771	
		Senior Services	**	**	**	**	**	**	318,431,737	0.0500	0.0500	A
Worth	Worth County Ambulance District	General Revenue	22,866,362	0.3000	0.1500	23,559,560	0.3000	0.1500	21,622,990	0.3000	0.1500	
	Worth Co Convalescent Center Dist	General Revenue	**	**	**	**	**	**	21,622,990	0.3500	0.3500	A
	Platte River Tributaries Sub Dist	General Revenue	577,840	0.3999	0.3999	577,840	0.3999	0.3999	578,570	0.4000	0.4000	
	East Fork of Grand River Watershed	General Revenue	2,590,480	0.2000	0.2000	2,755,566	0.1952	0.1952	2,610,616	0.2000	0.2000	
	Village of Allendale	General Revenue	442,897	0.4000	0.4000	440,556	0.4000	0.4000	415,650	0.4000	0.4000	
		Gen Revenue-Temp	442,897	0.2000	0.2000	**	**	**	**	**	**	
		General Revenue-Temp	**	**	**	440,556	0.2000	0.2000	415,650	0.2000	0.2000	A
	Village of Denver	General Revenue	200,871	0.5000	0.5000	196,689	0.5000	0.5000	164,010	0.5000	0.5000	
	City of Grant City	General Revenue	4,325,318	1.0000	1.0000	4,473,915	1.0000	1.0000	4,285,990	1.0000	1.0000	
		Health	4,325,318	0.1800	0.1800	4,473,915	0.1800	0.1800	4,285,990	0.1800	0.1800	
		Special Fund	4,325,318	0.3000	0.3000	4,473,915	0.3000	0.3000	4,285,990	0.3000	0.3000	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

			2005			2006			2007		
County	Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Worth	City of Sheridan	General Revenue	882,418	1.0000	1.0000	863,790	1.0000	1.0000	818,230	1.0000	1.0000
		Fire-Temp	882,418	0.2000	0.0000	**	**	**	**	**	**
	Village of Worth	General Revenue	188,989	0.5000	0.5000	192,709	0.5000	0.5000	176,990	0.5000	0.5000
	Sheridan Fire Protection District	General Revenue	4,310,585	0.1701	0.1701	4,405,842	0.1701	0.1701	4,094,450	0.1837	0.1837
	Worth County Fire Protection Dist	General Revenue	17,183,751	0.1866	0.1866	17,686,964	0.1866	0.1866	16,311,620	0.2000	0.2000
	Worth Co R-III School District	Operating Funds-Schools	20,621,250	3.4354	3.4354	21,261,970	3.5200	3.5200	22,033,340	3.4968	3.4968
	Worth County	General Revenue	22,866,362	0.5000	0.5000	23,559,560	0.5000	0.5000	21,622,990	0.5000	0.5000
		Library	22,866,362	0.1000	0.1000	23,559,560	0.1000	0.1000	21,622,990	0.1000	0.1000
		Road & Bridge	22,866,362	0.5000	0.5000	23,559,560	0.5000	0.5000	21,622,990	0.5000	0.5000
		Special Road and Bridge	**	**	**	23,559,560	0.3300	0.3300 A	21,622,990	0.3300	0.3300
		Senior Services	22,866,362	0.0500	0.0500	23,559,560	0.0500	0.0500	21,622,990	0.0500	0.0500
		General Revenue-Temp	22,866,362	0.3500	0.3500	23,559,560	0.3500	0.3350	**	**	**
		Spec Rd & Bridge-Temp	22,866,362	0.3300	0.3300	**	**	**	**	**	**
		General Revenue - Temp	**	**	**	**	**	**	21,622,990	0.3500	0.3350 A
Wright	City of Hartville	General Revenue	3,821,516	0.4845	0.4845	3,877,592	0.4845	0.4845	4,170,458	0.4646	0.4646
	City of Mansfield	General Revenue	8,868,042	0.4626	0.4626	8,991,629	0.4626	0.4626	9,692,950	0.4447	0.4447
		Streets	8,868,042	0.1408	0.1408	8,991,629	0.1408	0.1408	9,692,950	0.1353	0.1353
		Cemetery	8,868,042	0.0958	0.0958	8,991,629	0.0958	0.0958	9,692,950	0.0921	0.0921
	City of Mountain Grove	General Revenue	36,869,868	0.4474	0.4474	37,670,037	0.4505	0.0000	42,028,941	0.4408	0.0000
		Parks & Recreation	36,869,868	0.0597	0.0597	37,670,037	0.0601	0.0000	42,028,941	0.0588	0.0000
	City of Norwood	General Revenue	2,677,060	0.3942	0.3942	2,831,370	0.3942	0.3942	3,123,618	0.3707	0.3707
		Water	2,677,060	0.6287	0.6287	2,831,370	0.6287	0.6287	3,123,618	0.5912	0.5912
	Wright County Library	General Revenue	136,435,251	0.1397	0.1397	140,942,659	0.1398	0.1398	153,745,371	0.1363	0.1363
	Norwood R-I School District	Operating Funds-Schools	12,677,535	3.2917	3.2917	13,237,455	3.2938	3.2938	14,336,554	3.1758	3.1758
	Hartville R-II School District	Operating Funds-Schools	28,538,700	2.7500	2.7500	29,246,076	2.7500	2.7500	31,507,400	2.7500	2.7500
		Debt Service	28,538,700	0.8266	0.4800	29,246,076	0.5464	0.4800	31,507,400	0.5371	0.4800
	Mountain Grove R-III School Dist	Operating Funds-Schools	71,913,158	2.7500	2.7500	73,858,086	2.7500	2.7500	78,723,253	2.7500	2.7500
	Mansfield R-IV School District	Operating Funds-Schools	27,357,002	3.4200	3.4200 B	28,442,066	3.4200	3.4200	30,998,843	3.3164	3.3164
		Debt Service	27,357,002	0.8001	0.8000	28,442,066	0.7801	0.7800	30,998,843	0.7500	0.7300
	Manes R-V School District	Operating Funds-Schools	4,174,710	3.4933	3.4933	4,216,835	3.4803	3.4803	4,543,218	3.3907	3.3907
	Wright County	General Revenue	136,435,251	0.3093	0.0404	140,942,659	0.3095	0.0270	153,745,371	0.3018	0.0477
		Health	136,435,251	0.0798	0.0798	140,942,659	0.0799	0.0799	153,745,371	0.0779	0.0779
		Developmentally Disabled	136,435,251	0.0798	0.0798	140,942,659	0.0799	0.0799	153,745,371	0.0779	0.0779
St. Louis City	St Louis Public Libraries	General Revenue	3,866,005,847	0.5104	0.5104	3,860,761,615	0.5171	0.5171	4,382,963,005	0.4768	0.4768
	Baden Market Centre Spec Bus Dist	General Revenue	1,151,280	0.8261	0.8261	1,740,530	0.8261	0.8261	1,876,200	0.7863	0.7863
	Cherokee Station Special Bus Dist	General Revenue	2,373,840	0.7860	0.7860	2,392,880	0.7860	0.7860	3,167,600	0.6092	0.6092
	St. Louis Downtown Business Dist	General Revenue	0	0.0000	0.0000	**	**	**	**	**	**
	Kingsway Center Special Bus Dist	General Revenue	1,360,560	0.8206	0.8206	1,681,150	0.8206	0.8206	2,255,750	0.6765	0.6765

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied		2006 Assessed Value	2006 Ceiling	2006 Levied		2007 Assessed Value	2007 Ceiling	2007 Levied	
St. Louis City	Locust Central Business District	General Revenue	35,200,370	0.5644	0.5644		35,235,080	0.8500	0.8500		45,032,580	0.7070	0.7070	
	South Grand Square Spec Bus Dist	General Revenue	0	0.0000	0.0000		**	**	**		**	**	**	
	Central West End South SBD	General Revenue	15,006,110	0.6824	0.6824		19,632,180	0.6824	0.6824		25,880,130	0.5404	0.5404	
	Central West End North SBD	General Revenue	38,938,480	0.7088	0.7088		37,929,310	0.7277	0.7277		54,372,720	0.5341	0.5202	
	Soulard Special Business District	General Revenue	43,303,270	0.6381	0.3000		43,247,790	0.6389	0.3000		57,346,620	0.4990	0.4990	
	Waterman/Lake Special Business Dist	General Revenue	3,271,860	0.8500	0.8500	A	4,138,950	0.8500	0.8500		5,294,110	0.6818	0.6818	
	Westminister/Lake Special Bus Dist	General Revenue	7,666,910	0.8500	0.8500	A	7,731,990	0.8500	0.8500		9,199,520	0.7407	0.7407	
	Washington Place Special Bus Dist	General Revenue	3,690,880	0.8500	0.8500	A	3,776,500	0.8500	0.8500		5,294,270	0.6221	0.6221	
	East Loop/Parkview Gardens SBD	General Revenue	3,690,810	0.7011	0.7011		3,193,860	0.8102	0.8102		5,450,980	0.4871	0.4871	
	Cathedral Square Special Bus Dist	General Revenue	18,778,890	0.4920	0.4920		19,256,890	0.4920	0.4920		24,044,900	0.4043	0.4043	
	Central West End Southeast SBD	General Revenue	10,503,620	0.6526	0.6526		11,690,330	0.6526	0.6526		18,700,560	0.4274	0.4274	
	Cherokee-Lemp Special Business Dist	General Revenue	1,665,500	0.6574	0.6574		1,678,000	0.6574	0.6574		2,022,400	0.5637	0.5637	
	Gardenside Special Business Dist	General Revenue	11,692,660	0.5624	0.5624		11,401,330	0.5768	0.5768		**	**	**	A
	St. Louis Community College	General Revenue	24,854,810,894	0.2208	0.2231		25,076,432,601	0.2233	0.2233		28,961,412,943	0.2003	0.2003	C
	St. Louis City School District	Operating Funds-Schools	3,790,385,195	3.3509	3.3509		3,783,108,406	3.3982	3.3982		4,305,654,066	3.1322	3.1322	
		Debt Service	3,790,385,195	0.6254	0.6211		3,783,108,406	0.7271	0.6211		4,305,654,066	0.6211	0.6211	
	City of St. Louis	Parks & Recreation	3,575,176,629	0.0179	0.0179		3,569,374,004	0.0182	0.0182		4,096,948,677	0.0166	0.0166	
		Health	3,575,176,629	0.0179	0.0179		3,569,374,004	0.0182	0.0182		4,096,948,677	0.0166	0.0166	
		Hospital	3,575,176,629	0.0895	0.0895		3,569,374,004	0.0908	0.0908		4,096,948,677	0.0829	0.0829	
		Developmentally Disabled	3,866,005,847	0.1368	0.1368		3,860,761,615	0.1386	0.1386		4,382,963,005	0.1278	0.1278	
		Mental Health	3,866,005,847	0.0821	0.0821		3,860,761,615	0.0832	0.0832		4,382,963,005	0.0767	0.0767	
		Community Child Serv Tax	3,866,005,847	0.1900	0.1900	A	3,860,761,615	0.1900	0.1900		4,382,963,005	0.1752	0.1752	
		County Purposes	3,575,176,629	0.3134	0.3134		3,569,374,004	0.3179	0.3179		4,096,948,677	0.2903	0.2903	
		General Revenue No. 1	3,866,005,847	0.1458	0.1458		3,860,761,615	0.1477	0.1477		4,382,963,005	0.1362	0.1362	
		General Revenue No. 2	3,575,176,629	0.7229	0.7229		3,569,374,004	0.7334	0.7334		4,096,948,677	0.6697	0.6697	
		Debt Service	3,575,176,629	0.1743	0.1328		3,860,761,615	0.1486	0.1328		4,096,948,677	0.1550	0.1328	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

County	Political Subdivision	Purpose	2005 Assessed Value	2005 Ceiling	2005 Levied	2006 Assessed Value	2006 Ceiling	2006 Levied	2007 Assessed Value	2007 Ceiling	2007 Levied

LEGEND:

** Levy did not exist in the given year or was not certified due to insufficient substantiating data

A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy, see Appendix X for 2007 levies.

B A voter approved increase to an existing levy, see Appendix XI for 2007 levies.

C Levy includes a recoupment rate authorized by state law.

D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Results - Table 1.2 for 2007 levies.

E Levied a tax rate that was in excess of the legally permissible tax levy due to a dispute in ballot interpretation. A ballot was passed approving a rate equal to a fraction of a cent instead of one approved in whole cents.

F Article X, Section 11(g) of the Missouri Constitution allows the school board of the Kansas City 33 School District to set its tax levy at a rate that is lower than the court-ordered rate for the 1995 tax year (which was $4.96). The rate so established may be changed from year to year by the school board of the district.

NOTE:

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.

In 2003, all political subdivisions in St. Louis County were required to levy a separate tax rate for each subclass of property per section 137.073 RSMo as revised by House Bill 1150 passed in 2002. This statute and the tax rate calculation was revised again by Senate Bill 960 (SB960) passed in 2004. Due to SB960's effective date of October 1, 2004 for all political subdivisions not within St. Louis County, all political subdivisions partially in St. Louis County and partially in another county levied a single tax rate applied to all property in 2004. Political subdivisions partially in St. Louis County and partially in another county(ies) were required by SB 267 passed in 2005 to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions of SB 960.

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate				Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied
Clay														
City of Gladstone	General Revenue	251,324,540	0.9290	0.9290	219,230	0.9290	0.9290	65,556,859	0.8550	0.8550		62,654,282	0.9290	0.5391
St. Louis														
City of Bella Villa	General Revenue	8,260,980	0.2060	0.0000	0	0.0000	0.0000	608,688	0.2380	0.0000		1,247,732	0.3030	0.0000
City of Bellefontaine Neighbors	General Revenue	72,225,580	0.1980	0.1500	260	0.2500	0.1500	8,547,120	0.2070	0.1500		15,715,353	0.2360	0.0000
Village of Bellerive Acres	General Revenue	3,872,770	0.5510	0.5510	0	0.0000	0.0000	218,470	0.5070	0.5070		603,978	0.7670	0.7670
Village of Bel Nor	General Revenue	19,702,758	0.4590	0.4590	0	0.0000	0.0000	405,820	0.4600	0.4600		2,753,956	0.5530	0.5530
	Debt Service	19,702,758	0.2560	0.2560	0	0.2560	0.2560	405,820	0.2560	0.2560		2,753,956	0.2560	0.2560
Village of Bel Ridge	General Revenue	10,894,160	0.3310	0.3310	0	0.0000	0.0000	4,821,600	0.3500	0.3500		0	0.0000	0.0000
	Debt Service	10,894,160	0.1680	0.1680	0	0.1680	0.1680	4,821,600	0.1680	0.1680		0	0.1680	0.1680
City of Berkeley	General Revenue	49,169,000	0.5680	0.5680	15,300	0.8110	0.8110	103,252,468	0.7640	0.7640		58,995,706	0.9200	0.9200
	Pension	49,169,000	0.0870	0.0870	15,300	0.1050	0.1050	103,252,468	0.1010	0.1010		58,995,706	0.1100	0.1100
	Debt Service	49,169,000	0.1720	0.1720	15,300	0.1720	0.1720	103,252,468	0.1720	0.1720		58,995,706	0.1720	0.1720
City of Beverly Hills	General Revenue	2,879,560	0.1780	0.1740	0	0.0000	0.0000	1,431,298	0.1880	0.1840		1,055,458	0.2320	0.2320
City of Black Jack	Debt Service	72,043,100	0.5190	0.4300	31,330	0.5190	0.4300	3,926,911	0.5190	0.4300		12,438,173	0.5190	0.4300
City of Breckenridge Hills	General Revenue	25,079,870	0.2510	0.2000	0	0.0000	0.0000	10,829,385	0.2490	0.2000		5,664,156	0.0000	0.0000
City of Brentwood	General Revenue	159,019,490	0.1460	0.0000	0	0.0000	0.0000	139,924,190	0.1300	0.1300		38,933,975	0.2070	0.2070
	Library	159,019,490	0.1270	0.1270	0	0.0000	0.0000	139,924,190	0.1120	0.1120		38,933,975	0.1790	0.1790
	Pension	159,019,490	0.3110	0.3110	0	0.0000	0.0000	139,924,190	0.3170	0.3170		38,933,975	0.3850	0.3850
	Debt Service	159,019,490	0.2900	0.0700	0	0.2900	0.0700	139,924,190	0.2900	0.0700		38,933,975	0.2900	0.0700
City of Bridgeton	General Revenue	122,863,350	0.2080	0.1600	115,380	0.2500	0.0000	305,168,856	0.2070	0.2050		0	0.0000	0.0000
Village of Calverton Park	General Revenue	10,644,270	0.2330	0.2150	0	0.0000	0.0000	498,778	0.2720	0.2150		1,776,460	0.2980	0.2150
City of Charlack	General Revenue	8,494,470	0.1860	0.1740	0	0.0000	0.0000	2,657,340	0.2060	0.2170	D	2,036,271	0.2570	0.2570
City of Clarkson Valley	General Revenue	106,844,336	0.1030	0.1030	7,130	0.1120	0.1120	6,172,670	0.1210	0.1210		11,654,690	0.1530	0.1530
City of Clayton	General Revenue	457,768,720	0.5660	0.5660	0	0.0000	0.0000	348,519,829	0.6360	0.6360		84,931,075	0.7070	0.7070
	Debt Service	457,768,720	0.1260	0.1250	0	0.1260	0.1250	348,519,829	0.1260	0.1250		84,931,075	0.1260	0.1250
City of Cool Valley	General Revenue	7,336,820	0.1280	0.1280	0	0.0000	0.0000	17,208,839	0.1410	0.1410		3,775,454	0.1650	0.1650
City of Country Club Hills	General Revenue	5,209,910	0.6100	0.6100	0	0.0000	0.0000	947,000	0.7410	0.7410		1,444,660	0.7330	0.7330
	Parks & Recreation	5,209,910	0.2830	0.2830	0	0.0000	0.0000	947,000	0.3100	0.3100		1,444,660	0.3380	0.3380
	Health	5,209,910	0.1630	0.1630	0	0.0000	0.0000	947,000	0.1570	0.1570		1,444,660	0.1900	0.1900
Village of Country Life Acres	General Revenue	7,388,140	0.3130	0.3130	0	0.0000	0.0000	69,945	0.4250	0.4250		495,137	0.4280	0.4280
City of Crestwood	General Revenue	190,084,690	0.2050	0.2050	150	0.0000	0.0000	98,121,838	0.2340	0.2340		34,801,505	0.2790	0.2790
	GR - Temp	190,084,690	0.1690	0.1690	150	0.0000	0.0000	98,121,838	0.1780	0.1780		34,801,505	0.2000	0.2000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Creve Coeur	General Revenue	498,824,720	0.0750	0.0750	7,470	0.0940	0.0940	390,638,104	0.0700	0.0700	0	0.0000	0.0000
City of Crystal Lake Park	General Revenue	15,616,840	0.6100	0.6100	0	0.0000	0.0000	150,596	0.2900	0.2900	1,397,072	0.8080	0.8080
City of Dellwood	General Revenue	31,800,070	0.1700	0.1700	0	0.0000	0.0000	8,475,890	0.1970	0.1970	8,130,168	0.2350	0.2350
City of Des Peres	General Revenue	229,495,930	0.2410	0.0000	195,010	0.3220	0.0000	98,242,790	0.2010	0.0000	51,297,530	0.0000	0.0000
	Debt Service	229,495,930	0.8440	0.0000	195,010	0.8440	0.0000	98,242,790	0.8440	0.0000	51,297,530	0.8440	0.0000
City of Edmundson	General Revenue	4,706,430	0.5000	0.0000	0	0.0000	0.0000	23,021,480	0.4510	0.3480	7,389,080	0.0000	0.0000
City of Ellisville	General Revenue	154,155,550	0.3180	0.1500	930	0.5380	0.1500	99,124,809	0.3420	0.1500	32,256,544	0.4170	0.0000
City of Eureka	General Revenue	154,531,030	0.3850	0.3730	130,950	0.6500	0.3730	58,884,392	0.3630	0.3630	37,312,201	0.4910	0.3900
City of Ferguson	General Revenue	139,914,450	0.3420	0.3420	13,760	0.2580	0.2580	47,790,016	0.3990	0.3990	44,466,882	0.4500	0.4500
	Parks & Recreation	139,914,450	0.1430	0.1410	13,760	0.1030	0.1020	47,790,016	0.1720	0.1720	44,466,882	0.1980	0.1980
City of Flordell Hills	General Revenue	3,476,400	0.4380	0.4380	0	0.0000	0.0000	854,665	0.9520	0.9520	0	0.0000	0.0000
City of Florissant	General Revenue	459,447,300	0.0840	0.0000	41,170	0.1140	0.0000	133,523,723	0.1050	0.0000	93,042,870	0.1200	0.0000
City of Frontenac	General Revenue	181,104,060	0.4340	0.4340	0	0.0000	0.0000	42,028,800	0.5170	0.5170	20,911,140	0.5530	0.5530
Village of Glen Echo Park	General Revenue	1,653,600	0.3720	0.3720	0	0.0000	0.0000	29,236	0.5000	0.5000	249,728	0.5000	0.5000
City of Glendale	General Revenue	143,033,020	0.3810	0.3810	0	0.0000	0.0000	5,447,161	0.4200	0.4200	14,511,917	0.5190	0.5190
	Pension	143,033,020	0.0740	0.0740	0	0.0000	0.0000	5,447,161	0.0830	0.0830	14,511,917	0.1000	0.1000
Town of Grantwood Village	General Revenue	22,561,800	0.1990	0.1990	113,740	0.2030	0.2030	1,497,031	0.1380	0.1380	3,221,094	0.2610	0.2610
City of Greendale	General Revenue	5,795,280	0.4680	0.4680	0	0.0000	0.0000	269,150	0.4050	0.4050	0	0.0000	0.0000
Village of Hanley Hills	General Revenue	11,331,400	0.3630	0.3540	0	0.0000	0.0000	626,388	0.2700	0.2610	2,454,500	0.4500	0.4500
City of Hazelwood	General Revenue	235,881,770	0.6080	0.6080	217,190	0.7570	0.7570	232,929,897	0.6800	0.6800	120,801,029	0.7540	0.7540
	Debt Service	235,881,770	0.2330	0.2330	217,190	0.2330	0.2330	232,929,897	0.2330	0.2330	120,801,029	0.2330	0.2330
Village of Hillsdale	General Revenue	3,315,580	0.3160	0.3160	0	0.0000	0.0000	3,431,400	0.3670	0.3670	3,887,933	0.5000	0.5000
City of Huntleigh	General Revenue	37,958,340	0.2540	0.1460	11,820	0.1620	0.1460	353,540	0.3880	0.3580	2,232,382	0.3280	0.1480
City of Jennings	General Revenue	67,367,760	0.9760	0.9760	0	0.0000	0.0000	16,319,277	1.0000	1.0000	17,765,943	1.0000	1.0000
	Pension	67,367,760	0.1810	0.1800	0	0.0000	0.0000	16,319,277	0.1850	0.1800	17,765,943	0.1850	0.1800
City of Kinloch	General Revenue	922,580	1.0000	0.9840	0	0.0000	0.0000	1,309,606	1.0000	1.0000	874,045	1.0000	1.0000
City of Kirkwood	Parks & Recreation	559,774,300	0.1480	0.1300	0	0.0000	0.0000	100,046,080	0.1500	0.1300	75,644,160	0.2000	0.1300
	Library	557,012,180	0.1670	0.1670	0	0.0000	0.0000	98,494,950	0.1780	0.1780	72,741,100	0.2350	0.2350
	Pension	559,774,300	0.1290	0.1250	0	0.0000	0.0000	100,046,080	0.1400	0.1370	75,644,160	0.1820	0.1820
	General Revenue	559,774,300	0.3400	0.2760 A	0	0.3400	0.2760 A	100,046,080	0.3400	0.2760 A	75,644,160	0.3400	0.2760 A
	Debt Service	559,774,300	0.1200	0.1200	0	0.1200	0.1200	100,046,080	0.1200	0.1200	75,644,160	0.1200	0.1200
City of Ladue	General Revenue	571,146,740	0.6430	0.6430	2,490	0.8840	0.8840	47,489,720	0.6570	0.6570	47,411,538	0.7560	0.7560
City of Lakeshire	General Revenue	14,394,980	0.0760	0.0760	0	0.0000	0.0000	184,110	0.0360	0.0360	0	0.0000	0.0000
Village of Mackenzie	General Revenue	1,728,940	0.1360	0.1360	0	0.0000	0.0000	52,268	0.1660	0.1660	296,239	0.1850	0.1850
City of Manchester	General Revenue	268,757,130	0.2910	0.0500	360	0.5560	0.0500	60,449,810	0.2330	0.0500	43,059,677	0.3850	0.0500
	Debt Service	268,757,130	0.1930	0.1930	360	0.1930	0.1930	60,449,810	0.1930	0.1930	43,059,677	0.1930	0.1930
City of Maplewood	General Revenue	85,085,210	0.3080	0.3080	0	0.0000	0.0000	55,556,105	0.4750	0.4750	22,225,019	0.5670	0.5670

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
City of Maplewood	Pension	85,085,210	0.3920	0.3920	B 0	0.2000	0.0000	B 55,556,105	0.4470	0.4470	B 22,225,019	0.4450	0.4450	B
	Solid Waste	85,085,210	0.1380	0.1380	0	0.0000	0.0000	55,556,105	0.1660	0.1660	22,225,019	0.2180	0.2180	
Village of Marlborough	General Revenue	14,848,360	0.0940	0.0940	0	0.0000	0.0000	9,407,902	0.0840	0.0840	4,964,791	0.1110	0.1110	
City of Normandy	General Revenue	21,949,920	0.3220	0.3220	0	0.0000	0.0000	4,157,380	0.3480	0.3480	5,173,860	0.4000	0.4000	
City of Northwoods	General Revenue	23,721,903	0.3370	0.3300	0	0.0000	0.0000	2,391,500	0.2750	0.2700	5,424,080	0.4150	0.3600	
	Debt Service	23,721,903	0.7750	0.7000	0	0.7750	0.7000	2,391,500	0.7750	0.7000	5,424,080	0.7750	0.7000	
Village of Norwood Court	General Revenue	3,841,980	0.2740	0.0000	0	0.0000	0.0000	204,710	0.2920	0.0000	906,363	0.3450	0.0000	
City of Oakland	General Revenue	24,987,860	0.1730	0.1680	0	0.0000	0.0000	1,792,880	0.3300	0.2130	3,103,620	0.2370	0.2370	
City of Olivette	General Revenue	157,233,440	0.5730	0.5730	0	0.0000	0.0000	69,887,210	0.5530	0.5530	30,398,734	0.7710	0.7710	
	Pension	157,233,440	0.2060	0.2060	0	0.0000	0.0000	69,887,210	0.1890	0.1890	30,398,734	0.2500	0.2500	
City of Overland	General Revenue	126,248,140	0.0690	0.0690	0	0.0000	0.0000	89,362,982	0.0890	0.0890	42,550,672	0.0970	0.0970	
	Pension	126,248,140	0.1020	0.1020	0	0.0000	0.0000	89,362,982	0.1340	0.1340	42,550,672	0.1460	0.1460	
City of Pagedale	General Revenue	13,072,450	0.2110	0.2110	0	0.0000	0.0000	12,937,370	0.2470	0.2470	7,342,688	0.3500	0.3500	
City of Pasadena Hills	General Revenue	13,349,450	0.2230	0.2230	0	0.0000	0.0000	79,520	0.2400	0.2400	1,785,860	0.3100	0.3100	
	Debt Service	13,349,450	1.0022	1.0022	0	1.0022	1.0022	79,520	1.0022	1.0022	1,785,860	1.0022	1.0022	
Village of Pasadena Park	General Revenue	4,894,569	0.2350	0.2350	0	0.0000	0.0000	23,740	0.2440	0.2440	681,270	0.3090	0.3090	
City of Pine Lawn	General Revenue	11,754,090	0.2540	0.2540	0	0.0000	0.0000	3,474,745	0.2460	0.2460	3,526,263	0.2580	0.2580	
City of Richmond Heights	General Revenue	195,220,190	0.4410	0.2900	0	0.0000	0.0000	121,533,437	0.5870	0.2900	34,227,550	0.6150	0.2900	
	Library	195,220,190	0.1510	0.1510	0	0.0000	0.0000	121,533,437	0.2030	0.2030	34,227,550	0.2120	0.2120	
	Pension	195,220,190	0.2550	0.2550	0	0.0000	0.0000	121,533,437	0.3390	0.3200	34,227,550	0.3560	0.3200	
Village of Riverview	General Revenue	14,293,820	0.2670	0.2670	0	0.0000	0.0000	2,050,622	0.2880	0.2880	2,611,260	0.3120	0.3120	
City of Rock Hill	General Revenue	65,952,880	0.2360	0.2360	0	0.0000	0.0000	24,511,418	0.2340	0.2340	11,785,300	0.3480	0.3480	
	Library	65,952,880	0.2410	0.2410	0	0.0000	0.0000	24,511,418	0.2400	0.2400	11,785,300	0.3550	0.3550	
	Debt Service	65,952,880	0.3140	0.3140	0	0.3140	0.3140	24,511,418	0.3140	0.3140	11,785,300	0.3140	0.3140	
City of St Ann	General Revenue	98,735,200	0.1390	0.1390	0	0.0000	0.0000	43,531,024	0.1900	0.1900	22,341,237	0.1930	0.0000	
City of St George	General Revenue	15,164,440	0.0910	0.0910	0	0.0000	0.0000	365,173	0.1180	0.1180	2,092,763	0.1390	0.1390	
City of St John	General Revenue	47,786,230	0.2670	0.2670	0	0.0000	0.0000	7,968,994	0.4470	0.4470	12,436,177	0.4500	0.4500	
City of Shrewsbury	General Revenue	83,356,500	0.3390	0.3390	0	0.0000	0.0000	32,575,102	0.3400	0.3400	16,359,120	0.4370	0.4370	
	Debt Service	83,356,500	0.7630	0.6610	0	0.7630	0.6610	32,575,102	0.7630	0.6610	16,359,120	0.7630	0.6610	
City of Sunset Hills	General Revenue	231,045,090	0.0680	0.0540	185,820	0.1000	0.0600	118,500,920	0.0700	0.0570	44,735,570	0.0900	0.0600	
Village of Sycamore Hills	General Revenue	6,145,760	0.1660	0.1660	0	0.0000	0.0000	490,011	0.2400	0.2400	1,105,247	0.2530	0.2530	
	Health	6,145,760	0.0770	0.0770	0	0.0000	0.0000	490,011	0.1110	0.1110	1,105,247	0.1180	0.1180	
City of Town and Country	General Revenue	469,032,890	0.4690	0.0000	45,250	0.8990	0.0000	216,299,964	0.5320	0.0000	79,776,666	0.5790	0.0000	
	Dispatch	469,032,890	0.0250	0.0000	45,250	0.0290	0.0000	216,299,964	0.0280	0.0000	79,776,666	0.0300	0.0000	
Village of Twin Oaks	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000	
City of University City	General Revenue	505,546,330	0.5110	0.5110	0	0.0000	0.0000	52,544,870	0.5700	0.5700	64,608,510	0.6910	0.6910	
	Library	505,546,330	0.2230	0.2230	0	0.0000	0.0000	52,544,870	0.2510	0.2510	64,608,510	0.3010	0.3010	

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		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of University City	Pension	505,546,330	0.1440	0.1440	0	0.0000	0.0000	52,544,870	0.1630	0.1630	64,608,510	0.1950	0.1950
	Debt Service	505,546,330	0.0490	0.0490	0	0.0490	0.0490	52,544,870	0.0490	0.0490	64,608,510	0.0490	0.0490
Village of Uplands Park	General Revenue	2,578,800	0.2920	0.2920	0	0.0000	0.0000	65,331	0.4120	0.4120	542,231	0.3910	0.3910
City of Valley Park	General Revenue	66,904,390	0.5050	0.4800	6,691	0.0000	0.0000	14,847,360	0.7760	0.7490	16,702,122	0.6850	0.5700
City of Velda City	General Revenue	7,114,578	0.2860	0.2860	0	0.0000	0.0000	170,970	0.4420	0.4420	1,382,732	0.3820	0.3820
	Debt Service	7,114,578	0.9530	0.9530	0	0.9530	0.9530	170,970	0.9530	0.9530	1,382,732	0.9530	0.9530
Village of Velda Village Hills	General Revenue	5,391,690	0.2820	0.2860 D	0	0.0000	0.0000	246,895	0.3520	0.4900 D	1,151,310	0.3780	0.3780
City of Vinita Park	General Revenue	8,891,420	0.1870	0.1870	0	0.0000	0.0000	31,546,030	0.2080	0.2080	7,541,360	0.2300	0.2300
	Debt Service	8,891,420	0.2340	0.2340	0	0.2340	0.2340	31,546,030	0.2340	0.2340	7,541,360	0.2340	0.2340
Village of Vinita Terrace	General Revenue	1,888,640	0.0330	0.0330	0	0.0000	0.0000	902,730	0.0400	0.0400	0	0.0000	0.0000
	Health	1,888,640	0.0970	0.0960	0	0.0000	0.0000	902,730	0.1470	0.1470	0	0.0000	0.0000
City of Warson Woods	General Revenue	55,638,810	0.3340	0.3340	0	0.0000	0.0000	8,264,014	0.3740	0.3740	6,507,807	0.4470	0.0000
City of Webster Groves	General Revenue	430,005,250	0.2110	0.2110	0	0.0000	0.0000	53,256,289	0.2130	0.2130	53,249,244	0.2800	0.2800
	Library	430,005,250	0.1350	0.1340	0	0.0000	0.0000	53,256,289	0.1350	0.1340	54,671,814	0.1800	0.1800
	Streets	430,005,250	0.1360	0.1360	0	0.0000	0.0000	53,256,289	0.1370	0.1370	53,249,244	0.1810	0.1810
	Pension	430,005,250	0.1090	0.1090	0	0.0000	0.0000	53,256,289	0.1100	0.1100	53,249,244	0.1450	0.1450
	Debt Service	430,005,250	0.3480	0.3480	0	0.3480	0.3480	53,256,289	0.3480	0.3480	53,249,244	0.3480	0.3480
City of Wellston	General Revenue	3,917,830	0.5610	0.5610	0	0.0000	0.0000	8,207,643	0.4800	0.4800	6,419,163	0.6000	0.6000
Village of Westwood	General Revenue	18,049,930	0.0550	0.0550	0	0.0000	0.0000	234,941	0.1000	0.1000	0	0.0000	0.0000
City of Winchester	General Revenue	16,941,200	0.1630	0.1630	0	0.0000	0.0000	2,990,250	0.1740	0.1740	2,662,016	0.2610	0.2610
City of Woodson Terrace	General Revenue	27,295,720	0.1810	0.1770	0	0.0000	0.0000	20,467,129	0.2270	0.2200	25,627,806	0.2510	0.2200
City of Chesterfield	Debt Service	1,163,571,280	0.0670	0.0600	1,446,990	0.0670	0.0600	327,787,683	0.0670	0.0600	272,546,806	0.0670	0.0600
Ferguson Municipal Pub Library Dist	General Revenue	139,914,450	0.1680	0.1680	13,760	0.0000	0.0000	47,790,016	0.1950	0.1950	44,767,402	0.2200	0.2200
Maplewood Public Library	General Revenue	83,249,420	0.2140	0.2090	0	0.0000	0.0000	52,944,645	0.2480	0.2360	26,491,769	0.3020	0.3020
	Debt Service	83,249,420	0.1660	0.1620	0	0.1660	0.1620	52,944,645	0.1660	0.1620	26,491,769	0.1660	0.1620
St Louis County Library	General Revenue	12,730,480,210	0.1440	0.1400	6,903,250	0.2000	0.1500	5,063,779,900	0.1660	0.1500	3,332,359,199	0.1850	0.1500
Valley Park Community Library	General Revenue	29,101,360	0.1320	0.1320	1,040	0.1700	0.1700	9,030,340	0.0900	0.0900	13,305,236	0.1700	0.1700
Affton Fire Protection District	General Revenue	417,092,700	0.6030	0.6030	850	0.7060	0.7060	64,574,723	0.6780	0.6780	74,987,173	0.7940	0.7940
	Ambulance	417,092,700	0.1370	0.1370	850	0.1180	0.1180	64,574,723	0.1630	0.1630	74,987,173	0.1820	0.1820
	Pension	417,092,700	0.0480	0.0480	850	0.0700	0.0700	64,574,723	0.0570	0.0570	74,987,173	0.0640	0.0640
	Dispatch	417,092,700	0.0210	0.0210	850	0.0000	0.0000	64,574,723	0.0240	0.0240	74,987,173	0.0270	0.0270
Metro West Fire Protection District	General Revenue	1,447,337,380	0.4270	0.4270	1,084,320	0.6500	0.6500	222,188,843	0.4820	0.4820	215,710,948	0.5610	0.5610
	Ambulance	1,447,337,380	0.2210	0.2210	1,084,320	0.3000	0.3000	222,188,843	0.2390	0.2390	215,710,948	0.2900	0.2900
	Pension	1,447,337,380	0.0810	0.0810	1,084,320	0.1100	0.1100	222,188,843	0.0880	0.0880	215,710,948	0.1060	0.1060
	Dispatch	1,447,337,380	0.0380	0.0380	1,084,320	0.0480	0.0480	222,188,843	0.0400	0.0400	215,710,948	0.0480	0.0480
	Debt Service	1,447,337,380	0.0690	0.0690	1,084,320	0.0690	0.0690	222,188,843	0.0690	0.0690	215,710,948	0.0690	0.0690
Black Jack Fire Protection District	General Revenue	523,583,310	0.7600	0.7600	212,580	0.8450	0.8450	60,185,165	0.9700	0.9700	96,772,135	1.0000	1.0000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Black Jack Fire Protection District	Pension	523,583,310	0.0760	0.0760	212,580	0.0850	0.0850	60,185,165	0.0970	0.0970	96,772,135	0.1000	0.1000
	NCCFA System	523,583,310	0.0380	0.0380	212,580	0.0420	0.0420	60,185,165	0.0470	0.0470	96,772,135	0.0500	0.0500
	Debt Service	523,583,310	0.1190	0.1190	212,580	0.1190	0.1190	60,185,165	0.1190	0.1190	96,772,135	0.1190	0.1190
Monarch Fire Protection District	General Revenue	1,511,471,060	0.3990	0.3990	2,161,470	0.7000	0.7000	361,427,247	0.5000	0.5000	324,194,952	0.5490	0.5490
	Ambulance	1,511,471,060	0.2530	0.2530	2,161,470	0.3300	0.3300	361,427,247	0.2720	0.2720	324,194,952	0.3300	0.3300
	Pension	1,511,471,060	0.0770	0.0770	2,161,470	0.1000	0.0800	361,427,247	0.0820	0.0800	324,194,952	0.1000	0.0800
	Dispatch	1,511,471,060	0.0390	0.0390	2,161,470	0.0500	0.0500	361,427,247	0.0410	0.0410	324,194,952	0.0500	0.0500
	Debt Service	1,511,471,060	0.0470	0.0300	2,161,470	0.0470	0.0300	361,427,247	0.0470	0.0300	324,194,952	0.0470	0.0300
Community Fire Protection District	General Revenue	322,549,670	0.7550	0.7550	0	0.0000	0.0000	180,914,662	0.9090	0.9090	127,753,109	1.0000	1.0000
	Ambulance	322,549,670	0.4090	0.4090	0	0.0000	0.0000	180,914,662	0.4550	0.4550	127,753,109	0.5000	0.5000
	Pension	322,549,670	0.0770	0.0770	0	0.0000	0.0000	180,914,662	0.0880	0.0880	127,753,109	0.1000	0.1000
	Dispatch	322,549,670	0.0230	0.0230	0	0.0000	0.0000	180,914,662	0.0260	0.0260	127,753,109	0.0300	0.0300
	Debt Service	322,549,670	0.0560	0.0560	0	0.0560	0.0560	180,914,662	0.0560	0.0560	127,753,109	0.0560	0.0560
Creve Coeur Fire Protection Dist	General Revenue	727,858,690	0.4850	0.4850	10,530	0.2750	0.2750	476,459,350	0.5130	0.5130	214,778,049	0.6260	0.6260
	Ambulance	727,858,690	0.1720	0.1720	10,530	0.0950	0.0950	476,459,350	0.1820	0.1820	214,778,049	0.2220	0.2220
	Pension	727,858,690	0.1170	0.1170	10,530	0.0570	0.0570	476,459,350	0.1250	0.1250	214,778,049	0.1500	0.1500
	Dispatch	727,858,690	0.0390	0.0390	10,530	0.0190	0.0190	476,459,350	0.0410	0.0410	214,778,049	0.0500	0.0500
Fenton Fire Protection District	General Revenue	451,601,000	0.3930	0.3200	158,440	0.6240	0.6240	324,200,260	0.4570	0.4570	240,375,734	0.5140	0.5140
	Ambulance	451,601,000	0.2550	0.1840	158,440	0.2930	0.2930	324,200,260	0.2690	0.2690	240,375,734	0.3000	0.3000
	Pension	451,601,000	0.0840	0.0840	158,440	0.0970	0.0970	324,200,260	0.0910	0.0910	240,375,734	0.1000	0.1000
	Dispatch	451,601,000	0.0420	0.0320	158,440	0.0490	0.0490	324,200,260	0.0450	0.0450	240,375,734	0.0500	0.0500
Florissant Valley Fire Prot Dist	General Revenue	664,064,420	0.5010	0.5010	195,940	0.7500	0.7500	155,821,417	0.6520	0.6520	134,726,019	0.7170	0.7170
	Ambulance	664,064,420	0.3190	0.3190	195,940	0.4400	0.4400	155,821,417	0.4020	0.4020	134,726,019	0.4400	0.4400
	Pension	664,064,420	0.0720	0.0720	195,940	0.1000	0.1000	155,821,417	0.0920	0.0920	134,726,019	0.1000	0.1000
	Dispatch	664,064,420	0.0360	0.0360	195,940	0.0500	0.0500	155,821,417	0.0450	0.0450	134,726,019	0.0500	0.0500
	Debt Service	664,064,420	0.1890	0.1890	195,940	0.1890	0.1890	155,821,417	0.1890	0.1890	134,726,019	0.1890	0.1890
Kinloch Fire Protection District	General Revenue	925,280	0.9000	0.8560	0	0.0000	0.0000	1,303,312	0.9000	0.9000	956,694	0.9000	0.9000
	Dispatch	925,280	0.0300	0.0000	0	0.0000	0.0000	1,303,312	0.0300	0.0000	956,694	0.0300	0.0000
Lemay Fire Protection District	General Revenue	145,055,919	0.7210	0.7210	180	0.9900	0.9900	27,638,700	0.7900	0.7900	35,009,884	0.9900	0.9900
	Ambulance	145,055,919	0.1610	0.1610	180	0.3000	0.3000	27,638,700	0.1930	0.1930	35,009,884	0.2500	0.2500
	Pension	145,055,919	0.0730	0.0730	180	0.0000	0.0000	27,638,700	0.0800	0.0800	35,009,884	0.1000	0.1000
	Central Alarm Fund	145,055,919	0.0360	0.0360	180	0.0000	0.0000	27,638,700	0.0400	0.0400	35,009,884	0.0500	0.0500
West County EMS & Fire Prot Dist	General Revenue	560,081,340	0.3590	0.3590	341,370	0.3900	0.3900	135,625,776	0.3540	0.3540	96,580,112	0.4570	0.4570
	Ambulance	560,081,340	0.1530	0.1530	341,370	0.1650	0.1650	135,625,776	0.1500	0.1500	96,580,112	0.1940	0.1940
	Pension	560,081,340	0.0760	0.0690	341,370	0.0810	0.0750	135,625,776	0.0750	0.0690	96,580,112	0.0970	0.0750
	Dispatch	560,081,340	0.0390	0.0390	341,370	0.0420	0.0420	135,625,776	0.0380	0.0380	96,580,112	0.0490	0.0490
	Debt Service	560,081,340	0.1530	0.1530	341,370	0.1530	0.1530	135,625,776	0.1530	0.1530	96,580,112	0.1530	0.1530

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Maryland Heights Fire Prot Dist	General Revenue	257,306,180	0.6340	0.6340	7,340	0.6680	0.6680	286,964,348	0.7230	0.7230	158,816,138	0.8000	0.8000
	Ambulance	257,306,180	0.3110	0.3110	7,340	0.3950	0.3950	286,964,348	0.3400	0.3400	158,816,138	0.3680	0.3680
	Pension	257,306,180	0.1030	0.1030	7,340	0.0950	0.0950	286,964,348	0.1180	0.1180	158,816,138	0.1300	0.1300
	Dispatch	257,306,180	0.0400	0.0400	7,340	0.0410	0.0410	286,964,348	0.0450	0.0450	158,816,138	0.0500	0.0500
Mehlville Fire Protection District	General Revenue	1,713,726,310	0.7120	0.3620	674,500	1.0800	0.7300	454,602,608	0.8110	0.4710	331,322,310	0.8970	0.5470
	Ambulance	1,713,726,310	0.1730	0.1000	674,500	0.3000	0.2200	454,602,608	0.1760	0.0960	331,322,310	0.2220	0.1220
	Pension	1,713,726,310	0.0750	0.0720	674,500	0.1000	0.1000	454,602,608	0.0770	0.0770	331,322,310	0.0960	0.0960
	Alarm Fund	1,713,726,310	0.0370	0.0250	674,500	0.0500	0.0200	454,602,608	0.0390	0.0250	331,322,310	0.0480	0.0220
Metro-North Fire Protection Dist	General Revenue	97,785,220	1.6098	1.6098 B	0	0.2500	0.0000 B	17,992,532	1.5399	1.5399 B	22,134,915	1.7410	1.7410 B
	Pension	97,785,220	0.2060	0.2060	0	0.0000	0.0000	17,992,532	0.2160	0.2160	22,134,915	0.2490	0.2490
	Dispatch	97,785,220	0.0250	0.0250	0	0.0000	0.0000	17,992,532	0.0230	0.0230	22,134,915	0.0300	0.0300
	Debt Service	97,785,220	0.3980	0.3980	0	0.3980	0.3980	17,992,532	0.3980	0.3980	22,134,915	0.3980	0.3980
Normandy Fire Protection District	General Revenue	154,032,420	1.1750	1.3300 D	16,560	1.2444	1.3864 D	37,820,045	1.5078	1.5000	37,500,503	1.5000	1.5000
	Ambulance	154,032,420	0.2350	0.2660 D	16,560	0.2440	0.2710 D	37,820,045	0.3000	0.3000	37,500,503	0.3000	0.3000
	Pension	154,032,420	0.0780	0.0890 D	16,560	0.0790	0.0890 D	37,820,045	0.1000	0.1000	37,500,503	0.1000	0.1000
	Dispatch	154,032,420	0.0390	0.0440 D	16,560	0.0370	0.0410 D	37,820,045	0.0500	0.0500	37,500,503	0.0500	0.0500
Pattonville Fire Protection Dist	General Revenue	147,682,860	0.8000	0.8000	367,170	0.9780	0.9780	494,116,250	0.9030	0.9030	177,866,078	0.9830	0.9830
	Ambulance	147,682,860	0.1970	0.1970	367,170	0.2490	0.2490	494,116,250	0.2300	0.2300	177,866,078	0.2500	0.2500
	Pension	147,682,860	0.1200	0.1200	367,170	0.1490	0.1490	494,116,250	0.1380	0.1380	177,866,078	0.1500	0.1500
	Dispatch	147,682,860	0.0400	0.0400	367,170	0.0500	0.0400	494,116,250	0.0460	0.0400	177,866,078	0.0500	0.0400
	Debt Service	147,682,860	0.0230	0.0230	367,170	0.0230	0.0230	494,116,250	0.0230	0.0230	177,866,078	0.0230	0.0230
Riverview Fire Protection District	General Revenue	114,606,210	1.2024	1.2024	2,590	1.4612	1.4612	17,368,900	1.4182	1.4182	25,822,600	1.4544	1.4544
	Pension	114,606,210	0.2070	0.2070	2,590	0.2500	0.2500	17,368,900	0.2440	0.2440	25,822,600	0.2500	0.2500
	Dispatch	114,606,210	0.0410	0.0400	2,590	0.0500	0.0400	17,368,900	0.0490	0.0400	25,822,600	0.0500	0.0400
	Debt Service	114,606,210	0.0740	0.0740	2,590	0.0740	0.0740	17,368,900	0.0740	0.0740	25,822,600	0.0740	0.0740
Robertson Fire Protection District	General Revenue	46,944,900	0.8300	0.8300	235,850	0.8900	0.8900	192,180,806	0.8870	0.8870	100,065,319	0.8900	0.8900
	Ambulance	46,944,900	0.5130	0.4850	235,850	0.5500	0.4850	192,180,806	0.5480	0.4850	100,065,319	0.5500	0.4850
	Pension	46,944,900	0.1870	0.1870	235,850	0.2000	0.2000	192,180,806	0.1990	0.1990	100,065,319	0.2000	0.2000
	Dispatch	46,944,900	0.0470	0.0470	235,850	0.0500	0.0500	192,180,806	0.0500	0.0500	100,065,319	0.0500	0.0500
	Debt Service	46,944,900	0.0980	0.0980	235,850	0.0980	0.0980	192,180,806	0.0980	0.0980	100,065,319	0.0980	0.0980
Spanish Lake Fire Protection Dist	General Revenue	157,193,700	0.9970	0.9970	104,670	1.2401	1.2401	30,203,632	1.0138	1.0138	29,787,532	1.2500	1.2500
	Pension	157,193,700	0.1200	0.1200	104,670	0.1500	0.1500	30,203,632	0.1220	0.1220	29,787,532	0.1500	0.1500
	Dispatch	157,193,700	0.0400	0.0400	104,670	0.0500	0.0500	30,203,632	0.0400	0.0400	29,787,532	0.0500	0.0500
	Debt Service	157,193,700	0.2090	0.1500	104,670	0.2090	0.1500	30,203,632	0.2090	0.1500	29,787,532	0.2090	0.1500
Valley Park Fire Protection Dist	General Revenue	154,134,390	0.6740	0.6740	159,860	0.6580	0.6580	48,207,945	0.6760	0.6760	47,409,946	0.8800	0.8800
	Ambulance	154,134,390	0.2300	0.2300	159,860	0.2250	0.2250	48,207,945	0.2290	0.2290	47,409,946	0.3000	0.3000
	Pension	154,134,390	0.0770	0.0770	159,860	0.0750	0.0750	48,207,945	0.0760	0.0760	47,409,946	0.1000	0.1000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate				Personal Property			
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Valley Park Fire Protection Dist	Dispatch	154,134,390	0.0230	0.0230	159,860	0.0220	0.0220	48,207,945	0.0230	0.0230		47,409,946	0.0300	0.0300	
Mid-County Fire Protection District	General Revenue	49,305,090	1.4750	1.4750	0	0.0000	0.0000	57,698,646	1.5609	1.5609		43,071,806	1.8500	1.8500	
	Ambulance	49,305,090	0.1170	0.1170	0	0.0000	0.0000	57,698,646	0.1300	0.1300		43,071,806	0.1500	0.1500	
	Pension	49,305,090	0.2130	0.2130	0	0.0000	0.0000	57,698,646	0.2160	0.2160		43,071,806	0.2500	0.2500	
	Dispatch	49,305,090	0.0230	0.0230	0	0.0000	0.0000	57,698,646	0.0260	0.0260		43,071,806	0.0300	0.0300	
	Debt Service	49,305,090	0.2970	0.2970	0	0.2970	0.2970	57,698,646	0.2970	0.2970		43,071,806	0.2970	0.2970	
West Overland Fire Protection Dist	General Revenue	62,102,770	0.6050	0.6050	0	0.0000	0.0000	96,596,875	0.6210	0.6210		33,984,102	0.7100	0.7100	
	Ambulance	62,102,770	0.5360	0.5360	0	0.0000	0.0000	96,596,875	0.5520	0.5520		33,984,102	0.6500	0.6500	
	Pension	62,102,770	0.1280	0.1280	0	0.0000	0.0000	96,596,875	0.1310	0.1310		33,984,102	0.1500	0.1500	
	Dispatch	62,102,770	0.0430	0.0430	0	0.0000	0.0000	96,596,875	0.0440	0.0440		33,984,102	0.0500	0.0500	
	Debt Service	62,102,770	0.1400	0.1400	0	0.1400	0.1400	96,596,875	0.1400	0.1400		33,984,102	0.1400	0.1400	
Black Creek Sewer	General Revenue	794,103,200	0.0770	0.0600	0	0.0000	0.0000	564,443,852	0.0910	0.0600		166,408,465	0.0950	0.0600	
Black Jack-Dellwood Sewer	General Revenue	171,471,270	0.0790	0.0600	11,440	0.0400	0.0400	60,901,137	0.0890	0.0600		42,097,032	0.0980	0.0600	
Clayton Central Sewer	General Revenue	40,782,870	0.0720	0.0600	0	0.0000	0.0000	294,551,496	0.0840	0.0600		43,629,482	0.0900	0.0600	
Coldwater Creek Sewer	General Revenue	1,234,419,650	0.0800	0.0700	66,400	0.0770	0.0700	534,053,174	0.0940	0.0700		514,772,447	0.1000	0.0700	
Creve Coeur-Frontenac Sewer	General Revenue	347,941,130	0.0640	0.0500	0	0.0000	0.0000	206,948,949	0.0610	0.0500		75,984,474	0.0760	0.0500	
Deer Creek Sewer	General Revenue	2,677,462,290	0.0740	0.0600	205,480	0.0830	0.0600	1,000,822,391	0.0830	0.0600		439,988,656	0.0930	0.0600	
Fountain Creek Sewer	General Revenue	115,302,650	0.1030	0.1000	0	0.0000	0.0000	23,145,567	0.1350	0.1000		22,205,445	0.1400	0.1000	
Gravois Creek Sewer	General Revenue	1,118,878,290	0.0670	0.0600	313,810	0.1000	0.0600	462,490,081	0.0720	0.0600		235,500,516	0.0860	0.0600	
Loretta-Joplin Sewer	General Revenue	23,556,210	0.0650	0.0600	0	0.0000	0.0000	2,052,134	0.0730	0.0600		4,963,459	0.0900	0.0600	
Maline Creek Sewer	General Revenue	444,182,410	0.0790	0.0700	50,180	0.0800	0.0700	153,975,050	0.0950	0.0700		140,500,692	0.1000	0.0700	
Marlborough Sewer	General Revenue	48,428,360	0.0470	0.0400	0	0.0000	0.0000	13,222,153	0.0510	0.0400		8,458,318	0.0580	0.0400	
Meramec River Basin Sewer	General Revenue	2,227,896,220	0.0800	0.0700	958,500	0.1000	0.0700	732,416,632	0.0860	0.0700		550,722,056	0.1000	0.0700	
Missouri River-Bonfils Sewer	General Revenue	159,708,320	0.0830	0.0700	135,320	0.1000	0.0700	505,026,587	0.0950	0.0700		213,336,498	0.1000	0.0700	
North Affton Sewer	General Revenue	71,302,220	0.0640	0.0600	0	0.0000	0.0000	5,193,261	0.0690	0.0600		10,596,044	0.0850	0.0600	
Paddock Creek Sewer	General Revenue	130,463,860	0.0710	0.0600	2,860	0.0700	0.0600	31,279,269	0.0860	0.0600		24,545,722	0.0990	0.0600	
Seminary Branch RDP Sewer	General Revenue	252,764,050	0.0600	0.0600	0	0.0000	0.0000	49,717,997	0.0700	0.0600		42,102,350	0.0760	0.0600	
Shrewsbury Branch RDP Sewer	General Revenue	23,456,410	0.0530	0.0500	0	0.0000	0.0000	4,688,106	0.0590	0.0560		4,519,689	0.0820	0.0600	
Sugar Creek Sewer	General Revenue	296,312,560	0.0520	0.0520	130	0.0000	0.0000	39,133,490	0.0880	0.0700		47,230,043	0.0690	0.0690	
University City Branch RDP Sewer	General Revenue	552,027,990	0.0710	0.0700	8,420	0.0000	0.0000	294,697,078	0.0830	0.0700		175,472,242	0.0940	0.0700	
Upper Paddock Creek Sewer	General Revenue	30,907,870	0.0670	0.0600	1,470	0.0680	0.0600	6,057,471	0.0770	0.0600		5,557,844	0.0910	0.0600	
Watkins Creek Sewer	General Revenue	135,192,160	0.0750	0.0600	7,550	0.0930	0.0600	35,074,945	0.0970	0.0600		29,785,069	0.0990	0.0600	
Wedgewood Creek Sewer	General Revenue	27,868,920	0.0840	0.0600	0	0.0000	0.0000	15,087,576	0.0950	0.0600		8,641,297	0.1000	0.0600	
Wellston Sewer	General Revenue	16,030,630	0.0970	0.0800	0	0.0000	0.0000	13,691,488	0.0910	0.0800		11,448,752	0.1000	0.0800	
Hancock Street Light Dist St Louis	General Revenue	49,784,400	0.1410	0.1410	0	0.0000	0.0000	14,294,470	0.1470	0.1470		14,173,410	0.2000	0.1700	
Wheaton Cook Lyndhurst Light Dist	General Revenue	7,209,570	0.1530	0.1400	0	0.0000	0.0000	1,323,820	0.1590	0.1550	D	1,333,260	0.2000	0.1450	
Castle Point Street Light District	General Revenue	7,187,780	0.1570	0.1570	0	0.0000	0.0000	246,240	0.1470	0.1470		1,437,840	0.1850	0.1850	

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Glasgow Village Street Light Dist	General Revenue	22,989,080	0.1340	0.1340	0	0.0000	0.0000	344,270	0.1000	0.1000	3,619,270	0.1580	0.1580
Elmwood Park Street Light District	General Revenue	2,108,850	0.3350	0.3210	0	0.0000	0.0000	122,460	0.3470	0.3320	451,910	0.4000	0.4000
Clayton Special Business District	General Revenue	30,101,680	0.1020	0.0600	0	0.0000	0.0000	289,116,670	0.1210	0.0600	0	0.0000	0.0000
Maplewood Special Business District	General Revenue	455,260	0.2240	0.2240	0	0.0000	0.0000	19,108,340	0.2930	0.2930	0	0.0000	0.0000
University City Spec Bus Dist BD57	General Revenue	1,233,410	0.4910	0.4910	0	0.0000	0.0000	7,186,290	0.4610	0.4610	0	0.0000	0.0000
Webster Groves-Old Webster Bus Dist	General Revenue	265,230	0.3880	0.2900	0	0.0000	0.0000	12,503,950	0.2900	0.2900	0	0.0000	0.0000
Webster Groves-Old Orchard Bus Dist	General Revenue	182,710	0.5320	0.3600	0	0.0000	0.0000	8,405,430	0.5550	0.3600	0	0.0000	0.0000
Kirkwood Special Business District	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	29,849,520	0.4210	0.4210	0	0.0000	0.0000
Jennings Special Business District	General Revenue	45,480	0.4180	0.1700	0	0.0000	0.0000	2,333,450	0.4880	0.1700	0	0.0000	0.0000
Productive Living Board	General Revenue	14,884,282,790	0.0700	0.0700	6,918,180	0.0900	0.0850	5,622,356,435	0.0790	0.0790	3,705,380,253	0.0900	0.0850
Parkview Gardens Spec Bus Dist BD3	General Revenue	9,820,280	0.6400	0.6400	0	0.0000	0.0000	2,711,170	0.6330	0.6330	0	0.0000	0.0000
Crossroads Special Business Dist	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	3,895,730	0.5810	0.4000	0	0.0000	0.0000
Robinwood West Community Imp Dis	General Revenue	17,247,500	0.6400	0.6402 D	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000
Crossings Community Imp District	General Revenue	0	2.0000	2.0000 A	0	2.0000	2.0000 A	1,790,600	2.0000	2.0000 A	0	2.0000	2.0000 A
Hazelwood R-I School District	Operating Funds-Schools	1,164,904,360	4.4140	4.1840	746,490	5.4094	5.1794	487,857,100	5.3313	5.1013	397,688,260	5.4050	5.1750
	Debt Service	1,164,904,360	1.3407	0.9400	746,490	1.3407	0.9400	487,857,100	1.3407	0.9400	397,688,260	1.3407	0.9400
Ferguson-Florissant R-II Sch Dist	Operating Funds-Schools	545,876,830	3.8933	3.8933	37,300	4.3716	4.3716	301,327,730	4.4172	4.4172	276,474,560	4.7400	4.7400
	Debt Service	545,876,830	0.3000	0.3000	37,300	0.3000	0.3000	301,327,730	0.3000	0.3000	276,474,560	0.3000	0.3000
Pattonville R-III School District	Operating Funds-Schools	465,799,320	3.0824	2.9383	200,000	4.0780	3.9339	711,084,290	3.4222	3.2781	310,610,980	3.9305	3.7864
	Debt Service	465,799,320	0.4900	0.4900	200,000	0.4900	0.4900	711,084,290	0.4900	0.4900	310,610,980	0.4900	0.4900
Kirkwood R-VII School District	Operating Funds-Schools	897,008,170	3.1151	3.0959	203,120	4.9439	4.8686	206,963,950	3.8958	3.7685	141,144,130	3.7875	3.2146
	Operating-Temporary	897,008,170	0.5286	0.5286 A	203,120	0.5286	0.5286 A	206,963,950	0.5286	0.5286 A	141,144,130	0.5286	0.5286 A
	Debt Service	897,008,170	0.3650	0.3650	203,120	0.3650	0.3650	206,963,950	0.3650	0.3650	141,144,130	0.3650	0.3650
Lindbergh R-VIII School District	Operating Funds-Schools	842,368,670	2.7500	2.7500	372,850	4.1500	4.0024	324,350,690	2.7500	2.7500	164,413,940	3.0444	2.8968
	Debt Service	842,368,670	0.3800	0.3800	372,850	0.3800	0.3800	324,350,690	0.3800	0.3800	164,413,940	0.3800	0.3800
Mehlville R-IX School District	Operating Funds-Schools	1,314,574,340	2.8014	2.8014	352,220	3.7500	3.7500	285,846,690	2.9152	2.9152	257,303,500	3.6248	3.6248
	Debt Service	1,314,574,340	0.4020	0.3400	352,220	0.4020	0.3400	285,846,690	0.4020	0.3400	257,303,500	0.4020	0.3400
Parkway C-2 School District	Operating Funds-Schools	2,884,655,750	3.4570	2.8900 B	1,656,050	3.8470	3.5600 B	1,127,167,490	3.6414	3.5600 B	609,645,410	3.7379	3.5600 B
	Debt Service	2,884,655,750	0.3400	0.3400	1,656,050	0.3400	0.3400	1,127,167,490	0.3400	0.3400	609,645,410	0.3400	0.3400
Affton 101 School District	Operating Funds-Schools	305,263,130	4.6943	4.2230	0	0.0000	0.0000	69,935,100	5.0882	5.0872	58,999,170	5.5131	5.1431
Bayless School District	Operating Funds-Schools	137,873,780	2.7500	2.7500	0	2.7500	0.0000	13,322,160	2.9174	2.9174	24,109,040	3.8500	3.8500
	Debt Service	137,873,780	0.3900	0.3900	0	0.3900	0.3900	13,322,160	0.3900	0.3900	24,109,040	0.3900	0.3900
Brentwood School District	Operating Funds-Schools	156,232,780	2.6200	2.5324	0	0.0000	0.0000	95,991,850	3.1291	3.0415	46,087,740	3.3915	3.3039
	Debt Service	156,232,780	0.2440	0.2100	0	0.2440	0.2100	95,991,850	0.2440	0.2100	46,087,740	0.2440	0.2100
Clayton School District	Operating Funds-Schools	503,874,480	2.9339	2.8900 D	0	0.0000	0.0000	438,658,600	3.2687	3.2271 D	103,682,920	3.4726	3.4334 D
	Debt Service	503,874,480	0.3820	0.3640	0	0.3820	0.3640	438,658,600	0.3820	0.3640	103,682,920	0.3820	0.3640
Hancock Place School District	Operating Funds-Schools	48,110,720	3.0708	3.0708	0	0.0000	0.0000	11,545,560	3.8930	3.8930	14,021,370	4.3000	4.3000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Hancock Place School District	Debt Service	48,110,720	1.1982	1.0100	0	1.1982	1.0100	11,545,560	1.1982	1.0100	14,021,370	1.1982	1.0100
Jennings School District	Operating Funds-Schools	77,162,060	3.7825	3.7825	0	0.0000	0.0000	15,302,290	5.5500	5.5500	28,728,320	4.8034	4.8034
	Debt Service	77,162,060	0.5760	0.5760	0	0.5760	0.5760	15,302,290	0.5760	0.5760	28,728,320	0.5760	0.5760
Ladue School District	Operating Funds-Schools	1,134,217,910	2.7500	2.7500	10,910	2.7500	2.7500	241,851,830	2.7500	2.7500	143,868,510	2.7500	2.7500
	Debt Service	1,134,217,910	0.2300	0.2300	10,910	0.2300	0.2300	241,851,830	0.2300	0.2300	143,868,510	0.2300	0.2300
Maplewood-Richmond Heights Sch D	Operating Funds-Schools	186,024,300	2.8946	2.8946	0	0.0000	0.0000	62,557,610	3.4358	3.4358	37,299,660	4.2458	4.2458
	Debt Service	186,024,300	0.7490	0.7490	0	0.7490	0.7490	62,557,610	0.7490	0.7490	37,299,660	0.7490	0.7490
Normandy School District	Operating Funds-Schools	185,092,400	3.6980	3.4704 D	16,560	3.8554	3.6278 D	45,894,040	4.4061	4.1785 D	54,109,110	4.6600	4.4324 D
	Debt Service	185,092,400	1.8987	1.7314	16,560	1.8987	1.7314	45,894,040	1.8987	1.7314	54,109,110	1.8987	1.7314
Ritenour School District	Operating Funds-Schools	312,514,670	3.0860	3.0288	0	0.0000	0.0000	191,257,430	3.6495	3.6495	135,089,170	4.0492	4.0492
	Debt Service	312,514,670	0.7890	0.7100	0	0.7890	0.7100	191,257,430	0.7890	0.7100	135,089,170	0.7890	0.7100
Riverview Gardens School District	Operating Funds-Schools	208,664,740	3.5622	3.7596 D	2,590	4.3500	4.3500	23,248,800	3.7860	4.0188 D	43,490,990	4.1177	4.1177
	Debt Service	208,664,740	1.4608	1.4608	2,590	1.4608	1.4608	23,248,800	1.4608	1.4608	43,490,990	1.4608	1.4608
University City School District	Operating Funds-Schools	507,599,670	3.7487	3.2951	0	0.0000	0.0000	61,335,690	3.9880	3.4960	71,321,120	5.1824	4.5371
	Debt Service	507,599,670	0.7380	0.7380	0	0.7380	0.7380	61,335,690	0.7380	0.7380	71,321,120	0.7380	0.7380
Valley Park School District	Operating Funds-Schools	91,456,760	3.6751	3.6751	7,740	4.6500	4.6500	32,888,970	3.6788	3.6788	33,201,360	4.6500	4.6500
	Debt Service	91,456,760	0.4560	0.4560	7,740	0.4560	0.4560	32,888,970	0.4560	0.4560	33,201,360	0.4560	0.4560
Webster Groves School District	Operating Funds-Schools	591,764,970	4.0069	4.0069	0	0.0000	0.0000	82,903,800	4.0105	4.0105	80,595,810	4.8889	4.8889
	Debt Service	591,764,970	0.5600	0.5600	0	0.5600	0.5600	82,903,800	0.5600	0.5600	80,595,810	0.5600	0.5600
Wellston School District	Operating Funds-Schools	4,669,600	5.6674	5.6384	0	0.0000	0.0000	9,643,440	4.5835	5.2929 D	7,436,600	5.6700	5.6700
St. Louis County	General Revenue	14,884,282,790	0.2190	0.1900	6,894,230	0.3500	0.1900	5,622,356,435	0.2510	0.1900	3,705,380,253	0.2810	0.1900
	Parks & Recreation	14,884,282,790	0.0550	0.0500	6,894,230	0.0700	0.0500	5,622,356,435	0.0620	0.0500	3,705,380,253	0.0700	0.0500
	Road & Bridge	14,884,282,790	0.1410	0.1050	6,894,230	0.1800	0.1050	5,622,356,435	0.1580	0.1050	3,705,380,253	0.1800	0.1050
	Health	14,884,282,790	0.1870	0.1500	6,894,230	0.3000	0.1500	5,622,356,435	0.2160	0.1500	3,705,380,253	0.2410	0.1500
	Debt Service	14,884,282,790	0.0940	0.0630	6,894,230	0.0940	0.0630	5,622,356,435	0.0940	0.0630	3,705,380,253	0.0940	0.0630

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied

LEGEND:

A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy, see Appendix X.
B A voter approved increase to an existing levy, see Appendix XI.
C Levy includes a recoupment rate authorized by state law.
D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Results - Table 1.2.

NOTE:

This Appendix contains levy information for political subdivisions wholly in St. Louis County. Political subdivisions partially in St. Louis County and partially in another county(ies) were required by Senate Bill 267 passed in 2005 to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions of Senate Bill 960. Additionally, Senate Bill 22 passed in 2007 allowed the City of Gladstone in Clay County to opt into the four-rate system.

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
St. Louis													
City of Bella Villa	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000
City of Bellefontaine Neighbors	General Revenue	63,831,120	0.2150	0.1500	1,160	0.2500	0.1500	7,355,210	0.2310	0.1500	16,593,717	0.2360	0.0000
Village of Bellerive Acres	General Revenue	3,266,380	0.6290	0.6290	0	0.0000	0.0000	176,680	0.6020	0.6020	626,790	0.7670	0.7670
Village of Bel Nor	General Revenue	17,503,811	0.4960	0.4960 B	0	0.2600	0.0000 B	346,220	0.5180	0.5000 B	2,956,415	0.5530	0.5000 B
	Debt Service	17,503,811	0.2930	0.2930	0	0.2930	0.2930	346,220	0.2930	0.2930	2,956,415	0.2930	0.2930
Village of Bel Ridge	General Revenue	9,097,550	0.3500	0.3500	0	0.0000	0.0000	4,481,100	0.3190	0.3190	0	0.0000	0.0000
	Debt Service	9,097,550	0.4680	0.4680	0	0.4680	0.4680	4,481,100	0.4680	0.4680	0	0.4680	0.4680
City of Berkeley	General Revenue	36,797,540	0.7350	0.7350	14,270	0.8480	0.8480	92,204,815	0.8330	0.8330	50,954,630	0.9200	0.9200
	Pension	36,797,540	0.1100	0.1100	14,270	0.1100	0.1100	92,204,815	0.1100	0.1100	50,954,630	0.1100	0.1100
	Debt Service	36,797,540	0.2440	0.2440	14,270	0.2440	0.2440	92,204,815	0.2440	0.2440	50,954,630	0.2440	0.2440
City of Beverly Hills	General Revenue	2,193,190	0.2220	0.2220	0	0.0000	0.0000	1,170,696	0.2190	0.2190	1,119,626	0.2320	0.2320
City of Black Jack	Debt Service	0	0.8760	0.5000	0	0.8760	0.5000	0	0.8760	0.5000	0	0.8760	0.5000
City of Breckenridge Hills	General Revenue	19,513,320	0.3140	0.2000	0	0.0000	0.0000	9,448,419	0.2780	0.2000	5,896,749	0.0000	0.0000
City of Brentwood	General Revenue	123,988,140	0.1810	0.0000	0	0.0000	0.0000	102,050,800	0.1680	0.1670	38,850,975	0.2070	0.2070
	Library	123,988,140	0.1570	0.1570	0	0.0000	0.0000	102,050,800	0.1440	0.1440	38,850,975	0.1790	0.1790
	Pension	123,988,140	0.3880	0.3880	0	0.0000	0.0000	102,050,800	0.4110	0.4110	38,850,975	0.3850	0.3850
	Debt Service	123,988,140	0.3670	0.0500	0	0.3670	0.0500	102,050,800	0.3670	0.0500	38,850,975	0.3670	0.0500
City of Bridgeton	General Revenue	102,985,370	0.2420	0.1600	112,940	0.2500	0.0000	253,586,481	0.2430	0.2240	0	0.0000	0.0000
Village of Calverton Park	General Revenue	8,013,710	0.2920	0.2150	0	0.0000	0.0000	471,664	0.2800	0.2150	1,994,745	0.2980	0.2150
City of Charlack	General Revenue	6,302,440	0.2330	0.2290	0	0.0000	0.0000	2,253,637	0.2220	0.2180	2,262,883	0.2570	0.2570
City of Clarkson Valley	General Revenue	82,392,608	0.1290	0.1290	6,460	0.1250	0.1250	4,892,430	0.1490	0.1490	11,476,075	0.1530	0.1530
City of Clayton	General Revenue	367,546,990	0.6550	0.6340	0	0.0000	0.0000	309,355,950	0.6950	0.6940	87,907,309	0.7070	0.7070
	Debt Service	367,546,990	0.1500	0.1450	0	0.1500	0.1450	309,355,950	0.1500	0.1450	87,907,309	0.1500	0.1450
City of Cool Valley	General Revenue	5,257,360	0.1640	0.1640	0	0.0000	0.0000	5,257,841	0.1600	0.1600	3,987,477	0.1650	0.1650
City of Country Club Hills	General Revenue	4,877,650	0.6310	0.6310	0	0.0000	0.0000	886,240	0.7720	0.7720	1,377,740	0.7330	0.7330
	Parks & Recreation	4,877,650	0.2930	0.2930	0	0.0000	0.0000	886,240	0.3230	0.3230	1,377,740	0.3380	0.3380
	Health	4,877,650	0.1680	0.1680	0	0.0000	0.0000	886,240	0.1620	0.1620	1,377,740	0.1900	0.1900
Village of Country Life Acres	General Revenue	6,566,620	0.3420	0.3410	0	0.0000	0.0000	70,094	0.4240	0.4240	512,670	0.4280	0.4280
City of Crestwood	General Revenue	155,482,600	0.2400	0.2400	150	0.0000	0.0000	84,465,390	0.2630	0.2630	35,205,007	0.2790	0.2500
	GR - Temp	155,482,600	0.2000	0.2000 A	150	0.2000	0.2000 A	84,465,390	0.2000	0.2000 A	35,205,007	0.2000	0.2000 A
City of Creve Coeur	General Revenue	399,464,790	0.0900	0.0900 C	7,150	0.1000	0.0870	285,315,717	0.0920	0.0950 C	0	0.0000	0.0000
City of Crystal Lake Park	General Revenue	12,937,180	0.7000	0.7000	0	0.0000	0.0000	149,741	0.2850	0.2850	1,436,343	0.8080	0.7000
City of Dellwood	General Revenue	27,285,890	0.1910	0.1910	0	0.0000	0.0000	7,156,270	0.2270	0.2270	8,064,920	0.2350	0.2350
City of Des Peres	General Revenue	189,249,130	0.2830	0.0000	172,970	0.3530	0.0000	84,821,420	0.2270	0.0000	51,716,400	0.0000	0.0000
City of Edmundson	General Revenue	3,447,330	0.5000	0.3600	0	0.0000	0.0000	20,215,290	0.5000	0.3870	4,620,540	0.0000	0.0000
City of Ellisville	General Revenue	125,779,930	0.3690	0.1500	700	0.6500	0.1500	75,482,341	0.4240	0.1500	36,083,000	0.4170	0.0000

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Eureka	General Revenue	124,462,340	0.4510	0.3730	131,000	0.6500	0.3730	48,347,301	0.4260	0.3900	37,182,585	0.4910	0.3900
City of Ferguson	General Revenue	107,956,060	0.4230	0.4230	13,400	0.2530	0.2530	42,498,260	0.4320	0.4320	44,360,507	0.4500	0.4500
	Parks & Recreation	107,956,060	0.1770	0.1770	13,400	0.1040	0.1040	42,498,260	0.1860	0.1860	44,360,507	0.1980	0.1980
City of Flordell Hills	General Revenue	3,467,660	0.4380	0.4220	0	0.0000	0.0000	1,067,582	0.7620	0.7620	0	0.0000	0.0000
City of Florissant	General Revenue	357,025,210	0.1020	0.0000	38,760	0.1190	0.0000	111,850,361	0.1210	0.0000	98,965,790	0.1200	0.0000
City of Frontenac	General Revenue	148,546,800	0.5080	0.5080	0	0.0000	0.0000	33,005,250	0.6200	0.6200	20,395,620	0.5530	0.5530
Village of Glen Echo Park	General Revenue	975,350	0.5000	0.5000	0	0.0000	0.0000	29,762	0.5000	0.5000	233,303	0.5000	0.5000
City of Glendale	General Revenue	116,642,700	0.4460	0.4460	0	0.0000	0.0000	5,348,819	0.4200	0.4200	15,725,343	0.5190	0.5190
	Pension	116,642,700	0.0860	0.0860	0	0.0000	0.0000	5,348,819	0.0830	0.0830	15,725,343	0.1000	0.1000
Town of Grantwood Village	General Revenue	18,617,400	0.2310	0.2310	108,500	0.2070	0.2070	1,344,251	0.1460	0.1460	3,393,812	0.2610	0.2610
City of Greendale	General Revenue	5,130,050	0.5150	0.5150	0	0.0000	0.0000	200,480	0.5320	0.5320	0	0.0000	0.0000
Village of Hanley Hills	General Revenue	9,475,800	0.4120	0.3190	0	0.0000	0.0000	623,147	0.2610	0.4380 D	2,640,079	0.4500	0.4500
City of Hazelwood	General Revenue	182,965,680	0.7440	0.7600 C	213,110	0.7570	0.7640 C	190,441,170	0.7660	0.7660	132,706,140	0.7540	0.7540
	Debt Service	182,965,680	0.1420	0.1420	213,110	0.1420	0.1420	190,441,170	0.1420	0.1420	132,706,140	0.1420	0.1420
Village of Hillsdale	General Revenue	2,409,570	0.4210	0.5000 D	0	0.0000	0.5000 D	2,523,547	0.4840	0.5000 D	3,491,323	0.5000	0.5000
City of Huntleigh	General Revenue	30,488,410	0.2910	0.2150	11,200	0.1700	0.1700	355,804	0.3850	0.3600	2,194,223	0.3280	0.2150
City of Jennings	General Revenue	59,582,310	1.0000	1.0000	0	0.0000	0.0000	14,758,389	1.0000	1.0000	17,789,424	1.0000	1.0000
	Pension	59,582,310	0.1850	0.1800	0	0.0000	0.0000	14,758,389	0.1850	0.1800	17,789,424	0.1850	0.1800
City of Kinloch	General Revenue	738,070	1.0000	1.0000	0	0.0000	0.0000	1,311,071	1.0000	1.0000	793,545	1.0000	1.0000
City of Kirkwood	Parks & Recreation	454,145,450	0.1730	0.1300	0	0.0000	0.0000	77,261,400	0.1870	0.1300	79,902,957	0.2000	0.1300
	Library	449,038,600	0.1950	0.1950	0	0.0000	0.0000	80,338,920	0.2130	0.2130	78,006,797	0.2350	0.2350
	Pension	454,154,450	0.1500	0.1470	0	0.0000	0.0000	77,261,400	0.1760	0.1650	79,902,957	0.1820	0.1820
	Debt Service	454,154,450	0.1900	0.1900	0	0.1900	0.1900	77,261,400	0.1900	0.1900	79,902,957	0.1900	0.1900
City of Ladue	General Revenue	486,041,520	0.7300	0.7300	2,350	0.8940	0.8940	42,775,075	0.7110	0.7110	48,116,982	0.7560	0.7560
City of Lakeshire	General Revenue	11,964,460	0.0890	0.0890	0	0.0000	0.0000	185,480	0.0370	0.0370	0	0.0000	0.0000
Village of Mackenzie	General Revenue	1,468,940	0.1460	0.1460	0	0.0000	0.0000	53,076	0.1640	0.1640	368,694	0.1850	0.1850
City of Manchester	General Revenue	219,561,480	0.3400	0.0500	410	0.4880	0.0500	45,072,865	0.2970	0.0500	46,553,195	0.3850	0.0500
	Debt Service	219,561,480	0.2950	0.2000	410	0.2950	0.2000	45,072,865	0.2950	0.2000	46,553,195	0.2950	0.2000
City of Maplewood	General Revenue	61,492,180	0.4090	0.4090	0	0.0000	0.0000	40,508,274	0.6240	0.6240	22,431,090	0.5670	0.5670
	Pension	61,492,180	0.1920	0.1920	0	0.0000	0.0000	40,508,274	0.2470	0.2470	22,431,090	0.2450	0.2450
	Solid Waste	61,492,180	0.1850	0.1850	0	0.0000	0.0000	40,508,274	0.2180	0.2180	22,431,090	0.2180	0.2180
Village of Marlborough	General Revenue	12,239,480	0.1100	0.1100	0	0.0000	0.0000	6,972,125	0.1090	0.1090	5,155,529	0.1110	0.1110
City of Normandy	General Revenue	17,498,580	0.3810	0.3810	0	0.0000	0.0000	3,591,890	0.3470	0.3470	5,728,083	0.4000	0.4000
City of Northwoods	General Revenue	20,022,906	0.3830	0.3600	0	0.0000	0.0000	1,257,100	0.5000	0.2800	5,632,429	0.4150	0.3600
	Debt Service	20,022,906	1.2168	0.7000	0	1.2168	0.7000	1,257,100	1.2168	0.7000	5,632,429	1.2168	0.7000
Village of Norwood Court	General Revenue	3,116,870	0.3210	0.0000	0	0.0000	0.0000	162,490	0.3500	0.0000	956,870	0.3450	0.0000
City of Oakland	General Revenue	20,360,440	0.2090	0.2090	0	0.0000	0.0000	2,729,269	0.1680	0.1680	3,201,311	0.2370	0.2370

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate				Commercial Real Estate				Personal Property			
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
City of Olivette	General Revenue	125,058,940	0.6950	0.6950	0	0.0000	0.0000		50,176,909	0.7300	0.7300		29,143,359	0.7710	0.7710	
	Pension	125,058,940	0.2500	0.2500	0	0.0000	0.0000		50,176,909	0.2500	0.2500		29,143,359	0.2500	0.2500	
City of Overland	General Revenue	98,680,200	0.0840	0.0750	0	0.0000	0.0000		79,615,033	0.0970	0.0970		42,812,583	0.0970	0.0750	
	Pension	98,680,200	0.1250	0.1250	0	0.0000	0.0000		79,615,033	0.1460	0.1460		42,812,583	0.1460	0.1460	
City of Pagedale	General Revenue	9,618,260	0.2750	0.2750	0	0.0000	0.0000		9,789,740	0.3160	0.3160		6,908,925	0.3500	0.3500	
City of Pasadena Hills	General Revenue	11,857,640	0.2430	0.2430	0	0.0000	0.0000		72,800	0.2560	0.2560		1,937,168	0.3100	0.3100	
	Debt Service	11,857,640	1.0840	0.5840	0	1.0840	0.5840		72,800	1.0840	0.5840		1,937,168	1.0840	0.5840	
Village of Pasadena Park	General Revenue	4,274,106	0.2570	0.2570	0	0.0000	0.0000		18,300	0.3120	0.3120		746,042	0.3090	0.3090	
City of Pine Lawn	General Revenue	11,252,900	0.2520	0.2520	0	0.0000	0.0000		3,511,214	0.2260	0.2180		3,741,113	0.2580	0.2580	
City of Richmond Heights	General Revenue	158,267,570	0.5200	0.2900	0	0.0000	0.0000		113,200,069	0.6140	0.2900		34,719,419	0.6150	0.2900	
	Library	158,267,570	0.1780	0.1780	0	0.0000	0.0000		113,200,069	0.2120	0.2120		34,719,419	0.2120	0.2120	
	Pension	158,267,570	0.3010	0.3010	0	0.0000	0.0000		113,200,069	0.3550	0.3200		34,719,419	0.3560	0.3200	
Village of Riverview	General Revenue	12,363,940	0.2860	0.2860	0	0.0000	0.0000		2,227,681	0.2650	0.2650		3,012,347	0.3120	0.3120	
City of Rock Hill	General Revenue	54,030,600	0.2770	0.2860	C	0	0.0000	0.0000	18,480,162	0.2960	0.3320	C	12,258,705	0.3480	0.3480	
	Library	54,030,600	0.2820	0.2970	C	0	0.0000	0.0000	18,480,162	0.3030	0.3460	C	12,258,705	0.3550	0.3550	
	Debt Service	54,030,600	0.3190	0.3190		0	0.3190	0.3190	18,480,162	0.3190	0.3190		12,258,705	0.3190	0.3190	
City of St Ann	General Revenue	79,653,220	0.1610	0.1540		0	0.0000	0.0000	40,034,940	0.2000	0.2000		24,292,015	0.1930	0.0000	
City of St George	General Revenue	12,256,280	0.1100	0.1100		0	0.0000	0.0000	340,662	0.1230	0.1230		2,161,268	0.1390	0.1390	
City of St John	General Revenue	37,667,930	0.3210	0.3210		0	0.0000	0.0000	7,491,195	0.4630	0.4630		12,836,505	0.4500	0.4500	
City of Shrewsbury	General Revenue	70,862,820	0.3810	0.3810		0	0.0000	0.0000	28,384,144	0.3730	0.3730		17,485,833	0.4370	0.3810	
	Debt Service	70,862,820	0.8180	0.6190		0	0.8180	0.6190	28,384,144	0.8180	0.6190		17,485,833	0.8180	0.6190	
City of Sunset Hills	General Revenue	186,830,050	0.0800	0.0540		229,210	0.1000	0.0600	95,160,900	0.0840	0.0570		45,882,190	0.0900	0.0600	
Village of Sycamore Hills	General Revenue	4,876,370	0.2020	0.2020		0	0.0000	0.0000	433,414	0.2610	0.2610		1,106,547	0.2530	0.2530	
	Health	4,876,370	0.0940	0.0940		0	0.0000	0.0000	433,414	0.1210	0.1210		1,106,547	0.1180	0.1180	
City of Town and Country	General Revenue	381,802,030	0.5420	0.0000		44,900	0.9000	0.0000	196,059,164	0.5700	0.0000		83,736,093	0.5790	0.0000	
	Dispatch	381,802,030	0.0290	0.0000		44,900	0.0300	0.0000	196,059,164	0.0300	0.0000		83,736,093	0.0300	0.0000	
Village of Twin Oaks	General Revenue	4,707,500	0.4300	0.0000		0	0.0000	0.0000	5,020,070	0.3700	0.0000		0	0.0000	0.0000	
City of University City	General Revenue	433,222,360	0.5720	0.5720		0	0.0000	0.0000	43,005,316	0.6450	0.6450		67,099,665	0.6910	0.6910	
	Library	433,222,360	0.2490	0.2490		0	0.0000	0.0000	43,005,316	0.2840	0.2840		67,099,665	0.3010	0.3010	
	Pension	433,222,360	0.1610	0.0000		0	0.0000	0.0000	43,005,316	0.1840	0.0000		67,099,665	0.1950	0.0000	
	Debt Service	433,222,360	0.0850	0.0850		0	0.0850	0.0850	43,005,316	0.0850	0.0850		67,099,665	0.0850	0.0850	
Village of Uplands Park	General Revenue	1,870,680	0.3730	0.3730		0	0.0000	0.0000	66,014	0.4080	0.4080		620,610	0.3910	0.3910	
City of Valley Park	General Revenue	55,791,640	0.5980	0.5400		7,100	0.0000	0.0000	9,045,510	0.8800	0.8800		16,609,060	0.6850	0.5700	
City of Velda City	General Revenue	5,023,130	0.3690	0.3690		0	0.0000	0.0000	183,440	0.4120	0.4120		1,434,502	0.3820	0.3820	
	Debt Service	5,023,130	1.0253	0.7100		0	1.0253	0.7100	183,440	1.0253	0.7100		1,434,502	1.0253	0.7100	
Village of Velda Village Hills	General Revenue	4,227,150	0.3380	0.3550	D	0	0.0000	0.0000	235,739	0.3590	0.5000	D	1,257,197	0.3780	0.3780	
City of Vinita Park	General Revenue	6,862,320	0.2320	0.2320		0	0.0000	0.0000	24,948,860	0.2520	0.2520		7,899,210	0.2300	0.2300	

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Village of Vinita Terrace	General Revenue	1,566,490	0.0390	0.0390	0	0.0000	0.0000	712,222	0.0500	0.0500	0	0.0000	0.0000
	Health	1,566,490	0.1130	0.1130	0	0.0000	0.0000	712,222	0.1810	0.1810	0	0.0000	0.0000
City of Warson Woods	General Revenue	47,615,760	0.3780	0.3780	0	0.0000	0.0000	7,268,851	0.4140	0.4140	6,581,570	0.4470	0.0000
City of Webster Groves	General Revenue	355,790,980	0.2440	0.2440	0	0.0000	0.0000	39,845,640	0.2590	0.2590	56,337,438	0.2800	0.2800
	Library	355,790,980	0.1570	0.1570	0	0.0000	0.0000	39,845,640	0.1660	0.1660	56,337,438	0.1800	0.1800
	Streets	355,790,980	0.1580	0.1580	0	0.0000	0.0000	39,845,640	0.1670	0.1670	56,337,438	0.1810	0.1810
	Pension	355,790,980	0.1260	0.1260	0	0.0000	0.0000	39,845,640	0.1340	0.1340	56,337,438	0.1450	0.1450
	Debt Service	355,790,980	0.4110	0.4110	0	0.4110	0.4110	39,845,640	0.4110	0.4110	56,337,438	0.4110	0.4110
City of Wellston	General Revenue	3,539,890	0.6000	0.6000	0	0.0000	0.0000	6,179,964	0.6000	0.6000	4,935,788	0.6000	0.6000
Village of Westwood	General Revenue	14,602,940	0.0590	0.0590	0	0.0000	0.0000	1,659,730	0.0660	0.0660	0	0.0000	0.0000
City of Winchester	General Revenue	14,169,470	0.1790	0.1790	0	0.0000	0.0000	2,368,705	0.2030	0.2030	3,303,667	0.2610	0.2610
City of Woodson Terrace	General Revenue	21,204,670	0.2220	0.2100	0	0.0000	0.0000	18,413,939	0.2460	0.2200	24,113,110	0.2510	0.2200
City of Chesterfield	Debt Service	945,584,530	0.0880	0.0600	1,616,460	0.0880	0.0600	241,060,530	0.0880	0.0600	264,049,505	0.0880	0.0600
Ferguson Municipal Pub Library Dist	General Revenue	107,956,060	0.2070	0.2070	13,400	0.0000	0.0000	42,498,260	0.2110	0.2110	44,677,237	0.2200	0.2200
Maplewood Public Library	General Revenue	61,987,160	0.2690	0.2690 B	0	0.0600	0.0600 B	40,493,162	0.3100	0.3100 B	26,609,525	0.3020	0.3020 B
	Debt Service	61,987,160	0.2120	0.2120	0	0.2120	0.2120	40,493,162	0.2120	0.2120	26,609,525	0.2120	0.2120
St Louis County Library	General Revenue	10,396,225,280	0.1640	0.1500	6,914,330	0.2000	0.1500	4,401,570,976	0.1780	0.1500	3,469,828,576	0.1850	0.1500
Valley Park Community Library	General Revenue	24,304,310	0.1490	0.1490	1,510	0.1700	0.1700	7,516,700	0.1000	0.1000	14,089,850	0.1700	0.1700
Affton Fire Protection District	General Revenue	341,674,610	0.7020	0.7020	820	0.7320	0.7320	56,245,121	0.7520	0.7520	79,226,656	0.7940	0.7940
	Ambulance	341,674,610	0.1600	0.1600	820	0.1220	0.1220	56,245,121	0.1810	0.1810	79,226,656	0.1820	0.1820
	Pension	341,674,610	0.0560	0.0560	820	0.0700	0.0700	56,245,121	0.0630	0.0630	79,226,656	0.0640	0.0640
	Dispatch	341,674,610	0.0240	0.0240	820	0.0000	0.0000	56,245,121	0.0270	0.0270	79,226,656	0.0270	0.0270
Metro West Fire Protection District	General Revenue	1,174,040,000	0.4980	0.4980	1,159,350	0.6500	0.6500	175,537,226	0.5840	0.5840	230,606,206	0.5610	0.5610
	Ambulance	1,174,040,000	0.2580	0.2580	1,159,350	0.3000	0.3000	175,537,226	0.2900	0.2900	230,606,206	0.2900	0.2900
	Pension	1,174,040,000	0.0950	0.0950	1,159,350	0.1100	0.1100	175,537,226	0.1070	0.1070	230,606,206	0.1060	0.1060
	Dispatch	1,174,040,000	0.0440	0.0440	1,159,350	0.0480	0.0480	175,537,226	0.0470	0.0470	230,606,206	0.0480	0.0480
	Debt Service	1,174,040,000	0.0820	0.0820	1,159,350	0.0820	0.0820	175,537,226	0.0820	0.0820	230,606,206	0.0820	0.0820
Black Jack Fire Protection District	General Revenue	414,820,430	0.9210	0.9210	180,390	1.0000	1.0000	71,495,534	0.8940	0.8940	101,410,480	1.0000	1.0000
	Pension	414,820,430	0.0930	0.0930	180,390	0.1000	0.1000	71,495,534	0.0850	0.0850	101,410,480	0.1000	0.1000
	NCCFA System	414,820,430	0.0470	0.0470	180,390	0.0500	0.0500	71,495,534	0.0400	0.0400	101,410,480	0.0500	0.0500
	Debt Service	414,820,430	0.1470	0.1470	180,390	0.1470	0.1470	71,495,534	0.1470	0.1470	101,410,480	0.1470	0.1470
Monarch Fire Protection District	General Revenue	1,218,950,600	0.4770	0.0000	2,262,920	0.7000	0.0000	300,264,387	0.5730	0.0000	317,312,844	0.5490	0.0000
	Ambulance	1,218,950,600	0.2980	0.0000	2,262,920	0.3300	0.0000	300,264,387	0.3300	0.0000	317,312,844	0.3300	0.0000
	Pension	1,218,950,600	0.0900	0.0000	2,262,920	0.1000	0.0000	300,264,387	0.1000	0.0000	317,312,844	0.1000	0.0000
	Dispatch	1,218,950,600	0.0460	0.0000	2,262,920	0.0500	0.0000	300,264,387	0.0500	0.0000	317,312,844	0.0500	0.0000
	Debt Service	1,218,950,600	0.0550	0.0000	2,262,920	0.0550	0.0000	300,264,387	0.0550	0.0000	317,312,844	0.0550	0.0000
Community Fire Protection District	General Revenue	253,160,380	0.9160	0.9160	0	0.0000	0.0000	161,567,372	1.0000	1.0000	126,512,719	1.0000	1.0000

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Community Fire Protection District	Ambulance	253,160,380	0.5000	0.5000 B	0	0.5000	0.0000 B	161,567,372	0.5000	0.5000 B	126,512,719	0.5000	0.5000 B
	Pension	253,160,380	0.0940	0.0940	0	0.0000	0.0000	161,567,372	0.0960	0.0960	126,512,719	0.1000	0.1000
	Dispatch	253,160,380	0.0280	0.0280	0	0.0000	0.0000	161,567,372	0.0290	0.0290	126,512,719	0.0300	0.0300
	Debt Service	253,160,380	0.3530	0.3530	0	0.3530	0.3530	161,567,372	0.3530	0.3530	126,512,719	0.3530	0.3530
Creve Coeur Fire Protection Dist	General Revenue	598,264,420	0.5630	0.5620	5,480	0.5110	0.5110	390,169,932	0.5970	0.5970	218,045,240	0.6260	0.6260
	Ambulance	598,264,420	0.2000	0.2000	5,480	0.1830	0.1830	390,169,932	0.2120	0.2120	218,045,240	0.2220	0.2220
	Pension	598,264,420	0.1360	0.1360	5,480	0.1100	0.1100	390,169,932	0.1450	0.1450	218,045,240	0.1500	0.1500
	Dispatch	598,264,420	0.0450	0.0450	5,480	0.0370	0.0370	390,169,932	0.0480	0.0480	218,045,240	0.0500	0.0500
Fenton Fire Protection District	General Revenue	364,810,900	0.4460	0.4090	154,630	0.6240	0.5510	271,760,486	0.4990	0.4990	260,018,853	0.5140	0.5140
	Ambulance	364,810,900	0.2900	0.2300	154,630	0.2930	0.2640	271,760,486	0.2940	0.2940	260,018,853	0.3000	0.3000
	Pension	364,810,900	0.0960	0.0950	154,630	0.0970	0.0890	271,760,486	0.0990	0.0980	260,018,853	0.1000	0.1000
	Dispatch	364,810,900	0.0480	0.0350	154,630	0.0490	0.0440	271,760,486	0.0490	0.0480	260,018,853	0.0500	0.0500
Florissant Valley Fire Prot Dist	General Revenue	522,301,210	0.6060	0.6060	193,780	0.7460	0.7460	139,124,822	0.7090	0.7090	142,827,719	0.7170	0.7170
	Ambulance	522,301,210	0.3860	0.3860	193,780	0.4370	0.4370	139,124,822	0.4360	0.4360	142,827,719	0.4400	0.4400
	Pension	522,301,210	0.0880	0.0880	193,780	0.0990	0.0990	139,124,822	0.1000	0.1000	142,827,719	0.1000	0.1000
	Dispatch	522,301,210	0.0440	0.0440	193,780	0.0500	0.0500	139,124,822	0.0490	0.0490	142,827,719	0.0500	0.0500
	Debt Service	522,301,210	0.1960	0.1450	193,780	0.1960	0.1450	139,124,822	0.1960	0.1450	142,827,719	0.1960	0.1450
Kinloch Fire Protection District	General Revenue	715,420	0.9000	0.8700	0	0.0000	0.0000	1,286,578	0.9000	0.8700	914,981	0.9000	0.8700
	Dispatch	715,420	0.0300	0.0300	0	0.0000	0.0000	1,286,578	0.0300	0.0300	914,981	0.0300	0.0300
Lemay Fire Protection District	General Revenue	118,216,790	0.8460	0.8460	180	0.9900	0.9900	22,081,070	0.9640	0.9640	36,005,805	0.9900	0.9900
	Ambulance	118,216,790	0.1880	0.1880	180	0.3000	0.3000	22,081,070	0.2350	0.2350	36,005,805	0.2500	0.2500
	Pension	118,216,790	0.0860	0.0860	180	0.0000	0.0000	22,081,070	0.0970	0.0970	36,005,805	0.1000	0.1000
	Central Alarm Fund	118,216,790	0.0430	0.0430	180	0.0000	0.0000	22,081,070	0.0490	0.0490	36,005,805	0.0500	0.0500
West County EMS & Fire Prot Dist	General Revenue	462,187,890	0.4190	0.4190	311,930	0.4150	0.4150	107,030,324	0.4220	0.4220	102,589,628	0.4570	0.4570
	Ambulance	462,187,890	0.1780	0.1780	311,930	0.1760	0.1760	107,030,324	0.1790	0.1790	102,589,628	0.1940	0.1940
	Pension	462,187,890	0.0890	0.0800	311,930	0.0870	0.0800	107,030,324	0.0900	0.0800	102,589,628	0.0970	0.0800
	Dispatch	462,187,890	0.0450	0.0450	311,930	0.0450	0.0450	107,030,324	0.0450	0.0450	102,589,628	0.0490	0.0490
	Debt Service	462,187,890	0.1200	0.0600	311,930	0.1200	0.0600	107,030,324	0.1200	0.0600	102,589,628	0.1200	0.0600
Maryland Heights Fire Prot Dist	General Revenue	214,580,780	0.7290	0.7290	6,930	0.6930	0.6930	262,872,242	0.7690	0.7690	154,201,103	0.8000	0.8000
	Ambulance	214,580,780	0.3630	0.3630	6,930	0.4000	0.4000	262,872,242	0.3620	0.3620	154,201,103	0.3680	0.3680
	Pension	214,580,780	0.1190	0.1190	6,930	0.1010	0.1010	262,872,242	0.1250	0.1250	154,201,103	0.1300	0.1300
	Dispatch	214,580,780	0.0460	0.0460	6,930	0.0430	0.0430	262,872,242	0.0480	0.0480	154,201,103	0.0500	0.0500
Mehlville Fire Protection District	General Revenue	1,418,453,400	0.8760	0.4480	698,770	1.0800	0.5510	387,356,033	0.9120	0.4650	340,211,339	0.8970	0.4570
	Ambulance	1,418,453,400	0.2000	0.1380	698,770	0.3000	0.2070	387,356,033	0.1960	0.1350	340,211,339	0.2220	0.1530
	Pension	1,418,453,400	0.0870	0.0870	698,770	0.1000	0.1000	387,356,033	0.0850	0.0850	340,211,339	0.0960	0.0960
	Alarm Fund	1,418,453,400	0.0430	0.0200	698,770	0.0500	0.0220	387,356,033	0.0430	0.0190	340,211,339	0.0480	0.0220
Metro-North Fire Protection Dist	General Revenue	83,909,700	1.3598	1.3598	0	0.0000	0.0000	17,919,661	1.2899	1.2899	23,608,139	1.4910	1.4910

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Metro-North Fire Protection Dist	Pension	83,909,700	0.2280	0.2280	0	0.0000	0.0000	17,919,661	0.2160	0.2160	23,608,139	0.2490	0.2490
	Dispatch	83,909,700	0.0280	0.0280	0	0.0000	0.0000	17,919,661	0.0240	0.0240	23,608,139	0.0300	0.0300
	Debt Service	83,909,700	0.0530	0.0530	0	0.0530	0.0530	17,919,661	0.0530	0.0530	23,608,139	0.0530	0.0530
Normandy Fire Protection District	General Revenue	128,438,480	1.3585	1.3585	15,420	1.2991	1.2991	27,244,619	1.3741	1.3741	39,962,783	1.5000	1.5000
	Ambulance	128,438,480	0.2720	0.2720	15,420	0.2560	0.2560	27,244,619	0.2750	0.2750	39,962,783	0.3000	0.3000
	Pension	128,438,480	0.0900	0.0900	15,420	0.0860	0.0860	27,244,619	0.0920	0.0920	39,962,783	0.1000	0.1000
	Dispatch	128,438,480	0.0450	0.0450	15,420	0.0390	0.0390	27,244,619	0.0450	0.0450	39,962,783	0.0500	0.0500
Pattonville Fire Protection Dist	General Revenue	123,116,390	0.9030	0.9030	356,010	0.9830	0.9830	436,868,490	0.9690	0.9690	188,138,548	0.9830	0.9830
	Ambulance	123,116,390	0.2220	0.2220	356,010	0.2500	0.2500	436,868,490	0.2470	0.2470	188,138,548	0.2500	0.2500
	Pension	123,116,390	0.1360	0.1360	356,010	0.1500	0.1500	436,868,490	0.1480	0.1480	188,138,548	0.1500	0.1500
	Dispatch	123,116,390	0.0450	0.0400	356,010	0.0500	0.0400	436,868,490	0.0490	0.0400	188,138,548	0.0500	0.0400
	Debt Service	123,116,390	0.0210	0.0210	356,010	0.0210	0.0210	436,868,490	0.0210	0.0210	188,138,548	0.0210	0.0210
Riverview Fire Protection District	General Revenue	102,063,020	1.2821	1.2821	3,490	1.4612	1.4612	16,360,296	1.4478	1.4478	27,525,935	1.4544	1.4544
	Pension	102,063,020	0.2200	0.2200	3,490	0.2500	0.2500	16,360,296	0.2490	0.2490	27,525,935	0.2500	0.2500
	Dispatch	102,063,020	0.0440	0.0400	3,490	0.0500	0.0400	16,360,296	0.0500	0.0400	27,525,935	0.0500	0.0400
	Debt Service	102,063,020	0.0570	0.0570	3,490	0.0570	0.0570	16,360,296	0.0570	0.0570	27,525,935	0.0570	0.0570
Robertson Fire Protection District	General Revenue	38,581,290	0.8900	0.8900	232,220	0.8900	0.8900	174,641,342	0.8900	0.8900	102,251,999	0.8900	0.8900
	Ambulance	38,581,290	0.5500	0.4850	232,220	0.5500	0.4850	174,641,342	0.5500	0.4850	102,251,999	0.5500	0.4850
	Pension	38,581,290	0.2000	0.2000	232,220	0.2000	0.2000	174,641,342	0.2000	0.2000	102,251,999	0.2000	0.2000
	Dispatch	38,581,290	0.0500	0.0400	232,220	0.0500	0.0400	174,641,342	0.0500	0.0400	102,251,999	0.0500	0.0400
	Debt Service	38,581,290	0.0650	0.0650	232,220	0.0650	0.0650	174,641,342	0.0650	0.0650	102,251,999	0.0650	0.0650
Spanish Lake Fire Protection Dist	General Revenue	118,327,590	1.2500	1.2500	103,120	1.2403	1.2403	26,431,701	1.1037	1.1037	31,805,069	1.2500	1.2500
	Pension	118,327,590	0.1500	0.1500	103,120	0.1500	0.1500	26,431,701	0.1330	0.1330	31,805,069	0.1500	0.1500
	Dispatch	118,327,590	0.0500	0.0500	103,120	0.0500	0.0500	26,431,701	0.0440	0.0440	31,805,069	0.0500	0.0500
	Debt Service	118,327,590	0.1370	0.1370	103,120	0.1370	0.1370	26,431,701	0.1370	0.1370	31,805,069	0.1370	0.1370
Valley Park Fire Protection Dist	General Revenue	125,635,130	0.7840	0.7840	114,550	0.8800	0.8800	38,815,800	0.8010	0.8010	48,590,903	0.8800	0.8800
	Ambulance	125,635,130	0.2680	0.2680	114,550	0.3000	0.3000	38,815,800	0.2720	0.2720	48,590,903	0.3000	0.3000
	Pension	125,635,130	0.0890	0.0890	114,550	0.1000	0.1000	38,815,800	0.0900	0.0900	48,590,903	0.1000	0.1000
	Dispatch	125,635,130	0.0270	0.0270	114,550	0.0300	0.0300	38,815,800	0.0280	0.0280	48,590,903	0.0300	0.0300
Mid-County Fire Protection District	General Revenue	39,214,310	1.7507	1.7507 B	0	0.5000	0.0000 B	46,020,130	1.8304	1.8304 B	46,284,560	1.8500	1.8500 B
	Ambulance	39,214,310	0.1390	0.1390	0	0.0000	0.0000	46,020,130	0.1500	0.1500	46,284,560	0.1500	0.1500
	Pension	39,214,310	0.2500	0.2500	0	0.0000	0.0000	46,020,130	0.2500	0.2500	46,284,560	0.2500	0.2500
	Dispatch	39,214,310	0.0280	0.0280	0	0.0000	0.0000	46,020,130	0.0300	0.0300	46,284,560	0.0300	0.0300
	Debt Service	39,214,310	0.1620	0.1620	0	0.1620	0.1620	46,020,130	0.1620	0.1620	46,284,560	0.1620	0.1620
West Overland Fire Protection Dist	General Revenue	50,841,130	0.7060	0.7060	0	0.0000	0.0000	80,996,048	0.7100	0.7100	35,280,442	0.7100	0.7100
	Ambulance	50,841,130	0.6250	0.6250 B	0	0.4000	0.0000 B	80,996,048	0.6300	0.6300 B	35,280,442	0.6500	0.6500 B
	Pension	50,841,130	0.1490	0.1490	0	0.0000	0.0000	80,996,048	0.1500	0.1500	35,280,442	0.1500	0.1500

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
West Overland Fire Protection Dist	Dispatch	50,841,130	0.0500	0.0500	0	0.0000	0.0000	80,996,048	0.0500	0.0500	35,280,442	0.0500	0.0500
	Debt Service	50,841,130	0.2670	0.2670	0	0.2670	0.2670	80,996,048	0.2670	0.2670	35,280,442	0.2670	0.2670
Black Creek Sewer	General Revenue	651,345,860	0.0900	0.0600	0	0.0000	0.0000	497,362,770	0.0990	0.0600	166,807,078	0.0950	0.0600
Black Jack-Dellwood Sewer	General Revenue	140,892,220	0.0900	0.0600	10,970	0.0360	0.0360	55,122,148	0.0960	0.0600	46,175,686	0.0980	0.0600
Clayton Central Sewer	General Revenue	25,237,480	0.0710	0.0600	0	0.0000	0.0000	262,028,612	0.0920	0.0600	44,084,861	0.0900	0.0600
Coldwater Creek Sewer	General Revenue	970,670,820	0.0920	0.0700	42,660	0.1000	0.0700	483,597,096	0.1000	0.0700	567,361,564	0.1000	0.0700
Creve Coeur-Frontenac Sewer	General Revenue	286,417,610	0.0740	0.0500	0	0.0000	0.0000	163,338,140	0.0750	0.0500	76,336,506	0.0760	0.0500
Deer Creek Sewer	General Revenue	2,214,167,030	0.0860	0.0600	181,990	0.0920	0.0600	846,365,762	0.0950	0.0600	448,650,241	0.0930	0.0600
Fountain Creek Sewer	General Revenue	89,142,290	0.1250	0.1000	0	0.0000	0.0000	20,125,712	0.1510	0.1000	23,754,755	0.1400	0.1000
Gravois Creek Sewer	General Revenue	920,085,290	0.0770	0.0600	347,280	0.0900	0.0600	400,363,766	0.0800	0.0600	243,475,607	0.0860	0.0600
Loretta-Joplin Sewer	General Revenue	18,662,120	0.0780	0.0600	0	0.0000	0.0000	1,746,639	0.0840	0.0600	5,100,665	0.0900	0.0600
Maline Creek Sewer	General Revenue	356,439,410	0.0930	0.0700	47,360	0.0800	0.0700	129,382,562	0.0970	0.0700	146,715,650	0.1000	0.0700
Marlborough Sewer	General Revenue	40,064,750	0.0540	0.0400	0	0.0000	0.0000	11,042,357	0.0600	0.0400	8,764,989	0.0580	0.0400
Meramec River Basin Sewer	General Revenue	1,827,265,450	0.0920	0.0700	929,890	0.1000	0.0700	606,201,829	0.1000	0.0700	583,996,330	0.1000	0.0700
Missouri River-Bonfils Sewer	General Revenue	132,006,820	0.0950	0.0700	134,780	0.1000	0.0700	454,834,957	0.0990	0.0700	221,653,354	0.1000	0.0700
North Affton Sewer	General Revenue	57,942,190	0.0750	0.0600	0	0.0000	0.0000	4,505,292	0.0760	0.0600	11,303,228	0.0850	0.0600
Paddock Creek Sewer	General Revenue	102,136,030	0.0870	0.0600	2,750	0.0730	0.0600	27,149,385	0.0940	0.0600	25,560,796	0.0990	0.0600
Seminary Branch RDP Sewer	General Revenue	211,389,340	0.0680	0.0600	0	0.0000	0.0000	43,673,788	0.0770	0.0600	45,948,859	0.0760	0.0600
Shrewsbury Branch RDP Sewer	General Revenue	19,096,320	0.0670	0.0600	0	0.0000	0.0000	3,658,073	0.0710	0.0600	4,515,118	0.0780	0.0600
Sugar Creek Sewer	General Revenue	240,425,360	0.0610	0.0610	130	0.0000	0.0000	35,153,819	0.0950	0.0700	50,689,441	0.0690	0.0690
University City Branch RDP Sewer	General Revenue	457,416,520	0.0830	0.0700	3,370	0.0000	0.0000	247,644,288	0.0950	0.0700	175,803,604	0.0940	0.0700
Upper Paddock Creek Sewer	General Revenue	24,080,020	0.0830	0.0600	1,410	0.0710	0.0600	5,389,462	0.0840	0.0600	5,769,485	0.0910	0.0600
Watkins Creek Sewer	General Revenue	101,792,280	0.0930	0.0600	7,400	0.1000	0.0600	44,715,229	0.0760	0.0600	31,335,511	0.0990	0.0600
Wedgewood Creek Sewer	General Revenue	21,634,520	0.1000	0.0600	0	0.0000	0.0000	14,013,669	0.1000	0.0600	9,508,559	0.1000	0.0600
Wellston Sewer	General Revenue	13,417,660	0.0980	0.0800	0	0.0000	0.0000	11,046,247	0.0970	0.0800	14,128,837	0.1000	0.0800
Hancock Street Light Dist St Louis	General Revenue	39,299,740	0.1730	0.1700	0	0.0000	0.0000	10,438,080	0.1950	0.1700	13,907,600	0.2000	0.1700
Wheaton Cook Lyndhurst Light Dist	General Revenue	5,245,580	0.1990	0.1350	0	0.0000	0.0000	1,129,450	0.1770	0.1600	1,455,600	0.2000	0.1450
Castle Point Street Light District	General Revenue	6,700,290	0.1600	0.1600	0	0.0000	0.0000	201,630	0.1700	0.1700	1,555,380	0.1850	0.1850
Glasgow Village Street Light Dist	General Revenue	21,176,280	0.1400	0.1400	0	0.0000	0.0000	255,080	0.1290	0.1290	3,886,020	0.1580	0.1580
Elmwood Park Street Light District	General Revenue	1,739,950	0.3790	0.0000	0	0.0000	0.0000	103,390	0.3840	0.0000	516,660	0.4000	0.0000
Clayton Special Business District	General Revenue	16,533,570	0.0960	0.0670	0	0.0000	0.0000	257,335,880	0.1320	0.0670	0	0.0000	0.0000
Maplewood Special Business District	General Revenue	284,070	0.3480	0.3480	0	0.0000	0.0000	11,943,030	0.4430	0.4430	0	0.0000	0.0000
University City Spec Bus Dist BD57	General Revenue	690,700	0.6920	0.6920	0	0.0000	0.0000	4,116,840	0.7850	0.7850	0	0.0000	0.0000
Webster Groves-Old Webster Bus Dist	General Revenue	246,520	0.4070	0.2900	0	0.0000	0.0000	9,008,370	0.3870	0.2900	0	0.0000	0.0000
Webster Groves-Old Orchard Bus Dist	General Revenue	53,260	0.8500	0.3600	0	0.0000	0.0000	3,884,310	0.8500	0.3600	0	0.0000	0.0000
Kirkwood Special Business District	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	26,256,730	0.4660	0.4660	0	0.0000	0.0000
Jennings Special Business District	General Revenue	34,790	0.5320	0.1700	0	0.0000	0.0000	2,138,910	0.5160	0.1700	0	0.0000	0.0000

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate				Agricultural Real Estate				Commercial Real Estate				Personal Property			
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Productive Living Board	General Revenue	12,169,104,240	0.0820	0.0820		6,929,370	0.0900	0.0850		4,863,391,587	0.0880	0.0850		3,812,672,881	0.0900	0.0850	
Parkview Gardens Spec Bus Dist BD3	General Revenue	7,039,850	0.8500	0.8500		0	0.0000	0.0000		1,969,300	0.8500	0.8500		0	0.0000	0.0000	
Crossroads Special Business Dist	General Revenue	0	0.0000	0.0000		0	0.0000	0.0000		3,144,530	0.6900	0.4000		0	0.0000	0.0000	
Robinwood West Community Imp Dis	General Revenue	13,939,740	0.7720	0.7720		0	0.0000	0.0000		4,640	0.0000	0.0000		0	0.0000	0.0000	
Hazelwood R-I School District	Operating Funds-Schools	919,384,710	5.0231	4.5231		706,550	5.5500	5.0500		464,748,520	5.3117	4.8117		449,230,910	5.4050	4.9050	
	Debt Service	919,384,710	1.2739	0.9400		706,550	1.2739	0.9400		464,748,520	1.2739	0.9400		449,230,910	1.2739	0.9400	
Ferguson-Florissant R-II Sch Dist	Operating Funds-Schools	421,762,350	4.5427	4.5427		36,550	3.9218	3.9218		269,652,640	4.7400	4.7400		300,893,690	4.7400	4.7400	
	Debt Service	421,762,350	0.3000	0.3000		36,550	0.3000	0.3000		269,652,640	0.3000	0.3000		300,893,690	0.3000	0.3000	
Pattonville R-III School District	Operating Funds-Schools	391,790,960	3.4639	3.2966		193,030	4.1100	3.9427		621,717,620	3.8035	3.6362		313,243,530	3.9305	3.7632	
	Debt Service	391,790,960	0.4900	0.4900		193,030	0.4900	0.4900		621,717,620	0.4900	0.4900		313,243,530	0.4900	0.4900	
Kirkwood R-VII School District	Operating Funds-Schools	734,042,340	3.6688	3.6688	B	179,770	5.4415	5.4415	B	180,723,850	4.3414	4.3414	B	144,955,720	3.7875	3.7875	B
	Debt Service	734,042,340	0.3650	0.3650		179,770	0.3650	0.3650		180,723,850	0.3650	0.3650		144,955,720	0.3650	0.3650	
Lindbergh R-VIII School District	Operating Funds-Schools	693,883,000	2.7500	2.7500		398,030	4.1500	3.9848		279,618,920	2.7909	2.7909		170,278,620	3.0444	2.8792	
	Debt Service	693,883,000	0.3800	0.3800		398,030	0.3800	0.3800		279,618,920	0.3800	0.3800		170,278,620	0.3800	0.3800	
Mehlville R-IX School District	Operating Funds-Schools	1,087,746,910	3.2355	3.2355		343,400	3.7500	3.7500		243,286,250	3.2649	3.2649		262,909,760	3.6248	3.6248	
	Debt Service	1,087,746,910	0.3480	0.3400		343,400	0.3480	0.3400		243,286,250	0.3480	0.3400		262,909,760	0.3480	0.3400	
Parkway C-2 School District	Operating Funds-Schools	2,365,282,410	3.0870	3.0870		1,826,690	3.4770	3.4770		933,304,040	3.2714	3.2714		611,714,310	3.3679	3.3679	
	Debt Service	2,365,282,410	0.3400	0.3400		1,826,690	0.3400	0.3400		933,304,040	0.3400	0.3400		611,714,310	0.3400	0.3400	
Affton 101 School District	Operating Funds-Schools	253,765,070	5.3680	4.9480		0	0.0000	0.0000		61,422,000	5.6189	5.6189		62,625,410	5.5131	5.0931	
Bayless School District	Operating Funds-Schools	112,395,780	2.9463	2.9463		0	0.0000	0.0000		11,455,840	3.2594	3.2594		24,975,900	3.8500	3.8500	
	Debt Service	112,395,780	0.3900	0.3900		0	0.3900	0.3900		11,455,840	0.3900	0.3900		24,975,900	0.3900	0.3900	
Brentwood School District	Operating Funds-Schools	128,830,670	3.0976	2.9326		0	0.0000	0.0000		76,151,590	3.6183	3.5083		45,016,490	3.3915	3.2268	
	Debt Service	128,830,670	0.3500	0.2100		0	0.3500	0.2100		76,151,590	0.3500	0.2100		45,016,490	0.3500	0.2100	
Clayton School District	Operating Funds-Schools	404,576,860	3.3955	3.3517	C	0	0.0000	0.0000		396,517,720	3.5062	3.4616	C	106,059,330	3.4726	3.4276	C
	Debt Service	404,576,860	0.3640	0.3640		0	0.3640	0.3640		396,517,720	0.3640	0.3640		106,059,330	0.3640	0.3640	
Hancock Place School District	Operating Funds-Schools	38,547,220	3.6854	3.6854		0	0.0000	0.0000		10,413,200	4.1565	4.1565		13,755,710	4.3000	4.3000	
	Debt Service	38,547,220	0.5470	0.5470		0	0.5470	0.5470		10,413,200	0.5470	0.5470		13,755,710	0.5470	0.5470	
Jennings School District	Operating Funds-Schools	67,808,760	3.9523	3.9523		0	0.0000	0.0000		15,124,300	4.7109	4.7109		27,348,050	4.8034	4.8034	
	Debt Service	67,808,760	0.9880	0.5680		0	0.9880	0.5680		15,124,300	0.9880	0.5680		27,348,050	0.9880	0.5680	
Ladue School District	Operating Funds-Schools	948,735,270	2.7500	2.7500		5,720	2.7500	2.7500		194,437,870	2.7500	2.7500		145,956,740	2.7500	2.7500	
	Debt Service	948,735,270	0.2300	0.2300		5,720	0.2300	0.2300		194,437,870	0.2300	0.2300		145,956,740	0.2300	0.2300	
Maplewood-Richmond Heights Sch D	Operating Funds-Schools	144,156,570	3.6123	3.9189	C	0	0.0000	0.0000		46,933,800	4.3500	4.6567	C	38,128,840	4.2458	4.5524	C
	Debt Service	144,156,570	1.0800	1.0800		0	1.0800	1.0800		46,933,800	1.0800	1.0800		38,128,840	1.0800	1.0800	
Normandy School District	Operating Funds-Schools	153,145,560	4.3367	4.0736		15,420	4.0227	3.7596		33,837,770	4.3789	4.1158		55,973,840	4.6600	4.3969	
	Debt Service	153,145,560	1.5688	1.4314		15,420	1.5688	1.4314		33,837,770	1.5688	1.4314		55,973,840	1.5688	1.4314	
Ritenour School District	Operating Funds-Schools	244,521,560	3.8763	3.5939		0	0.0000	0.0000		166,944,060	4.0907	3.8991		133,788,900	4.0492	4.0492	
	Debt Service	244,521,560	0.9970	0.7100		0	0.9970	0.7100		166,944,060	0.9970	0.7100		133,788,900	0.9970	0.7100	

LISTING OF 2006 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Riverview Gardens School District	Operating Funds-Schools	184,208,330	3.9380	3.8808	3,490	4.3500	4.3500	22,673,970	3.8035	3.6722	48,885,540	4.1177	4.1177
	Debt Service	184,208,330	1.8177	1.8177	3,490	1.8177	1.8177	22,673,970	1.8177	1.8177	48,885,540	1.8177	1.8177
University City School District	Operating Funds-Schools	434,886,850	4.1967	3.6881	0	0.0000	0.0000	42,803,130	5.2692	4.6203	72,743,170	5.1824	4.5371
	Debt Service	434,886,850	0.9390	0.7380	0	0.9390	0.7380	42,803,130	0.9390	0.7380	72,743,170	0.9390	0.7380
Valley Park School District	Operating Funds-Schools	77,005,180	4.1793	4.1793	7,950	4.6500	4.6500	28,143,750	4.0949	4.0949	33,969,490	4.6500	4.6500
	Debt Service	77,005,180	0.3820	0.3820	7,950	0.3820	0.3820	28,143,750	0.3820	0.3820	33,969,490	0.3820	0.3820
Webster Groves School District	Operating Funds-Schools	489,275,660	4.6990	4.6990	0	0.0000	0.0000	63,531,020	4.9623	4.9623	84,401,840	4.8889	4.8889
	Debt Service	489,275,660	0.5670	0.5670	0	0.5670	0.5670	63,531,020	0.5670	0.5670	84,401,840	0.5670	0.5670
Wellston School District	Operating Funds-Schools	4,116,980	5.6700	5.6700	0	0.0000	0.0000	7,235,670	4.8250	4.8250	8,799,730	5.6700	5.6700
St. Louis County	General Revenue	12,169,104,240	0.2530	0.1900	6,897,090	0.3500	0.1900	4,863,391,587	0.2800	0.1900	3,850,023,676	0.2810	0.1900
	Parks & Recreation	12,169,104,240	0.0630	0.0350	6,897,090	0.0700	0.0350	4,863,391,587	0.0690	0.0350	3,850,023,676	0.0700	0.0350
	Road & Bridge	12,169,104,240	0.1620	0.1050	6,897,090	0.1800	0.1050	4,863,391,587	0.1760	0.1050	3,850,023,676	0.1800	0.1050
	Health	12,169,104,240	0.2170	0.1650	6,897,090	0.3000	0.1650	4,863,391,587	0.2400	0.1650	3,850,023,676	0.2410	0.1650
	Debt Service	12,169,104,240	0.0630	0.0630	6,897,090	0.0630	0.0630	4,863,391,587	0.0630	0.0630	3,850,023,676	0.0630	0.0630

LEGEND:

A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy, see Report No. 2006-88.
B A voter approved increase to an existing levy, see Report No. 2006-88.
C Levy includes a recoupment rate authorized by state law.
D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Report No. 2006-88.

NOTE:

This Appendix only contains levy information for political subdivisions wholly in St. Louis County. Political subdivisions partially in St. Louis County and partially in another county(ies) were required by Senate Bill 267 passed in 2005 to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions of Senate Bill 960.

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
St. Louis													
City of Bella Villa	General Revenue	6,653,510	0.2480	0.0000	0	0.0000	0.0000	507,908	0.2730	0.0000	1,166,366	0.3030	0.0000
City of Bellefontaine Neighbors	General Revenue	63,554,650	0.2160	0.1500	1,160	0.2500	0.1500	8,401,300	0.2020	0.1500	15,598,256	0.2360	0.0000
Village of Bellerive Acres	General Revenue	3,266,380	0.6300	0.6300	0	0.0000	0.0000	176,110	0.6040	0.6040	598,160	0.7670	0.7670
Village of Bel Nor	General Revenue	17,492,480	0.2360	0.2360	0	0.0000	0.0000	344,020	0.2580	0.2580	2,757,525	0.2930	0.2930
	Debt Service	17,492,480	0.0000	0.0000	0	0.0000	0.0000	344,020	0.0000	0.0000	2,757,525	0.0000	0.0000
Village of Bel Ridge	General Revenue	9,111,220	0.3500	0.3500	0	0.0000	0.0000	4,099,200	0.3500	0.3500	0	0.0000	0.0000
City of Berkeley	General Revenue	36,780,880	0.7360	0.7510 C	14,270	0.8480	0.8630 C	92,221,225	0.8320	0.9060 C	50,126,600	0.9200	0.9490 C
	Pension	36,780,880	0.1100	0.1100	14,270	0.0940	0.0940	92,221,225	0.1100	0.1100	50,126,600	0.1100	0.1100
	Debt Service	36,780,880	0.1060	0.1060	14,270	0.1060	0.1060	92,221,225	0.1060	0.1060	50,126,600	0.1060	0.1060
City of Beverly Hills	General Revenue	2,204,890	0.2210	0.2210	0	0.0000	0.0000	1,171,454	0.2190	0.2190	966,568	0.2320	0.2320
City of Black Jack	Debt Service	57,992,670	0.9170	0.5000	5,600	0.9170	0.5000	3,497,502	0.9170	0.5000	12,236,977	0.9170	0.5000
City of Breckenridge Hills	General Revenue	19,446,200	0.3140	0.2000	0	0.0000	0.0000	9,499,189	0.2730	0.2000	5,454,299	0.0000	0.0000
City of Brentwood	General Revenue	123,374,550	0.1810	0.0000	0	0.0000	0.0000	105,725,340	0.1580	0.1580	38,023,002	0.2070	0.2070
	Library	123,374,550	0.1570	0.1570	0	0.0000	0.0000	105,725,340	0.1360	0.1360	38,023,002	0.1790	0.1790
	Pension	123,374,550	0.3880	0.3880 B	0	0.1500	0.0000 B	105,725,340	0.4110	0.4110 B	38,023,002	0.3850	0.3850 B
	Debt Service	123,374,550	0.1850	0.0000	0	0.1850	0.0000	105,725,340	0.1850	0.0000	38,023,002	0.1850	0.0000
City of Bridgeton	General Revenue	106,065,850	0.2330	0.1600	130,420	0.2480	0.1600	271,439,726	0.2240	0.2240	0	0.0000	0.0000
Village of Calverton Park	General Revenue	8,014,770	0.2920	0.2150	0	0.0000	0.0000	443,413	0.2880	0.2150	1,976,021	0.2980	0.2150
City of Charlack	General Revenue	6,264,240	0.2290	0.2270	0	0.0000	0.0000	1,967,540	0.2340	0.2300	2,051,552	0.2570	0.2570
City of Clarkson Valley	General Revenue	81,017,680	0.1280	0.1280	6,460	0.1240	0.1240	5,205,930	0.1400	0.1400	12,953,126	0.1530	0.1530
City of Clayton	General Revenue	361,135,010	0.6590	0.6460 C	0	0.0000	0.0000	307,554,860	0.6940	0.6940 C	86,168,898	0.7070	0.7200 C
	Debt Service	361,135,010	0.1660	0.1500	0	0.1660	0.1500	307,554,860	0.1660	0.1500	86,168,898	0.1660	0.1500
City of Cool Valley	General Revenue	5,358,120	0.1610	0.1610	0	0.0000	0.0000	5,726,381	0.1470	0.1470	3,788,927	0.1650	0.1650
City of Country Club Hills	General Revenue	4,882,490	0.6400	0.6400	0	0.0000	0.0000	915,040	0.7040	0.7040	1,212,550	0.7390	0.7390
	Parks & Recreation	4,882,490	0.2930	0.2930	0	0.0000	0.0000	915,040	0.3220	0.3220	1,212,550	0.3380	0.3380
	Health	4,882,490	0.1640	0.1640	0	0.0000	0.0000	915,040	0.1820	0.1820	1,212,550	0.1900	0.1900
Village of Country Life Acres	General Revenue	6,362,830	0.3410	0.3410	0	0.0000	0.0000	70,625	0.4210	0.4210	501,874	0.4280	0.4280
City of Crestwood	General Revenue	154,529,600	0.2410	0.2410	150	0.0000	0.0000	84,448,261	0.2630	0.2630	34,228,173	0.2790	0.2500
City of Creve Coeur	General Revenue	396,217,760	0.0880	0.0930 C	9,220	0.0000	0.0000	291,092,479	0.0890	0.0940 C	0	0.0000	0.0000
City of Crystal Lake Park	General Revenue	12,817,850	0.7000	0.7000	0	0.0000	0.0000	133,381	0.3100	0.7000 D	1,383,613	0.8080	0.7000
City of Dellwood	General Revenue	27,273,340	0.1910	0.1910	0	0.0000	0.0000	7,149,030	0.2270	0.2270	8,087,459	0.2350	0.2350
City of Des Peres	General Revenue	186,101,150	0.2830	0.0000	180,690	0.3380	0.0000	85,026,700	0.2260	0.0000	51,531,480	0.0000	0.0000
City of Edmundson	General Revenue	3,447,180	0.5000	0.3590	0	0.0000	0.0000	20,215,480	0.3870	0.3870	9,266,378	0.0000	0.0000
City of Ellisville	General Revenue	122,858,810	0.3720	0.1500	44,790	0.6500	0.1500	83,303,089	0.3820	0.1500	34,330,633	0.4170	0.0000
City of Eureka	General Revenue	118,792,920	0.4420	0.3730	236,750	0.6120	0.3730	40,009,651	0.4490	0.3900	36,191,975	0.4910	0.3900
City of Ferguson	General Revenue	107,607,570	0.4230	0.4230	13,400	0.2520	0.2520	42,482,715	0.4310	0.4310	40,697,543	0.4500	0.4500

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Ferguson	Parks & Recreation	107,607,570	0.1770	0.1770	13,400	0.1060	0.1060	42,482,715	0.1860	0.1860	40,697,543	0.1980	0.1980
City of Flordell Hills	General Revenue	3,467,700	0.4220	0.4220	0	0.0000	0.0000	912,614	0.8540	0.8540	0	0.0000	0.0000
City of Florissant	General Revenue	357,997,510	0.1010	0.0000	38,760	0.1190	0.0000	114,767,344	0.1160	0.0000	95,282,139	0.1200	0.0000
City of Frontenac	General Revenue	145,313,700	0.5080	0.5080	0	0.0000	0.0000	33,006,260	0.5590	0.5590	20,491,410	0.5530	0.5530
Village of Glen Echo Park	General Revenue	1,003,633	0.5000	0.5000 A	0	0.5000	0.5000 A	0	0.5000	0.5000 A	298,937	0.5000	0.5000 A
City of Glendale	General Revenue	115,672,430	0.4470	0.4470	0	0.0000	0.0000	5,263,643	0.4210	0.4210	15,225,800	0.5190	0.5190
	Pension	115,672,430	0.0860	0.0860	0	0.0000	0.0000	5,263,643	0.0830	0.0830	15,225,800	0.1000	0.1000
Town of Grantwood Village	General Revenue	18,571,780	0.2310	0.2310	108,500	0.2170	0.2170	1,349,991	0.1550	0.1550	3,179,664	0.2610	0.2610
City of Greendale	General Revenue	5,126,870	0.5150	0.5150	0	0.0000	0.0000	200,460	0.5320	0.5320	0	0.0000	0.0000
Village of Hanley Hills	General Revenue	9,477,360	0.4130	0.3800	0	0.0000	0.0000	356,189	0.2880	0.2880	2,387,960	0.4500	0.3800
City of Hazelwood	General Revenue	181,788,850	0.7190	0.7210 C	212,910	0.7400	0.7420 C	181,052,419	0.7760	0.7810 C	102,950,491	0.7550	0.7570 C
	Debt Service	181,788,850	0.1460	0.1460	212,910	0.1460	0.1460	181,052,419	0.1460	0.1460	102,950,491	0.1460	0.1460
Village of Hillsdale	General Revenue	2,266,570	0.4000	0.4000	0	0.0000	0.0000	2,617,330	0.4550	0.4550	3,662,716	0.5000	0.5000
City of Huntleigh	General Revenue	29,762,950	0.2910	0.2220	11,200	0.1700	0.1700	349,346	0.3850	0.3200	2,360,452	0.3280	0.2220
City of Jennings	General Revenue	58,821,600	1.0000	1.0000	0	0.0000	0.0000	11,695,050	1.0000	1.0000	16,521,101	1.0000	1.0000
	Pension	58,821,600	0.1850	0.1800	0	0.0000	0.0000	11,695,050	0.1850	0.1800	16,521,101	0.1850	0.1800
City of Kinloch	General Revenue	715,420	1.0000	1.0000	0	0.0000	0.0000	1,296,441	1.0000	0.8900	721,315	1.0000	1.0000
City of Kirkwood	Parks & Recreation	440,847,050	0.1740	0.1300	0	0.0000	0.0000	77,987,510	0.1810	0.1300	74,448,550	0.2000	0.1300
	Library	438,542,950	0.1940	0.1930	0	0.0000	0.0000	77,136,190	0.2130	0.2130	72,463,950	0.2350	0.2350
	Pension	440,847,050	0.1510	0.1470	0	0.0000	0.0000	77,987,510	0.1710	0.1650	74,448,550	0.1820	0.1820
	Debt Service	440,847,050	0.2060	0.1990	0	0.2060	0.1990	77,987,510	0.2060	0.1990	74,448,550	0.2060	0.1990
City of Ladue	General Revenue	481,872,010	0.7280	0.7170	2,350	0.8940	0.8940	42,266,303	0.6960	0.6850	45,298,303	0.7560	0.7560
City of Lakeshire	General Revenue	11,952,460	0.0890	0.0890	0	0.0000	0.0000	186,895	0.0500	0.0500	0	0.0000	0.0000
Village of Mackenzie	General Revenue	1,465,800	0.1480	0.1480	0	0.0000	0.0000	53,223	0.1640	0.1640	265,769	0.1850	0.1850
City of Manchester	General Revenue	219,133,010	0.3400	0.0500	410	0.4880	0.0500	44,410,124	0.2870	0.0500	43,905,069	0.3850	0.0500
	Debt Service	219,133,010	0.2150	0.2000	410	0.2150	0.2000	44,410,124	0.2150	0.2000	43,905,069	0.2150	0.2000
City of Maplewood	General Revenue	60,759,440	0.4090	0.4090	0	0.0000	0.0000	40,155,133	0.6030	0.6030	20,837,264	0.5670	0.5670
	Pension	60,759,440	0.1860	0.1860	0	0.0000	0.0000	40,155,133	0.2470	0.2470	20,837,264	0.2450	0.2450
	Solid Waste	60,759,440	0.1840	0.1840	0	0.0000	0.0000	40,155,133	0.2180	0.2180	20,837,264	0.2180	0.2180
Village of Marlborough	General Revenue	12,341,480	0.0950	0.0950	0	0.0000	0.0000	7,134,040	0.1070	0.1070	4,829,793	0.1110	0.1110
City of Normandy	General Revenue	18,071,750	0.3680	0.3680	0	0.0000	0.0000	3,640,700	0.3440	0.3440	5,253,386	0.4000	0.4000
City of Northwoods	General Revenue	19,297,580	0.3730	0.3600	0	0.0000	0.0000	3,879,831	0.2810	0.2800	5,566,358	0.4150	0.3600
	Debt Service	19,297,580	0.9860	0.7000	0	0.9860	0.7000	3,879,831	0.9860	0.7000	5,566,358	0.9860	0.7000
Village of Norwood Court	General Revenue	3,242,510	0.3090	0.0000	0	0.0000	0.0000	162,250	0.3500	0.0000	810,390	0.3450	0.0000
City of Oakland	General Revenue	19,727,320	0.2030	0.2030	0	0.0000	0.0000	1,918,230	0.2130	0.2130	3,012,336	0.2370	0.2370
City of Olivette	General Revenue	121,574,370	0.6830	0.6920 C	0	0.0000	0.0000 C	50,623,419	0.7240	0.7640 C	31,705,605	0.7710	0.7790 C
	Pension	121,574,370	0.2500	0.2500 B	0	0.2500	0.2500 B	50,623,419	0.2500	0.2500 B	31,705,605	0.2500	0.2500 B

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Overland	General Revenue	98,648,250	0.0840	0.0750	0	0.0000	0.0000	78,709,696	0.0970	0.0970	39,950,724	0.0970	0.0750
	Pension	98,648,250	0.1260	0.1260	0	0.0000	0.0000	78,709,696	0.1460	0.1460	39,950,724	0.1460	0.1460
City of Pagedale	General Revenue	9,274,390	0.2870	0.2870	0	0.0000	0.0000	10,512,000	0.2940	0.2940	6,312,022	0.3500	0.3500
City of Pasadena Hills	General Revenue	11,857,130	0.2440	0.2440	0	0.0000	0.0000	64,410	0.2800	0.2800	1,783,260	0.3100	0.3100
	Debt Service	11,857,130	0.9710	0.9710	0	0.9710	0.9710	64,410	0.9710	0.9710	1,783,260	0.9710	0.9710
Village of Pasadena Park	General Revenue	4,273,147	0.2550	0.2540	0	0.0000	0.0000	17,670	0.3110	0.3110	764,410	0.3090	0.3090
City of Pine Lawn	General Revenue	11,255,520	0.2520	0.2520	0	0.0000	0.0000	3,208,963	0.2260	0.2180	3,431,387	0.2580	0.2580
City of Richmond Heights	General Revenue	158,653,390	0.5150	0.2900	0	0.0000	0.0000	113,302,958	0.5970	0.3360 C	33,110,783	0.6150	0.2900
	Library	158,653,390	0.1760	0.1760	0	0.0000	0.0000	113,302,958	0.2060	0.2210 C	33,110,783	0.2120	0.2120
	Pension	158,653,390	0.2980	0.2980	0	0.0000	0.0000	113,302,958	0.3450	0.3690 C	33,110,783	0.3560	0.3200
Village of Riverview	General Revenue	12,329,060	0.2800	0.2800	0	0.0000	0.0000	1,851,262	0.3010	0.2800	2,850,999	0.3120	0.2800
City of Rock Hill	General Revenue	53,961,740	0.2580	0.2580	0	0.0000	0.0000	19,274,929	0.2610	0.2610	11,427,250	0.3540	0.3540
	Library	53,961,740	0.2630	0.2630	0	0.0000	0.0000	19,274,929	0.2660	0.2660	11,427,250	0.3600	0.3600
City of St Ann	General Revenue	78,365,670	0.1540	0.1540	0	0.0000	0.0000	50,646,208	0.1720	0.1720	23,955,161	0.1930	0.0000
City of St George	General Revenue	12,254,710	0.1100	0.1100	0	0.0000	0.0000	333,856	0.1230	0.1100	1,940,258	0.1390	0.1390
City of St John	General Revenue	37,606,310	0.3220	0.3270 C	0	0.0000	0.0000 C	7,688,584	0.4510	0.4580 C	12,421,137	0.4500	0.4530 C
City of Shrewsbury	General Revenue	71,416,430	0.3780	0.3780	0	0.0000	0.0000	28,016,661	0.3750	0.3750	16,636,923	0.4370	0.4370
	Debt Service	71,416,430	0.8060	0.5630	0	0.8060	0.5630	28,016,661	0.8060	0.5630	16,636,923	0.8060	0.5630
City of Sunset Hills	General Revenue	181,973,470	0.0800	0.0540	371,710	0.0670	0.0600	91,723,930	0.0820	0.0570	44,889,202	0.0900	0.0600
Village of Sycamore Hills	General Revenue	4,875,210	0.1990	0.1970	0	0.0000	0.0000	427,848	0.2610	0.2490	1,485,727	0.2530	0.2530
	Health	4,875,210	0.0920	0.0910	0	0.0000	0.0000	427,848	0.1210	0.1150	1,485,727	0.1180	0.1180
City of Town and Country	General Revenue	380,024,200	0.5420	0.0000	45,440	0.9000	0.0000	200,937,839	0.5550	0.0000	81,996,704	0.5790	0.0000
	Dispatch	380,024,200	0.0290	0.0000	45,440	0.0300	0.0000	200,937,839	0.0290	0.0000	81,996,704	0.0300	0.0000
Village of Twin Oaks	General Revenue	4,703,220	0.4300	0.0000	0	0.0000	0.0000	4,728,794	0.3560	0.0000	0	0.0000	0.0000
City of University City	General Revenue	427,489,880	0.5730	0.5730	0	0.0000	0.0000	42,503,877	0.6440	0.6440	63,305,338	0.6910	0.6910
	Library	427,489,880	0.2490	0.2490	0	0.0000	0.0000	42,503,877	0.2830	0.2830	63,305,338	0.3010	0.3010
	Pension	427,489,880	0.1610	0.0000	0	0.0000	0.0000	42,503,877	0.1840	0.0000	63,305,338	0.1950	0.0000
	Debt Service	427,489,880	0.0230	0.0230	0	0.0230	0.0230	42,503,877	0.0230	0.0230	63,305,338	0.0230	0.0230
Village of Uplands Park	General Revenue	1,867,930	0.3740	0.3740	0	0.0000	0.0000	65,603	0.4070	0.4070	563,118	0.3910	0.3910
City of Valley Park	General Revenue	55,555,610	0.6000	0.5700	7,100	0.0000	0.0000	8,487,650	0.8800	0.6400	16,263,183	0.6850	0.5700
City of Velda City	General Revenue	5,039,640	0.3680	0.3680	0	0.0000	0.0000	151,876	0.4800	0.4800	1,273,970	0.3820	0.3820
	Debt Service	5,039,640	1.0530	0.7100	0	1.0530	0.7100	151,876	1.0530	0.7100	1,273,970	1.0530	0.7100
Village of Velda Village Hills	General Revenue	4,221,970	0.3550	0.3550	0	0.0000	0.0000	11,870	0.5000	0.5000	1,142,310	0.3780	0.3780
City of Vinita Park	General Revenue	6,861,790	0.2300	0.2360 C	0	0.0000	0.0000	25,029,390	0.2510	0.2700 C	8,031,120	0.2300	0.2380 C
Village of Vinita Terrace	General Revenue	1,566,490	0.0390	0.0390	0	0.0000	0.0000	751,079	0.0470	0.0470	0	0.0000	0.0000
	Health	1,566,490	0.1130	0.1130	0	0.0000	0.0000	792,395	0.1630	0.1630	0	0.0000	0.0000
City of Warson Woods	General Revenue	47,249,460	0.3780	0.3780	0	0.0000	0.0000	7,247,801	0.4140	0.4140	6,531,000	0.4470	0.0000

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Warson Woods	Debt Service	47,249,460	0.4130	0.0000	0	0.4130	0.0000	7,247,801	0.4130	0.0000	6,531,000	0.4130	0.0000
City of Webster Groves	General Revenue	354,220,670	0.2440	0.2450 C	0	0.0000	0.0000	39,070,260	0.2590	0.2610 C	54,176,241	0.2800	0.2800
	Library	354,220,670	0.1570	0.1570	0	0.0000	0.0000	39,070,260	0.1660	0.1670 C	54,176,241	0.1800	0.1790
	Streets	354,220,670	0.1580	0.1590 C	0	0.0000	0.0000	39,070,260	0.1670	0.1690 C	54,176,241	0.1810	0.1810
	Pension	354,220,670	0.1260	0.1260	0	0.0000	0.0000	39,070,260	0.1340	0.1360 C	54,176,241	0.1450	0.1450
	Debt Service	354,220,670	0.4150	0.4150	0	0.4150	0.4150	39,070,260	0.4150	0.4150	54,176,241	0.4150	0.4150
City of Wellston	General Revenue	3,472,260	0.6000	0.6000	0	0.0000	0.0000	6,209,109	0.6000	0.6000	4,550,062	0.6000	0.6000
Village of Westwood	General Revenue	14,619,930	0.0590	0.0590	0	0.0000	0.0000	1,658,086	0.0660	0.0660	0	0.0000	0.0000
City of Winchester	General Revenue	14,168,180	0.1800	0.1800	0	0.0000	0.0000	2,465,851	0.1950	0.1950	3,030,184	0.2610	0.2610
City of Woodson Terrace	General Revenue	21,169,200	0.2130	0.2130	0	0.0000	0.0000	19,455,390	0.2330	0.2200	24,780,598	0.2510	0.2200
City of Chesterfield	Debt Service	934,815,920	0.0870	0.0600	1,655,570	0.0870	0.0600	240,637,610	0.0870	0.0600	264,290,790	0.0870	0.0600
Ferguson Municipal Pub Library Dist	General Revenue	107,607,570	0.2070	0.2110 C	13,400	0.0000	0.0020 C	42,482,715	0.2110	0.2140 C	40,965,613	0.2200	0.2200
Maplewood Public Library	General Revenue	61,274,210	0.2090	0.2090	0	0.0000	0.0000	40,155,113	0.2500	0.2500	24,899,054	0.2420	0.2420
St Louis County Library	General Revenue	10,293,704,520	0.1640	0.1500	7,594,790	0.1990	0.1500	4,475,165,521	0.1710	0.1500	3,301,811,890	0.1850	0.1500
Valley Park Community Library	General Revenue	24,161,280	0.1490	0.1490	1,510	0.1700	0.1700	7,737,690	0.1000	0.1000	13,518,867	0.1700	0.1700
Affton Fire Protection District	General Revenue	340,947,220	0.7000	0.7000	820	0.7320	0.7320	55,657,505	0.7520	0.7520	77,048,970	0.7940	0.7940
	Ambulance	340,947,220	0.1590	0.1590	820	0.1220	0.1220	55,657,505	0.1810	0.1810	77,048,970	0.1820	0.1820
	Pension	340,947,220	0.0560	0.0560	820	0.0700	0.0700	55,657,505	0.0630	0.0630	77,048,970	0.0640	0.0640
	Dispatch	340,947,220	0.0240	0.0240	820	0.0000	0.0000	55,657,505	0.0270	0.0270	77,048,970	0.0270	0.0270
Metro West Fire Protection District	General Revenue	1,146,075,740	0.4980	0.4990 C	1,240,140	0.6200	0.6180	180,740,184	0.5590	0.5720 C	218,326,565	0.5610	0.5610
	Ambulance	1,146,075,740	0.2580	0.2590 C	1,240,140	0.2860	0.2860	180,740,184	0.2780	0.2800 C	218,326,565	0.2900	0.2920 C
	Pension	1,146,075,740	0.0950	0.0950	1,240,140	0.1050	0.1050	180,740,184	0.1020	0.1030 C	218,326,565	0.1060	0.1060
	Dispatch	1,146,075,740	0.0440	0.0440	1,240,140	0.0460	0.0460	180,740,184	0.0450	0.0450	218,326,565	0.0480	0.0480
	Debt Service	1,146,075,740	0.0380	0.0380	1,240,140	0.0380	0.0380	180,740,184	0.0380	0.0380	218,326,565	0.0380	0.0380
Black Jack Fire Protection District	General Revenue	400,433,940	0.9110	0.9110	210,080	1.0000	1.0000	59,573,936	0.9930	0.9930	95,068,432	1.0000	1.0000
	Pension	400,433,940	0.0910	0.0910	210,080	0.1000	0.1000	59,573,936	0.0940	0.0940	95,068,432	0.1000	0.1000
	NCCFA System	400,433,940	0.0460	0.0400	210,080	0.0500	0.0400	59,573,936	0.0440	0.0400	95,068,432	0.0500	0.0400
	Debt Service	400,433,940	0.1670	0.1670	210,080	0.1670	0.1670	59,573,936	0.1670	0.1670	95,068,432	0.1670	0.1670
Monarch Fire Protection District	General Revenue	1,201,708,610	0.4800	0.4750 C	2,249,920	0.7000	0.7010 C	275,694,515	0.5730	0.5790 C	300,103,357	0.5490	0.5520 C
	Ambulance	1,201,708,610	0.3000	0.2960 C	2,249,920	0.3300	0.3310 C	275,694,515	0.3300	0.3320 C	300,103,357	0.3300	0.3310 C
	Pension	1,201,708,610	0.0910	0.0800	2,249,920	0.1000	0.0800	275,694,515	0.1000	0.0800	300,103,357	0.1000	0.0800
	Dispatch	1,201,708,610	0.0470	0.0420	2,249,920	0.0500	0.0420	275,694,515	0.0500	0.0420	300,103,357	0.0500	0.0420
	Debt Service	1,201,708,610	0.0640	0.0400	2,249,920	0.0640	0.0400	275,694,515	0.0640	0.0400	300,103,357	0.0640	0.0400
Community Fire Protection District	General Revenue	251,826,510	0.9170	0.9170	0	0.0000	0.0000	161,080,262	1.0000	1.0000	123,659,609	1.0000	1.0000
	Ambulance	251,826,510	0.2290	0.2290	0	0.0000	0.0000	161,080,262	0.2500	0.2500	123,659,609	0.2500	0.2500
	Pension	251,826,510	0.0920	0.0920	0	0.0000	0.0000	161,080,262	0.1000	0.1000	123,659,609	0.1000	0.1000
	Dispatch	251,826,510	0.0280	0.0280	0	0.0000	0.0000	161,080,262	0.0290	0.0290	123,659,609	0.0300	0.0300

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		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Community Fire Protection District	Debt Service	251,826,510	0.2500	0.2500	0	0.2500	0.2500	161,080,262	0.2500	0.2500	123,659,609	0.2500	0.2500
Creve Coeur Fire Protection Dist	General Revenue	591,487,880	0.5610	0.5770 C	7,550	0.3710	0.3740 C	385,455,784	0.5950	0.6240 C	208,421,843	0.6260	0.6290 C
	Ambulance	591,487,880	0.1990	0.2040 C	7,550	0.1330	0.1340 C	385,455,784	0.2110	0.2220 C	208,421,843	0.2220	0.2230 C
	Pension	591,487,880	0.1360	0.1400 C	7,550	0.0800	0.0810 C	385,455,784	0.1440	0.1530 C	208,421,843	0.1500	0.1510 C
	Dispatch	591,487,880	0.0450	0.0460 C	7,550	0.0270	0.0270	385,455,784	0.0480	0.0500 C	208,421,843	0.0500	0.0500
Fenton Fire Protection District	General Revenue	349,574,400	0.4370	0.4090 C	302,870	0.5740	0.5750 C	260,546,137	0.4950	0.5000 C	269,495,210	0.5140	0.5190 C
	Ambulance	349,574,400	0.2860	0.2300	302,870	0.2750	0.2690	260,546,137	0.2920	0.2850	269,495,210	0.3000	0.3000
	Pension	349,574,400	0.0950	0.0930	302,870	0.0920	0.0900	260,546,137	0.0970	0.0950	269,495,210	0.1000	0.1000
	Dispatch	349,574,400	0.0480	0.0350	302,870	0.0460	0.0450	260,546,137	0.0490	0.0480	269,495,210	0.0500	0.0500
Florissant Valley Fire Prot Dist	General Revenue	518,310,700	0.6080	0.6080	195,140	0.7410	0.7410	138,141,033	0.7040	0.7040	134,042,981	0.7170	0.7170
	Ambulance	518,310,700	0.3870	0.3870	195,140	0.4340	0.4340	138,141,033	0.4330	0.4330	134,042,981	0.4400	0.4400
	Pension	518,310,700	0.0880	0.0880	195,140	0.0990	0.0990	138,141,033	0.0990	0.0990	134,042,981	0.1000	0.1000
	Dispatch	518,310,700	0.0440	0.0440	195,140	0.0500	0.0500	138,141,033	0.0490	0.0490	134,042,981	0.0500	0.0500
	Debt Service	518,310,700	0.1450	0.1450	195,140	0.1450	0.1450	138,141,033	0.1450	0.1450	134,042,981	0.1450	0.1450
Kinloch Fire Protection District	General Revenue	738,070	0.9000	0.8600	0	0.0000	0.0000	1,296,441	0.9000	0.8600	725,315	0.9000	0.8600
	Dispatch	738,070	0.0300	0.0400 D	0	0.0000	0.0000	1,296,441	0.0300	0.0400 D	725,315	0.0300	0.0400 D
Lemay Fire Protection District	General Revenue	118,076,797	0.8490	0.8490	180	0.9900	0.9900	22,534,400	0.9110	0.9110	32,224,076	0.9900	0.9900
	Ambulance	118,076,797	0.1900	0.1900	180	0.3000	0.3000	22,534,400	0.2220	0.2220	32,224,076	0.2500	0.2500
	Pension	118,076,797	0.0860	0.0860	180	0.0000	0.0000	22,534,400	0.0920	0.0920	32,224,076	0.1000	0.1000
	Central Alarm Fund	118,076,797	0.0430	0.0430	180	0.0000	0.0000	22,534,400	0.0460	0.0460	32,224,076	0.0500	0.0500
	Debt Service	118,076,797	0.0470	0.0470	180	0.0470	0.0470	22,534,400	0.0470	0.0470	32,224,076	0.0470	0.0470
West County EMS & Fire Prot Dist	General Revenue	460,162,630	0.4200	0.4200	311,930	0.4160	0.4160	104,207,423	0.4190	0.4190	95,916,175	0.4570	0.4570
	Ambulance	460,162,630	0.1790	0.1790	311,930	0.1760	0.1760	104,207,423	0.1780	0.1780	95,916,175	0.1940	0.1940
	Pension	460,162,630	0.0890	0.0800	311,930	0.0880	0.0800	104,207,423	0.0890	0.0800	95,916,175	0.0970	0.0800
	Dispatch	460,162,630	0.0450	0.0450	311,930	0.0450	0.0450	104,207,423	0.0450	0.0450	95,916,175	0.0490	0.0490
	Debt Service	460,162,630	0.1200	0.1200	311,930	0.1200	0.1200	104,207,423	0.1200	0.1200	95,916,175	0.1200	0.1200
Maryland Heights Fire Prot Dist	General Revenue	214,031,240	0.7310	0.7340 C	6,930	0.6930	0.6930	250,408,230	0.7690	0.7760 C	143,364,670	0.8000	0.8000
	Ambulance	214,031,240	0.3630	0.3670 C	6,930	0.4000	0.4020 C	250,408,230	0.3620	0.3680 C	143,364,670	0.3680	0.3720 C
	Pension	214,031,240	0.1190	0.1200 C	6,930	0.1010	0.1010	250,408,230	0.1250	0.1260 C	143,364,670	0.1300	0.1300
	Dispatch	214,031,240	0.0460	0.0460	6,930	0.0430	0.0430	250,408,230	0.0480	0.0480	143,364,670	0.0500	0.0500
Mehlville Fire Protection District	General Revenue	1,392,676,910	0.8760	0.5630 C	918,770	1.0800	0.7550 C	376,391,410	0.9120	0.5530 C	321,993,134	0.8970	0.6190 C
	Ambulance	1,392,676,910	0.2000	0.2030 C	918,770	0.2830	0.2840 C	376,391,410	0.1960	0.1990 C	321,993,134	0.2220	0.2250 C
	Pension	1,392,676,910	0.0870	0.0890 C	918,770	0.0940	0.0940	376,391,410	0.0850	0.0850	321,993,134	0.0960	0.0960
	Alarm Fund	1,392,676,910	0.0430	0.0000	918,770	0.0470	0.0000	376,391,410	0.0430	0.0000 C	321,993,134	0.0480	0.0000
Metro-North Fire Protection Dist	General Revenue	85,423,760	1.3442	1.3462 C	0	0.0000	0.0000	17,002,198	1.3224	1.3244 C	21,884,245	1.4910	1.4930 C
	Pension	85,423,760	0.2250	0.2250	0	0.0000	0.0000	17,002,198	0.2220	0.2220	21,884,245	0.2490	0.2490
	Dispatch	85,423,760	0.0270	0.0270	0	0.0000	0.0000	17,002,198	0.0270	0.0270	21,884,245	0.0300	0.0300

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Metro-North Fire Protection Dist	Debt Service	85,423,760	0.0490	0.0490	0	0.0490	0.0490	17,002,198	0.0490	0.0490	21,884,245	0.0490	0.0490
Normandy Fire Protection District	General Revenue	128,515,150	1.3401	1.3401	15,420	1.2819	1.2819	23,914,272	1.4790	1.4790	38,276,987	1.5000	1.5000
	Ambulance	128,515,150	0.2680	0.2680	15,420	0.2550	0.2550	23,914,272	0.2960	0.2960	38,276,987	0.3000	0.3000
	Pension	128,515,150	0.0890	0.0890	15,420	0.0850	0.0850	23,914,272	0.0990	0.0990	38,276,987	0.1000	0.1000
	Dispatch	128,515,150	0.0450	0.0450	15,420	0.0390	0.0390	23,914,272	0.0490	0.0490	38,276,987	0.0500	0.0500
Pattonville Fire Protection Dist	General Revenue	122,308,710	0.9110	0.9110	878,390	0.4320	0.4320	434,242,439	0.9630	0.9630	171,947,386	0.9830	0.9830
	Ambulance	122,308,710	0.2240	0.2240	878,390	0.1100	0.1100	434,242,439	0.2460	0.2460	171,947,386	0.2500	0.2500
	Pension	122,308,710	0.1390	0.1390	878,390	0.0660	0.0660	434,242,439	0.1470	0.1470	171,947,386	0.1500	0.1500
	Dispatch	122,308,710	0.0460	0.0400	878,390	0.0220	0.0220	434,242,439	0.0490	0.0400	171,947,386	0.0500	0.0400
	Debt Service	122,308,710	0.0090	0.0090	878,390	0.0090	0.0090	434,242,439	0.0090	0.0090	171,947,386	0.0090	0.0090
Riverview Fire Protection District	General Revenue	101,208,480	1.2845	1.2845	5,890	1.4612	1.4612	16,354,472	1.4256	1.4256	25,935,605	1.4544	1.4544
	Pension	101,208,480	0.2210	0.2210	5,890	0.2500	0.2500	16,354,472	0.2450	0.2450	25,935,605	0.2500	0.2500
	Dispatch	101,208,480	0.0440	0.0400	5,890	0.0500	0.0400	16,354,472	0.0490	0.0400	25,935,605	0.0500	0.0400
	Debt Service	101,208,480	0.0690	0.0690	5,890	0.0690	0.0690	16,354,472	0.0690	0.0690	25,935,605	0.0690	0.0690
Robertson Fire Protection District	General Revenue	38,791,090	0.8900	0.8900	231,970	0.8900	0.8900	168,580,885	0.8900	0.8900	98,986,388	0.8900	0.8900
	Ambulance	38,791,090	0.5500	0.4850	231,970	0.5500	0.4850	168,580,885	0.5500	0.4850	98,986,388	0.5500	0.4850
	Pension	38,791,090	0.2000	0.2000	231,970	0.2000	0.2000	168,580,885	0.2000	0.2000	98,986,388	0.2000	0.2000
	Dispatch	38,791,090	0.0500	0.0400	231,970	0.0500	0.0400	168,580,885	0.0500	0.0400	98,986,388	0.0500	0.0400
	Debt Service	38,791,090	0.1470	0.1470	231,970	0.1470	0.1470	168,580,885	0.1470	0.1470	98,986,388	0.1470	0.1470
Spanish Lake Fire Protection Dist	General Revenue	120,882,240	1.2500	1.2212	103,810	1.2321	0.9080	20,935,960	1.0588	1.2500 D	31,592,390	1.2500	1.2500
	Pension	120,882,240	0.1500	0.1470	103,810	0.1500	0.1100	20,935,960	0.1270	0.1500 D	31,592,390	0.1500	0.1500
	Dispatch	120,882,240	0.0500	0.0490	103,810	0.0500	0.0370	20,935,960	0.0420	0.0500 D	31,592,390	0.0500	0.0500
	Debt Service	120,882,240	0.1910	0.1910	103,810	0.1910	0.1910	20,935,960	0.1910	0.1910	31,592,390	0.1910	0.1910
Valley Park Fire Protection Dist	General Revenue	122,993,640	0.7870	0.7870	120,070	0.8800	0.8800	39,640,420	0.7790	0.7790	47,016,377	0.8800	0.8800
	Ambulance	122,993,640	0.2690	0.2690	120,070	0.3000	0.3000	39,640,420	0.2650	0.2650	47,016,377	0.3000	0.3000
	Pension	122,993,640	0.0900	0.0900	120,070	0.1000	0.1000	39,640,420	0.0880	0.0880	47,016,377	0.1000	0.1000
	Dispatch	122,993,640	0.0270	0.0270	120,070	0.0300	0.0300	39,640,420	0.0270	0.0270	47,016,377	0.0300	0.0300
	Debt Service	122,993,640	0.0360	0.0360	120,070	0.0360	0.0360	39,640,420	0.0360	0.0360	47,016,377	0.0360	0.0360
Mid-County Fire Protection District	General Revenue	38,949,770	1.2507	1.2507	0	0.0000	0.0000	46,738,277	1.3304	1.3304	42,964,457	1.3500	1.3500
	Ambulance	38,949,770	0.1390	0.1390	0	0.0000	0.0000	46,738,277	0.1480	0.1480	42,964,457	0.1500	0.1500
	Pension	38,949,770	0.2500	0.2500 B	0	0.2500	0.0000 B	46,738,277	0.2500	0.2500 B	42,964,457	0.2500	0.2500 B
	Dispatch	38,949,770	0.0280	0.0280	0	0.0000	0.0000	46,738,277	0.0300	0.0300	42,964,457	0.0300	0.0300
	Debt Service	38,949,770	0.1920	0.1920	0	0.1920	0.1920	46,738,277	0.1920	0.1920	42,964,457	0.1920	0.1920
West Overland Fire Protection Dist	General Revenue	50,004,870	0.6400	0.6400	0	0.0000	0.0000	93,262,517	0.6530	0.6530	33,979,516	0.7100	0.7100
	Ambulance	50,004,870	0.2250	0.2250	0	0.0000	0.0000	93,262,517	0.2300	0.2300	33,979,516	0.2500	0.2500
	Pension	50,004,870	0.1350	0.1350	0	0.0000	0.0000	93,262,517	0.1380	0.1380	33,979,516	0.1500	0.1500
	Dispatch	50,004,870	0.0450	0.0450	0	0.0000	0.0000	93,262,517	0.0460	0.0460	33,979,516	0.0500	0.0500

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
West Overland Fire Protection Dist	Debt Service	50,004,870	0.0930	0.0930	0	0.0930	0.0930	93,262,517	0.0930	0.0930	33,979,516	0.0930	0.0930
Black Creek Sewer	General Revenue	640,450,520	0.0900	0.0600	0	0.0000	0.0000	499,040,139	0.0970	0.0600	162,770,208	0.0950	0.0600
Black Jack-Dellwood Sewer	General Revenue	141,698,030	0.0900	0.0600	10,970	0.0390	0.0390	54,827,913	0.0960	0.0600	42,032,065	0.0980	0.0600
Clayton Central Sewer	General Revenue	22,919,590	0.0690	0.0600	0	0.0000	0.0000	262,416,501	0.0920	0.0600	44,268,690	0.0900	0.0600
Coldwater Creek Sewer	General Revenue	955,512,200	0.0910	0.0700	44,300	0.1000	0.0700	498,367,824	0.0990	0.0700	518,494,912	0.1000	0.0700
Creve Coeur-Frontenac Sewer	General Revenue	281,523,180	0.0730	0.0500	0	0.0000	0.0000	159,311,782	0.0750	0.0500	72,661,352	0.0760	0.0500
Deer Creek Sewer	General Revenue	2,186,764,140	0.0860	0.0600	181,990	0.0920	0.0600	847,113,916	0.0930	0.0600	435,772,211	0.0930	0.0600
Fountain Creek Sewer	General Revenue	88,610,060	0.1260	0.1000	0	0.0000	0.0000	21,487,201	0.1380	0.1000	22,039,702	0.1400	0.1000
Gravois Creek Sewer	General Revenue	913,754,670	0.0770	0.0600	457,270	0.0680	0.0600	393,361,430	0.0800	0.0600	230,556,862	0.0860	0.0600
Loretta-Joplin Sewer	General Revenue	18,654,930	0.0780	0.0600	0	0.0000	0.0000	1,741,876	0.0840	0.0600	4,609,966	0.0900	0.0600
Maline Creek Sewer	General Revenue	356,784,790	0.0930	0.0700	47,360	0.0810	0.0700	128,880,937	0.0960	0.0700	129,010,284	0.1000	0.0700
Marlborough Sewer	General Revenue	39,866,590	0.0520	0.0400	0	0.0000	0.0000	10,801,243	0.0600	0.0400	8,822,498	0.0580	0.0400
Meramec River Basin Sewer	General Revenue	1,791,297,090	0.0930	0.0700	1,151,980	0.0950	0.0700	598,994,852	0.0980	0.0700	577,669,442	0.1000	0.0700
Missouri River-Bonfils Sewer	General Revenue	131,335,260	0.0950	0.0700	659,360	0.0240	0.0240	446,403,073	0.0970	0.0700	204,009,012	0.1000	0.0700
North Affton Sewer	General Revenue	57,766,430	0.0750	0.0600	0	0.0000	0.0000	4,460,706	0.0760	0.0600	10,574,963	0.0850	0.0600
Paddock Creek Sewer	General Revenue	101,636,090	0.0870	0.0600	2,750	0.0730	0.0600	26,707,808	0.0940	0.0600	24,615,356	0.0990	0.0600
Seminary Branch RDP Sewer	General Revenue	211,438,090	0.0670	0.0600	0	0.0000	0.0000	42,535,365	0.0770	0.0600	46,944,528	0.0760	0.0600
Shrewsbury Branch RDP Sewer	General Revenue	19,005,240	0.0650	0.0600	0	0.0000	0.0000	2,685,244	0.0910	0.0600	4,275,112	0.0780	0.0600
Sugar Creek Sewer	General Revenue	234,867,400	0.0600	0.0600	130	0.0000	0.0000	35,111,619	0.0950	0.0700	49,839,411	0.0690	0.0690
University City Branch RDP Sewer	General Revenue	452,561,890	0.0830	0.0700	3,370	0.0000	0.0000	246,904,222	0.0950	0.0700	168,294,663	0.0940	0.0700
Upper Paddock Creek Sewer	General Revenue	23,942,270	0.0830	0.0600	1,410	0.0710	0.0600	5,374,570	0.0840	0.0600	5,617,635	0.0910	0.0600
Watkins Creek Sewer	General Revenue	101,501,280	0.0930	0.0600	9,800	0.1000	0.0600	30,455,558	0.0940	0.0600	29,223,930	0.0990	0.0600
Wedgewood Creek Sewer	General Revenue	21,659,300	0.1000	0.0600	0	0.0000	0.0000	13,956,176	0.1000	0.0600	9,147,251	0.1000	0.0600
Wellston Sewer	General Revenue	13,321,410	0.0980	0.0800	0	0.0000	0.0000	11,048,967	0.0970	0.0800	12,574,566	0.1000	0.0800
Hancock Street Light Dist St Louis	General Revenue	39,234,320	0.1710	0.1700	0	0.0000	0.0000	9,419,370	0.1960	0.1700	12,972,770	0.2000	0.1700
Wheaton Cook Lyndhurst Light Dist	General Revenue	5,188,750	0.1990	0.1200	0	0.0000	0.0000	1,039,420	0.1790	0.1560	1,195,080	0.2000	0.1300
Castle Point Street Light District	General Revenue	6,695,950	0.1600	0.1600	0	0.0000	0.0000	201,080	0.1700	0.1700	1,402,750	0.1850	0.1850
Glasgow Village Street Light Dist	General Revenue	21,179,260	0.1400	0.1400	0	0.0000	0.0000	254,790	0.1300	0.1300	3,733,430	0.1580	0.1580
Elmwood Park Street Light District	General Revenue	1,738,890	0.3800	0.0000	0	0.0000	0.0000	103,390	0.3840	0.0000	461,720	0.4000	0.0000
Clayton Special Business District	General Revenue	14,198,070	0.0950	0.0470	0	0.0000	0.0000	257,720,800	0.1320	0.0470	0	0.0000	0.0000
Maplewood Special Business District	General Revenue	304,300	0.3740	0.3740	0	0.0000	0.0000	11,759,950	0.4430	0.4430	0	0.0000	0.0000
University City Spec Bus Dist BD57	General Revenue	690,700	0.6920	0.6920	0	0.0000	0.0000	4,083,980	0.7850	0.7850	0	0.0000	0.0000
Webster Groves-Old Webster Bus Dist	General Revenue	246,520	0.4070	0.2900	0	0.0000	0.0000	8,828,800	0.3870	0.2900	0	0.0000	0.0000
Webster Groves-Old Orchard Bus Dist	General Revenue	53,260	0.8500	0.3600	0	0.0000	0.0000	3,884,360	0.8500	0.3600	0	0.0000	0.0000
Kirkwood Special Business District	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	28,981,820	0.4200	0.4150	0	0.0000	0.0000
Jennings Special Business District	General Revenue	34,790	0.5320	0.1700	0	0.0000	0.0000	2,120,320	0.5160	0.1700	0	0.0000	0.0000
Productive Living Board	General Revenue	11,993,180,660	0.0820	0.0820	8,062,920	0.0850	0.0850	4,796,535,268	0.0870	0.0850	3,656,157,068	0.0900	0.0850

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate				Agricultural Real Estate				Commercial Real Estate				Personal Property			
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Parkview Gardens Spec Bus Dist BD3	General Revenue	6,928,150	0.8500	0.8500		0	0.0000	0.0000		1,969,300	0.8030	0.8030		0	0.0000	0.0000	
Crossroads Special Business Dist	General Revenue	0	0.0000	0.0000		0	0.0000	0.0000		2,594,870	0.8080	0.4000		0	0.0000	0.0000	
Robinwood West Community Imp Dis	General Revenue	13,974,620	0.7700	0.7500		0	0.0000	0.0000		0	0.0000	0.0000		0	0.0000	0.0000	
Hazelwood R-I School District	Operating Funds-Schools	899,803,240	5.0597	4.4097	C	739,680	5.5500	4.9000	C	452,310,410	5.3009	4.6939	C	410,980,630	5.4050	4.7550	C
	Debt Service	899,803,240	1.5670	0.8200		739,680	1.5670	0.8200		452,310,410	1.5670	0.8200		410,980,630	1.5670	0.8200	
Ferguson-Florissant R-II Sch Dist	Operating Funds-Schools	420,462,440	4.5477	4.5477		36,300	3.9328	3.9328		268,375,230	4.7400	4.7400		260,090,200	4.7400	4.7400	
	Debt Service	420,462,440	0.3000	0.3000		36,300	0.3000	0.3000		268,375,230	0.3000	0.3000		260,090,200	0.3000	0.3000	
Pattonville R-III School District	Operating Funds-Schools	388,477,370	3.4794	3.3454	C	715,410	1.1931	1.0591	C	627,451,150	3.7021	3.7251	C	297,521,410	3.9305	3.8465	C
	Debt Service	388,477,370	0.4910	0.4900		715,410	0.4910	0.4900		625,641,430	0.4910	0.4900		297,521,410	0.4910	0.4900	
Kirkwood R-VII School District	Operating Funds-Schools	717,524,280	3.6158	3.3484	C	179,770	5.3885	5.0214	C	182,347,380	4.2884	4.1318	C	141,918,000	3.7345	3.7455	C
	Debt Service	717,524,280	0.3710	0.3660		179,770	0.3710	0.3660		182,347,380	0.3710	0.3660		141,918,000	0.3710	0.3660	
Lindbergh R-VIII School District	Operating Funds-Schools	685,958,670	2.7500	2.7940	C	709,630	3.2308	3.0878	C	279,625,490	2.7500	2.8510	C	164,638,930	3.0444	2.9364	C
	Debt Service	685,958,670	0.3800	0.3800		709,630	0.3800	0.3800		279,625,490	0.3800	0.3800		164,638,930	0.3800	0.3800	
Mehlville R-IX School District	Operating Funds-Schools	1,065,565,070	3.2463	3.2493	C	453,410	3.7500	3.7530	C	236,426,090	3.2682	3.2712	C	246,658,110	3.6248	3.6278	C
	Debt Service	1,065,565,070	0.4390	0.3400		453,410	0.4390	0.3400		236,426,090	0.4390	0.3400		246,658,110	0.4390	0.3400	
Parkway C-2 School District	Operating Funds-Schools	2,348,568,360	3.0784	3.1134	C	1,837,020	3.4554	3.5044	C	924,491,050	3.2356	3.4396	C	575,772,710	3.3679	3.4169	C
	Debt Service	2,348,568,360	0.3400	0.3400		1,837,020	0.3400	0.3400		924,491,050	0.3400	0.3400		575,772,710	0.3400	0.3400	
Affton 101 School District	Operating Funds-Schools	252,819,970	5.3680	4.9480	B	0	1.3600	0.0000	B	60,067,340	5.6189	5.6189	B	62,217,920	5.5131	5.0931	B
Bayless School District	Operating Funds-Schools	112,156,010	2.9653	3.0133	C	0	0.0000	0.0000		11,922,180	3.1320	3.2050	C	23,048,820	3.8500	3.9970	C
	Debt Service	112,156,010	0.4840	0.4840		0	0.4840	0.4840		11,922,180	0.4840	0.4840		23,048,820	0.4840	0.4840	
Brentwood School District	Operating Funds-Schools	128,361,230	3.0682	3.0463	C	0	0.0000	0.0000		76,732,050	3.4902	3.3868	C	45,981,720	3.3915	3.3715	C
	Debt Service	128,361,230	0.2990	0.1940		0	0.2990	0.1940		76,732,050	0.2990	0.1940		45,981,720	0.2990	0.1940	
Clayton School District	Operating Funds-Schools	399,065,690	3.3857	3.5466	C	0	0.0000	0.0000		397,051,830	3.4720	3.4898	C	103,245,120	3.4726	3.5334	C
	Debt Service	399,065,690	0.3780	0.3780		0	0.3780	0.3780		397,051,830	0.3780	0.3780		103,245,120	0.3780	0.3780	
Hancock Place School District	Operating Funds-Schools	38,481,800	3.6955	3.6955		0	0.0000	0.0000		9,572,450	4.1754	4.1754		12,846,720	4.3000	4.3000	
	Debt Service	38,481,800	0.5140	0.5140		0	0.5140	0.5140		9,572,450	0.5140	0.5140		12,846,720	0.5140	0.5140	
Jennings School District	Operating Funds-Schools	66,887,770	4.0057	4.0057		0	0.0000	0.0000		14,580,460	4.5679	4.5679		24,098,170	4.8034	4.8034	
	Debt Service	66,887,770	0.5680	0.5680		0	0.5680	0.5680		14,580,460	0.5680	0.5680		24,098,170	0.5680	0.5680	
Ladue School District	Operating Funds-Schools	933,931,120	2.7500	2.7500		5,720	2.7500	2.7500		193,517,880	2.7500	2.7500		145,635,970	2.7500	2.7500	
	Debt Service	933,931,120	0.2300	0.2300		5,720	0.2300	0.2300		193,517,880	0.2300	0.2300		145,635,970	0.2300	0.2300	
Maplewood-Richmond Heights Sch D	Operating Funds-Schools	142,882,650	3.5971	3.9589	C	0	0.0000	0.0000		45,917,670	4.3215	4.6823	C	36,376,420	4.2458	4.5545	C
	Debt Service	142,882,650	1.0300	1.0300		0	1.0300	1.0300		45,917,670	1.0300	1.0300		36,376,420	1.0300	1.0300	
Normandy School District	Operating Funds-Schools	156,087,640	4.2045	4.1472		15,420	3.9858	3.9285		32,096,270	4.3678	4.3105		53,320,090	4.6600	4.6027	
	Debt Service	156,087,640	1.7970	1.4314		15,420	1.7970	1.4314		32,096,270	1.7970	1.4314		53,320,090	1.7970	1.4314	
Ritenour School District	Operating Funds-Schools	243,859,470	3.8447	3.5939	C	0	0.1800	0.0000	B	167,052,970	4.0473	3.8991	C	129,543,120	4.0492	4.0892	C
	Debt Service	243,859,470	0.7100	0.7100		0	0.7100	0.7100		167,052,970	0.7100	0.7100		129,543,120	0.7100	0.7100	
Riverview Gardens School District	Operating Funds-Schools	186,541,510	3.8585	3.8585		4,500	4.3500	4.3500		22,969,260	3.7044	3.7044		44,167,280	4.1177	4.1177	

LISTING OF 2005 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Riverview Gardens School District	Debt Service	186,541,510	1.5900	1.5900	4,500	1.5900	1.5900	22,969,260	1.5900	1.5900	44,167,280	1.5900	1.5900
University City School District	Operating Funds-Schools	429,154,430	4.2013	3.6828	0	0.0000	0.0000	42,616,960	5.2154	4.8620	68,738,950	5.1824	4.5371
	Debt Service	429,154,430	1.0130	0.7380	0	1.0130	0.7380	42,616,960	1.0130	0.7380	68,738,950	1.0130	0.7380
Valley Park School District	Operating Funds-Schools	76,751,920	4.1702	4.2292 C	7,950	4.6500	4.6650 C	28,098,000	4.0337	4.0487 C	32,892,560	4.6500	4.6650 C
	Debt Service	76,751,920	0.5240	0.5240	7,950	0.5240	0.5240	28,098,000	0.5240	0.5240	32,892,560	0.5240	0.5240
Webster Groves School District	Operating Funds-Schools	489,714,860	4.6645	4.6701 C	0	0.6800	0.6800 B	65,311,340	4.9858	4.9915 C	80,022,210	4.8889	4.8889 B
	Debt Service	489,714,860	0.5660	0.5660	0	0.5660	0.5660	65,311,340	0.5660	0.5660	80,022,210	0.5660	0.5660
Wellston School District	Operating Funds-Schools	4,054,070	5.6700	5.6700	0	0.0000	0.0000	5,612,470	5.5165	5.6700 D	8,627,020	5.6700	5.6700
St. Louis County	General Revenue	11,993,180,660	0.2530	0.1900	8,040,550	0.3270	0.1900	4,796,535,268	0.2780	0.1900	3,656,157,068	0.2810	0.1900
	Parks & Recreation	11,993,180,660	0.0640	0.0350	8,040,550	0.0660	0.0350	4,796,535,268	0.0680	0.0350	3,656,157,068	0.0700	0.0350
	Road & Bridge	11,993,180,660	0.1630	0.1050	8,040,550	0.1700	0.1050	4,796,535,268	0.1750	0.1050	3,656,157,068	0.1800	0.1050
	Health	11,993,180,660	0.2170	0.1650	8,040,550	0.2800	0.1650	4,796,535,268	0.2380	0.1650	3,656,157,068	0.2410	0.1650
	Debt Service	11,993,180,660	0.0860	0.0630	8,040,550	0.0860	0.0630	4,796,535,268	0.0860	0.0630	3,656,157,068	0.0860	0.0630

LEGEND:

A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy, see Report No. 2005-103.
B A voter approved increase to an existing levy, see Report No. 2005-103.
C Levy includes a recoupment rate authorized by state law.
D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Report No. 2005-103.

NOTE:

This Appendix only contains levy information for political subdivisions wholly in St. Louis County. Political subdivisions partially in St. Louis County and partially in another county(ies) were required by Senate Bill 267 passed in 2005 to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions of Senate Bill 960.

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue
Adair	Adair Co. R-I School District	12,820,633	0.3914	50,180
	Kirksville R-III School District	194,510,475	0.8190	1,593,041
	Adair Co. R-II School District	11,025,826	0.5445	60,036
Andrew	City of Fillmore	802,520	0.6090	4,887
	City of Savannah	47,316,724	0.1692	80,060
	Avenue City R-IX School District	15,367,825	0.9500	145,994
Atchison	City of Tarkio	11,947,798	0.3239	38,699
	City of Westboro	773,362	2.0526	15,874
Audrain	Community R-VI School District	48,439,454	0.4500	217,978
	Van-Far R-I School District	39,490,555	0.5168	204,087
	Mexico 59 School District	175,485,212	0.5877	1,031,327
Barry	Wheaton R-III School District	16,717,873	0.6800	113,682
	Southwest Barry Co R-V School Dis	30,385,776	0.8500	258,279
	Exeter R-VI School District	12,746,785	0.6500	82,854
	Cassville R-IV School District	139,533,065	0.3200	446,506
	Purdy R-II School District	23,520,676	0.6947	163,398
	Monett R-I School District	153,117,357	0.5600	857,457
Barton	City of Mindenmines	1,273,620	0.7220	9,196
	Liberal R-II School District	27,346,980	0.2849	77,912
	Lamar R-I School District	111,505,290	0.3500	390,269
Bates	Ballard R-II School District	8,868,017	0.7500	66,510
	Adrian R-III School District	35,067,621	0.9451	331,424
	Rich Hill R-IV School District	20,104,577	0.7606	152,915
	Butler R-V School District	69,650,126	0.6100	424,866
Benton	Lincoln R-II School District	38,177,653	0.5000	190,888
	Warsaw R-IX School District	129,795,481	0.4500	584,080
	Cole Camp R-I School District	46,591,270	0.5173	241,017
Bollinger	Meadow Heights R-II School Distric	30,546,585	0.3500	106,913
Boone	City of Ashland	39,710,491	0.0454	18,029
	City of Hallsville	14,175,769	0.2900	41,110
	Centralia Public Library	39,088,628	0.0815	31,857
	Columbia Public Library	687,146,316	0.2300	1,580,437
	Boone County Fire Prot Dist	492,769,868	0.1523	750,489
	Southern Boone Co Fire Prot Dist	109,765,885	0.1664	182,650
	Boone Co. R-IV School District	64,502,829	0.7536	486,093
	Sturgeon R-V School District	29,100,980	1.2700	369,582
	Centralia R-VI School District	80,486,972	0.8900	716,334
	Harrisburg R-VIII School District	31,447,566	1.1500	361,647
	Columbia 93 School District	1,906,417,895	0.8019	15,287,565
Buchanan	Mid-Buchanan Co R-V School Dist	53,596,236	0.6969	373,512
	Buchanan County R-IV School Dist	18,230,924	0.7076	129,002
	St. Joseph School District	937,359,350	0.3146	2,948,933
Butler	Poplar Bluff R-I School District	361,237,010	0.1800	650,227
	Twin Rivers R-X School District	50,415,156	0.1643	82,832
Caldwell	City of Hamilton	12,615,015	0.4542	57,297
	City of Kidder	2,137,074	0.5650	12,074
	City of Polo	4,017,369	0.3980	15,989
	Polo R-VII School District	21,011,090	0.5924	124,470
	Mirabile C-1 School District	4,161,320	0.3146	13,092
	Braymer C-4 School District	15,539,291	0.3280	50,969
Callaway	City of New Bloomfield	5,221,824	0.5884	30,725
	North Callaway Co R-I School Dist	77,339,086	0.5922	458,002

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue	
Callaway	New Bloomfield R-III School Dist	39,629,626	1.1429	452,927	
	Fulton 58 School District	157,902,481	0.7400	1,168,478	
Camden	Sunrise Beach Fire Protection Dist	277,456,562	0.3830	1,062,659	
	Mid County Fire Protection District	256,602,627	0.1944	498,836	
	Camdenton R-III School District	984,432,406	0.1900	1,870,422	
	Macks Creek R-V School District	27,848,002	0.4700	130,886	
Cape Girardeau	Cape Girardeau Public Library	463,090,296	0.1500	694,635	
	Jackson R-II School District	355,939,005	0.3367	1,198,447	
	Delta R-V School District	19,323,737	0.1800	34,783	
	Oak Ridge R-VI School District	21,087,554	0.9000	189,788	
	Cape Girardeau 63 School District	537,658,676	0.5924	3,185,090	
Carroll	City of Hale	2,256,812	0.3157	7,125	
	Norborne R-VIII School District	13,238,843	0.2000	26,478	
Carter	City of Grandin	843,316	0.0000	0	A
Cass	City of Belton	220,545,625	0.8000	1,764,365	
	City of Drexel	8,590,505	0.3800	32,644	
	City of East Lynne	2,377,491	0.1150	2,734	
	City of Lake Winnebago	30,510,577	0.1890	57,665	
	City of Peculiar	46,984,257	0.4000	187,937	
	City of Pleasant Hill	86,323,210	0.1077	92,970	
	City of Raymore	231,780,495	0.7170	1,661,866	
	City of Lake Annette	645,660	2.6687	17,231	
	Central Cass County Fire Prot Dist	97,515,142	0.2600	253,539	
	South Metropolitan Fire Prot Dist	313,491,928	0.1525	478,075	
	West Peculiar Fire Protection Dist	98,379,688	0.1086	106,840	
	Cass Co R-V School District	28,393,970	0.6700	190,240	
	Strasburg C-3 School District	11,022,082	1.0000	110,221	
	Raymore-Peculiar R-II School Dist	419,229,937	1.3325	5,586,239	
	Sherwood Cass R-VIII School Dist	46,068,136	1.0000	460,681	
	East Lynne 40 School District	13,161,131	0.3422	45,037	
	Pleasant Hill R-III School District	131,484,779	1.2500	1,643,560	
	Harrisonville R-IX School District	174,099,743	0.8700	1,514,668	
	Drexel R-IV School District	17,259,973	0.6500	112,190	
	Midway R-I School District	38,247,456	0.3700	141,516	
	Belton 124 School District	286,902,311	1.1800	3,385,447	
Cedar	El Dorado Springs R-II School Dist	79,462,454	0.4900	389,366	
Chariton	Northwestern R-I School District	12,500,989	0.9900	123,760	
	Brunswick R-II School District	16,633,217	0.3900	64,870	
Christian	City of Fremont Hills	17,580,314	0.3052	53,655	
	Chadwick R-I School District	10,219,921	1.1290	115,383	
	Nixa R-II School District	344,165,209	1.0666	3,670,866	
	Sparta R-III School District	30,948,995	0.7500	232,117	
	Billings R-IV School District	27,141,418	0.8500	230,702	
	Clever R-V School District	50,845,924	0.9000	457,613	
	Ozark R-VI School District	329,144,309	1.0761	3,541,922	
	Spokane R-VII School District	47,322,491	0.8968	424,388	
Clark	Clark Co. R-I School District	59,853,531	0.7500	448,901	
Clay	City of Avondale	4,444,961	0.6974	30,999	
	Village of Claycomo	113,738,881	0.1435	163,215	
	City of Kearney	127,667,063	0.0500	63,834	
	Kearney R-I School District	293,947,375	1.1500	3,380,395	
	Smithville R-II School District	194,682,631	0.9600	1,868,953	

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue	
Clay	Excelsior Springs 40 School Dist	204,341,957	0.8200	1,675,604	
	Liberty 53 School District	750,177,180	0.9950	7,464,263	
	North Kansas City 74 School Dist	2,054,931,705	1.0200	20,960,303	
Clinton	City of Lathrop	20,085,301	0.2872	57,685	
	City of Trimble	6,389,875	0.3952	25,253	
	Cameron R-I School District	104,513,771	0.4800	501,666	
	Lathrop R-II School District	56,033,788	0.8500	476,287	
	Clinton County R-III School Dist	70,843,754	1.0000	708,438	
Cole	City of Lohman	2,074,575	0.3181	6,599	
	Cole Co R-I School District	47,285,825	0.8800	416,115	
	Cole Co R-II School District	80,962,485	0.9100	736,759	
	Cole Co. R-V School District	57,508,576	0.7000	402,560	
	Jefferson City School District	1,125,145,887	0.2220	2,497,824	
Cooper	City of Blackwater	1,104,891	0.0815	900	
	Cooper Co Fire Protection Dist	52,713,318	0.3372	177,749	
	Cooper Co. R-IV School District	8,092,937	0.6101	49,375	
	Prairie Home R-V School District	11,553,231	0.3867	44,676	
	Otterville R-VI School District	12,105,719	0.6000	72,634	
	Pilot Grove C-4 School District	15,961,187	0.9000	143,651	
	Boonville R-I School District	129,128,373	0.6600	852,247	
Crawford	Crawford Co R-I School District	56,645,040	0.9350	529,631	
	Crawford Co R-II School District	102,206,134	0.5600	572,354	
	Steelville R-III School District	50,728,128	0.6700	339,878	
Dade	Good Shepherd Nursing Home Dist	25,127,115	0.4100	103,021	
	Lockwood R-I School District	26,663,531	0.5500	146,649	
	Everton R-III School District	9,302,863	0.7000	65,120	
	Greenfield R-IV School District	34,545,864	0.6564	226,759	
Daviess	Daviess County Special Rd Dist #1	17,703,708	0.1573	27,848	
	Pattonsburg R-II School District	11,758,071	0.6149	72,300	
	Winston R-VI School District	19,125,775	0.1385	26,489	
De Kalb	City of Clarksdale	1,501,947	1.1991	18,010	
	Osborn R-O School District	8,531,228	0.4600	39,244	
	Stewartsville C-2 School District	12,983,722	0.4147	53,843	
Dent	Salem R-80 School District	63,545,116	0.6800	432,107	
Dunklin	Malden R-I School District	44,388,070	0.0000	0	A
	Campbell R-II School District	51,227,710	0.6200	317,612	
	Holcomb R-III School District	20,676,700	0.4900	101,316	
	Kennett 39 School District	90,963,149	0.5500	500,297	
Franklin	City of St Clair	57,736,714	0.3594	207,506	
	Boles Fire Protection District	257,459,153	0.3214	827,474	
	Pacific Fire Protection District	234,155,573	0.0680	159,226	
	East Central College	1,557,313,108	0.0825	1,284,783	
	Franklin Co R-II School District	26,344,939	0.0919	24,211	
	Meramec Valley R-III School Dist	310,015,974	0.6900	2,139,110	
	Union R-XI School District	282,074,096	0.7200	2,030,933	
	Lonedell R-XIV School District	37,294,136	0.2600	96,965	
	Spring Bluff R-XV School District	22,767,786	0.7000	159,375	
	St. Clair R-XIII School District	143,826,296	0.6200	891,723	
	Sullivan C-2 School District	152,065,005	1.0927	1,661,614	
	Washington School District	685,688,762	0.1644	1,127,272	
Gasconade	City of Bland	3,568,137	0.6524	23,279	
	City of Owensville	38,696,033	0.0814	31,499	

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue
Gasconade	Gasconade Co R-II School District	149,988,442	0.6700	1,004,923
	Gasconade County R-I School Dist	104,674,616	0.7500	785,060
Gentry	Gentry County Library Dist	62,391,071	0.1000	62,391
	King City R-I School District	26,020,735	0.5100	132,706
Greene	City of Battlefield	51,407,380	0.1762	90,580
	City of Fair Grove	13,215,160	0.4363	57,658
	Willard R-II School District	282,588,100	0.7900	2,232,446
	Republic R-III School District	248,237,949	0.8400	2,085,199
	Ash Grove R-IV School District	48,763,575	0.5000	243,818
	Strafford R-VI School District	141,364,977	0.7000	989,555
	Logan-Rogersville R-VIII School Dis	191,646,383	0.9713	1,861,461
	Springfield R-XII School District	2,955,813,840	0.5100	15,074,651
	Fair Grove R-X School District	58,186,071	0.9000	523,675
Grundy	Grundy Co R-V School District	11,142,900	1.1307	125,993
	Spickard R-II School District	3,665,967	0.4335	15,892
	Trenton R-IX School District	70,648,933	0.9000	635,840
Harrison	City of Cainsville	1,521,571	0.6319	9,615
Henry	City of Montrose	2,799,152	0.5534	15,491
	Henry County R-I School District	39,935,999	0.5000	199,680
	Shawnee R-III School District	8,549,103	0.3078	26,314
Hickory	Hickory Co. R-I School District	36,735,329	0.7975	292,964
	Wheatland R-II School District	30,343,236	0.5670	172,046
	Weaubleau R-III School District	20,138,294	0.8200	165,134
	Hermitage R-IV School District	36,756,425	0.4500	165,404
Holt	City of Craig	1,306,649	1.7354	22,676
	City of Forest City	2,208,763	0.2736	6,043
	City of Oregon	6,343,224	0.8518	54,032
Howard	Howard Co Fire Protection District	59,902,395	0.1466	87,817
	New Franklin R-I School District	23,126,110	0.5230	120,950
	Fayette R-III School District	44,048,779	0.7379	325,036
Iron	Arcadia Valley R-II School District	42,495,626	0.4800	203,979
Jackson	City of Blue Springs	744,248,275	0.1500	1,116,372
	City of Grain Valley	156,260,396	0.9483	1,481,817
	City of Grandview	281,171,508	0.3800	1,068,452
	City of Kansas City	7,283,914,645	0.1400	10,197,481
	City of Lake Tapawingo	16,332,997	1.0458	170,810
	City of Lone Jack	14,909,348	0.2493	37,169
	City of Oak Grove	89,626,842	0.2266	203,094
	City of Lee's Summit	1,649,887,084	0.4697	7,749,520
	Central Jackson Co Fire Prot Dist	963,664,069	0.0900	867,298
	Raytown Fire Protection District	345,880,488	0.1594	551,333
	Fort Osage Fire Protection District	162,158,867	0.2200	356,750
	Inter City Fire Protection District	9,712,121	0.3696	35,896
	Fort Osage R-I School District	274,097,889	0.7740	2,121,518
	Blue Springs R-IV School District	1,278,481,960	0.9874	12,623,731
	Grain Valley R-V School District	239,700,526	1.3192	3,162,129
	Oak Grove R-VI School District	129,245,090	1.1500	1,486,319
	Lee's Summit R-VII School District	1,655,845,450	1.0700	17,717,546
	Hickman Mills C-1 School District	437,057,020	0.6800	2,971,988
	Raytown C-2 School District	693,296,583	0.9636	6,680,606
	Grandview C-4 School District	450,020,135	0.5000	2,250,101
	Lone Jack C-6 School District	47,076,252	1.3875	653,183

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue
Jackson	Independence 30 School District	813,109,913	0.7661	6,229,235
	Center 58 School District	426,415,213	0.8600	3,667,171
Jasper	City of Carl Junction	74,652,329	0.2327	173,716
	Carl Junction R-I School District	223,661,825	0.8200	1,834,027
	Sarcoxie R-II School District	33,234,961	0.5500	182,792
	Carthage R-IX School District	293,541,962	0.8300	2,436,398
	Webb City R-VII School District	204,647,320	0.6800	1,391,602
	Joplin R-VIII School District	866,151,031	0.5600	4,850,446
Jefferson	Antonia Fire Protection District	174,874,922	0.2116	370,035
	Cedar Hill Fire Protection District	153,382,380	0.0736	112,889
	High Ridge Fire Protection District	384,328,979	0.1574	604,934
	Springdale Fire Protection District	130,777,183	0.2424	317,004
	Northwest R-I School District	522,523,220	0.4740	2,476,760
	Grandview R-II School District	47,648,090	1.4700	700,427
	Hillsboro R-III School District	231,807,667	0.9741	2,258,038
	Dunklin R-V School District	147,077,455	0.6700	985,419
	Festus R-VI School District	229,707,834	0.6400	1,470,130
	Jefferson Co R-VII School District	140,660,605	0.6175	868,579
	Sunrise R-IX School District	31,673,060	0.6500	205,875
	Windsor C-1 School District	200,575,923	1.1594	2,325,477
	Fox C-6 School District	802,841,905	0.3300	2,649,378
	Crystal City 47 School District	59,948,360	0.8000	479,587
	DeSoto 73 School District	176,049,697	0.5535	974,435
Johnson	City of Holden	16,680,796	0.1186	19,783
	Johnson County Fire Prot Dist	180,320,111	0.1750	315,560
	Kingsville R-I School District	22,706,893	0.9433	214,194
	Holden R-III School District	84,021,466	0.6700	562,944
	Chilhowee R-IV School District	8,588,228	0.2096	18,001
	Johnson Co R-VII School District	33,431,798	0.8000	267,454
	Leeton R-X School District	14,789,144	0.8600	127,187
	Warrensburg R-VI School District	237,727,438	0.6500	1,545,228
Knox	City of Hurdland	869,373	0.4174	3,629
	Knox Co R-I School District	53,149,824	0.2000	106,300
Laclede	Lebanon R-III School District	268,144,032	0.4700	1,260,277
Lafayette	Sni Valley Fire Protection District	177,382,896	0.1175	208,425
	Concordia R-II School District	47,893,869	0.4138	198,185
	Lafayette Co C-1 School District	67,072,115	1.0000	670,721
	Odessa R-VII School District	134,450,733	0.8800	1,183,166
	Santa Fe R-X School District	28,112,673	0.5400	151,808
	Wellington-Napoleon R-IX Sch Dist	25,541,193	0.7500	191,559
	Lexington R-V School District	56,376,623	0.9300	524,303
Lawrence	City of Aurora	71,980,472	0.1510	108,691
	Pierce City R-VI School District	34,796,921	0.6600	229,660
	Marionville R-IX School District	34,700,929	0.8100	281,078
	Mt. Vernon R-V School District	102,269,865	0.5700	582,938
	Aurora R-VIII School District	103,714,604	0.8300	860,831
	Verona R-VII School District	25,529,457	0.8300	211,894
Lewis	City of Lewistown	3,583,182	0.3070	11,000
	Canton R-V Fire Protection District	27,253,224	0.2006	54,670
	La Belle Fire Protection District	14,916,881	0.2408	35,920
	Canton R-V School District	29,179,286	0.5500	160,486
Lincoln	Silex R-I School District	27,147,740	0.6600	179,175

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue	
Lincoln	Elsberry R-II School District	40,612,696	1.0500	426,433	
	Troy R-III School District	384,132,428	1.1100	4,263,870	
	Winfield R-IV School District	87,477,680	0.8412	735,862	
	Lincoln County	602,564,012	0.1300	783,333	
Linn	Meadville R-IV School District	13,083,239	1.0200	133,449	
	Marceline R-V School District	33,037,706	0.2704	89,334	
	Brookfield R-III School District	54,595,179	0.3900	212,921	
Livingston	Chillicothe R-II School District	125,502,022	0.4500	564,759	
Macon	City of Callao	1,106,544	1.3190	14,595	
	La Plata R-II School District	21,790,277	1.3006	283,404	
Madison	Marquand-Zion R-VI School District	9,888,025	0.5049	49,925	
Maries	Maries Co R-I School District	41,596,720	0.4807	199,955	
Marion	Marion Co R-II School District	12,065,702	0.2000	24,131	
	Palmyra R-I School District	116,585,500	0.5800	676,196	
	Hannibal 60 School District	243,547,730	0.4600	1,120,320	
Mc Donald	City of Southwest City	17,469,201	0.1632	28,510	
	McDonald Co R-I School District	341,170,813	0.6700	2,285,844	
Mercer	North Mercer Co R-III School Dist	13,576,586	0.5300	71,956	
	Princeton R-V School District	33,031,670	0.6900	227,919	
Miller	Miller County Nursing Home Distric	357,236,446	0.0503	179,690	
	Lake Ozark Fire Protection District	390,808,125	0.0606	236,830	
	Eldon R-I School District	171,529,569	0.5100	874,801	
	Miller Co R-III School District	10,193,295	0.0000	0	B
	St. Elizabeth R-IV School District	13,442,816	0.0000	0	B
	School of the Osage R-II Sch Dist	484,967,637	0.3200	1,551,896	
Mississippi	East Prairie R-II School District	51,420,920	0.3500	179,973	
Moniteau	City of Tipton	23,209,452	0.2971	68,955	
	Jamestown Rural Fire Prot Dist	15,409,887	0.1900	29,279	
	Moniteau Co R-I School District	76,740,021	0.9327	715,754	
	Moniteau Co R-VI School District	41,952,250	0.9700	406,937	
	Moniteau Co C-1 School District	13,257,526	0.9960	132,045	
Monroe	Madison C-3 School District	11,631,196	0.3967	46,141	
	Paris R-II School District	34,808,586	0.4900	170,562	
Montgomery	City of Jonesburg	9,789,372	0.2076	20,323	
	Wellsville-Middletown R-I Sch Dist	26,903,001	0.4800	129,134	
Morgan	Gravois Fire Protection District	217,066,324	0.2939	637,958	
	Morgan Co R-I School District	69,210,931	0.3800	263,002	
New Madrid	City of Lilbourn	7,082,873	0.2179	15,434	
	Portageville School District	43,731,137	0.7500	327,984	
	New Madrid Co R-I School District	270,231,101	0.2400	648,555	
Newton	Redings Mill Area Fire Prot Dist	145,832,492	0.0942	137,374	
	East Newton Co R-VI School Distric	61,779,143	0.4496	277,759	
	Diamond R-IV School District	51,895,291	0.9900	513,763	
	Neosho R-V School District	243,266,651	0.3600	875,760	
Nodaway	City of Maryville	121,558,099	0.1194	145,140	
	Atchison Township of Nodaway Co	5,221,371	0.0000	0	A
	Green Township of Nodaway Co	4,667,406	1.3455	62,800	
	Hughes Township of Nodaway Co	8,199,636	0.4974	40,785	
	Jackson Township of Nodaway Co	10,825,723	0.5210	56,402	
	Monroe Township of Nodaway Co	4,449,844	1.4562	64,799	
	Union Township of Nodaway Co	5,356,229	0.8887	47,601	
	Washington Township of Nodaway	4,266,622	0.7436	31,727	

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue	
Nodaway	West Nodaway Co R-I School Distri	19,052,740	0.7000	133,369	
	Northeast Nodaway Co R-V Sch Dis	12,588,574	0.6600	83,085	
	North Nodaway Co R-VI School Dis	12,951,490	0.5900	76,414	
	Maryville R-II School District	187,019,392	0.5643	1,055,350	
	South Nodaway Co R-IV School Dis	10,334,692	0.6282	64,923	
Oregon	Thayer R-II School District	26,047,536	0.9200	239,637	
	Oregon-Howell R-III School District	11,397,709	0.0000	0	B
Osage	Osage Co R-II School District	53,259,681	0.5800	308,906	
	Osage Co R-III School District	75,303,159	0.0000	0	A
Ozark	Thornfield R-I School District	5,787,779	0.5397	31,237	
	Bakersfield R-IV School District	11,730,089	0.3500	41,055	
	Gainesville R-V School District	43,020,342	0.4939	212,477	
	Dora R-III School District	13,758,311	0.2035	27,998	
	Lutie R-VI School District	19,816,603	0.0000	0	A
Pemiscot	Pemiscot Co R-III School District	9,750,287	0.4851	47,299	
	Caruthersville 18 School District	45,050,071	0.2095	94,380	
	Pemiscot Co Special School District	170,863,899	0.0203	34,685	
Perry	City of Perryville	113,876,426	0.2100	239,140	
Pettis	Pettis Co R-V School District	21,702,170	0.4303	93,384	
	La Monte R-IV School District	17,227,780	0.8000	137,822	
	Smithton R-VI School District	33,725,723	0.5124	172,811	
	Green Ridge R-VIII School District	20,331,750	0.5272	107,189	
Phelps	St. James R-I School District	103,479,633	0.5300	548,442	
	Newburg R-II School District	24,507,265	0.2500	61,268	
	Rolla 31 School District	357,030,344	0.2500	892,576	
	Phelps Co R-III School District	16,496,510	0.2408	39,724	
Pike	City of Clarksville	3,927,255	0.1885	7,403	
	Pike Co R-III School District	45,518,058	0.7497	341,249	
	Louisiana R-II School District	46,638,665	0.4600	214,538	
Platte	City of Platte City	74,981,725	0.5000	374,909	
	City of Tracy	2,180,684	0.8470	18,470	
	City of Weatherby Lake	40,795,338	0.5596	228,291	
	Central Platte Fire Protection Dist	187,303,663	0.2173	407,011	
	Southern Platte Fire Prot Dist	384,991,528	0.0932	358,812	
	West Platte Co R-II School District	96,516,707	0.6560	633,150	
	Platte Co R-III School District	420,674,492	0.9600	4,038,475	
	Park Hill R-V School District	1,310,454,667	0.6562	8,599,204	
	Platte County	1,947,408,113	0.0000	0	B
Polk	Bolivar R-I School District	146,422,280	0.4500	658,900	
	Fair Play R-II School District	15,940,510	0.9800	156,217	
	Humansville R-IV School District	18,769,944	0.3900	73,203	
	Marion C. Early R-V School District	31,314,630	0.4500	140,916	
	Pleasant Hope R-VI School District	37,428,410	0.6000	224,570	
Pulaski	City of Dixon	12,624,970	0.6180	78,022	
	Laquey R-V School District	27,233,722	0.1752	47,713	
	Dixon R-I School District	54,434,737	0.2700	146,974	
	Crocker R-II School District	26,061,857	0.7240	188,688	
Putnam	York Township of Putnam Co	3,845,594	0.2566	9,868	
	Putnam Co R-I School District	63,335,228	0.3700	234,340	
Ralls	Ralls Co R-II School District	61,287,714	0.7100	435,143	
Randolph	Northeast Randolph Co R-IV Sch Di	19,160,630	0.9000	172,446	
	Higbee R-VIII School District	9,460,480	1.0000	94,605	

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue	
Randolph	Moberly School District	151,643,795	0.5800	879,534	
Ray	City of Orrick	6,576,442	0.3516	23,123	
	City of Richmond	57,377,843	0.4253	244,028	
	City of Wood Heights	7,496,586	0.6414	48,083	
	City of Lawson	23,819,300	1.1633	277,090	
	Lawson R-XIV School District	64,656,454	0.9500	614,236	
	Orrick R-XI School District	20,405,863	0.7500	153,044	
	Richmond R-XVI School District	101,861,419	0.2200	224,095	
Reynolds	Southern Reynolds Co R-II Sch Dist	27,784,349	0.7800	216,718	
Ripley	Doniphan-Ripley County Library	80,403,833	0.0155	12,463	
Saline	Blackburn Elmwood Sp Rd Saline C	5,965,963	0.4710	28,100	
	City of Sweet Springs	10,024,538	0.1905	19,097	
	Orearville R-IV School District	5,111,339	0.8309	42,470	
	Malta Bend R-V School District	8,817,448	0.6633	58,486	
	Hardeman R-X School District	6,330,651	0.9337	59,109	
	Slater School District	18,108,769	0.5802	105,067	
	Sweet Springs R-VII School District	23,879,034	0.6400	152,826	
Schuyler	Village of Glenwood	958,584	0.4990	4,783	
	Schuyler Co R-I School District	33,258,016	0.7700	256,087	
Scott	City of Scott City	38,686,887	0.5036	194,827	
	Scott City R-I School District	49,887,730	0.4900	244,450	
	Chaffee R-II School District	22,762,500	1.1500	261,769	
	Scott Co R-IV School District	50,845,450	0.4200	213,551	
	Scott Co R-V School District	14,112,580	1.1000	155,238	
	Sikeston R-VI School District	214,055,096	0.1900	406,705	
	Oran R-III School District	18,486,580	0.7500	138,649	
Shannon	Eminence R-I School District	17,370,730	0.6900	119,858	
Shelby	North Shelby School District	27,179,306	0.3700	100,563	
St. Charles	St Charles County Ambulance Dist	7,366,062,773	0.0164	1,208,034	
	City of Lake St Louis	306,115,639	0.3994	1,222,626	
	City of O'Fallon	1,548,342,490	0.2900	4,490,193	
	City of Portage Des Sioux	5,048,449	0.1904	9,612	
	City of St Charles	1,289,417,810	0.1560	2,011,492	
	City of St Peters	1,080,803,170	0.2400	2,593,928	
	Cottleville Com Fire Prot District	1,204,548,246	0.0500	602,274	
	Central County Fire and Rescue	1,612,718,663	0.0828	1,335,331	
	St. Charles Co. Community College	7,325,012,763	0.0400	2,930,005	
	Fort Zumwalt R-II School District	2,146,805,075	0.6200	13,310,191	
	Francis Howell R-III School Dist	2,345,717,323	0.6713	15,746,800	
	Wentzville R-IV School District	1,457,749,797	0.7700	11,224,673	
	St Charles R-VI School District	962,623,784	1.0729	10,327,991	
	St Charles Co R-V School District	264,163,419	0.7300	1,928,393	
St. Clair	Roscoe C-1 School District	6,423,857	0.3711	23,839	
	Lakeland R-III School District	26,811,078	0.6959	186,578	
St. Francois	City of Farmington	171,250,436	0.0518	88,708	
	City of Leadington	7,134,677	0.0000	0	A
	City of Leadwood	4,546,921	1.0630	48,334	
	City of Iron Mountain Lake	2,787,012	1.2836	35,774	
	Mineral Area College	750,003,937	0.1300	975,005	
	Bismarck R-V School District	23,595,557	0.6500	153,371	
	Farmington R-VII School District	291,800,008	0.6200	1,809,160	
	North St. Francois Co R-I Sch Dist	147,328,375	0.8053	1,186,435	

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue	
St. Francois	Central R-III School District	81,648,702	0.8583	700,791	
	West St Francois Co R-IV Sch Dist	38,271,382	0.9300	355,924	
St. Louis	Village of Bel Nor	22,862,534	0.2560	58,528	
	Village of Bel Ridge	15,715,760	0.1680	26,402	
	City of Berkeley	211,432,474	0.1720	363,664	
	City of Black Jack	88,439,514	0.4300	380,290	
	City of Brentwood	337,877,655	0.0700	236,514	
	City of Clayton	891,219,624	0.1250	1,114,025	
	City of Des Peres	379,231,260	0.0000	0	B
	City of Hazelwood	589,829,886	0.2330	1,374,304	
	City of Kirkwood	735,464,540	0.1200	882,557	
	City of Manchester	372,266,977	0.1930	718,475	
	City of Northwoods	31,537,483	0.7000	220,762	
	City of Pasadena Hills	15,214,830	1.0022	152,483	
	City of Rock Hill	102,249,598	0.3140	321,064	
	City of Shrewsbury	132,290,722	0.6610	874,442	
	City of University City	622,699,710	0.0490	305,123	
	City of Velda City	8,668,280	0.9530	82,609	
	City of Vinita Park	47,978,810	0.2340	112,270	
	City of Webster Groves	536,510,783	0.3480	1,867,058	
	City of Chesterfield	1,765,352,759	0.0600	1,059,212	
	Maplewood Public Library	162,685,834	0.1620	263,551	
	Metro West Fire Protection District	1,886,321,491	0.0690	1,301,562	
	Black Jack Fire Protection District	680,753,190	0.1190	810,096	
	Monarch Fire Protection District	2,199,254,729	0.0300	659,776	
	Community Fire Protection District	631,217,441	0.0560	353,482	
	Eureka Fire Protection District	377,209,925	0.1500	565,815	
	Florissant Valley Fire Prot Dist	954,807,796	0.1890	1,804,587	
	West County EMS & Fire Prot Dist	792,628,598	0.1530	1,212,722	
	Metro-North Fire Protection Dist	137,912,667	0.3980	548,892	
	Pattonville Fire Protection Dist	820,032,358	0.0230	188,607	
	Riverview Fire Protection District	157,800,300	0.0740	116,772	
	Robertson Fire Protection District	339,426,875	0.0980	332,638	
	Spanish Lake Fire Protection Dist	217,289,534	0.1500	325,934	
	Mid-County Fire Protection District	150,075,542	0.2970	445,724	
	West Overland Fire Protection Dist	192,683,747	0.1400	269,757	
	Hazelwood R-I School District	2,051,196,210	0.9400	19,281,244	
	Ferguson-Florissant R-II Sch Dist	1,123,716,420	0.3000	3,371,149	
	Pattonville R-III School District	1,487,694,590	0.4900	7,289,703	
	Rockwood R-VI School District	3,422,821,505	0.7500	25,671,161	
	Kirkwood R-VII School District	1,245,319,370	0.3650	4,545,416	
	Lindbergh R-VIII School District	1,331,506,150	0.3800	5,059,723	
	Mehlville R-IX School District	1,858,076,750	0.3400	6,317,461	
	Parkway C-2 School District	4,623,124,700	0.3400	15,718,624	
	Bayless School District	175,304,980	0.3900	683,689	
	Brentwood School District	298,312,370	0.2100	626,456	
	Clayton School District	1,046,216,000	0.3640	3,808,226	
	Hancock Place School District	73,677,650	1.0100	744,144	
	Jennings School District	121,192,670	0.5760	698,070	
	Ladue School District	1,519,949,160	0.2300	3,495,883	
	Maplewood-Richmond Heights Sch	285,881,570	0.7490	2,141,253	
	Normandy School District	285,112,110	1.7314	4,936,431	

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue
St. Louis	Ritenour School District	638,861,270	0.7100	4,535,915
	Riverview Gardens School District	275,407,120	1.4608	4,023,147
	University City School District	640,256,480	0.7380	4,725,093
	Valley Park School District	157,554,830	0.4560	718,450
	Webster Groves School District	755,264,580	0.5600	4,229,482
	St. Louis County	24,218,913,708	0.0630	15,257,916
St. Louis City	St. Louis City School District	4,305,654,066	0.6211	26,742,417
	City of St. Louis	4,096,948,677	0.1328	5,440,748
Ste. Genevieve	Ste. Genevieve Co R-II School Dist	287,814,845	0.2600	748,319
Stoddard	City of Bloomfield	11,366,074	0.2196	24,960
	Richland R-I School District	21,141,371	0.3300	69,767
	Advance R-IV School District	27,666,724	0.6800	188,134
	Puxico R-VIII School District	36,706,443	0.7900	289,981
	Dexter R-XI School District	158,654,057	0.5700	904,328
	Bernie R-XIII School District	29,445,405	0.3000	88,336
Stone	Hurley R-I School District	9,587,152	0.7215	69,171
	Galena R-II School District	25,677,739	0.5300	136,092
	Crane R-III School District	23,263,518	0.5240	121,901
	Reeds Spring R-IV School District	291,135,023	0.7600	2,212,626
	Blue Eye R-V School District	78,089,299	0.8000	624,714
Sullivan	Village of Newtown	698,858	0.3935	2,750
	Green City R-I School District	20,665,245	0.6200	128,125
Taney	City of Forsyth	22,193,765	0.3576	79,365
	City of Hollister	43,101,356	0.2935	126,502
	Taneyville R-II School District	8,850,418	0.8344	73,848
	Forsyth R-III School District	69,140,943	0.8056	556,999
	Branson R-IV School District	624,029,091	0.7000	4,368,204
	Hollister R-V School District	146,532,152	0.8597	1,259,737
	Kirbyville R-VI School District	32,472,446	0.9000	292,252
Texas	City of Houston	20,430,547	0.2147	43,864
	City of Licking	9,663,378	0.3622	35,001
	City of Summersville	3,381,468	0.6566	22,203
	Houston R-I School District	44,849,657	0.8000	358,797
	Raymondville R-VII School District	7,123,965	0.3500	24,934
Vernon	Nevada R-V School District	151,988,072	0.1300	197,584
	Sheldon R-VIII School District	9,908,128	0.5500	54,495
Warren	City of Truesdale	16,377,048	0.0575	9,417
	City of Wright City	43,742,363	0.0723	31,626
	Wright City R-II School District	164,560,092	0.9370	1,541,928
	Warren Co R-III School District	252,503,643	0.6189	1,562,745
Washington	Kingston K-14 School District	27,022,300	1.0148	274,222
	Potosi R-III School District	80,568,478	0.5000	402,842
Wayne	Greenville R-II School District	35,844,351	0.3600	129,040
	Clearwater R-I School District	63,229,908	0.3423	216,436
Webster	City of Marshfield	69,828,636	0.3700	258,366
	City of Rogersville	26,392,254	0.3887	102,587
	Fordland R-III School District	26,960,665	0.7900	212,989
	Marshfield R-I School District	162,071,717	0.5000	810,359
Wright	Hartville R-II School District	31,507,400	0.4800	151,236
	Mansfield R-IV School District	30,998,843	0.7300	226,292

LISTING OF DEBT SERVICE LEVIES

County	Name of Political Subdivision	Assessed Valuation	Actual Rate Levied	Revenue
	Total Revenue Generated from Debt Service Levies			$608,902,253

LEGEND:

A The tax rate ceiling calculated equals zero because the bank balance reported by the taxing authority is sufficient to meet the bond's current needs.
B The taxing authority voluntarily reduced the debt service levy to zero.

NOTE:

This Appendix contains levy information for all debt service levies reported by taxing authorities in 2007.

Assessed value column presents only the assessed valuation that the property tax is levied against.

The revenue generated is computed by multiplying the tax rate by the assessed valuation and dividing by 100.

LISTING OF RECENT VOTER APPROVED LEVIES

County	Subdivision	Purpose	Assessed Valuation	Actual Rate Levied	Revenue	Expiration Year
Atchison	Tarkio Spec Road Dist Atchison Co	Special Road and Bridge	18,065,377	0.3500	63,229	2010
	General Road District	Special Road and Bridge	57,495,985	0.3500	201,236	2010
	Fairfax R-III School District	Operating Funds-Temp	15,442,333	0.6500	100,375	2009
Audrain	Saling Spec Rd Dist #2 Audrain Co	Special Road and Bridge	7,285,375	0.3500	25,499	2010
Barry	Butterfield Fire Protection Dist	General Revenue	16,583,327	0.3000	49,750	
	Exeter Fire Protection District	General Revenue	14,547,106	0.3000	43,641	
	Seligman Fire Protection District	General Revenue	12,513,931	0.3000	37,542	
	Purdy Fire Protection District	General Revenue	20,190,034	0.3000	60,570	
Barton	Newport Township of Barton County	Special Road and Bridge	3,983,587	0.1000	3,984	2010
Bates	South Hudson Sp Rd Dist Bates Co	Special Road and Bridge	951,165	0.2200	2,093	2010
	Deepwater Township of Bates County	Special Road and Bridge	3,864,989	0.3500	13,527	2010
	East Boone Township of Bates Co	Special Road and Bridge	5,812,655	0.3500	20,344	2010
	Mound Township of Bates County	Special Road and Bridge	10,220,911	0.1900	19,420	2010
	Pleasant Gap Township of Bates Co	Special Road and Bridge	4,114,646	0.3500	14,401	2010
	Summit Township of Bates County	Special Road and Bridge	3,959,779	0.3500	13,859	2010
	Shawnee Township of Bates County	Special Road and Bridge	3,653,308	0.3500	12,787	2010
Benton	Lincoln Community Nursing Home Dis	Maintenance	49,824,833	0.1899	94,617	
	Benton County	Senior Services	217,481,615	0.0500	108,741	
Buchanan	Southwest Buchanan Co Fire Prot Dis	General Revenue	14,686,912	0.4500	66,091	
Caldwell	Grant Township of Caldwell County	Special Road and Bridge	15,743,158	0.2400	37,784	2010
	Hamilton R-II School District	Operating Funds-Temp	31,896,290	1.7639	562,619	2026
Camden	Tri-County Fire Protection District	General Revenue	4,558,330	0.3000	13,675	
Carroll	Cherry Valley Twsp of Carroll Co	Special Road and Bridge	1,136,992	0.3500	3,979	2010
	Eugene Township of Carroll Co	Special Road and Bridge	7,069,616	0.3500	24,744	2010
	Hill Township of Carroll Co	Special Road and Bridge	4,245,749	0.3500	14,860	2010
	Hurricane Township of Carroll Co	Special Road and Bridge	7,351,234	0.3500	25,729	2010
	Prairie Township of Carroll Co	Special Road and Bridge	3,878,959	0.3500	13,576	2010
	Ridge Township of Carroll Co	Special Road and Bridge	5,980,708	0.3500	20,932	2010
	Sugartree Township of Carroll Co	Special Road and Bridge	1,664,271	0.3500	5,825	2010
	Carrollton R-VII School District	Operating Fund-Temp	57,841,724	1.3407	775,484	2026
Cass	Pleasant Hill Fire Protection Dist	General Revenue	145,245,692	0.4500	653,606	
	Pleasant Hill Fire Protection Dist	Ambulance	145,245,692	0.3000	435,737	
Cedar	Chapel Hills Fire Protection Dist	General Revenue	19,041,300	0.2000	38,083	
Chariton	City of Sumner	Streets	745,303	0.2500	1,863	2009
	Bee Branch Township of Chariton Co	Special Road and Bridge	3,845,187	0.3500	13,458	2010
	Bowling Green Township, Chariton Co	Special Road and Bridge	4,903,053	0.3346	16,406	2010
	Cockrell Township of Chariton Co	Special Road and Bridge	2,803,224	0.3500	9,811	2010
	Keytesville Township of Chariton Co	Special Road and Bridge	11,345,864	0.3436	38,984	2010
	Salisbury Township of Chariton Co	Special Road and Bridge	33,677,144	0.1495	50,347	2010
	Yellow Creek Twsp of Chariton Co	Special Road and Bridge	5,254,170	0.3477	18,269	2010
Clay	Tower Transportation Dev Dist	General Revenue	649,630	0.1000	650	2046
Clinton	Plattsburg Spec Rd Dist Clinton Co	Special Road and Bridge	37,639,698	0.3500	131,739	2010
	Clinton County	Special Road and Bridge	245,497,098	0.3500	859,240	2010
Dade	Cedar Township of Dade Co	Special Road and Bridge	4,465,904	0.1300	5,806	2010
	Pilgrim Township of Dade Co	Special Road and Bridge	2,068,953	0.2300	4,759	2010
	Rock Prairie Township of Dade Co	Special Road and Bridge	10,971,418	0.2300	25,234	2010
Daviess	Colfax Township of Daviess Co	Special Road and Bridge	5,804,917	0.2500	14,512	2010
	Grand River Township of Daviess Co	Special Road and Bridge	4,214,109	0.3500	14,749	2010
	Jackson Township of Daviess Co	Special Road and Bridge	4,493,338	0.3500	15,727	2010
	Jefferson Township of Daviess Co	Special Road and Bridge	5,046,323	0.3500	17,662	2010

LISTING OF RECENT VOTER APPROVED LEVIES

County	Subdivision	Purpose	Assessed Valuation	Actual Rate Levied	Revenue	Expiration Year
Daviess	Lincoln Township of Daviess Co	Special Road and Bridge	3,833,875	0.2000	7,668	2010
	Marion Township of Daviess Co	Special Road and Bridge	4,313,007	0.3500	15,096	2010
	Monroe Township of Daviess Co	Special Road and Bridge	2,923,260	0.3500	10,231	2010
	Daviess County	Senior Services	100,473,110	0.0500	50,237	
De Kalb	Village of Weatherby	General Revenue-Temp	418,480	0.3000	1,255	2010
	Adams Township of DeKalb Co	Special Road and Bridge	7,199,835	0.1400	10,080	2010
Gentry	Jackson Township of Gentry Co	Special Road District	18,102,709	0.2500	45,257	2010
	Miller Township of Gentry Co	Special Road and Bridge	8,096,151	0.3500	28,337	2010
	Stanberry R-II School District	Operating Temp	20,469,359	1.3300	272,242	2026
	Gentry County	General Revenue - Temp	77,296,811	0.1900	146,864	2010
Grundy	Franklin Township of Grundy Co	Special Road and Bridge	3,877,964	0.3500	13,573	2010
	Jackson Township of Grundy Co	Special Road and Bridge	3,269,751	0.3500	11,444	2010
	Jefferson Township of Grundy Co	Special Road and Bridge	5,412,760	0.3500	18,945	2010
	Madison Township of Grundy Co	Special Road and Bridge	5,636,313	0.3500	19,727	2010
	Marion Township of Grundy Co	Special Road and Bridge	3,984,082	0.3500	13,944	2010
	Myers Township of Grundy County	Special Road and Bridge	1,794,232	0.3500	6,280	2010
	Wilson Township of Grundy Co	Special Road and Bridge	4,051,949	0.3500	14,182	2010
	Washington Township of Grundy Co	Special Road and Bridge	1,316,674	0.3500	4,608	2010
	Grundy County	Senior Services	103,365,674	0.0500	51,683	
Harrison	City of Cainsville	General Revenue Temp	1,521,571	0.3000	4,565	2010
	Harrison County	Senior Services	91,795,908	0.0500	45,898	
Henry	City of Blairstown	Streets	580,332	0.5000	2,902	2009
	Tebo Township of Henry Co	Special Road and Bridge	7,798,970	0.1800	14,038	2010
	Clinton School District	Operating Funds-Temp	147,954,257	0.8500	1,257,611	2027
Lafayette	Alma Spec Road Dist Lafayette Co	Special Road and Bridge	10,964,839	0.2600	28,509	2010
	Corder Spec Rd Dist Lafayette Co	Special Road and Bridge	8,882,436	0.3000	26,647	2009
	Concordia Spec Rd Dist Lafayette Co	Special Road and Bridge	43,486,078	0.3300	143,504	2010
	Mayview Spec Rd Dist Lafayette Co	Special Road and Bridge	12,653,920	0.2500	31,635	2010
	Odessa Spec Rd Dist Lafayette Co	Special Road and Bridge	108,441,301	0.2400	260,259	2010
	Waverly Spec Rd Dist Lafayette Co	Special Road and Bridge	15,433,257	0.2400	37,040	2010
	Wellington Napoleon Rd Lafayette Co	Special Road and Bridge	22,141,004	0.2000	44,282	2010
	Lafayette County	2-W Common Rd Dist	39,383,988	0.3300	129,967	2010
Lawrence	Freistatt Spec Rd Dist Lawrence Co	Special Road and Bridge	8,003,634	0.3500	28,013	2010
	Miller R-II School District	Operating Funds-Temp	39,867,624	0.5134	204,680	2026
Lewis	City of La Belle	Streets-Temp	3,597,433	0.3500	12,591	2010
Linn	Purdin Special Road Dist Linn Co	Special Road and Bridge	1,414,326	0.3500	4,950	2010
	City of Bucklin	Special Road and Bridge	2,854,070	0.6000	17,124	2010
	Baker Township of Linn Co	Special Road and Bridge	3,227,908	0.3500	11,298	2010
	North Benton Township of Linn Co	Special Road and Bridge	1,739,111	0.3500	6,087	2010
	Bucklin Township of Linn Co	Special Road and Bridge	7,578,312	0.3500	26,524	2010
	Clay Township of Linn Co	Special Road and Bridge	3,647,998	0.3500	12,768	2010
	Enterprise Township of Linn Co	Special Road and Bridge	1,617,389	0.3500	5,661	2010
	Grantsville Township of Linn Co	Special Road and Bridge	3,088,546	0.3500	10,810	2010
	Jackson Township of Linn Co	Special Road and Bridge	3,586,653	0.3500	12,553	2010
	Jefferson Township of Linn Co	Special Road and Bridge	8,664,452	0.3500	30,326	2010
	Locust Creek Township of Linn Co	Special Road and Bridge	5,158,015	0.3500	18,053	2010
	Marceline Township of Linn Co	Special Road and Bridge	4,469,330	0.3500	15,643	2010
	North Salem Township of Linn Co	Special Road and Bridge	2,189,916	0.3500	7,665	2010
	Parson Creek Township of Linn Co	Special Road and Bridge	8,896,632	0.3500	31,138	2010
	Yellow Creek Township of Linn Co	Special Road and Bridge	4,806,691	0.3500	16,823	2010

LISTING OF RECENT VOTER APPROVED LEVIES

County	Subdivision	Purpose	Assessed Valuation	Actual Rate Levied	Revenue	Expiration Year
Linn	Linn County	Senior Services	127,919,809	0.0500	63,960	
Livingston	Blue Mound Township Livingston Co	Special Road and Bridge	5,246,619	0.3300	17,314	2010
	Jackson Township of Livingston Co	Special Road and Bridge	6,492,663	0.3400	22,075	2010
	Medicine Township of Livingston Co	Special Road and Bridge	1,774,286	0.3000	5,323	2010
	Rich Hill Township of Livingston Co	Special Road and Bridge	6,624,199	0.3354	22,218	2010
Macon	Macon County	Special Road and Bridge	84,827,566	0.3500	296,896	2010
Mercer	Harrison Township of Mercer Co	Special Road and Bridge	2,854,890	0.3500	9,992	2010
	Lindley Township of Mercer Co	Special Road and Bridge	2,449,667	0.3500	8,574	2010
	Madison Township of Mercer Co	Special Road and Bridge	2,481,356	0.3500	8,685	2010
	Marion Township of Mercer Co	Special Road and Bridge	7,776,608	0.3500	27,218	2010
	Medicine Township of Mercer Co	Special Road and Bridge	2,934,606	0.3500	10,271	2010
	Ravanna Township of Mercer Co	Special Road and Bridge	7,915,825	0.3500	27,705	2010
	Somerset Township of Mercer Co	Special Road and Bridge	6,108,495	0.3500	21,380	2010
	Washington Township of Mercer Co	Special Road and Bridge	5,125,903	0.3500	17,941	2010
Monroe	Monroe City Spec Rd Dist Monroe Co	Special Road and Bridge	28,475,658	0.3500	99,665	2010
Montgomery	Rhineland Bottom SRD Montgomery C	Special Road and Bridge	7,218,467	0.2499	18,039	2010
	Wellsville Fire Protection District	General Revenue	20,171,761	0.3000	60,515	
	Montgomery County	Special Road and Bridge	181,163,150	0.2884	522,475	2010
Nodaway	City of Barnard	Streets	892,015	1.2500	11,150	2008
	City of Burlington Junction	General Revenue - Temp	2,596,248	0.3000	7,789	2010
	City of Graham	Streets	814,693	1.1400	9,288	2007
	Village of Pickering	Streets - Temp	650,041	1.0000	6,500	2009
	Jackson Township of Nodaway Co	Special Road and Bridge	10,825,723	0.3500	37,890	2010
	Lincoln Township of Nodaway Co	Special Road and Bridge	5,328,213	0.3500	18,649	2010
	Nodaway Township of Nodaway Co	Special Road and Bridge	7,584,393	0.3500	26,545	2010
	Union Township of Nodaway Co	Special Road and Bridge	5,356,229	0.3500	18,747	2010
	White Cloud Township of Nodaway Co	Special Road and Bridge	7,268,245	0.3500	25,439	2010
Oregon	Oregon-Howell R-III School District	Operating Funds-Temp	11,397,709	0.8255	94,088	2022
Osage	Westphalia Spec Rd Dist Osage Co	Special Road and Bridge	4,020,127	0.1738	6,987	2010
Pettis	Sedalia 200 School District	Operating - Temporary	323,633,382	0.8628	2,792,309	2026
Putnam	Elm Township of Putnam Co	Special Road and Bridge	5,897,004	0.3500	20,640	2010
	Jackson Township of Putnam Co	Special Road and Bridge	2,648,456	0.3500	9,270	2010
	Union Township of Putnam Co	Special Road and Bridge	4,430,039	0.3500	15,505	2010
Randolph	Southeastern Fire Protection Dist	General Revenue	11,332,190	0.3000	33,997	
Ray	City of Excelsior Estates	General Revenue	472,141	1.0000	4,721	
Ripley	Naylor Spec Rd Dist Ripley Co	Special Road and Bridge	5,427,232	0.5000	27,136	2009
	Ponder Gatewood Road Dist Ripley Co	Special Road and Bridge	5,185,889	0.3399	17,627	2009
	Purman Spec Rd Dist Ripley Co	Special Road and Bridge	2,425,846	0.3000	7,278	2009
	Wolfe Creek Spec Rd Dist Ripley Co	Special Road and Bridge	833,658	0.2816	2,348	2009
St. Clair	Chloe Spec Rd Dist St Clair Co	Special Road and Bridge	2,157,493	0.2900	6,257	2010
	Lowry City Sp Rd Dist St Clair Co	Special Road and Bridge	3,799,663	0.3200	12,159	2010
	Osceola Spec Rd Dist St Clair Co	Special Road and Bridge	13,971,720	0.3100	43,312	2010
	Osceola School District	Building-Temporary	26,296,244	0.7104	186,809	2026
	St. Clair County	Common Road District	50,097,637	0.3200	160,312	2010
St. Louis	City of Kirkwood	General Revenue	735,464,540	0.2760	2,029,882	
	Crossings Community Imp District	General Revenue	1,790,600	2.0000	35,812	2047
	Kirkwood R-VII School District	Operating-Temporary	1,245,319,370	0.5286	6,582,758	2024
Saline	Grand Pass Spec Road Dist Saline Co	Special Road and Bridge	4,086,831	0.3600	14,713	2010
	Saline County	Special Road and Bridge	52,861,800	0.3600	190,302	2010
Stoddard	Dudley Spec Rd Dist Stoddard Co	Special Road and Bridge	15,625,372	0.3500	54,689	2010

LISTING OF RECENT VOTER APPROVED LEVIES

County	Subdivision	Purpose	Assessed Valuation	Actual Rate Levied	Revenue	Expiration Year
Stoddard	Elk Township of Stoddard Co	Special Road and Bridge	10,195,974	0.3500	35,686	2010
	Liberty Township of Stoddard Co	Special Road and Bridge	178,157,359	0.3500	623,551	2010
Sullivan	Clay Township of Sullivan Co	Special Road and Bridge	5,716,105	0.0000		2010
	Duncan Township of Sullivan Co	Special Road and Bridge	3,721,949	0.3500	13,027	2010
	Pleasant Hill Township, Sullivan Co	Special Road and Bridge	3,810,906	0.3500	13,338	2010
	Taylor Township of Sullivan Co	Special Road and Bridge	1,725,753	0.3500	6,040	2010
	Union Township of Sullivan Co	Special Road and Bridge	4,388,138	0.3500	15,358	2010
Vernon	Bacon Township of Vernon Co	Special Road and Bridge	5,300,750	0.1700	9,011	2008
	Drywood Township of Vernon Co	Special Road and Bridge	9,731,652	0.3000	29,195	2010
	Metz Township of Vernon Co	Special Road and Bridge	4,131,482	0.3500	14,460	2008
	Montevallo Township of Vernon Co	Special Road and Bridge	4,404,291	0.2500	11,011	2008
	Richland Township of Vernon Co	Special Road and Bridge	2,969,164	0.3500	10,392	2010
Webster	Marshfield Fire Protection District	General Revenue	46,716,089	0.3000	140,148	
	Webster County	Senior Services	318,431,737	0.0500	159,216	
Worth	Worth Co Convalescent Center Dist	General Revenue	21,622,990	0.3500	75,680	
	Worth County	General Revenue - Temp	21,622,990	0.3350	72,437	2010
St. Louis City	Gardenside Special Business Dist	General Revenue	0	0.4200		2011
	Total Revenue Generated from New Levies				$23,058,476	

NOTE:

The tax rates listed above were approved by voters at an election held after 2006 tax rates were set and, thus, 2007 was the first year the additional voter approved increases were levied.

Assessed valuation column presents only the asssessed valuation that the property is levied against.

The revenue generated is computed by multiplying the tax rate by the assessed valuation and dividing by 100.

LISTING OF VOTERS APPROVED INCREASES TO EXISTING LEVIES

County	Subdivision	Purpose	Assessed Valuation	Actual Rate Increase	Revenue
Andrew	Savannah R-III School District	Operating Funds-Schools	143,869,687	0.9800	1,409,923
Bates	Hume R-VIII School District	Operating Funds-Schools	7,512,087	1.0000	75,121
Boone	Centralia R-VI School District	Operating Funds-Schools	80,486,972	0.1501	120,811
Buchanan	Lake Contrary Fire Protection Dist	Fire	4,476,927	0.3000	13,431
	East Buchanan Co. C-1 School Dist	Operating Funds-Schools	48,955,604	0.1799	88,071
Camden	Osage Beach Fire Protection Dist	General Revenue	437,724,888	(0.4875)	-2,133,909
Cape Girardeau	Delta R-V School District	Operating Funds-Schools	19,323,737	0.2000	38,647
Carroll	Hale R-I School District	Operating Funds-Schools	7,396,763	0.5200	38,463
Chariton	Salisbury R-IV School District	Operating Funds-Schools	40,517,579	1.4900	603,712
Christian	City of Clever	General Revenue	13,858,749	0.0000	0
	Ozark Rural Fire Protection Dist	General Revenue	350,643,629	0.1700	596,094
	Clever R-V School District	Operating Funds-Schools	50,845,924	0.6500	330,499
Clay	Holt Community Fire Protection Dist	General Revenue	66,216,057	0.3000	198,648
	North Kansas City 74 School Dist	Operating Funds-Schools	8,588,228	0.2700	23,188
Clinton	Plattsburg Fire Protection District	General Revenue	53,040,680	0.1141	60,519
Cole	Jefferson City School District	Operating Funds-Schools	1,125,145,887	0.0250	281,286
Franklin	Meramec Valley R-III School Dist	Operating Funds-Schools	310,015,974	0.0900	279,014
	Washington School District	Operating Funds-Schools	685,688,762	0.1350	925,680
Gentry	Albany R-III School District	Operating Funds-Schools	31,983,620	0.8000	255,869
Greene	Bois D'Arc Fire Protection District	General Revenue	21,430,582	(0.0891)	-19,095
	Republic R-III School District	Operating Funds-Schools	248,237,949	0.1000	248,238
Henry	City of Windsor	Library	21,901,094	0.0800	17,521
Holt	City of Mound City	Library	10,337,835	0.1500	15,507
	South Holt Co R-I School District	Operating Funds-Schools	25,063,070	0.5051	126,594
Howard	Armstrong Fire Protection District	General Revenue	13,323,219	0.1000	13,323
Howell	Howell Valley R-I School District	Operating Funds-Schools	21,514,130	0.6800	146,296
Jackson	Center 58 School District	Operating Funds-Schools	426,415,213	0.6200	2,643,774
Jasper	Tri-Cities Fire Protection District	Fire	26,393,108	0.2000	52,786
Jefferson	No Jefferson Co Ambulance District	General Revenue	319,715,420	0.0500	159,858
	Dunklin Fire Protection District	General Revenue	141,373,341	0.0500	70,687
	Goldman Fire Protection District	General Revenue	55,863,332	0.0500	27,932
	Shady Valley Fire Prot Dist	General Revenue	80,832,275	0.1000	80,832
Johnson	Chilhowee R-IV School District	Operating Funds-Schools	8,588,228	0.6000	51,529
	Johnson Co R-VII School District	Operating Funds-Schools	33,431,798	0.2500	83,579
Lewis	Canton R-V School District	Operating Funds-Schools	29,179,286	0.5730	167,197
Madison	Marquand-Zion R-VI School District	Operating Funds-Schools	9,888,025	0.2200	21,754
Moniteau	Moniteau Co R-V School District	Operating Funds-Schools	7,259,909	0.4049	29,395
Monroe	Madison C-3 School District	Operating Funds-Schools	11,631,196	0.2494	29,008
Morgan	Gravois Spec Rd Dist #8 Morgan Co	Special Road and Bridge	178,518,307	0.0000	0
New Madrid	New Madrid Co R-I School District	Operating Funds-Schools	270,231,101	0.1000	270,231
Oregon	Couch R-I School District	Operating Funds-Schools	9,262,999	0.6800	62,988
Ozark	Lutie R-VI School District	Operating Funds-Schools	19,816,603	0.4717	93,475
Perry	Altenburg 48 School District	Operating Funds-Schools	15,673,392	0.5300	83,069
Pike	Louisiana R-II School District	Operating Funds-Schools	46,638,665	0.2500	116,597
Platte	City of Weatherby Lake	General Revenue	40,795,338	0.2981	121,611
Polk	Polk County	Health	267,933,907	0.0900	241,141

LISTING OF VOTERS APPROVED INCREASES TO EXISTING LEVIES

County	Subdivision	Purpose	Assessed Valuation	Actual Rate Increase	Revenue
St. Clair	Appleton City R-II School District	Operating Funds-Schools	21,780,272	0.5378	117,134
St. Louis	City of Maplewood	Pension	162,866,334	0.2000	325,733
	Metro-North Fire Protection Dist	General Revenue	138,039,000	0.2500	345,098
	Parkway C-2 School District	Operating Funds-Schools	4,623,124,700	0.3700	17,105,561
	Special Sch Dist of St. Louis Co	Operating Funds-Schools	24,249,922,600	0.1800	43,649,861
Taney	Branson R-IV School District	Operating Funds-Schools	624,029,091	0.4500	2,808,131
Vernon	Dover Township of Vernon Co	Special Road and Bridge	4,975,483	0.0000	0
	Total Revenue Generated from Voter Approved Increases				$72,512,412

NOTE:

The tax rates listed above were approved by voters at an election held after 2006 tax rates were set and, thus, 2007 was the first year the additional voter approved increases to an existing tax were levied.

Assessed value column presents only the asssessed valuation that the property tax is levied against.

The revenue generated is computed by multiplying the tax rate by the assessed valuation and dividing by 100.

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Adair	Adair Co. R-I School District	Full	04 / 1994	
	Kirksville R-III School District	Full	08 / 1993	
	Adair Co. R-II School District	Full	04 / 1994	
Andrew	North Andrew Co. R-VI School Dist	Full	10 / 1993	
	Avenue City R-IX School District	Full	04 / 1996	
	Savannah R-III School District	Full	02 / 2000	
Atchison	Tarkio R-I School District	Full	04 / 2004	
	Rock Port R-II School District	Full	06 / 1995	
	Fairfax R-III School District	Full	08 / 1994	
Audrain	Community R-VI School District	Full	04 / 1994	
	Van-Far R-I School District	Full	04 / 1997	
Barry	Wheaton R-III School District	Full	08 / 2005	
	Southwest Barry Co R-V School Dist	Partial	02 / 1994	Waived to allow $2.7500
	Exeter R-VI School District	Full	08 / 2001	
	Cassville R-IV School District	Full	04 / 2006	
	Purdy R-II School District	Full	08 / 1993	
	Shell Knob 78 School District	Full	04 / 2006	
	Monett R-I School District	Full	06 / 2004	
Barton	Liberal R-II School District	Full	04 / 1996	
	Golden City R-III School District	Full	02 / 1994	
	Lamar R-I School District	Full	04 / 2001	
Bates	Miami R-I School District	Full	04 / 1996	
	Ballard R-II School District	Full	04 / 1998	
	Adrian R-III School District	Full	02 / 1994	
	Rich Hill R-IV School District	Full	04 / 2007	
	Hume R-VIII School District	Full	04 / 1995	
	Hudson R-IX School District	Full	08 / 1993	
	Butler R-V School District	Full	02 / 1994	
Benton	Lincoln R-II School District	Full	02 / 1994	
	Warsaw R-IX School District	Full	02 / 1994	
	Cole Camp R-I School District	Partial	02 / 1994	Waived to allow $2.7500
Bollinger	Meadow Heights R-II School District	Full	10 / 1993	
	Leopold R-III School District	Full	04 / 2004	
	Zalma R-V School District	Partial	04 / 1994	Waived to allow $2.7500
	Woodland R-IV School District	Full	10 / 1993	
Boone	Southern Boone Co. R-I School Dist	Full	04 / 1995	
	Boone Co. R-IV School District	Full	04 / 1995	
	Sturgeon R-V School District	Partial	04 / 2004	Waived $0.6800 of rollback
	Centralia R-VI School District	Full	04 / 2002	
	Harrisburg R-VIII School District	Partial	04 / 1997	Waived $0.6500 of rollback
Buchanan	East Buchanan Co. C-1 School Dist	Full	04 / 2001	
	Mid-Buchanan Co R-V School Dist	Full	04 / 1997	
	Buchanan County R-IV School Dist	Full	04 / 1997	
Butler	Neelyville R-IV School District	Full	10 / 1993	
	Poplar Bluff R-I School District	Full	02 / 1994	
	Twin Rivers R-X School District	Full	10 / 1993	
Caldwell	Hamilton R-II School District	Full	04 / 1995	
	Cowgill R-VI School District	Full	08 / 1994	
	Polo R-VII School District	Full	04 / 1997	
	Mirabile C-1 School District	Full	08 / 1994	
	Kingston 42 School District	Full	06 / 1995	
Callaway	North Callaway Co R-I School Dist	Full	04 / 2003	
	New Bloomfield R-III School Dist	Full	08 / 1993	
	Fulton 58 School District	Full	06 / 1996	

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Camden	Camden Co. R-II School District	Partial	04 / 1994	Waived to allow $2.7500
	Camdenton R-III School District	Full	04 / 1999	
	Macks Creek R-V School District	Full	04 / 2002	
Cape Girardeau	Jackson R-II School District	Full	11 / 2003	
	Delta R-V School District	Full	04 / 2000	
	Oak Ridge R-VI School District	Full	08 / 2004	
	Cape Girardeau 63 School District	Full	04 / 1997	
Carroll	Hale R-I School District	Full	04 / 03	
	Tina-Avalon R-II School District	Full	08 / 1998	
	Bosworth R-V School District	Full	04 / 1997	
	Carrollton R-VII School District	Full	04 / 1998	
	Norborne R-VIII School District	Full	06 / 1995	
Carter	East Carter Co R-II School District	Full	10 / 1993	
	Van Buren R-I School District	Partial	10 / 1993	Waived to allow $2.7500
Cass	Cass Co R-V School District	Full	04 / 1998	
	Strasburg C-3 School District	Full	04 / 1996	
	Raymore-Peculiar R-II School Dist	Full	04 / 1995	
	Sherwood Cass R-VIII School Dist	Full	08 / 2004	
	Pleasant Hill R-III School District	Full	06 / 1994	
	Harrisonville R-IX School District	Full	11 / 2001	
	Drexel R-IV School District	Full	04 / 1996	
	Belton 124 School District	Full	04 / 2000	
Cedar	Stockton R-I School District	Full	02 / 1994	
	El Dorado Springs R-II School Dist	Partial	04 / 1994	Waived to allow $2.7500
Chariton	Northwestern R-I School District	Full	02 / 1997	
	Brunswick R-II School District	Full	04 / 2004	
	Keytesville R-III School District	Full	04 / 1994	
	Salisbury R-IV School District	Full	11 / 2003	
Christian	Chadwick R-I School District	Full	08 / 1993	
	Nixa R-II School District	Full	08 / 1998	
	Sparta R-III School District	Full	08 / 1993	
	Billings R-IV School District	Full	08 / 1999	
	Clever R-V School District	Full	04 / 1997	
	Ozark R-VI School District	Full	08 / 1993	
	Spokane R-VII School District	Full	02 / 1994	
Clark	Wyaconda C-1 School District	Full	04 / 1995	
	Revere C-3 School District	Full	04 / 1997	
	Luray 33 School District	Full	08 / 1999	
	Clark Co. R-I School District	Partial	04 / 1994	Waived to allow $2.7500
Clay	Kearney R-I School District	Full	04 / 2004	
	Smithville R-II School District	Full	04 / 1997	
	Excelsior Springs 40 School Dist	Full	08 / 2002	
	Liberty 53 School District	Full	10 / 1994	
	North Kansas City 74 School Dist	Full	04 / 1994	
Clinton	Cameron R-I School District	Full	08 / 1997	
	Lathrop R-II School District	Full	08 / 2002	
	Clinton County R-III School Dist	Full	04 / 2004	
Cole	Cole Co R-I School District	Full	04 / 2004	
	Cole Co R-II School District	Full	04 / 1996	
	Cole Co. R-V School District	Partial	08 / 2000	Waived to allow $2.9500
Cooper	Blackwater R-II School District	Full	04 / 1996	
	Cooper Co. R-IV School District	Full	04 / 1996	
	Prairie Home R-V School District	Full	04 / 1996	
	Otterville R-VI School District	Full	08 / 1995	

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Cooper	Pilot Grove C-4 School District	Full	08 / 1995	
	Boonville R-I School District	Full	08 / 1996	
Crawford	Crawford Co R-I School District	Full	04 / 2003	
	Crawford Co R-II School District	Partial	02 / 1994	Waived to allow $2.7500
	Steelville R-III School District	Full	06 / 1996	
Dade	Lockwood R-I School District	Full	11 / 1995	
	Everton R-III School District	Full	11 / 1994	
	Greenfield R-IV School District	Full	11 / 1993	
Dallas	Dallas Co R-I School District	Full	04 / 1994	
Daviess	Pattonsburg R-II School District	Full	03 / 1996	
	Winston R-VI School District	Full	04 / 1996	
	North Daviess R-III School District	Full	04 / 1998	
	Gallatin R-V School District	Full	04 / 1996	
	Tri-County R-VII School District	Full	08 / 1996	
De Kalb	Osborn R-O School District	Full	08 / 1997	
	Maysville R-I School District	Full	04 / 1994	
	Union Star R-II School District	Full	04 / 2003	
	Stewartsville C-2 School District	Full	08 / 2006	
Dent	Salem R-80 School District	Full	02 / 1994	
	Oak Hill R-I School District	Full	08 / 1993	
	Green Forest R-II School District	Full	11 / 1993	
	Dent-Phelps R-III School District	Full	08 / 1993	
	North Wood R-IV School District	Full	08 / 1993	
Douglas	Skyline R-II School District	Partial	08 / 1993	Waived to allow $2.7500
	Plainview R-VIII School District	Full	11 / 1993	
	Ava R-I School District	Full	11 / 1993	
Dunklin	Malden R-I School District	Full	04 / 1995	
	Campbell R-II School District	Full	08 / 1993	
	Holcomb R-III School District	Full	08 / 1993	
	Clarkton C-4 School District	Full	08 / 1993	
	Senath-Hornersville C-8 School Dist	Full	08 / 1993	
	Southland C-9 School District	Full	08 / 1993	
	Kennett 39 School District	Full	10 / 1993	
Franklin	Franklin Co R-II School District	Full	11 / 1999	
	Meramec Valley R-III School Dist	Partial	02 / 1994	Waived to allow $2.7500
	Union R-XI School District	Partial	04 / 2003	Waived to allow $2.7900
	Lonedell R-XIV School District	Full	02 / 1994	
	Spring Bluff R-XV School District	Full	11 / 1993	
	Franklin County R-XVI School Dist	Full	04 / 1994	
	St. Clair R-XIII School District	Full	02 / 1994	
	Sullivan C-2 School District	Full	11 / 1993	
	New Haven School District	Full	04 / 1995	
	Washington School District	Full	11 / 1995	
Gasconade	Gasconade Co R-II School District	Partial	04 / 2005	Waived to allow $3.1800
	Gasconade County R-I School Dist	Full	08 / 1995	
Gentry	Stanberry R-II School District	Full	06 / 1997	
	Albany R-III School District	Full	02 / 1994	
Greene	Willard R-II School District	Full	04 / 2004	
	Republic R-III School District	Full	04 / 2004	
	Ash Grove R-IV School District	Partial	02 / 1994	Waived to allow $2.7500
	Walnut Grove R-V School District	Full	02 / 1994	
	Strafford R-VI School District	Partial	02 / 1994	Waived to allow $2.7500
	Logan-Rogersville R-VIII School Dis	Full	08 / 1993	
	Springfield R-XII School District	Full	04 / 1996	

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Greene	Fair Grove R-X School District	Partial	02 / 1994	Waived to allow $2.7500
Grundy	Grundy Co R-V School District	Full	08 / 2001	
	Spickard R-II School District	Full	04 / 1999	
	Pleasant View R-VI School District	Full	11 / 1997	
	Laredo R-VII School District	Full	06 / 2000	
	Trenton R-IX School District	Full	02 / 2004	
Harrison	Cainsville R-I School District	Full	08 / 2003	
	South Harrison Co R-II School Dist	Full	08 / 1998	
	North Harrison Co R-III School Dist	Full	02 / 1994	
	Gilman City R-IV School District	Full	08 / 1999	
Henry	Henry County R-I School District	Partial	02 / 1994	Waived to allow $2.7500
	Shawnee R-III School District	Full	04 / 1994	
	Calhoun R-VIII School District	Full	06 / 1995	
	Leesville R-IX School District	Full	08 / 1993	
	Davis R-XII School District	Full	04 / 1995	
	Montrose R-XIV School District	Full	08 / 2004	
	Clinton School District	Full	11 / 1993	
Hickory	Hickory Co. R-I School District	Full	02 / 1994	
	Wheatland R-II School District	Full	11 / 1993	
	Weaubleau R-III School District	Full	02 / 1994	
	Hermitage R-IV School District	Full	04 / 1994	
Holt	Craig R-III School District	Full	04 / 1996	
	Mound City R-2 School District	Full	04 / 1998	
	South Holt Co R-I School District	Full	04 / 2001	
Howard	New Franklin R-I School District	Full	06 / 1995	
	Fayette R-III School District	Full	08 / 1999	
	Howard Co R-II School District	Partial	08 / 2000	Waived $0.2500 of rollback
Howell	Howell Valley R-I School District	Full	4 / 2007	
	Mountain View-Birch Tree R-III SD	Partial	04 / 1994	Waived to allow $2.7500
	Willow Springs R-IV School District	Full	04 / 1994	
	Richards R-V School District	Partial	08 / 1993	Waived to allow $2.7500
	West Plains R-VII School District	Full	04 / 2004	
	Glenwood R-VIII School District	Full	04 / 2004	
	Junction Hill C-12 School District	Full	02 / 2001	
	Fairview R-XI School District	Full	04 / 2004	
Iron	South Iron Co R-I School District	Full	08 / 2004	
	Arcadia Valley R-II School District	Partial	10 / 1993	Waived to allow $2.7500
	Belleview R-III School District	Full	10 / 1993	
	Iron Co C-4 School District	Full	04 / 1995	
Jackson	Fort Osage R-I School District	Full	02 / 2004	
	Grain Valley R-V School District	Full	04 / 1994	
	Oak Grove R-VI School District	Full	08 / 2004	
	Lee's Summit R-VII School District	Partial	04 / 1996	Waived $0.2000 of rollback (Expires in 2009)
	Hickman Mills C-1 School District	Full	04 / 1995	
	Raytown C-2 School District	Full	06 / 1994	
	Grandview C-4 School District	Full	08 / 1999	
	Lone Jack C-6 School District	Full	04 / 1996	
	Independence 30 School District	Full	10 / 1994	
	Center 58 School District	Full	08 / 2000	
Jasper	Carl Junction R-I School District	Full	04 / 1997	
	Avilla R-XIII School District	Full	08 / 2006	
	Jasper County R-V School District	Partial	04 / 1995	Waived to allow $3.2100
	Sarcoxie R-II School District	Partial	02 / 1994	Waived to allow $2.7500

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Jasper	Carthage R-IX School District	Full	04 / 2004	Expires in 2007
	Webb City R-VII School District	Full	02 / 1994	
	Joplin R-VIII School District	Full	06 / 1998	
Jefferson	Northwest R-I School District	Full	04 / 1995	Expires in 2014
	Grandview R-II School District	Full	11 / 1993	
	Hillsboro R-III School District	Full	04 / 1998	Expires in 2017
	Dunklin R-V School District	Full	04 / 2003	
	Festus R-VI School District	Full	11 / 1998	
	Jefferson Co R-VII School District	Full	08 / 1998	
	Sunrise R-IX School District	Full	08 / 2003	
	Windsor C-1 School District	Full	04 / 1997	
	Fox C-6 School District	Full	02 / 1995	
	Crystal City 47 School District	Full	04 / 2001	
	DeSoto 73 School District	Full	11 / 2002	
Johnson	Kingsville R-I School District	Full	04 / 1994	
	Holden R-III School District	Full	02 / 1996	
	Chilhowee R-IV School District	Full	04 / 1996	
	Johnson Co R-VII School District	Full	04 / 1994	
	Knob Noster R-VIII School District	Full	02 / 1994	
	Leeton R-X School District	Full	04 / 1997	
	Warrensburg R-VI School District	Full	04 / 1999	
Knox	Knox Co R-I School District	Full	08 / 1995	
Laclede	Laclede Co. R-I School District	Partial	08 / 1993	Waived to allow $2.7500
	Gasconade C-4 School District	Full	08 / 1993	
	Lebanon R-III School District	Partial	08 / 1993	Waived to allow $2.7500
	Laclede Co C-5 School District	Full	04 / 1994	
Lafayette	Concordia R-II School District	Full	06 / 1996	
	Lafayette Co C-1 School District	Full	02 / 1998	
	Odessa R-VII School District	Full	11 / 1993	
	Santa Fe R-X School District	Full	04 / 2001	
	Wellington-Napoleon R-IX Sch Dist	Full	11 / 2002	
	Lexington R-V School District	Full	08 / 2003	
Lawrence	Miller R-II School District	Full	04 / 2004	
	Pierce City R-VI School District	Partial	02 / 1994	Waived to allow $2.7500
	Marionville R-IX School District	Partial	02 / 1994	Waived to allow $2.7500
	Mt. Vernon R-V School District	Full	02 / 1995	
	Aurora R-VIII School District	Partial	02 / 1994	Waived to allow $2.7500
	Verona R-VII School District	Full	06 / 2004	
Lewis	Canton R-V School District	Full	04 / 1994	
	Lewis Co C-1 School District	Full	02 / 1994	
Lincoln	Silex R-I School District	Full	04 / 1994	
	Elsberry R-II School District	Full	04 / 1994	
	Winfield R-IV School District	Full	04 / 1998	
Linn	Bucklin R-II School District	Full	08 / 1993	
	Marceline R-V School District	Full	04 / 2004	
	Brookfield R-III School District	Full	08 / 2006	
Livingston	Southwest Livingston Co R-I Sch Dis	Full	11 / 1999	
	Chillicothe R-II School District	Full	04 / 1998	
Mc Donald	McDonald Co R-I School District	Partial	02 / 1994	Waived to allow $2.7500
Macon	Atlanta C-3 School District	Full	08 / 2007	
	La Plata R-II School District	Full	08 / 1996	
	Macon Co R-I School District	Full	04 / 2004	
Madison	Marquand-Zion R-VI School District	Full	06 / 2003	
	Fredericktown R-I School District	Full	10 / 1993	

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Maries	Maries Co R-I School District	Full	06 / 1995	
	Maries Co R-II School District	Full	04 / 1999	
Marion	Marion Co R-II School District	Full	04 / 1995	
	Palmyra R-I School District	Full	04 / 2004	
Mercer	Princeton R-V School District	Partial	04 / 2001	Waived $0.2500 of rollback
Miller	Eldon R-I School District	Full	08 / 2005	
	Miller Co R-III School District	Full	04 / 1995	
	St. Elizabeth R-IV School District	Full	08 / 1993	
	Iberia R-V School District	Full	02 / 2001	
Mississippi	East Prairie R-II School District	Partial	10 / 1993	Waived to allow $2.7500
	Charleston R-I School District	Full	10 / 1993	
Moniteau	Moniteau Co R-I School District	Full	02 / 1994	
	High Point R-III School District	Full	04 / 1994	
	Moniteau Co R-V School District	Full	06 / 2002	
	Moniteau Co R-VI School District	Full	04 / 1994	
	Moniteau Co C-1 School District	Full	04 / 1997	
	Clarksburg C-2 School District	Full	08 / 1996	
Monroe	Middle Grove C-1 School District	Full	08 / 2002	
	Monroe City R-I School District	Full	11 / 1994	
	Holliday C-2 School District	Full	08 / 1993	
	Madison C-3 School District	Full	08 / 1996	
	Paris R-II School District	Full	04 / 1998	
Montgomery	Wellsville-Middletown R-I Sch Dist	Full	04 / 1996	
	Montgomery Co R-II School District	Full	04 / 1999	
Morgan	Morgan Co R-I School District	Full	02 / 1994	
	Morgan Co R-II School District	Full	11 / 1993	
New Madrid	Risco R-II School District	Full	08 / 1996	
	Portageville School District	Full	08 / 2004	
	Gideon 37 School District	Full	04 / 1996	
	New Madrid Co R-I School District	Full	11 / 1996	
Newton	East Newton Co R-VI School District	Full	02 / 1994	
	Diamond R-IV School District	Full	02 / 1994	
	Westview C-6 School District	Partial	02 / 1994	Waived to allow $2.7500
	Seneca R-VII School District	Partial	02 / 1994	Waived to allow $2.7500
	Neosho R-V School District	Partial	02 / 1994	Waived to allow $2.7500
Nodaway	Nodaway-Holt R-VII School District	Full	04 / 1998	
	West Nodaway Co R-I School District	Full	04 / 2004	
	Northeast Nodaway Co R-V Sch Dist	Full	10 / 1995	
	North Nodaway Co R-VI School Dist	Full	04 / 1998	
	South Nodaway Co R-IV School Dist	Full	08 / 2003	
Oregon	Couch R-I School District	Full	08 / 1993	
	Thayer R-II School District	Full	10 / 1993	
	Oregon-Howell R-III School District	Full	11 / 2006	Waived to allow $2.7500
	Alton R-IV School District	Full	10 / 1993	
Osage	Osage Co R-I School District	Full	04 / 2003	
	Osage Co R-II School District	Full	02 / 1994	
	Osage Co R-III School District	Full	02 / 1994	
Ozark	Thornfield R-I School District	Full	02 / 1994	
	Bakersfield R-IV School District	Full	04 / 1998	
	Gainesville R-V School District	Full	04 / 1994	
	Dora R-III School District	Full	04 / 2004	
	Lutie R-VI School District	Full	04 / 1995	
Pemiscot	North Pemiscot Co R-I School Dist	Full	08 / 1996	
	Hayti R-II School District	Full	10 / 1993	

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Pemiscot	Pemiscot Co R-III School District	Full	08 / 1996	
	Cooter R-IV School District	Full	08 / 1993	
	South Pemiscot Co R-V School Dist	Full	10 / 1993	
	Pemiscot Co C-7 School District	Full	08 / 1996	
	Caruthersville 18 School District	Full	08 / 1993	
Perry	Perry Co 32 School District	Full	11 / 2001	
	Altenburg 48 School District	Full	04 / 1996	
Pettis	Pettis Co R-V School District	Full	04 / 1996	
	La Monte R-IV School District	Full	04 / 1996	
	Smithton R-VI School District	Full	04 / 2000	
	Green Ridge R-VIII School District	Full	08 / 1996	
	Pettis Co R-XII School District	Full	04 / 1994	
	Sedalia 200 School District	Full	04 / 2003	
Phelps	St. James R-I School District	Full	04 / 2004	
	Newburg R-II School District	Full	08 / 1993	
	Phelps Co R-III School District	Full	08 / 1993	
Pike	Bowling Green R-I School District	Full	06 / 1995	
	Pike Co R-III School District	Full	04 / 1994	
	Louisiana R-II School District	Full	08 / 1995	
Platte	North Platte Co R-I School District	Full	06 / 1996	Expires in 2012
	West Platte Co R-II School District	Full	08 / 2000	
	Park Hill R-V School District	Full	06 / 1994	
Polk	Bolivar R-I School District	Full	04 / 2004	
	Fair Play R-II School District	Full	08 / 1994	
	Halfway R-III School District	Full	06 / 1999	
	Humansville R-IV School District	Full	08 / 1993	
	Marion C. Early R-V School District	Partial	08 / 1993	Waived to allow $2.8100
	Pleasant Hope R-VI School District	Full	04 / 1994	
Pulaski	Swedeborg R-III School District	Full	10 / 1993	
	Pulaski Co R-IV School District	Full	08 / 1993	
	Laquey R-V School District	Full	08 / 1993	
	Waynesville R-VI School District	Full	06 / 1994	
	Dixon R-I School District	Full	11 / 1993	
	Crocker R-II School District	Full	08 / 1993	
Putnam	Putnam Co R-I School District	Full	02 / 1994	
Ralls	Ralls Co R-II School District	Partial	04 / 1994	Waived to allow $2.7500
Randolph	Northeast Randolph Co R-IV Sch Dist	Full	06 / 2000	
	Renick R-V School District	Full	04 / 2003	
	Higbee R-VIII School District	Full	04 / 1998	
	Moberly School District	Full	04 / 1999	
Ray	Stet R-XV School District	Full	04 / 2004	
	Lawson R-XIV School District	Full	04 / 1998	
	Orrick R-XI School District	Full	04 / 2004	
	Hardin-Central C-2 School District	Full	04 / 2003	
	Richmond R-XVI School District	Full	08 / 2001	
Reynolds	Centerville R-I School District	Full	11 / 2001	
	Lesterville R-IV School District	Full	08 / 1993	
Ripley	Naylor R-II School District	Full	10 / 1993	
	Doniphan R-I School District	Full	04 / 1994	
	Ripley Co R-IV School District	Partial	04 / 1994	Waived to allow $2.7500
	Ripley Co R-III School District	Full	04 / 1994	
St. Charles	Fort Zumwalt R-II School District	Full	04 / 2001	
	Francis Howell R-III School Dist	Full	04 / 1995	
	Wentzville R-IV School District	Full	04 / 1997	

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
St. Charles	St Charles R-VI School District	Full	08 / 1998	
St. Clair	Appleton City R-II School District	Full	10 / 1993	
	Roscoe C-1 School District	Full	02 / 1994	
	Lakeland R-III School District	Full	02 / 1994	
	Osceola School District	Full	02 / 1994	
St. Francois	Bismarck R-V School District	Full	04 / 2000	
	Farmington R-VII School District	Full	06 / 1995	
	North St. Francois Co R-I Sch Dist	Full	08 / 2000	
	Central R-III School District	Full	11 / 1995	
	West St Francois Co R-IV Sch Dist	Full	11 / 1998	
Ste. Genevieve	Ste. Genevieve Co R-II School Dist	Full	04 / 1999	
St. Louis	Hazelwood R-I School District	Full	11 / 1997	
	Ferguson-Florissant R-II Sch Dist	Full	02 / 1997	
	Rockwood R-VI School District	Full	02 / 1994	
	Kirkwood R-VII School District	Full	06 / 1998	
	Mehlville R-IX School District	Full	04 / 1998	
	Parkway C-2 School District	Full	11 / 1995	
	Affton 101 School District	Full	04 / 1998	
	Bayless School District	Full	04 / 1994	
	Hancock Place School District	Full	06 / 2002	
	Jennings School District	Full	02 / 1998	
	Maplewood-Richmond Heights Sch Dist	Full	04 / 1998	
	Normandy School District	Partial	06 / 1991	Waived $0.6000 of rollback
	Ritenour School District	Full	11 / 1998	
	Riverview Gardens School District	Full	04 / 1994	
	University City School District	Full	04 / 1996	
	Valley Park School District	Full	11 / 1994	
	Webster Groves School District	Full	06 / 1994	
	Wellston School District	Full	08 / 1997	
Saline	Miami R-I School District	Full	08 / 1995	
	Orearville R-IV School District	Full	04 / 1997	
	Malta Bend R-V School District	Full	04 / 1997	
	Hardeman R-X School District	Full	04 / 1998	
	Gilliam C-4 School District	Full	04 / 1995	
	Marshall School District	Full	04 / 1996	
	Slater School District	Full	04 / 1995	
	Sweet Springs R-VII School District	Full	04 / 1996	
Schuyler	Schuyler Co R-I School District	Partial	04 / 1994	Waived to allow $2.7500
Scotland	Scotland Co R-I School District	Full	04 / 2002	
Scott	Scott City R-I School District	Full	10 / 1993	
	Chaffee R-II School District	Full	10 / 1993	
	Scott Co R-IV School District	Full	10 / 1993	
	Scott Co R-V School District	Full	10 / 1993	
	Sikeston R-VI School District	Full	10 / 1993	
	Kelso C-7 School District	Full	10 / 1993	
	Oran R-III School District	Full	10 / 1993	
Shannon	Winona R-III School District	Partial	04 / 1994	Waived to allow $2.7500
	Eminence R-I School District	Full	04 / 1994	
Shelby	North Shelby School District	Full	04 / 1995	
	Shelby Co R-IV School District	Full	06 / 2001	
Stoddard	Bell City R-II School District	Full	08 / 2003	
	Advance R-IV School District	Partial	10 / 1993	Waived to allow $2.7500
	Puxico R-VIII School District	Full	10 / 1993	
	Bloomfield R-XIV School District	Partial	10 / 1993	Waived to allow $2.7500

LISTING OF SCHOOLS WITH FULL OR PARTIAL SALES TAX ROLLBACK WAIVERS

County	Political Subdivision	Waiver Type	Election Date	Comments
Stoddard	Dexter R-XI School District	Full	10 / 1993	
	Bernie R-XIII School District	Full	10 / 1993	
Stone	Hurley R-I School District	Full	02 / 1994	
	Galena R-II School District	Full	08 / 1993	
	Crane R-III School District	Full	02 / 1994	
	Reeds Spring R-IV School District	Full	04 / 2004	
	Blue Eye R-V School District	Full	04 / 2001	
Sullivan	Milan C-2 School District	Full	04 / 2003	
Taney	Bradleyville R-I School District	Full	02 / 1994	
	Taneyville R-II School District	Full	02 / 1994	
	Forsyth R-III School District	Full	02 / 1994	
	Hollister R-V School District	Full	02 / 1998	
	Kirbyville R-VI School District	Full	02 / 1994	
	Mark Twain R-VIII School District	Full	02 / 1994	
Texas	Success R-VI School District	Full	11 / 1993	
	Houston R-I School District	Full	11 / 1993	
	Summersville R-II School District	Full	11 / 1993	
	Licking R-VIII School District	Full	11 / 1993	
	Cabool R-IV School District	Full	11 / 1993	
	Plato R-V School District	Full	10 / 1993	
	Raymondville R-VII School District	Full	11 / 1993	
Vernon	Nevada R-V School District	Full	06 / 1999	Expires in 2009
	Bronaugh R-VII School District	Full	04 / 1998	
	Sheldon R-VIII School District	Full	04 / 1997	
	Northeast Vernon County R-I	Full	03 / 1996	
Warren	Wright City R-II School District	Full	04 / 2006	
	Warren Co R-III School District	Full	04 / 1995	
Washington	Kingston K-14 School District	Full	04 / 1998	
	Potosi R-III School District	Partial	10 / 1993	Waived to allow $2.7500
	Richwoods R-VII School District	Full	04 / 2007	
	Valley R-VI School District	Full	08 / 1997	
Wayne	Greenville R-II School District	Full	04 / 1994	
	Clearwater R-I School District	Full	10 / 1993	
Webster	Niangua R-V School District	Full	11 / 1993	
	Fordland R-III School District	Partial	08 / 1993	Waived to allow $2.7500
	Marshfield R-I School District	Full	08 / 1993	
	Seymour R-II School District	Partial	02 / 1994	Waived to allow $2.7500
Worth	Worth Co R-III School District	Full	04 / 1997	
Wright	Norwood R-I School District	Full	11 / 1993	
	Hartville R-II School District	Full	11 / 1993	
	Mountain Grove R-III School Dist	Full	11 / 1993	
	Mansfield R-IV School District	Full	11 / 1993	
	Manes R-V School District	Full	11 / 1993	
St. Louis City	St. Louis City School District	Full	06 / 1994	

NOTE:

All school districts listed above have a voter approval for either a full or partial. If a school district is not included on this list, then the school district does not have a voter approved proposition C waiver.

A partial waiver allows a school district to partially waive its required proposition C (sales tax) reduction to the extent necessary to collect $2.7500 or waive the amount stated on the ballot. A full waiver allows a school district to reduce its required proposition C reduction to $0.0000 and levy up to its calculated tax rate ceiling.

Susan Montee, CPA
Missouri State Auditor

December 2007

Carroll County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-90

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Carroll County, that do not have a county auditor. In addition to a financial audit of county funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

For the years ended December 31, 2006 and 2005, the county implemented applicable provisions of various Government Accounting Standards Board (GASB) statements and prepared the basic financial statements and other information for inclusion in the county's financial report.

Various fees, which are restricted by law for law enforcement and recording purposes, are being incorrectly deposited into the county's General Revenue Fund, and the county can not ensure compliance with statutory provisions regarding the use of these fees. Approximately $3,000 of Law Enforcement Training Fund monies were used for expenses not related to training.

Receipting and transmittal procedures need improvement and provide little assurance that all monies collected by the Assessor's office are properly handled and accounted for, and some receipt records could not be located.

Accounting duties within the Sheriff's office are not adequately segregated. Records and procedures related to bank reconciliations, month-end disbursements, and monitoring bank account balances need improvement.

Circuit Court procedures related to manual receipt slips and accounts receivable need improvement. Billable incarceration costs for four cases, totaling approximately $12,100, were not billed to the state within statutory time limits, resulting in possible lost revenues for the county.

Accounting duties within the Prosecuting Attorney's office are not properly segregated and receipt records for partial payments are not sufficient.

Documentation and policies related to some Emergency 911 Board expenditures and reimbursements were not sufficient, and some purchases appeared unnecessary. Problems were identified with the budgetary procedures and various financial and payroll reporting. Property records and procedures are not adequate.

(over)

Contract-related payments made by the Senate Bill 40 Board to not-for-profit agencies were made prior to ensuring adequate services were received and contract terms met. The board's review of financial records is not sufficient and the bank account is not monitored for proper collateralization. Board meeting minutes are not signed.

The Health Center's records and procedures used to account for capital assets need improvement. Also, proper controls are not in place regarding facsimile stamp usage.

All reports are available on our Web site: www.auditor.mo.gov

CARROLL COUNTY, MISSOURI

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State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Carroll County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed more fully in Note 1, the county prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of December 31, 2006 and 2005, and the respective changes in financial position—cash basis thereof for the years then ended in conformity with the basis of accounting discussed in Note 1.

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As discussed more fully in Note 1, the county implemented applicable provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures,* for the years ended December 31, 2006 and 2005. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the county's financial report. Also as discussed in Note 1, the county implemented applicable provisions of Statement No. 40, *Deposit and Investment Risk Disclosures,* and Statement No. 46, *Net Assets Restricted by Enabling Legislation*, for those years.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 16, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the GASB to accompany those financial statements. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Carroll County, Missouri, and was not subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

October 16, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Melissa McCoin
	Patrick Pullins
	Leslie Winger

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Carroll County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements, and have issued our report thereon dated October 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Carroll County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Carroll County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Carroll County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

October 16, 2007

Management's Discussion and Analysis

CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2006 AND 2005

This discussion and analysis of Carroll County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2006 and 2005. The information below, prepared by the county's management, should be read in conjunction with the financial statements that immediately follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, receipts are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-type activities—activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and

manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

The County as Trustee

The county is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the county's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The county's fiduciary assets are reported in a separate Statement of Fiduciary Net Assets. Fiduciary funds are excluded from the county's other financial statements because the county cannot use these assets to finance its operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the History, Organization, and Statistical Information.

FINANCIAL HIGHLIGHTS

The county’s net assets remained stable in the years 2006 and 2005 with net assets in total governmental funds as of December 31, 2006 having increased by a grand total of $234,802 since December 31, 2004. Capital assets increased by more than $200,000, primarily due to the purchase of seventeen optical scan and seventeen direct recording electronic devices (touch-screens) utilizing grants from the federal Help America Vote Act (HAVA) for elections.

THE COUNTY AS A WHOLE

	Year Ended December 31,		
	2006	2005	2004
Net Assets	$ 2,143,845	2,037,795	1,909,043
Program Receipts	2,374,764	2,067,713	2,219,334
General Receipts	1,796,039	1,667,592	1,813,336
Disbursements	4,064,753	3,606,553	3,988,182
Change in Net Assets	106,050	128,752	44,506

THE COUNTY'S FUNDS

The General Fund had a negative net change in cash balance of $61,853 in 2006 with the carry-over balance of $714,825 for a cash balance of $652,972 at December 31, 2006. The significant change was in disbursements with a difference of $211,292, which included the one-time HAVA grant funds utilized to purchase voting equipment. The General Fund had a positive net change of $40,595 in 2005 with a carry-over balance of $674,230 for a cash balance of $714,825 at December 31, 2005.

The Special Road and Bridge Fund had a positive net change in cash balance of $96,443 in 2006 due to the release of federal off-system bridge replacement (BRO) program payments for bridge construction that had been delayed by the state of Missouri in 2005. The 2005 Special Road and Bridge Fund change in cash balance was a negative $3,536 due to the delay of the BRO payments because of funding issues on the federal and state level.

The 2006 Courthouse Restoration Fund cash balance increased by $8,643 due to interest earned on the account balance. There were no major projects completed in 2006. The 2005 Courthouse Restoration Fund reflects a negative net change in cash balance of $65,863. The ½ cent sales tax for this fund had a four year sunset ending in 2004.

The cash balance of the E-911 fund decreased by $12,211 during 2006 due to excess disbursements over the receipts collected. The excessive expenditures appear to be primarily in the personnel line item where the actual amount spent exceeded the approved budget by $39,175. In 2005, the net change in cash balance was $99,156 with a carry-over of $89,070 for a total cash balance on December 31, 2005 of $188,226.

The Health Center Fund had expenditures less than receipts in both years and, therefore has a net change in cash balance of $28,708 for 2006 and $32,356 for 2005 for a total cash balance on December 31, 2006, of $179,638.

The Other Governmental Funds, which includes the Assessment Fund, have remained stable in 2006 and 2005 with net change in cash balances $46,320 and $26,044 respectfully for a total cash balance of $287,792 on December 31, 2006.

General Fund Budgetary Highlights

In the General Revenue Fund for 2005, Intergovernmental Revenue was overestimated by $8,004. This was primarily due to the Victims Advocate Grant monies of approximately $8,050 not being received as anticipated. The other major shortfall in Intergovernmental Revenue that year was the reimbursement from the IV-D program in the office of the Prosecuting Attorney. The budget estimate was $29,015, but the actual receipts were $11,373 reflecting a shortfall of $17,642. In the Charges for Services estimated receipts, the Sheriff State/Criminal Fees (including Board of Prisoners) category was overestimated in the Sheriff's and Jail budgets by $41,869. Actual receipts from housing prisoners in the Carroll County Jail declined from $182,332 in 2004 to $69,631 in 2005 and $56,821 in 2006.

Disbursements in 2006 and 2005 showed General Revenue departments staying within the amounts budgeted with the exception of Insurance and Bonds falling short by $5,735 in 2005 and $17,525 in 2006. This shortfall was due primarily to the liability insurance policy increasing from $20,442 in 2004 to $35,735 in 2005. According to our carrier, Missouri Public Entity Risk Management, the increase was due in part to the rising cost of litigating law enforcement claims. In 2006 the budgetary comparison schedule shows an under estimated disbursement total of $5,691 in the Public Administrator budget, which was due to under estimating fees and commissions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Some major projects were completed in 2005 with Courthouse Restoration Fund monies. These included the remodeling of the basement room, formerly known as the break-room, now used as a meeting room and facility for outside agencies such as state auditors. In addition, the men's and ladies' restrooms on the second floor of the courthouse were refurbished. A major replacement of all sewer and ventilation lines was done in the Carroll County jail. This included replacement of fourteen stainless steel commercial grade toilets.

The county entered in a lease-purchase agreement of $125,300 for the purchase of a Hyundai excavator in 2006. Fifteen quarterly payments of $9,299 will be made, ending April 2010. The remaining principal at December 31, 2006 is $110,182.

In 2004, the county entered into an agreement with the Department of Natural Resources for an energy loan of $32,340 for new windows in the county courthouse. The remaining principal at December 31, 2006 is $20,809.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In 2006, the Carroll County Commissioners entered in Economic Development Agreements with three separate entities for projects to be built in the county that include a 600 megawatt coal-fired power plant near Norborne, an ethanol plant east of Carrollton, and soybean crushing bio-diesel plant south of Tina. With each of the projects, payments in lieu of taxes (PILOTS) were negotiated. It is envisioned that these three ag-related industries will bring much needed growth in the area of property tax, sales tax and small business opportunities for county residents.

Two major pipelines are to be installed through the county beginning in the year 2007. Rockies Express will have a natural gas pipeline that will pass through Carroll County coming from Colorado and ending in Audrain County. Keystone Pipeline's crude oil pipeline will soon follow. This line will originate from Canada. These two projects will bring an increase to State Assessed utilities taxes, as well as rental income and sales tax from the estimated four hundred union construction workers on site.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Peggy McGaugh, Carroll County Clerk, 8 South Main, Suite 6, Carrollton, MO 64633, (660)542-0615.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit A-1

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
ASSETS	
Cash	$ 2,143,845
Total Assets	2,143,845
NET ASSETS	
Restricted	1,490,873
Unrestricted	652,972
Total Net Assets	$ 2,143,845

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
ASSETS	
Cash	$ 2,037,795
Total Assets	2,037,795
NET ASSETS	
Restricted	1,322,970
Unrestricted	714,825
Total Net Assets	$ 2,037,795

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2006

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
				Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	$ 1,136,474	243,070	310,785	(582,619)
Roads and bridges	1,468,445	22,567	1,464,758	18,880
Public safety	1,027,665	107,220	42,044	(878,401)
Health and welfare	428,556	15,683	168,637	(244,236)
Other	3,613	0	0	(3,613)
Total Governmental Activities	4,064,753	388,540	1,986,224	(1,689,989)
Total Primary Government	$ 4,064,753	388,540	1,986,224	(1,689,989)
GENERAL RECEIPTS				
Taxes				
Property taxes				695,754
Sales and use taxes				929,953
Interest				90,070
Other				80,262
Total General Receipts				1,796,039
Change in Cash Balances				106,050
NET ASSETS, JANUARY 1				2,037,795
NET ASSETS, DECEMBER 31				$ 2,143,845

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

CARROLL COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2005

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
				Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	$ 1,020,343	242,050	302,447	(475,846)
Roads and bridges	1,262,319	18,416	1,172,400	(71,503)
Public safety	904,536	116,933	49,553	(738,050)
Health and welfare	404,875	12,510	153,404	(238,961)
Other	14,480	0	0	(14,480)
Total Governmental Activities	3,606,553	389,909	1,677,804	(1,538,840)
Total Primary Government	$ 3,606,553	389,909	1,677,804	(1,538,840)
GENERAL RECEIPTS				
Taxes				
Property taxes				682,482
Sales and use taxes				867,906
Interest				51,467
Other				65,737
Total General Receipts				1,667,592
Change in Cash Balances				128,752
NET ASSETS, JANUARY 1				1,909,043
NET ASSETS, DECEMBER 31				$ 2,037,795

The accompanying Notes to the Financial Statements are an integral part of this statement.

Fund Financial Statements

Exhibit C-1

CARROLL COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2006

		General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash	$	652,972	497,478	349,950	176,015	179,638	287,792	2,143,845
Total Assets	$	652,972	497,478	349,950	176,015	179,638	287,792	2,143,845
FUND BALANCES								
Unreserved	$	652,972	0	0	0	0	0	652,972
Unreserved special revenue funds		0	497,478	349,950	176,015	179,638	0	1,203,081
Unreserved reported in nonmajor funds		0	0	0	0	0	287,792	287,792
Total Fund Balances	$	652,972	497,478	349,950	176,015	179,638	287,792	2,143,845

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

CARROLL COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2005

		General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash	$	714,825	401,035	341,307	188,226	150,930	241,472	2,037,795
Total Assets	$	714,825	401,035	341,307	188,226	150,930	241,472	2,037,795
FUND BALANCES								
Unreserved	$	714,825	0	0	0	0	0	714,825
Unreserved special revenue funds		0	401,035	341,307	188,226	150,930	0	1,081,498
Unreserved reported in nonmajor funds		0	0	0	0	0	241,472	241,472
Total Fund Balances	$	714,825	401,035	341,307	188,226	150,930	241,472	2,037,795

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-1

CARROLL COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2006

	General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	$ 346,795	63,924	0	0	129,490	155,545	695,754
Sales and use taxes	464,713	0	0	465,240	0	0	929,953
Intergovernmental	175,211	1,464,758	0	0	168,637	177,618	1,986,224
Charges for services	296,336	22,567	0	0	15,683	53,954	388,540
Interest	35,530	19,262	12,983	2,706	6,670	12,919	90,070
Other	33,369	29,380	0	343	9,249	7,921	80,262
Total Receipts	1,351,954	1,599,891	12,983	468,289	329,729	407,957	4,170,803
DISBURSEMENTS							
General county government	951,648	0	4,340	0	0	180,486	1,136,474
Roads and bridges	0	1,468,445	0	0	0	0	1,468,445
Public safety	499,592	0	0	480,500	0	47,573	1,027,665
Health and welfare	0	0	0	0	301,021	127,535	428,556
Other	0	0	0	0	0	3,613	3,613
Total Disbursements	1,451,240	1,468,445	4,340	480,500	301,021	359,207	4,064,753
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(99,286)	131,446	8,643	(12,211)	28,708	48,750	106,050
OTHER FINANCING SOURCES (USES)							
Transfers in	42,458	0	0	0	0	5,025	47,483
Transfers out	(5,025)	(35,003)	0	0	0	(7,455)	(47,483)
Total Other Financing Sources (Uses)	37,433	(35,003)	0	0	0	(2,430)	0
NET CHANGE IN CASH BALANCES	(61,853)	96,443	8,643	(12,211)	28,708	46,320	106,050
CASH BALANCES, JANUARY 1	714,825	401,035	341,307	188,226	150,930	241,472	2,037,795
CASH BALANCES, DECEMBER 31	$ 652,972	497,478	349,950	176,015	179,638	287,792	2,143,845

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-2

CARROLL COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2005

	General Fund	Special Road & Bridge Fund	Courthouse Restoration Fund	Emergency Enhanced 9-1-1 Fund	Health Center Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	$ 336,826	63,539	0	0	128,068	154,049	682,482
Sales and use taxes	403,791	0	32	464,083	0	0	867,906
Intergovernmental	150,304	1,172,400	0	0	153,404	201,696	1,677,804
Charges for services	312,265	18,416	0	0	12,510	46,718	389,909
Interest	21,751	9,039	8,542	986	3,876	7,273	51,467
Other	12,988	35,390	0	655	11,037	5,667	65,737
Total Receipts	1,237,925	1,298,784	8,574	465,724	308,895	415,403	3,735,305
DISBURSEMENTS							
General county government	812,228	0	25,081	0	0	183,034	1,020,343
Roads and bridges	0	1,262,319	0	0	0	0	1,262,319
Public safety	427,720	0	47,356	366,568	0	62,892	904,536
Health and welfare	0	0	0		276,539	128,336	404,875
Other	0	0	0	0	0	14,480	14,480
Total Disbursements	1,239,948	1,262,319	72,437	366,568	276,539	388,742	3,606,553
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,023)	36,465	(63,863)	99,156	32,356	26,661	128,752
OTHER FINANCING SOURCES (USES)							
Transfers in	43,619	0	0	0	0	1,001	44,620
Transfers out	(1,001)	(40,001)	(2,000)	0	0	(1,618)	(44,620)
Total Other Financing Sources (Uses)	42,618	(40,001)	(2,000)	0	0	(617)	0
NET CHANGE IN CASH BALANCES	40,595	(3,536)	(65,863)	99,156	32,356	26,044	128,752
CASH BALANCES, JANUARY 1	674,230	404,571	407,170	89,070	118,574	215,428	1,909,043
CASH BALANCES, DECEMBER 31	$ 714,825	401,035	341,307	188,226	150,930	241,472	2,037,795

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-1

CARROLL COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2006

ASSETS		
Cash	$	1,520,187
Total Assets		1,520,187
NET ASSETS		
Restricted		1,520,187
Unrestricted		0
Total Net Assets	$	1,520,187

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-2

CARROLL COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2005

ASSETS		
Cash	$	1,037,060
Total Assets		1,037,060
NET ASSETS		
Restricted		1,037,060
Unrestricted		0
Total Net Assets	$	1,037,060

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

As Note 1.C. discusses further, the accompanying financial statements of Carroll County, Missouri, are presented in conformity with the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

A. Reporting Entity

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Carroll County consists of all funds, departments, offices, or organizations that are not legally separate from the county.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources, is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it, or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county.

Based on application of the above criteria, the county has no component units.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements display information about the county as a whole. These statements include the financial activities of the primary government, except for the activities of fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed wholly or partially by fees

charged to external parties for goods or services. For the years ended December 31, 2006 and 2005, the county had only governmental activities.

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the county's governmental activities. Direct disbursements are specifically associated with and clearly identifiable to a particular function. The county does not allocate indirect costs to those functions. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts, including all taxes, are presented as general receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

2. Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10 percent of the corresponding element total for all funds of that type, and (c) any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into two categories of funds—governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund: The General Fund is the primary operating fund of the county, accounting for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Courthouse Restoration Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for major improvements and/or restoration of the county courthouse and surrounding grounds.

Emergency Enhanced 9-1-1 Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for implementing and operating an emergency response system.

Health Center Fund: This fund accounts for property taxes and other monies that are legally restricted to disbursements for public health and welfare purposes.

The county's nonmajor governmental funds are also special revenue funds.

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the Ex Officio County Collector's fund which has a fiscal year ending February 28 (29); therefore, financial information for its reporting periods is included in the accompanying Statement of Fiduciary Net Assets.

The agency funds also include the Public Administrator's fund. The financial information included for this fund in the Statement of Fiduciary Net Assets consists of estate assets (cash) held in trust by the Public Administrator as reported in the annual settlements filed throughout the years ended December 31, 2006 and 2005.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet

collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

The accounting treatment for specific account balances and transaction types is as follows:

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available. Net assets are reported as restricted when limitations on their use are imposed either (1) by law through constitutional provisions or enabling legislation or (2) externally through restrictions by creditors, grantors, contributors, or other governments' laws and regulations. All other net assets are reported as unrestricted. Enabling legislation authorizes the county to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated by the legislation. At December 31, 2006 and 2005, net assets restricted by enabling legislation were $1,490,873 and $1,322,970, respectively, for governmental activities.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

Inventories and capital assets: Inventories include the computer equipment, and all office equipment within the building, statue of General Shields, road maintenance equipment, sheriff's office equipment, sheriff radio equipment and all county owned vehicles. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

Compensated absences: The county provides vacation and sick leave to its employees. Introductory employees begin accruing vacation and sick leave from the first month of employment. County employees working a 35-hour work schedule may accrue vacation leave to a maximum of 210 hours (30 days), and employees working a 40-hour work schedule may accrue vacation leave to a maximum of 240 hours (30 days). Actual accrual of vacation leave is computed on a monthly basis according to the annual vacation leave due according to an employee's years of service. Full-time county employees accrue 10 days per year for 1 to 5 years of

service, 11 days per year for 6 years of service, 12 days per year for 7 years of service, 13 days per year for 8 years of service, 14 days per year for 9 years of service, and 15 days per year for 10 or more years of service. Vacation leave shall not accrue while the employee is absent from work without pay or is receiving benefits from a retirement system, long-term disability insurance, or Worker's Compensation. Introductory employees are not eligible for vacation leave pay, although vacation leave accrues from the first month of employment. All county employees shall be eligible to use accrued vacation leave after the completion of one year of employment.

Full-time employees in county service shall earn 1.25 days of sick leave monthly. A maximum of 15 days sick leave may be accumulated and taken per calendar year. Sick leave with pay will be granted for absence from duty because of actual personal illness, non-compensation bodily injury or disease, exposure to a contagious disease, or to keep a doctor or dentist appointment. Employees may use up to 3 days of leave each year for illness in the employee's immediate family whose principal residence is in the employee's household and for parents, even if not residing with the employee, provided no one else is available to care for the individual involved or for bereavement. Introductory employees are not eligible for sick leave pay, although sick leave accrues from the first month of employment. Full-time and part-time employees with benefits are eligible to receive sick leave pay only after they have successfully completed the 90-day introductory period.

Any overtime work which will result in a county employee covered under the provisions of the Fair Labor Standards Act accumulating compensatory time shall be compensated by payment at one and one half times the straight hourly equivalent rate for the employee's classification. Upon termination of employment, any county employee who has accumulated compensatory time off shall be paid for unused time at one of the following rates, whichever is higher: the average regular rate received by such employee during the last three years of employment times one and one half or the final regular rate received by such employee times one and one half. All county departments are encouraged to utilize compensatory time in lieu of paying overtime. The departments shall make every effort to avoid either by the proper scheduling of the employees.

All employees of the Carroll County E-911 Communications Center will be in a probationary status for the first 3 months of their employment. The probationary period may be extended at any time at the Director's discretion. Probationary employees shall not receive sick leave unless approved by the Director or Assistant Director. Full time employees are awarded ten days of sick leave each year. Sick leave is awarded as of January 1 of each year. Sick leave may be accumulated from one year to the next to a maximum of 30 days. Sick leave may be taken for an illness of disability involving the employee or a member of the employee's immediate family. Immediate family is defined as: spouse, child, mother, father, or other on a case by case basis as approved by the E-911 Director.

E-911 full-time employees are awarded forty hours of vacation during the first year in employment; eighty hours of vacation during the second year of employment and an additional four hours per year for every year following. Full-time employees are also awarded two unpaid personal leave days per year.

The Health Department provides personal leave or paid days off (PDO). Employees who are employed part-time or full time in positions of continuing or permanent nature are eligible to earn PDO. Unclassified employees do not accrue personal leave. Personal leave is only accrued by employees who work at least half time. The leave policy applies only to time worked at the health department and earned leave does not transfer if an employee is hired who has worked at another local or state public health agency. Personal leave balances will not be restored to former employees who are rehired.

Earned leave will be credited at the end of the month based on the number of hours the health department employee is in active pay status that includes hours worked, PDO hours and paid holidays. Full time employees accrue 20 hours of PDO per month for up to 10 years of service, 22 hours per month for 10 to 15 years of service, 24 hours per month for 15 to 20 years of service, 25 hours per month for 20-25 years of service, and 26 hours per month for more than 25 years of service. Part-time employees earn PDO on a sliding scale depending upon their hours in active pay status and their years of service. An employee hired after the 10^{th} day of the month will not accrue PDO for that month. Full time employees may accumulate a maximum of 320 hours of PDO while part-time employees who work 4/5 time may accumulate a maximum of 256 hours and part-time employees who work 3/5 time may accumulate a maximum of 192 hours. An employee terminating employment for any reason will only be paid for half of their PDO.

Effective May 1, 2005, each health department regular employee shall have all accumulated sick leave placed in a sick leave bank. Each January 1, an employee may designate any accrued PDO time be placed in the sick leave bank up to a maximum of 480 hours. Extended sick leave can be used after one day of PDO taken for illness or injury a physician's statement may be required for use of extended sick leave when the employee has been absent for more than 5 consecutive personal leave days taken for illness or injury.

A health department employee may be granted time off, not chargeable to PDO, following the death of their spouse, child, sibling, parent, grandparent, grandchild or a member of the employee's household. Up to 3 days may be taken with administrative approval. In case of inclement weather or when the administrator chooses to close the health department, regularly scheduled employees will be paid for administrative leave. Every effort will be made to operate on a schedule regardless of weather. If an employee feels they must leave early, they may request PDO or leave without pay. Administrative leave will result in pay on a case by case basis.

Vacation and sick leave amounts are reported as disbursements when they are paid. Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The county has not restricted any net assets or reserved any fund balance for these commitments.

Other postemployment benefits: The county does not provide postemployment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

Long-term debt: Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principal and interest are reported when disbursements are made.

D. Accounting Changes

For the years ended December 31, 2006 and 2005, the county implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the county's financial report. As Note 1.B. discusses, the basic financial statements now include government-wide financial statements that report information for the county as a whole and fund financial statements that focus on major funds. However, as Note 1.C. discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the bases of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the county's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*: This Statement, an amendment of Statement No. 34, clarifies the meaning of "legally enforceable" as applicable to restrictions imposed on net asset use by enabling legislation and specifies the accounting and financial reporting requirements for those restricted net assets.

2. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Carroll County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County Treasurer's, Health Center's, Senate Bill 40 Board's and Emergency Enhanced 9-1-1 Board's deposits at December 31, 2006 and 2005, and the Ex Officio County Collector's deposits at February 28, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial bank in the county's or the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase

agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for the county and most other local governments (except some cities). Collections by the county for other governments and remittances to those governments are accounted for in various County Treasurer and Ex Officio County Collector's agency funds.

4. Defined Benefit Pension Plan

Plan Description

Carroll County contributes to the County Employees' Retirement System (CERS), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERS, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERS Board of Directors. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from:

County Employees' Retirement System
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Funding Policy

Contribution rates are set by statute. Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to contribute 2 percent of their gross compensation. Effective January 1, 2003, all members hired on or after February 25, 2002, are subject to an additional 4 percent contribution, which can be paid by the county on behalf of its employees or by the employees. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee.
In addition, the CERS receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system.

The county's contributions to the CERS for the years ended December 31, 2006, 2005, and 2004, were $44,467, $43,706, and $43,303, respectively, equal to the required contributions for each year.

5. Defined Contribution and Deferred Compensation Plans

Plan Description

Carroll County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. Contributions of $28,843 and $23,976 were made during the years ended December 31, 2006 and 2005, respectively. Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (1.5 percent of the LAGERS member's) compensation. Matching contributions for the years ended December 31, 2006 and 2005, were $7,091 and $6,295, respectively.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

6. Interfund Transfers

Interfund transfers, the flow of assets from one fund to another when repayment is not expected, are reported as transfers in and out. The county made the following interfund transfers:

	Year Ended December 31, 2006	
	Transfers In:	
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	$ -0-	5,025
Special Road and Bridge Fund	35,003	-0-
Nonmajor Governmental Funds	7,455	-0-

	Year Ended December 31, 2005	
	Transfers In:	
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	$ -0-	1,001
Special Road and Bridge Fund	40,001	-0-
Courthouse Restoration Fund	2,000	-0-
Nonmajor Governmental Funds	1,618	-0-

Interfund transfers occurred primarily because they were statutorily required or allowed—for example, transfer of an administrative service fee to the General Fund from the Special Road and Bridge Fund or contribution of General Fund monies to the Assessment Fund to pay for assessment and equalization maintenance costs not met by other sources of receipts.

7. Prior Period Adjustments

The Emergency Enhanced 9-1-1 Fund's cash balance at January 1, 2005, of $89,070 was not previously reported but has been added to the financial statements as a major fund.

8. Risk Management

The county carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life. No significant reductions in coverage were made since December 31, 2004, and settlements have not exceeded coverage in the past 3 years.

The county participates in the Missouri Public Entity Risk Management Fund, a body corporate and politic created and governed by Sections 537.700 through 537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses. Should contributions not be sufficient to meet the fund's obligations, the fund's board can make special assessments. Participants are jointly and severally liable for all claims against the fund.

The county is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to $2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

9. Commitments and Contingencies

A. Contracts

The county entered in a lease-purchase agreement of $125,300 for the purchase of a Hyundai excavator in 2006. Fifteen quarterly payments of $9,299 will be made, ending April 2010. The remaining principal at December 31, 2006 is $110,182.

In 2004, the county entered into an agreement with the Department of Natural Resources for an energy loan of $32,340 for new windows in the county courthouse. The remaining principal at December 31, 2006 is $20,809.

B. Litigation

As of December 31, 2006, the county's legal counsel indicated a potential claim against the county. This instance involves cost of living adjustments. The potential liability to the county cannot be determined at this time.

10. Joint Venture

The county, in conjunction with the town of Carrollton, the Carrollton Municipal Utilities, and the Carrollton Area Chamber of Commerce, has created the Carroll County Economic Development Board to provide economic development services to the county. As provided for by contract terms, the governing board is composed of two representatives from each entity plus a financial institution representative. Carroll County provided $12,500 to the Carroll County Economic Development Board in both 2006 and 2005.

Required Supplementary Information

Schedule 1

CARROLL COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2006				2005			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable
	Original	Final	Cash Basis	(Unfavorable)	Original	Final	Cash Basis	(Unfavorable)
GENERAL REVENUE FUND								
RECEIPTS								
Property taxes	$ 339,000	339,000	346,795	7,795	333,000	333,000	336,826	3,826
Sales taxes	406,000	406,000	464,713	58,713	375,000	375,000	403,791	28,791
Intergovernmental	203,816	203,816	175,211	(28,605)	158,308	158,308	150,304	(8,004)
Charges for service	298,417	298,417	296,336	(2,081)	340,150	340,150	312,265	(27,885)
Interest	20,000	20,000	35,530	15,530	10,000	10,000	21,751	11,751
Other	7,150	7,150	33,369	26,219	6,532	6,532	12,988	6,456
Transfers in	41,363	41,363	42,458	1,095	43,205	43,205	43,619	414
Total Receipts	1,315,746	1,315,746	1,394,412	78,666	1,266,195	1,266,195	1,281,544	15,349
DISBURSEMENTS								
County Commission	127,778	127,778	125,294	2,484	141,093	141,093	122,538	18,555
County Clerk	124,133	124,133	113,634	10,499	103,595	103,595	96,259	7,336
Elections	360,055	360,055	221,973	138,082	183,491	183,491	128,593	54,898
Buildings and grounds	90,633	90,633	76,271	14,362	81,707	81,707	72,687	9,020
Employee fringe benefits	199,250	199,250	193,650	5,600	200,850	200,850	180,296	20,554
County Treasurer and Ex Officio Collector	81,805	81,805	80,236	1,569	75,122	75,122	74,621	501
Circuit Clerk and Ex Officio Recorder of Deeds	28,018	28,018	26,689	1,329	26,155	26,155	25,548	607
Associate Circuit (Probate)	10,525	10,525	8,835	1,690	8,550	8,550	7,663	887
Court administration	3,125	3,125	929	2,196	3,125	3,125	1,821	1,304
Public Administrator	26,480	26,480	32,171	(5,691)	40,275	40,275	37,802	2,473
Insurance and Bonds	21,500	21,500	39,025	(17,525)	30,000	30,000	35,735	(5,735)
Planning & Zoning	9,649	9,649	10,532	(883)	4,867	4,867	5,676	(809)
University Extension	40,500	40,500	21,500	19,000	21,500	21,500	21,500	0
Sheriff	281,416	281,416	266,692	14,724	239,103	239,103	230,739	8,364
Jail	116,849	116,849	120,332	(3,483)	125,118	125,118	104,945	20,173
Prosecuting Attorney	102,438	102,438	93,717	8,721	88,679	88,679	74,137	14,542
Juvenile Officer	13,982	13,982	5,015	8,967	13,982	13,982	4,789	9,193
County Coroner	14,821	14,821	13,836	985	13,899	13,899	13,110	789
Other	1,450	1,450	909	541	1,450	1,450	1,489	(39)
Transfers out	3,500	3,500	5,025	(1,525)	500	500	1,001	(501)
Emergency Fund	38,300	38,300	0	38,300	37,986	37,986	0	37,986
Total Disbursements	1,696,207	1,696,207	1,456,265	239,942	1,441,047	1,441,047	1,240,949	200,098
Net Change in Cash Balances	(380,461)	(380,461)	(61,853)	318,608	(174,852)	(174,852)	40,595	215,447
CASH BALANCE, JANUARY 1	714,825	714,825	714,825	0	674,230	674,230	674,230	0
CASH BALANCE, DECEMBER 31	$ 334,364	334,364	652,972	318,608	499,378	499,378	714,825	215,447

Schedule 1

CARROLL COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2006				2005			
	Budgeted Amounts		Actual Amounts Cash Basis	Variance with Final Budget-- Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts Cash Basis	Variance with Final Budget-- Favorable (Unfavorable)
	Original	Final			Original	Final		
SPECIAL ROAD & BRIDGE FUND								
RECEIPTS								
Property taxes	$ 63,500	63,500	63,924	424	62,850	62,850	63,539	689
Intergovernmental	1,599,722	1,599,722	1,464,758	(134,964)	1,625,800	1,625,800	1,172,400	(453,400)
Charges for service	18,400	18,400	22,567	4,167	18,000	18,000	18,416	416
Interest	14,000	14,000	19,262	5,262	7,000	7,000	9,039	2,039
Other	0	0	29,380	29,380	30,000	30,000	35,390	5,390
Total Receipts	1,695,622	1,695,622	1,599,891	(95,731)	1,743,650	1,743,650	1,298,784	(444,866)
DISBURSEMENTS								
Salaries of employees	162,958	162,958	139,514	23,444	149,558	149,558	140,248	9,310
Fringe benefits	56,682	56,682	48,177	8,505	55,971	55,971	48,919	7,052
Office supplies	2,310	2,310	1,869	441	3,080	3,080	2,161	919
Insurance	13,000	13,000	12,548	452	24,000	24,000	12,073	11,927
Road & bridge materials	297,050	297,050	285,810	11,240	338,855	338,855	346,051	(7,196)
Equipment repairs & rentals	68,400	68,400	93,832	(25,432)	58,850	58,850	75,495	(16,645)
Road & bridge construction	1,040,000	1,040,000	879,248	160,752	1,031,960	1,031,960	623,308	408,652
Other expenditures	6,080	6,080	7,447	(1,367)	25,000	25,000	14,064	10,936
Transfers out	35,000	35,000	35,003	(3)	40,000	40,000	40,001	(1)
Total Disbursements	1,681,480	1,681,480	1,503,448	178,032	1,727,274	1,727,274	1,302,320	424,954
Net Change in Cash Balances	14,142	14,142	96,443	82,301	16,376	16,376	(3,536)	(19,912)
CASH BALANCE, JANUARY 1	401,035	401,035	401,035	0	404,571	404,571	404,571	0
CASH BALANCE, DECEMBER 31	$ 415,177	415,177	497,478	82,301	420,947	420,947	401,035	(19,912)
COURTHOUSE RESTORATION FUND								
RECEIPTS								
Sales taxes	$ 0	0	0	0	0	0	32	32
Interest	8,000	8,000	12,983	4,983	1,000	1,000	8,542	7,542
Total Receipts	8,000	8,000	12,983	4,983	1,000	1,000	8,574	7,574
DISBURSEMENTS								
Courthouse renovation project	200,000	200,000	4,104	195,896	151,000	151,000	23,269	127,731
Jail renovation project	0	0	0	0	49,000	49,000	47,356	1,644
Miscellaneous	2,000	2,000	236	1,764	1,069	1,069	1,812	(743)
Transfers out	0	0	0	0	2,000	2,000	2,000	0
Total Disbursements	202,000	202,000	4,340	197,660	203,069	203,069	74,437	128,632
Net Change in Cash Balances	(194,000)	(194,000)	8,643	202,643	(202,069)	(202,069)	(65,863)	136,206
CASH BALANCE, JANUARY 1	341,307	341,307	341,307	0	407,170	407,170	407,170	0
CASH BALANCE, DECEMBER 31	$ 147,307	147,307	349,950	202,643	205,101	205,101	341,307	136,206

Schedule 1

CARROLL COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2006				2005			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable
	Original	Final	Cash Basis	(Unfavorable)	Original	Final	Cash Basis	(Unfavorable)
EMERGENCY ENHANCED 9-1-1 FUND								
RECEIPTS								
Sales taxes	$ 470,000	470,000	465,240	(4,760)	459,120	459,120	464,083	4,963
Interest	1,550	1,550	2,706	1,156	800	800	986	186
Other	0	0	343	343	80	80	655	575
Total Receipts	471,550	471,550	468,289	(3,261)	460,000	460,000	465,724	5,724
DISBURSEMENTS								
Computer software maintenance	4,650	4,650	4,650	0	4,025	4,025	4,650	(625)
Road signs	1,500	1,500	1,419	81	1,500	1,500	812	688
Office /radio equipment	78,000	78,000	81,739	(3,739)	15,938	15,938	15,759	179
Insurance	6,900	6,900	6,815	85	6,900	6,900	6,859	41
Personnel	287,000	287,000	326,175	(39,175)	267,223	267,223	277,751	(10,528)
Phone charges	24,000	24,000	22,946	1,054	24,000	24,000	22,311	1,689
Office utilities	32,000	32,000	29,187	2,813	20,197	20,197	30,397	(10,200)
Miscellaneous	10,000	10,000	7,569	2,431	10,165	10,165	8,029	2,136
Total Disbursements	444,050	444,050	480,500	(36,450)	349,948	349,948	366,568	(16,620)
Net Change in Cash Balances	27,500	27,500	(12,211)	(39,711)	110,052	110,052	99,156	(10,896)
CASH BALANCE, JANUARY 1	163,558	163,558	188,226	24,668	86,052	86,052	89,070	3,018
CASH BALANCE, DECEMBER 31	$ 191,058	191,058	176,015	(15,043)	196,104	196,104	188,226	(7,878)
HEALTH CENTER FUND								
RECEIPTS								
Property taxes	$ 127,745	127,745	129,490	1,745	125,643	125,643	128,068	2,425
Intergovernmental	159,765	159,765	168,637	8,872	151,492	151,492	153,404	1,912
Charges for service	13,000	13,000	15,683	2,683	13,000	13,000	12,510	(490)
Interest	4,500	4,500	6,670	2,170	3,000	3,000	3,876	876
Other	10,850	10,850	9,249	(1,601)	8,700	8,700	11,037	2,337
Total Receipts	315,860	315,860	329,729	13,869	301,835	301,835	308,895	7,060
DISBURSEMENTS								
Payroll	227,911	227,911	219,629	8,282	220,436	220,436	206,350	14,086
Equipment	500	500	3,964	(3,464)	5,000	5,000	5,205	(205)
Office supplies	1,500	1,500	1,112	388	1,500	1,500	1,545	(45)
Other	85,949	85,949	76,316	9,633	74,899	74,899	63,439	11,460
Total Disbursements	315,860	315,860	301,021	14,839	301,835	301,835	276,539	25,296
Net Change in Cash Balances	0	0	28,708	28,708	0	0	32,356	32,356
CASH BALANCE, JANUARY 1	150,930	150,930	150,930	0	118,574	118,574	118,574	0
CASH BALANCE, DECEMBER 31	$ 150,930	150,930	179,638	28,708	118,574	118,574	150,930	32,356

The accompanying Note to the Required Supplementary Information is an integral part of this information.

Note to the Required Supplementary Information

CARROLL COUNTY, MISSOURI
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the Emergency Enhanced 9-1-1 Fund in 2006 and 2005.

Other Supplementary Information

Schedule 2

CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 583	763
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program	ERS045-7116	23,788	0
	for Women, Infants, and Childrei	ERS045-6116	3,636	28,886
	Program Total		27,424	28,886
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services			
14.231	Emergency Shelter Grants Program	ERO-1640625	0	14,799
		ERO-1640670	15,000	0
	Program Total		15,000	14,799
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state Department of Public Safety			
16.554	National Criminal History Improvement Program	2004-30161-MO-RU	3,259	0
16.575	Crime Victim Assistance	2003VOCA0103	6,862	1,948
16.592	Local Law Enforcement Block Grants Program	2004-LBG-1009	9,000	9,000
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-017(39)	0	20,862
		BRO-017(40)	119	10,554
		BRO-017(42)	0	226,024
		BRO-017(43)	365,032	30,071
		BRO-017(44)	270,302	0
		BRO-017(45)	12,619	12,089
		BRO-017(46)	30,404	3,596
		BRO-017(47)	18,299	2,260
	Program Total		696,775	305,456

Schedule 2

CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,734	1,814
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	296	113
	Office of Secretary of State			
39.011	Election Reform Payments	HAVA2002FED	14,722	83,592
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	103,960	10,672
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Childre	ERS146-6116L	1,498	1,500
93.268	Immunization Grants	N/A	42,788	23,918
93.283	Centers for Disease Control and Prevention	ERS1466116C	628	211
	Investigations and Technical Assistanc	AOCO6380169	3,500	3,500
		DH060031010	1,517	0
	Program Total		5,645	3,711
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	10,477	7,856
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-6116C	1,400	1,344

Schedule 2

CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Office of Secretary of State -			
93.617	Voting Access for Individuals With Disabilities Grants to States	HAVA2002FED	4,468	750
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4116M	17,713	17,873
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2003MUT30003	0	15,339
97.067	Homeland Security Grant Program	2005-GE-T5-002	32,000	0
	Total Expenditures of Federal Awards		$ 995,604	529,334

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedu

Notes to the Schedule of
Expenditures of Federal Awards

CARROLL COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Carroll County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Homeland Security Grant Program

(CFDA number 97.067) represent the original acquisition cost of the equipment received.

Amounts for Immunization Grants (CFDA number 93.268) includes both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $15,000 and $14,799 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2006 and 2005, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Carroll County, Missouri

Compliance

We have audited the compliance of Carroll County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Carroll County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Carroll County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance, Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Carroll County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

October 16, 2007

Schedule

CARROLL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	x no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	x none reported
Noncompliance material to the financial statements noted?	_____ yes	x no

Federal Awards

Internal control over major program:		
• Material weaknesses identified?	_____ yes	x no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	x none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	x no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CARROLL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CARROLL COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CARROLL COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements, and have issued our report thereon dated October 16, 2007. We also have audited the compliance of Carroll County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 16, 2007.

This Management Advisory Report (MAR) includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Carroll County its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Carroll County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Funds

Various fees, which are restricted by law for certain purposes, are being incorrectly deposited into the General Revenue Fund. Law Enforcement Training Fund (LET) monies were used for expenses not related to training.

A. During 2005 and 2006, at least $13,500 in civil fees collected by the Sheriff's office were incorrectly deposited into the county's General Revenue (GR) Fund rather than the Special Sheriff Fund, which was specifically established to account for these fees. This occurred because transmittal reports from the Sheriff's office to the County Treasurer did not clearly identify which monies represented civil service fees for deposit into the Special Sheriff Fund. As a result, the county cannot readily identify the balance of these monies available or demonstrate that the use relates to the operation of the sheriff's office and complies with statutory provisions. It is possible similar incorrect deposits may have occurred prior to the audit period. Section 57.280, RSMo, requires counties to account for these fees separately and to ensure that the proceeds are spent on law enforcement purposes.

During 2005 and 2006, the Ex Officio Recorder of Deeds collected approximately $5,862 in fees as required under Section 59.800, RSMo to be used for the purchase, installation, upgrade and maintenance of technology in the recorder's office. These fees were incorrectly deposited into the county's GR Fund rather than the Recorder's

Preservation Fund as provided by law. A fund established specifically for these fees in 2001 was closed in 2002 and the balance of approximately $1,076 was transferred to the GR Fund. It appears these fees have been regularly deposited into the GR Fund since that time. As a result, the county cannot readily identify the balance of these monies available or demonstrate that the use relates to the technology in the recorder's office and complies with statutory provisions.

The county should work with the Sheriff and Ex Officio Recorder of Deeds to determine the amount of fees incorrectly deposited and/or fees still being held in the GR Fund and consider transferring those monies to the Special Sheriff Fund and Recorder's Preservation Fund as appropriate.

B. Law Enforcement Training (LET) funds were used to pay the 2005 membership dues to the North Central Drug Task Force of $3,000. The county provided no documentation on how these monies were used for training. Section 488.5336.2, RSMo, restricts LET Fund expenditures to disbursements for law enforcement training only.

WE RECOMMEND the County Commission:

A. Work with applicable officials and determine the amounts of restricted fees being held within GR and transfer those amounts to applicable funds.

B. Ensure LET funds are expended in accordance with state law. In addition, consideration should be given to reimbursing the LET Fund from either the GR Fund or the Special Sheriff Fund as appropriate.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They are working with applicable officials to determine the amounts to transfer.

B. They are working with the Sheriff to ensure that LET funds are expended as allowed and to ensure the LET Fund is reimbursed as appropriate.

2. Assessor's Accounting Controls and Procedures

Receipting and transmittal procedures are inadequate and provide little assurance that all monies collected by the Assessor's office are properly handled and accounted for, and some receipt records could not be located. The Assessor's office receives monies for maps, photocopies, and city assessment books. Amounts transmitted to the County Treasurer totaled approximately $1,800 and $2,500 for 2006 and 2005, respectively.

A review of available receipt books, transmittal reports, and County Treasurer records identified several discrepancies and procedural problems. A receipt slip for $52 issued in March 2006 could not be traced to a transmittal report and it appears it was not included in

County Treasurer's receipt records. Also, the August 2006 turnover amount recorded in the County Treasurer's receipt records included $27 more than was reflected in the Assessor's receipt book or transmittal report. A July 24, 2007, cash count further determined that checks are not always restrictively endorsed and some monies are not receipted. In addition, one check on hand at the time of the cash count was not receipted. Subsequent to the cash count this check could not be located by the Assessor's office.

Records did not provide sufficient details. For example, receipt slips did not always indicate the method of payment and transmittal reports did not include receipt slip numbers. The top copy of several receipt slips was missing although the carbon copy was blank. In addition, a receipt book including transactions during the period August 2005 to February 2006 could not be located.

To ensure monies are properly accounted for, pre-numbered receipt slips indicating the method of payment should be issued for all monies received, checks should be restrictively endorsed immediately upon receipt, monies should be transmitted intact, and the composition of receipt slips issued should be reconciled to the composition of transmittals to the County Treasurer. In addition, record retention is necessary to ensure the validity of transactions and provide an audit trail.

WE RECOMMEND the Assessor improve receipting and transmittal procedures, follow up on discrepancies, and retain financial records in a secure location to prevent misplacement or loss.

AUDITEE'S RESPONSE

The Assessor indicated this recommendation has been implemented.

3.	**Sheriff's Accounting Controls and Procedures**

Accounting duties within the Sheriff's office are not adequately segregated. Records and procedures related to bank reconciliations, month-end disbursements, and monitoring bank account balances need improvement. The Sheriff's office processed monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts totaling approximately $99,000 and $152,000 during 2006 and 2005, respectively. Also, the county's procedures for monitoring board of prisoner billings are not sufficient.

A. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated. The office manager primarily performs all of these duties. The Sheriff indicated he reviews the receipt and disbursement reports, but these reviews are not documented. The chief deputy reviews bank statements and initials and dates to signify this review. However, these reviews are not particularly effective since there is no comparison of information to supporting records, no reconciliation of the receipt records to deposits, or no review of the bank reconciliation.

Internal controls would be improved by proper segregation of duties. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

B.1. The office manager indicated bank reconciliations are performed using the computer software package; however, the bank reconciliations are not printed and retained. At our request, the office manager documented the May 2007 bank reconciliations for each of the two bank accounts. The fee account reconciliation showed a $132 deposit in transit from July 2004, which was primarily related to a $129 deposit error into the inmate account. The inmate account reconciliation showed a $402 adjustment comprised of several unexplained adjustments made to the accounting system.

Discrepancies identified during the monthly bank reconciliation process should be followed up on and resolved. Without proper reconciliations and follow up, there is less assurance that cash receipts and disbursements have been properly handled and recorded.

2. The Sheriff does not have procedures to ensure all monies received are disbursed. Monies received by the Sheriff, which includes cash bonds and accountable fees, are normally disbursed at each month-end and the Sheriff's fee bank account should zero out. However, the reconciled fee account balance on December 31, 2006, was approximately $7,000, of which $5,889 was unidentified.

The Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

C. The Sheriff's office houses prisoners for other political subdivisions in the county jail and bills the various other entities for these services. Payments are made directly to the County Treasurer. The Sheriff's office does not have a procedure or maintain a log to track billings and payments received. Although the County Treasurer provides the Sheriff's office with a copy of the related receipt slips, however, these are not compared to the billing statements to ensure proper amounts were paid and to identify unpaid amounts.

A comparison of Sheriff's office billing statements for 2006 and 2005, which totaled approximately $13,483, to the County Treasurer's receipt records identified approximately $445 in board of prisoner billings still due to the county. The Sheriff's office manager was unaware of, but plans to follow up on these unpaid amounts.

A record of amounts billed to and collected from the various entities should be used to monitor amounts due and to ensure all outstanding amounts are received in a timely manner. Treasurer's receipt slips should be used to update billing records and ensure proper amounts were paid.

WE RECOMMEND the Sheriff:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory or independent reviews are performed and documented.

B.1. Ensure proper month end reconciliations are performed and documented, and any discrepancies resolved timely.

2. Ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.

C. Establish records and procedures to monitor board of prisoner billings and follow up on delinquent amounts.

AUDITEE'S RESPONSE

The Sheriff indicated:

A. The various records and reconciliations will be reviewed more closely.

B.1. This recommendation has been implemented.

2. They are making sure current activity zeros out. However, they are still working on resolving old monies.

C. This recommendation has been implemented.

4. Circuit Clerk's Accounting Controls and Procedures

Circuit Court procedures related to manual receipt slips and accounts receivable need improvement. The Circuit Court processed civil and criminal case fees, fines, and bonds totaling approximately $605,000 and $241,000 during 2006 and 2005, respectively.

A. Payments received in the mail are recorded directly into the Justice Information system (JIS). However, unofficial pre-numbered manual receipt slips are issued to all walk-in payors. These manual receipt slips were single copy receipts given to the payor. No carbon copy or other record of the manual receipt slips issued is maintained by the court.

To adequately safeguard receipts and the risk of loss, theft, or misuse of funds, official prenumbered duplicate receipt slips should be issued for walk-in payments and procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. The use of manual receipt slips should be limited to those occasions where the JIS computer system is not available.

B. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. Section 33.120, RSMo, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgment and sentence.

Although allowed by statutory provisions, the Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days pursuant to Section 559.115, RSMo. Rather, she relies on the probation officer to enforce collection and payment to the county by the defendant. Alternatively, the Circuit Clerk could bill the state for the costs initially and then make reimbursements in those cases where the county successfully collects from the defendant. By doing this the county has more assurance that legitimate costs are reimbursed and on a more timely basis.

A listing of accrued costs owed to the court is maintained in the Circuit Clerk's JIS computer system and some cases were selected for review from the August 16, 2007, listing. Four of ten cases reviewed involved billable incarceration costs of approximately $12,100, but the two-year time limit has been surpassed and the amounts not billed. As a result, these costs cannot be billed to the state and the related revenues, if not successfully collected from the defendant, have been lost to the county. In fact, for two of the cases reviewed, with billable costs totaling approximately $6,700, collection is unlikely since one defendant is deceased and the other has been deported.

To ensure that revenues are maximized, the Circuit Clerk should implement procedures to track all reimbursable incarceration costs and submit timely reimbursement claims to the state.

WE RECOMMEND the Circuit Clerk:

A. Ensure manual receipt slips are recorded on the JIS and properly accounted for. In addition, official pre-numbered manual receipt slips should be obtained and used only when necessary.

B. Ensure all billable criminal costs are billed to the state on a timely basis.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. They will continue to issue manual receipt slips for all walk-in payments; however, they are now using official pre-numbered receipt slips and are retaining the carbon copy. The corresponding JIS receipt number will be noted on manual receipts when the information is entered into the computer system.

B. This recommendation has been implemented.

5. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not properly segregated and receipt records for partial payments are not sufficient. The Prosecuting Attorney processed bad check fees and restitution totaling approximately $49,800 and $60,000 during 2006 and 2005, respectively.

A. Cash custody and recordkeeping duties are not adequately segregated. One of the Prosecuting Attorney's two clerks has primary responsibility for collecting monies, recording transactions, preparing deposits and transmittals, making disbursements, and performing month-end reconciliations and reports. While the Prosecuting Attorney does review the bank reconciliation summary and month-end reports, some of the reviews are not documented and there is no comparison to the detailed supporting records.

Internal controls would be improved by proper segregation of duties. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

B. Prenumbered receipt slips are not issued for partial payments until the final payment is received. While all payments are included on a manual receipt log, receipt slip numbers are not posted to the log. As a result, receipt slips are not properly accounted for and there is less assurance that all monies received are properly disbursed.

To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly on the manual receipt log.

WE RECOMMEND the Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Require prenumbered receipt slips be issued for all monies received and ensure the numerical sequence of receipt slips is accounted for on the manual receipt log.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

A&B. These recommendations have been implemented.

6.	**Emergency 911 Board Policies and Procedures**

Documentation and policies related to some expenditures and reimbursements were not sufficient, and some purchases appeared unnecessary. Problems were identified with the budgetary procedures and various financial and payroll reporting. Property records and procedures are not adequate. The E-911 Board receives approximately $467,000 annually in sales taxes and interest.

A. Our review of board expenditures identified the following concerns:

1. The board does not require documentation of receipt of goods or services prior to paying invoices. Because the director is responsible for daily operations and goods or services received, and the Board Treasurer is responsible for preparing accounts payable checks, it is important that the director provide evidence on the invoices that payment should be made. Documenting the receipt of goods or services on invoices provides the Board assurance it is paying for actual goods and services received and approved by the applicable party.

2. The board's procedures manual does not contain travel and expense reimbursement policies and sufficient details are not provided on employee mileage/meals expense reimbursement claims submitted by employees. Several employee claim forms reviewed provided only the date and total miles driven, and no information regarding destination and purpose. It appears these forms were completed by the director and the employees do not sign and date the forms to demonstrate their agreement and representation that expenses are valid. While the director's claim forms provided some information regarding purpose and destination, some entries were vague and there were no agendas or details provided regarding meetings and conferences attended.
3. The board treasurer receives a mileage reimbursement of $100 per month without being required to submit any supporting documentation. Internal Revenue Service Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered

gross income to the employees. Alternatively, the board could require the treasurer to submit documentation of actual miles as they are incurred.

4. During 2005 and 2006, the board spent a total of $856 for Christmas dinners, sponsorship for a team participating in the American Cancer Society's Relay for Life, and appreciation dinners and gifts for the dispatchers. These disbursements do not appear necessary for the operation of the E-911 system. The board has a fiduciary responsibility to ensure all disbursements are a prudent use of public funds and are necessary for E-911 operations.

B. Certificate of deposit (CD) purchases were incorrectly presented as capital improvement fund expenditures on the budget, CD balances (principal and accrued interest) were incorrectly included in Other Net Resources Available rather than as part of the cash balance on the budget summary, and interest earned on CDs is not recorded as receipts in the accounting records or on the budget. As a result, the board's budget documents presented overstated expenditures and understated revenues and cash balances, and CD information cannot be clearly identified. In addition, the board treasurer does not generally include CD information on monthly reports presented to the board.

In addition, actual expenditures exceeded budgeted amounts by $36,450 and $16,620 in 2006 and 2005, respectively.

For the budget documents to be of maximum assistance as a planning tool and to adequately inform county residents of the current financial position and operations, the budgets should accurately reflect cash and available resources, and present reasonable estimates of receipts and disbursements. Also, case law provides strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

C. Records and procedures used to account for capital assets need improvement. Property items are not properly numbered, tagged, or otherwise identified as property of the E-911 board and periodic physical inventories are not performed. Although the director maintains a list of capital assets, it does not appear to be complete. For example, a dispatcher workstation valued at approximately $60,417 was not recorded on the list.

Adequate capital asset records and monitoring procedures are necessary to provide adequate internals controls over board property. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of

assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect board assets.

D. A time sheet is not prepared by the E-911 director. While time cards are prepared by dispatchers, they are not signed by the employees. In addition, time cards are not signed by the E-911 director to document approval. Time records are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. Time records should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

E. The board does not publish annual financial statements and file them with the State Auditor's Office as required by Sections 50.800 and 50.810, RSMo. To adequately inform the citizens of the board's financial activities and comply with state law, the board should work with the county to ensure annual financial statements of the Emergency Enhanced 9-1-1 Fund are published and filed with the State Auditor's Office.

F. The board does not have procedures in place to identify payments which require Forms 1099-MISC to be filed with the Internal Revenue Service (IRS). In 2006, the board made payments to individuals or unincorporated businesses for legal services, drug testing services, and sign replacement, totaling over $750, $1,000, and $791, respectively, and while it appears these payments should have been reported to the IRS, no 1099 forms were prepared. Section 6041 through 6051 of the Internal Revenue Code require that nonwage payments of at least $600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-MISC.

WE RECOMMEND the Emergency 911 Board:

A.1. Ensure supporting documentation for disbursements includes evidence of receipt of goods or services.

2. Develop travel and expense reimbursement policies and require sufficient details and adequate supporting documentation for all expense reimbursement.

3. Require all allowances to be supported by adequate documentation or report these reimbursements and allowances as other income on W-2 forms.

4 . Ensure all expenditures of county monies are a necessary and prudent use of public funds.

B. Ensure budgets accurately reflect CD information. Also, the board should refrain from authorizing disbursements in excess of budgeted amounts. However, if valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

C. Require the director to maintain adequate capital asset records and improve monitoring procedures over board property.

D. Require the director to complete a time sheet, and ensure that time cards are signed by employees and approved by a supervisor.

E. Work with the county to publish annual financial statements and file them with the State Auditor's Office in accordance with state law.

F. Establish a procedure to evaluate payments and identify those requiring Forms 1099-MISC to be filed with the Internal Revenue Code.

AUDITEE'S RESPONSE

The Emergency 911 Board Chairman and Vice-Chairman indicated:

A.1. This recommendation has already been implemented.

2. They are working on developing travel and expense policies and continuing to work on obtaining sufficient details and adequate supporting documentation for expense reimbursements.

3. This recommendation will be implemented.

4. They will no longer approve such expenditures.

B. This recommendation will be implemented with the 2008 budget.

C. This recommendation will be implemented in early 2008.

D-F. These recommendations will be implemented.

7. Senate Bill 40 Board Policies and Procedures

Contract-related payments to not-for-profit (NFP) agencies were made prior to ensuring adequate services were received and contract terms met. The board's review of financial records is not sufficient and the bank account is not monitored for proper collateralization. Board meeting minutes are not signed. The board receives approximately $131,000 annually in property taxes and interest.

A. Each year the Senate Bill 40 (SB40) Board entered into contracts with three not-for-profit (NFP) agencies which are the only recipients of board funding. During 2005 and 2006, the board distributed the majority of the monies to the NFPs early in the year. No supporting documentation was required to be provided until the end of the year along with requests for subsequent year's funding. For example, $70,000 of the

total $88,768 authorized funding was disbursed to one NFP in February 2006, with the remainder disbursed in June 2006. In addition, the total 2006 authorized contract amounts were disbursed to the other two NFPs in June 2006. For one of the these contracts it was later determined the June payment exceeded annual funding needs by approximately $6,500. The board indicated this amount will be considered when evaluating 2007 funding requests. The board needs to ensure it has received adequate services for consideration being paid.

In addition, while each contract contained a specific contract term identifying the number of residents required to benefit from the SB40 funding, the board did not require the NFPs to submit documentation to demonstrate compliance with the term and the contracts did not address documentation or reporting requirements.

The contracts with the NFPs should be more specific and clearly establish the responsibilities and duties of each party and outline procedures and/or penalties for failure by either party to meet contractual terms. Also, to ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments and contracts should be sufficiently detailed to allow the SB40 Board a basis for adequately monitoring the services received and determining whether the amount paid was reasonable. Payments to the NFPs should be made periodically throughout the entire year and only after the board is confident services are being adequately provided.

B. The SB40 Board does not review bank reconciliations, bank statements, and canceled checks. To safeguard against possible loss or misuse of funds, ensure that proper reconciliations are in place, and ensure that disbursement transactions are in agreement with board approvals, the board should perform reviews of bank information and canceled checks.

C. The SB40 Board has not established adequate procedures to monitor collateral securities pledged by its depositary bank, and as a result, funds were under collateralized during February 2007 and February 2005. The board indicated it relies on the depositary bank to monitor the account balance and pledge required securities.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the SB40's funds unsecured and subject to loss in the event of bank failure. To ensure sufficient collateral securities are pledged, the SB40 Board should monitor the level of bank activity and notify the depositary banks when additional securities need to be pledged.

D. SB40 board minutes are not signed by the preparer. In addition, the minutes are not signed by a board member to attest to their completeness and accuracy. Minutes should be signed by the board members to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

WE RECOMMEND the Senate Bill 40 Board:

A. Improve contract terms regarding funding levels and required documentation or reporting.

B. Ensure periodic supervisory reviews of bank reconciliations are performed and documented.

C. Establish monitoring procedures to ensure depositary banks pledge adequate collateral securities at all times.

D. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President indicated:

A. The board will take this recommendation under consideration.

B-D. These recommendations have already been implemented.

8. Health Center Policies and Procedures

Records and procedures used to account for capital assets need improvement. Proper controls are not in place regarding facsimile stamp usage.

A. Records and procedures used to account for capital assets need improvement. Property items are not properly numbered, tagged, or otherwise identified as property of the Health Center and periodic physical inventories are not performed. The Health Center is currently working on updating the list of capital assets; however, it has not been updated for several years and it does not provide all required details. Without adequate property records for capital assets, accountability for all items purchased and owned are lessened and there is no documentation for determining the proper amount of insurance coverage.

   Adequate capital asset records and monitoring procedures are necessary to provide adequate internals controls over board property. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect board assets.

B. In addition to the board members, the Health Center's administrator and office manager are authorized to sign checks. The Health Center's checking account requires two signatures for all disbursements. A facsimile stamp of the Health Center Board's Treasurer is sometimes used by the administrator and/or the office manager, who have access of the stamp. Therefore, these individuals could sign the checks and use the facsimile stamp for the other required signature. In addition, initials are not provided to identify the user of the stamp. Allowing access to and use of the facsimile stamp in this manner diminishes the control intended by multiple signatures. The board should ensure proper facsimile stamp controls and usage guidelines are established.

WE RECOMMEND the Health Center:

A. Maintain records to account for capital assets that include all pertinent information, identify all capital assets with a number, tag, or similar identifying device, and perform periodic physical inventories.

B. Develop facsimile stamp controls and usage guidelines.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

A. They are currently working on implementing this recommendation.

B. This has been implemented.

Follow-Up on Prior Audit Findings

CARROLL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Carroll County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices

   A. Disbursements exceeded budgeted amounts in various funds.

   B. A budget was not prepared for the year ended December 31, 2002 for the Enhanced 911 Board.

   Recommendations:

   A. The County Commission, Circuit Clerk, and the Associate Division court not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

   B. The Enhanced 911 Board prepare budgets for each year in accordance with Chapter 50, RSMo 2000.

   Status:

   A. Partially implemented. Excess expenditures occurred in only a few funds during 2005 and 2006. Although not repeated in the current MAR, the recommendation remains as stated above.

   B. Implemented.

2. Ex Officio County Collector's Bond Coverage

   The Ex Officio County Collector's bond for the term of April 2001 through March 2005 was less than required by state law.

   Recommendation:

   The County Commission and the Ex Officio County Collector ensure the bond coverage is sufficient as required by Section 52.020, RSMo 2000.

Status:

Implemented.

3. Sheriff's Accounting Procedures

A.1. Receipts were not deposited on a timely basis.

2. The method of payment was not consistently recorded on the receipt slips issued.

B. The Sheriff's office did not maintain inventory records of commissary items.

C. Some seized property items and some applicable case numbers were not recorded properly on the seized property evidence forms. In addition, periodic physical inventories were not performed for comparison with the inventory records.

Recommendations:

The Sheriff:

A.1. Deposit receipts daily or when accumulated receipts exceed $100.

2. Require the method of payment be consistently recorded on the receipt slips issued and reconcile the composition of receipts to the composition of bank deposits.

B. Maintain inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.

C. Ensure all seized property items and the applicable case numbers are properly recorded on evidence property forms. In addition, a periodic inventory should be performed and compared to the inventory listing and any discrepancies should be investigated in a timely manner.

Status:

A&C. Implemented.

B. Not implemented. However, starting in May 2007, the Sheriff’s office stopped having a commissary for prisoners.

STATISTICAL SECTION

History, Organization, and
Statistical Information

CARROLL COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Carroll was named after Charles Carroll, a local resident and a signer of the Declaration of Independence. Carroll County is a township-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Carrollton.

Carroll County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 365 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 12,131 in 1980 and 10,285 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 66.6	66.9	66.3	66.0	40.3	33.0
Personal property	22.7	21.7	21.2	22.4	11.8	12.2
Railroad and utilities	44.3	42.2	41.1	38.7	33.1	27.2
Total	$ 133.6	130.8	128.6	127.1	85.2	72.4

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Carroll County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .2470	.2513	.2501	.2499
Special Road and Bridge Fund *	.0000	.0000	.0000	.0000
Johnson Grass Fund	.0100	.0000	.0000	.0000
Health Center Fund	.1000	.1000	.1000	.1000
Senate Bill 40 Board Fund	.1000	.1000	.1000	.1000

* The county retains $.05 per $100 assessed valuation from each township’s road and bridge levy and the township’s voter approved additional levy to use for road and bridge purposes.

Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 40,844	39,732	39,225	38,567
General Revenue Fund	356,454	350,653	339,729	335,663
Special Road and Bridge Fund	66,728	63,991	63,584	62,868
Assessment Fund	103,933	100,450	98,368	77,974
Health Center Fund	133,621	130,015	128,418	126,627
Senate Bill 40 Board Fund	133,622	130,015	128,418	126,627
Drainage III Fund	24,446	24,256	24,458	24,054
Johnson Grass Fund	12,265	81	78	75
Tax Maintenance Fund	8,374	9,358	9,002	9,047
Townships	906,323	870,850	824,087	808,886
School districts	5,149,541	5,009,972	4,970,765	4,828,786
Ambulance districts	370,876	360,827	353,987	349,156
Fire protection districts	228,168	220,253	216,566	213,779
Golden Age Nursing Home	5,387	5,248	5,484	5,087
Drainage and levee districts	14,731	15,840	13,836	16,816
Cities	77,962	72,750	72,841	70,196
County Clerk	726	794	774	662
County Employees' Retirement	28,139	26,406	29,739	25,717
Commissions and fees:				
Township Collectors	49,918	49,754	49,114	49,161
General Revenue Fund	111,423	104,865	104,498	100,442
Total	$ 7,823,481	7,586,110	7,472,971	7,270,190

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	93.3	93.9	93.0	92.7	%
Personal property	90.0	89.9	90.6	89.2	
Railroad and utilities	100.0	97.0	100.0	100.0	

Carroll County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
Emergency 911		.0075	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Nelson Heil, Presiding Commissioner		29,135	28,217	26,969	25,780
Jim Stewart, Associate Commissioner		22,324	21,569		
Donald Vantrump, Associate Commissioner				24,969	23,780
David Martin, Associate Commissioner		27,135	26,217	24,969	23,780
Peggy McGaugh, County Clerk (1)		41,353	39,969	38,077	36,276
Mark Goodwin, Prosecuting Attorney		40,055	37,683		
Kevin L. Walden, Prosecuting Attorney				44,800	42,667
Joe Arnold, Sheriff		45,441	43,904	41,813	39,822
Steven W. Bittiker, County Coroner		11,901	11,499	10,951	10,460
Roy Barclay Staton, Public Administrator (2)		30,322	36,050	16,869	15,538
Alta M. O'Neal, Treasurer and Ex Officio County Collector, year ended March 31,	41,254	40,070	38,304	36,480	
Devin (Ford) Frazier, County Assessor (3), year ended August 31,		34,131	6,808		
Wanda Musick Mitthar, County Assessor (4), year ended August 31,			29,162	37,996	36,324
Marcus J. Magee, County Surveyor (2)					

(1) Includes $240, $246, $246 and $246, respectively, of fees received for preparing and maintaining the net benefit and maintenance tax book for county Drainage District III.
(2) Compensation on a fee basis.
(3) Includes $688 annual compensation received from the state in 2006.
(4) Includes $516, $765, and $866 annual compensation received from the state in 2005, 2004, and 2003, respectively.

State-Paid Officials:					
Cheryl Mansur, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,900	47,300
Kevin Walden, Associate Circuit Judge		96,000	91,467		
Michael Bradley, Associate Circuit Judge				72,000	
Robert A. Bryant, Associate Circuit Judge				11,327	96,000

Susan Montee, CPA
Missouri State Auditor

December 2007

Butler County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-89

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Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Butler, that do not have a county auditor. In addition to a financial audit of county funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to contractors. The county did not have procedures to ensure that vendors complied with federal grant guidelines. In addition, the county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards.

The County Commission's budget preparation procedures do not ensure that the budget documents reasonably reflect anticipated financial activity and cash balances. The ending cash balance was significantly underestimated for some county funds and actual disbursements exceeded budgeted amounts for many funds.

Supporting documentation related to some expenditures was insufficient to ensure that amounts paid or allocated to various funds had a reasonable basis. Examples included transfers from the 911 Fund to the Law Enforcement Complex Fund and allocations of insurance premiums. The County Commission has not performed a cost/benefit analysis to determine if mileage reimbursements for personal vehicles are the most cost effective method of providing for employees' travel. Monitoring of county fuel purchases is not adequate to ensure fuel is properly used only in county vehicles.

The County Commission did not adequately document the process of selecting a site for the new juvenile justice center, efforts to determine that the lease/purchase price entered into and the cost of renovating the structure chosen were reasonable, or maintain adequate support for expenditures made to prepare the site for the county's use.

Payroll expenditures are not always properly supported by time sheets prepared and signed by employees, or reviewed and approved by supervisors. In addition, some county policies for sick and vacation leave, compensatory time, and commuting in county vehicles are not adequate or may need clarification. The County Clerk's office does not maintain centralized records of leave or compensatory balances. Recordkeeping procedures varied among the other county offices. Some of the records maintained were not adequate and some leave accruals and balances were not always properly supported by time sheets or leave records.

(over)

The Board for the Care of the Handicapped is not adequately monitoring the use of monies provided to the various not-for-profit agencies. The annual funding agreements do not establish minimum levels of service necessary to earn the monies budgeted and the Board does not obtain periodic reports or other information from the agencies that would allow the Board to monitor that agency goals are being met. In addition, actual disbursements exceeded budgeted amounts for 2005 and Board minutes are not consistently signed by the preparer, the Board President, or a designated member to attest to their completeness and accuracy.

Also included in the audit are recommendations related to collateral securities and county property records. The audit also suggests improvements in the procedures of the County Collector, Prosecuting Attorney, Public Administrator, Sheriff and Senior Citizen's Board.

All reports are available on our Web site: www.auditor.mo.gov

BUTLER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed more fully in Note 1, the county prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, Missouri, as of December 31, 2006 and 2005, and the respective changes in financial position—cash basis thereof for the years then ended in conformity with the basis of accounting discussed in Note 1.

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As discussed more fully in Note 1, the county implemented applicable provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures,* and Statement No. 46, *Net Assets Restricted by Enabling Legislation*, for the years ended December 31, 2006 and 2005.

In accordance with *Government Auditing Standards,* we also have issued our report dated September 27, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Missouri Local Government Employees Retirement System, and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the GASB to accompany those financial statements. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Butler County, Missouri, and was not subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

September 27, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Ryan M. King
	Jeanette M. Samson
	Toni N. Wade

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Butler County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Butler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 27, 2007

Management's Discussion and Analysis

BUTLER COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2006 AND 2005

This discussion and analysis of Butler County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2006 and 2005. The information below, prepared by the county's management, should be read in conjunction with the financial statements that immediately follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-type activities—activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and

manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

The County as Trustee

The county is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the county's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The county's fiduciary assets are reported in a separate Statement of Fiduciary Net Assets. Fiduciary funds are excluded from the county's other financial statements because the county cannot use these assets to finance its operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Management's Discussion and Analysis, the Schedule of Funding Progress for Missouri Local Government Employees Retirement System, and the Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the History, Organization, and Statistical Information.

FINANCIAL HIGHLIGHTS

At December 31, 2005 the County’s Governmental Net Assets were $4,443,884 and had increased to $4,458,670 by December 31, 2006. In both years, receipts were more than disbursements. Significant activities unique to the two years ended December 31, 2006 and 2005 which will not recur in future years include the receipt and expenditure of election improvement grant funds and the expenditure of general revenue funds for the acquisition of a new facility for juvenile detention and supervision and for emergency sirens.

The Emergency Fund Budget was not used because there were no significant emergencies or disasters that required county funds.

THE COUNTY AS A WHOLE

The county as a whole has done well for the two years reflected in this report. Net Assets increased in both years.

The following chart gives a brief overview of the last three years.

	Year Ended December 31,		
	2006	2005	2004
Net Assets	$ 4,458,670	4,443,884	3,932,812
Program Receipts	4,603,774	4,124,561	3,804,309
General Receipts	7,645,622	7,463,411	8,469,459
Disbursements	12,234,610	11,052,951	11,423,847
Change in Net Assets	14,786	535,021	849,921

THE COUNTY'S FUNDS

Expenses increased in General Fund from 2005 to 2006 in part because of election equipment and warning siren purchases, election costs, insurance premium increases, and retirement benefit increases. The increased insurance premiums and benefit increases also affected the Special Road and Bridge, Law Enforcement Complex, and Assessment funds.

There were no significant increases or decreases in expenses or revenues for the other non-major funds.

General Fund Budgetary Highlights

Butler County does not routinely amend the annual budget. For the two years reflected in this report, there were no significant budget overruns that need to be mentioned other than Road and Bridge failed to budget for the longevity pay for their employees.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Jail and Justice Center was financed in 1999 with Leasehold Refunding Revenue Bonds for the amount of $6,095,000. The bonds carry interest rates from 3.25 to 4.40 percent. The bonds are payable annually through the year 2013. In 2006 and 2005, the principal and interest payments were $400,000 and $157,525, and $375,000 and $172,150, respectively.

The Eastern and Western Capital Improvement funds currently finance new graders with annual leases. The number of graders being financed from year to year vary, but the number is not more than three being financed at the same time. These leases are paid through the sales tax receipts and expensed as new equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While population is expected to grow considerably in the next twenty years, it is not expected to increase dramatically in the next two or three years. Sales tax revenues reflect this slow but steady increase. The county will notice some increase in sales tax and property tax revenues but will be conservative in budgeting for it.

Future budgets for Butler County will reflect this conservatism while attempting to continue giving their employees increased wages and benefits.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to:

Tonyi Deffendall
County Clerk
Butler County Courthouse
Room 202
Poplar Bluff, MO 63901

Basic Financial Statements

Government-Wide Financial Statements

Exhibit A-1

BUTLER COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
ASSETS	
Cash (and investments)	$ 4,458,670
Total Assets	4,458,670
NET ASSETS	
Restricted	2,812,037
Unrestricted	1,646,633
Total Net Assets	$ 4,458,670

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BUTLER COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
ASSETS	
Cash (and investments)	$ 4,443,884
Total Assets	4,443,884
NET ASSETS	
Restricted	2,963,477
Unrestricted	1,480,407
Total Net Assets	$ 4,443,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

BUTLER COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2006

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
				Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	$ 2,723,922	964,636	640,605	(1,118,681)
Roads and bridges	4,779,547	0	1,595,449	(3,184,098)
Public safety	3,564,570	749,946	649,659	(2,164,965)
Health and welfare	624,490	0	3,479	(621,011)
Debt service	542,081	0	0	(542,081)
Total Governmental Activities	12,234,610	1,714,582	2,889,192	(7,630,836)
Total Primary Government	$ 12,234,610	1,714,582	2,889,192	(7,630,836)
GENERAL RECEIPTS				
Taxes				
Property taxes				1,220,572
Sales taxes				5,531,059
911 Telephone Tax				152,489
Interest				237,833
Other				503,669
Total General Receipts				7,645,622
Change in Cash Balances				14,786
NET ASSETS, JANUARY 1				4,443,884
NET ASSETS, DECEMBER 31				$ 4,458,670

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

BUTLER COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2005

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
				Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	$ 2,462,089	871,404	620,107	(970,578)
Roads and bridges	4,079,869	0	1,492,971	(2,586,898)
Public safety	3,400,977	579,441	557,925	(2,263,611)
Health and welfare	571,460	0	2,713	(568,747)
Debt service	538,556	0	0	(538,556)
Total Governmental Activities	11,052,951	1,450,845	2,673,716	(6,928,390)
Total Primary Government	$ 11,052,951	1,450,845	2,673,716	(6,928,390)
GENERAL RECEIPTS				
Taxes				
Property taxes				1,257,230
Sales taxes				5,456,849
911 Telephone Tax				161,551
Interest				127,341
Other				460,440
Total General Receipts				7,463,411
Change in Cash Balances				535,021
NET ASSETS, JANUARY 1				3,908,863
NET ASSETS, DECEMBER 31				$ 4,443,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Fund Financial Statements

Exhibit C-1

BUTLER COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2006

		General Fund	Special Road and Bridge Fund	Law Enforcement Complex Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash (and investments)	$	1,646,633	124,544	891,691	139,240	273,128	1,383,434	4,458,670
Total Assets	$	1,646,633	124,544	891,691	139,240	273,128	1,383,434	4,458,670
FUND BALANCES								
Unreserved	$	1,646,633	0	0	0	0	0	1,646,633
Unreserved special revenue funds		0	124,544	891,691	139,240	273,128	0	1,428,603
Unreserved reported in nonmajor funds		0	0	0	0	0	1,383,434	1,383,434
Total Fund Balances	$	1,646,633	124,544	891,691	139,240	273,128	1,383,434	4,458,670

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

BUTLER COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2005

		General Fund	Special Road and Bridge Fund	Law Enforcement Complex Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash (and investments)	$	1,480,407	297,412	663,379	267,090	467,155	1,268,441	4,443,884
Total Assets	$	1,480,407	297,412	663,379	267,090	467,155	1,268,441	4,443,884
FUND BALANCES								
Unreserved	$	1,480,407	0	0	0	0	0	1,480,407
Unreserved special revenue funds		0	297,412	663,379	267,090	467,155	0	1,695,036
Unreserved reported in nonmajor funds		0	0	0	0	0	1,268,441	1,268,441
Total Fund Balances	$	1,480,407	297,412	663,379	267,090	467,155	1,268,441	4,443,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-1

BUTLER COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2006

	General Fund	Special Road and Bridge Fund	Law Enforcement Complex Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	$ 458,566	153,469	0	0	0	608,537	1,220,572
Sales taxes	1,936,104	829,759	1,382,599	691,299	691,298	0	5,531,059
911 telephone tax	0	0	0	0	0	152,489	152,489
Intergovernmental	494,218	1,595,449	213,340	0	0	586,185	2,889,192
Charges for services	970,136	0	282,151	0	0	462,295	1,714,582
Interest	104,327	10,372	30,218	12,591	12,591	67,734	237,833
Other	127,162	7,458	43,714	116,258	164,258	44,819	503,669
Total Receipts	4,090,513	2,596,507	1,952,022	820,148	868,147	1,922,059	12,249,396
DISBURSEMENTS							
General county government	2,135,521	0	0	0	0	588,401	2,723,922
Roads and bridges	0	2,769,375	0	947,998	1,062,174	0	4,779,547
Public safety	1,086,366	0	1,981,629	0	0	496,575	3,564,570
Health and welfare	2,400	0	0	0	0	622,090	624,490
Debt service	0	0	542,081	0	0	0	542,081
Total Disbursements	3,224,287	2,769,375	2,523,710	947,998	1,062,174	1,707,066	12,234,610
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	866,226	(172,868)	(571,688)	(127,850)	(194,027)	214,993	14,786
OTHER FINANCING SOURCES (USES)							
Transfers in	0	0	800,000	0	0	0	800,000
Transfers out	(700,000)	0	0	0	0	(100,000)	(800,000)
Total Other Financing Sources (Uses)	(700,000)	0	800,000	0	0	(100,000)	0
NET CHANGE IN CASH BALANCES	166,226	(172,868)	228,312	(127,850)	(194,027)	114,993	14,786
CASH BALANCES, JANUARY 1	1,480,407	297,412	663,379	267,090	467,155	1,268,441	4,443,884
CASH BALANCES, DECEMBER 31	$ 1,646,633	124,544	891,691	139,240	273,128	1,383,434	4,458,670

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-2

BUTLER COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2005

	General Fund	Special Road and Bridge Fund	Law Enforcement Complex Fund	Eastern Capital Improvement Fund	Western Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	$ 481,959	167,332	0	0	0	607,939	1,257,230
Sales taxes	1,910,211	818,662	1,363,988	681,994	681,994	0	5,456,849
911 telephone tax	0	0	0	0	0	161,551	161,551
Intergovernmental	440,408	1,492,971	260,316	0	0	480,021	2,673,716
Charges for services	934,888	0	197,875	0	0	318,082	1,450,845
Interest	48,043	9,338	14,041	9,245	9,245	37,429	127,341
Other	48,608	18,633	38,003	140,547	154,264	60,385	460,440
Total Receipts	3,864,117	2,506,936	1,874,223	831,786	845,503	1,665,407	11,587,972
DISBURSEMENTS							
General county government	2,035,783	0	0	0	0	426,306	2,462,089
Roads and bridges	0	2,546,403	0	774,866	758,600	0	4,079,869
Public safety	1,008,635	0	1,809,507	0	0	582,835	3,400,977
Health and welfare	800	0	0	0	0	570,660	571,460
Debt service	0	0	538,556	0	0	0	538,556
Total Disbursements	3,045,218	2,546,403	2,348,063	774,866	758,600	1,579,801	11,052,951
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	818,899	(39,467)	(473,840)	56,920	86,903	85,606	535,021
OTHER FINANCING SOURCES (USES)							
Transfers in	0	0	800,000	0	0	0	800,000
Transfers out	(700,000)	0	0	0	0	(100,000)	(800,000)
Total Other Financing Sources (Uses)	(700,000)	0	800,000	0	0	(100,000)	0
NET CHANGE IN CASH BALANCES	118,899	(39,467)	326,160	56,920	86,903	(14,394)	535,021
CASH BALANCES, JANUARY 1	1,361,508	336,879	337,219	210,170	380,252	1,282,835	3,908,863
CASH BALANCES, DECEMBER 31	$ 1,480,407	297,412	663,379	267,090	467,155	1,268,441	4,443,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-1

BUTLER COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2006

ASSETS		
Cash (and investments)	$	4,335,549
Total Assets		4,335,549
NET ASSETS		
Restricted		4,335,549
Unrestricted		0
Total Net Assets	$	4,335,549

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-2

BUTLER COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2005

ASSETS		
Cash (and investments)	$	4,549,204
Total Assets		4,549,204
NET ASSETS		
Restricted		4,549,204
Unrestricted		0
Total Net Assets	$	4,549,204

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

As Note 1.C. discusses further, the accompanying financial statements of Butler County, Missouri, are presented in conformity with the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

A. Reporting Entity

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Butler County consists of all funds, departments, offices, or organizations that are not legally separate from the county.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources, is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it, or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county.

Based on application of the above criteria, the county has no component units.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements display information about the county as a whole. These statements include the financial activities of the primary government, except for the activities of fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange transactions. Business-type activities are financed wholly or partially by fees

charged to external parties for goods or services. For the years ended December 31, 2006 and 2005, the county had only governmental activities.

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the county's governmental activities. Direct disbursements are specifically associated with and clearly identifiable to a particular function. The county does not allocate indirect costs to those functions. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts, including all taxes, are presented as general receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

2. Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and non-major funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10 percent of the corresponding element total for all funds of that type, and (c) any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into two categories of funds—governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund: The General Fund is the primary operating fund of the county, accounting for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Eastern Capital Improvement and Western Capital Improvement Funds: These funds account for sales tax collections that are legally restricted to disbursements for major capital improvements.

Law Enforcement Complex Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for law enforcement purposes.

The county's non-major governmental funds are also special revenue funds.

The financial statements of the Butler County Health Center Fund, a special revenue fund, are not included in the accompanying financial statements for its years ended December 31, 2006 and 2005. Such financial statements have been audited and separately reported on by other independent auditors.

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector’s fund which has a fiscal year ending February 28; therefore, financial information for its reporting periods is included in the accompanying Statement of Fiduciary Net Assets.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

The accounting treatment for specific account balances and transaction types is as follows:

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available. Net assets are reported as restricted when limitations on their use are imposed either (1) by law through constitutional provisions or enabling legislation or (2) externally through restrictions by creditors, grantors, contributors, or other governments' laws and regulations. All other net assets are reported as unrestricted. Enabling legislation authorizes the county to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated by the legislation. At December 31, 2006 and 2005, net assets restricted by enabling legislation were $2,812,037 and $2,963,477, respectively, for governmental activities.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

Inventories and capital assets: Inventories include office furniture, office equipment, supplies, etc. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

Compensated absences: Butler County accrues vacation time for employees at the rate of 1 week vacation the first year worked, 2 weeks vacation for years 2 through 6 worked, 3 weeks vacation for years 7 through 14 worked and 4 weeks vacation for all subsequent years worked. After 20 years, 1 additional day is accrued per year to a maximum of 5 weeks. Sick leave accrues at 12 days per year worked. Compensatory time is handled by each office holder for their own departments.

Union employees (road and building maintenance staff) can sell vacation at any time. Sick leave can be sold upon retirement at 40% up to a maximum of 640 hours.

Vacation and sick leave amounts are reported as disbursements when they are paid. Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The county has not restricted any net assets or reserved any fund balance for these commitments.

Other post employment benefits: The County does not provide post employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

Long-term debt: Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principal and interest are reported when disbursements are made.

D. Accounting Changes

For the years ended December 31, 2006 and 2005, the county implemented applicable provisions of the following GASB Statements:

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*: This Statement, an amendment of Statement No. 34, clarifies the meaning of "legally enforceable" as applicable to restrictions imposed on net asset use by enabling legislation and specifies the accounting and financial reporting requirements for those restricted net assets.

2. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial

institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Butler County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County Treasurer's and County Collector's bank balances are jointly collateralized by the county's depository bank. As a result, for the purpose of these risk disclosures, the adequacy of collateral was analyzed for both offices as of December 31, 2006 and 2005, although the County Collector's fiscal year-ends were February 28, 2007 and 2006. The December 31, 2006 and 2005, balances of the governmental funds and fiduciary funds held by the County Treasurer are included in Exhibits A and E, respectively, along with balances of funds held by other county officials. The February 28, 2007 and 2006, balances of fiduciary funds held by the County Collector are included in Exhibit E along with the December 31, 2006 and 2005, balances of other county officials.

The County Treasurer's and County Collector's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

Custodial credit risk is the risk that, if the counterparty to an investment transaction fails, Butler County will not be able to recover the investment's value or collateral securities that are in an outside party's possession. The County Treasurer's and County Collector's investments in overnight repurchase agreements are jointly collateralized by the county's depository bank. As a result, for the purpose of these risk disclosures, the adequacy of collateral was analyzed for both offices as of December 31, 2006 and 2005, although the County Collector's fiscal year-ends were February 28, 2007 and 2006. All of the securities underlying the county's $12,437,627 and $11,928,602 of investments in overnight repurchase agreements at December 31, 2006, and 2005, respectively, were held by the counterparty's trust department or agent but not in the county's name. The county's investment policy requires all collateral to be pledged to Butler County Funds in care of the Butler County Treasurer.

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). Collections for other governments and remittances to those governments are accounted for in various County Treasurer's agency funds.

4. Defined Benefit Pension Plan

Plan Description

Butler County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments in Missouri. The LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. Created and governed by Sections 70.600 through 70.755, RSMo, the system is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly. The plan is qualified under Internal Revenue Code Section 401(a) and is tax-exempt. The LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from:

Missouri Local Government Employees Retirement System
P.O. Box 1665
Jefferson City, MO 65102

Funding Policy

Butler County's full-time employees do not contribute to the pension plan. The county is required to contribute at an actuarially determined rate; the current rate is 14.4 percent (general) and 9.8 percent (law enforcement) and 13.5 percent(Special Road and Bridge) of annual covered payroll. The contribution requirements of plan members are determined by the County Commission. The contribution provisions of the county are established by statute.

Annual Pension Cost

For 2006 and 2005, the county's annual pension cost of $444,920 and $326,895, respectively, was equal to the county's required and actual contributions. The required contributions were determined, respectively, as part of the February 28, 2005, February 29, 2004, and/or February 28, 2003, actuarial valuations using the entry age actuarial cost method.

The actuarial assumptions at February 28, 2006, included (a) an investment rate of return of 7.5 percent per year, compounded annually; (b) projected salary increases of 4 percent per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0 to 6 percent per year, depending on age and division, attributable to seniority

or merit; (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table; and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000, set back 1 year for men and 7 years for women.

The actuarial assumptions at February 28, 2005, included (a) an investment rate of return of 7.5 percent per year, compounded annually; (b) projected salary increases of 4 percent per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0 to 4.2 percent per year, depending on age, attributable to seniority or merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality Table; and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000, set back 1 year for men and 7 years for women.

For both 2006 and 2005 the actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. The un-funded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2006 and 2005, was 15 years.

3-Year Trend Information

Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Obligation
06/30/2004	$	317,540	100	%	$	0
06/30/2005		326,895	100			0
06/30/2006		444,920	100			0

5. Defined Benefit Pension Plan

Plan Description

Butler County contributes to the County Employees' Retirement System (CERS), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERS, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERS Board of Directors. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from:

County Employees' Retirement System
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Funding Policy

Contribution rates are set by statute. Before January 1, 2003, members, except for those who participated in the LAGERS, were required to contribute 2 percent of their gross

compensation. Effective January 1, 2003, all members hired on or after February 25, 2002, are subject to an additional 4 percent contribution, which can be paid by the county on behalf of its employees or by the employees. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee.

In addition, the CERS receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system.

The county's contributions to the CERS for the years ended December 31, 2006, 2005, and 2004, were $215,998, $182,711, and $175,620, respectively, equal to the required contributions for each year.

6. Defined Contribution and Deferred Compensation Plans

Plan Description

Butler County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. Contributions of $70 and $197 were made during the years ended December 31, 2006 and 2005, respectively. Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent of the LAGERS member's) compensation. Matching contributions for the years ended December 31, 2006 and 2005, were $11,267 and $9,404, respectively.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member

contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

7. Inter-fund Transfers

Inter-fund transfers, the flow of assets from one fund to another when repayment is not expected, are reported as transfers in and out. The county made the following inter-fund transfers:

	Year Ended December 31, 2005
	Transfers In:
	Law Enforcement Complex Fund
Transfers Out:	
General Fund	$ 700,000
Non-major Governmental Funds	100,000

	Year Ended December 31, 2006
	Transfers In:
	Law Enforcement Complex Fund
Transfers Out:	
General Fund	$ 700,000
Non-major Governmental Funds	100,000

Inter-fund transfers occurred primarily because they were statutorily required or allowed. The General Fund also contributed monies to certain other funds when fund receipts were insufficient for specific purposes.

8. Prior Period Adjustment

The Health and Dental Escrow Fund's cash balance of $23,950 at January 1, 2004, was previously reported but has been removed from the column for governmental funds. The fund is now reported as a fiduciary fund.

9. Risk Management

The county carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life. No significant reductions in coverage were made since December 31, 2004, and settlements have not exceeded coverage in the past 3 years.

10. Commitments and Contingencies

A. Contracts

On January 1, 1999, Butler County refinanced the Revenue Bond for the Jail Project for $6,095,000. Annual principal payments will increase each year as well as interest rates. The bond will be paid off December 1, 2013. At December 31, 2006 the outstanding principal obligation was $3,280,000.

On July 28, 2005 the Butler County Board for the Care of the Handicapped and the Manufacturers Assistance Group, Inc. (MAG) entered into a payment agreement with the United States Department of Agriculture Rural Development Agency (USDA-RD). MAG obtained a loan in the amount of $1,518,000 from the USDA-RD, guaranteed by the Board, for the construction of a new sheltered workshop facility. The interest rate for the loan is 4.125% and annual principal and interest payments of $89,137 are required for a term of 30 years.

B. Litigation

As of December 31, 2006, the county's legal counsel indicated three pending cases. One case involved a lawsuit filed against the county by an inmate of the jail and the potential liability to the county cannot be determined at this time. The other lawsuits, one filed against the County Coroner regarding a death investigation and one filed against several sheriffs by a group of bail bondsmen regarding denial of permission to write bail bonds, were both dismissed during 2007.

The county's legal counsel also indicated that two additional lawsuits were filed against the county in 2007. One of the lawsuits was filed by a group of former county employees alleging wrongful termination and the other lawsuit was filed by the family of an inmate who died in county custody and alleges lack of proper care. The potential liability to the county cannot be determined at this time.

11. Subsequent Event

In 2005, Butler County was awarded $300,000 in Community Development Block Grant funds for a new MAG Building. Construction work was started in 2007 with an expected completion date of February 2008.

Required Supplementary Information

Schedule 1

BUTLER COUNTY, MISSOURI
SCHEDULE OF FUNDING PROGRESS FOR
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b-a) or (Excess of Assets over AAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c] or (Excess as a Percentage of Covered Payroll) [(a-b)/c]
02/29/2004	$ 3,969,710	$ 4,624,511	$ 654,801	86 %	$ 3,069,242	$ 21 %
02/28/2005	4,080,818	4,944,575	863,757	83	2,736,697	32
02/28/2006	4,700,607	5,492,187	791,580	86	3,211,426	25
02/28/2006*	4,700,607	5,711,278	1,010,671	82	3,211,426	31

* These amounts are after changes in actuarial assumptions.

See related Note 4 (Defined Benefit Pension Plan) to the financial statements.

Schedule 2

BUTLER COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2006				2005			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable
	Original	Final	Cash Basis	(Unfavorable)	Original	Final	Cash Basis	(Unfavorable)
GENERAL REVENUE FUND								
RECEIPTS								
Property taxes	$ 482,500	482,500	458,566	(23,934)	467,000	467,000	481,959	14,959
Sales taxes	1,900,000	1,900,000	1,936,104	36,104	1,850,000	1,850,000	1,910,211	60,211
Intergovernmental	513,000	513,000	494,218	(18,782)	378,900	378,900	440,408	61,508
Charges for services	937,250	937,250	970,136	32,886	901,000	901,000	934,888	33,888
Interest	40,000	40,000	104,327	64,327	8,000	8,000	48,043	40,043
Other	47,650	47,650	127,162	79,512	246,500	246,500	48,608	(197,892)
Total Receipts	3,920,400	3,920,400	4,090,513	170,113	3,851,400	3,851,400	3,864,117	12,717
DISBURSEMENTS								
County Commission	122,600	122,600	117,447	5,153	119,000	119,000	111,981	7,019
County Clerk	165,278	165,278	168,252	(2,974)	154,862	154,862	146,492	8,370
Elections	191,500	191,500	222,102	(30,602)	164,500	164,500	170,681	(6,181)
Buildings and grounds	401,500	401,500	267,157	134,343	392,500	392,500	270,306	122,194
Employee fringe benefits	546,200	546,200	454,617	91,583	518,700	518,700	494,405	24,295
County Treasurer	85,632	85,632	78,863	6,769	82,618	82,618	79,797	2,821
County Collector	172,101	172,101	152,039	20,062	157,888	157,888	142,140	15,748
Recorder of Deeds	193,364	193,364	186,605	6,759	176,424	176,424	174,867	1,557
Circuit Clerk	110,500	110,500	57,492	53,008	98,100	98,100	42,148	55,952
Court administration	10,350	10,350	4,783	5,567	9,350	9,350	5,851	3,499
Public Administrator	116,318	116,318	111,842	4,476	109,574	109,574	111,464	(1,890)
Prosecuting Attorney	243,100	243,100	262,249	(19,149)	244,196	244,196	236,635	7,561
Juvenile Officer	254,200	254,200	237,009	17,191	201,450	201,450	170,913	30,537
County Coroner	74,900	74,900	52,126	22,774	65,574	65,574	51,671	13,903
Support Enforcement (IV-D)	269,121	269,121	260,618	8,503	267,566	267,566	273,564	(5,998)
Youth services grant	64,480	64,480	72,576	(8,096)	76,000	76,000	61,140	14,860
Civil Defense	161,874	161,874	169,720	(7,846)	91,043	91,043	127,923	(36,880)
Other general county government	120,000	120,000	121,331	(1,331)	118,500	118,500	107,984	10,516
Insurance	67,000	67,000	77,952	(10,952)	60,000	60,000	63,430	(3,430)
Grants	10,400	10,400	4,909	5,491	25,400	25,400	11,222	14,178
Other	110,547	110,547	110,130	417	98,650	98,650	103,013	(4,363)
Health and welfare	2,800	2,800	2,400	400	2,800	2,800	800	2,000
Juvenile justice center	42,000	42,000	32,068	9,932	101,500	101,500	86,791	14,709
Transfers out	700,000	700,000	700,000	0	714,000	714,000	700,000	14,000
Emergency Fund	350,000	350,000	0	350,000	300,000	300,000	0	300,000
Total Disbursements	4,585,765	4,585,765	3,924,287	661,478	4,350,195	4,350,195	3,745,218	604,977
Net Change in Cash Balances	(665,365)	(665,365)	166,226	831,591	(498,795)	(498,795)	118,899	617,694
CASH BALANCE, JANUARY 1	1,480,407	1,480,407	1,480,407	0	1,361,508	1,361,508	1,361,508	0
CASH BALANCE, DECEMBER 31	$ 815,042	815,042	1,646,633	831,591	862,713	862,713	1,480,407	617,694

Schedule 2

BUTLER COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2006				2005			
	Budgeted Amounts		Actual Amounts Cash Basis	Variance with Final Budget-- Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts Cash Basis	Variance with Final Budget-- Favorable (Unfavorable)
	Original	Final			Original	Final		
SPECIAL ROAD AND BRIDGE FUND								
RECEIPTS								
Property taxes	$ 170,000	170,000	153,469	(16,531)	170,000	170,000	167,332	(2,668)
Sales taxes	800,000	800,000	829,759	29,759	775,000	775,000	818,662	43,662
Intergovernmental	1,463,250	1,463,250	1,595,449	132,199	1,452,000	1,452,000	1,492,971	40,971
Interest	8,000	8,000	10,372	2,372	2,500	2,500	9,338	6,838
Other	16,100	16,100	7,458	(8,642)	31,250	31,250	18,633	(12,617)
Total Receipts	2,457,350	2,457,350	2,596,507	139,157	2,430,750	2,430,750	2,506,936	76,186
DISBURSEMENTS								
Salaries	1,150,000	1,150,000	1,200,134	(50,134)	1,135,000	1,135,000	1,064,685	70,315
Fringe benefits	575,000	575,000	578,769	(3,769)	551,000	551,000	512,052	38,948
Supplies	525,000	525,000	562,094	(37,094)	445,000	445,000	522,200	(77,200)
Insurance	80,000	80,000	70,290	9,710	80,000	80,000	62,616	17,384
Materials	92,000	92,000	43,580	48,420	87,000	87,000	78,027	8,973
Equipment repairs	30,000	30,000	19,029	10,971	30,000	30,000	27,876	2,124
Rentals	3,000	3,000	373	2,627	3,000	3,000	3,348	(348)
Equipment purchases	10,000	10,000	4,115	5,885	10,000	10,000	0	10,000
Construction, repair, and m\aintenance	242,500	242,500	268,708	(26,208)	242,500	242,500	257,883	(15,383)
Other	32,500	32,500	22,283	10,217	32,500	32,500	17,716	14,784
Total Disbursements	2,740,000	2,740,000	2,769,375	(29,375)	2,616,000	2,616,000	2,546,403	69,597
Net Change in Cash Balances	(282,650)	(282,650)	(172,868)	109,782	(185,250)	(185,250)	(39,467)	145,783
CASH BALANCE, JANUARY 1	297,412	297,412	297,412	0	336,879	336,879	336,879	0
CASH BALANCE, DECEMBER 31	$ 14,762	14,762	124,544	109,782	151,629	151,629	297,412	145,783
LAW ENFORCEMENT COMPLEX FUND								
RECEIPTS								
Sales taxes	$ 1,300,000	1,300,000	1,382,599	82,599	1,300,000	1,300,000	1,363,988	63,988
Intergovernmental	241,000	241,000	213,340	(27,660)	240,000	240,000	260,316	20,316
Charges for services	180,500	180,500	282,151	101,651	189,000	189,000	197,875	8,875
Interest	10,000	10,000	30,218	20,218	4,500	4,500	14,041	9,541
Other	33,000	33,000	43,714	10,714	49,000	49,000	38,003	(10,997)
Transfers in	825,000	825,000	800,000	(25,000)	800,000	800,000	800,000	0
Total Receipts	2,589,500	2,589,500	2,752,022	162,522	2,582,500	2,582,500	2,674,223	91,723
DISBURSEMENTS								
Sheriff/salaries	700,891	700,891	681,497	19,394	610,626	610,626	620,890	(10,264)
Jail/salaries	338,984	338,984	325,440	13,544	314,189	314,189	315,610	(1,421)
Fringe benefits	389,500	389,500	388,360	1,140	377,200	377,200	330,393	46,807
Sheriff's expense	225,000	225,000	257,117	(32,117)	243,500	243,500	221,075	22,425
Jail expense	181,000	181,000	140,251	40,749	174,600	174,600	156,505	18,095
Building and grounds	208,378	208,378	183,261	25,117	217,000	217,000	156,771	60,229
Evidence technology	9,000	9,000	5,703	3,297	9,000	9,000	8,263	737
Debt service	551,000	551,000	542,081	8,919	551,000	551,000	538,556	12,444
Total Disbursements	2,603,753	2,603,753	2,523,710	80,043	2,497,115	2,497,115	2,348,063	149,052
Net Change in Cash Balances	(14,253)	(14,253)	228,312	242,565	85,385	85,385	326,160	240,775
CASH BALANCE, JANUARY 1	663,379	663,379	663,379	0	337,219	337,219	337,219	0
CASH BALANCE, DECEMBER 31	$ 649,126	649,126	891,691	242,565	422,604	422,604	663,379	240,775

Schedule 2

BUTLER COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2006				2005			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable
	Original	Final	Cash Basis	(Unfavorable)	Original	Final	Cash Basis	(Unfavorable)
EASTERN CAPITAL IMPROVEMENT FUND								
RECEIPTS								
Sales taxes	$ 650,000	650,000	691,299	41,299	650,000	650,000	681,994	31,994
Interest	5,000	5,000	12,591	7,591	3,000	3,000	9,245	6,245
Shared project reimbursements	50,000	50,000	26,000	(24,000)	0	0	38,650	38,650
Used equipment sales	102,000	102,000	90,258	(11,742)	98,000	98,000	87,064	(10,936)
Miscellaneous reimbursements	10,000	10,000	0	(10,000)	10,000	10,000	14,833	4,833
Total Receipts	817,000	817,000	820,148	3,148	761,000	761,000	831,786	70,786
DISBURSEMENTS								
Asphalt	150,000	150,000	212,132	(62,132)	150,000	150,000	160,193	(10,193)
Bridges, culverts, and blades	200,000	200,000	216,651	(16,651)	200,000	200,000	142,122	57,878
Equipment purchases	300,000	300,000	306,516	(6,516)	300,000	300,000	265,758	34,242
Gravel	150,000	150,000	212,699	(62,699)	150,000	150,000	197,644	(47,644)
Other	20,000	20,000	0	20,000	20,000	20,000	9,149	10,851
Total Disbursements	820,000	820,000	947,998	(127,998)	820,000	820,000	774,866	45,134
Net Change in Cash Balances	(3,000)	(3,000)	(127,850)	(124,850)	(59,000)	(59,000)	56,920	115,920
CASH BALANCE, JANUARY 1	267,090	267,090	267,090	0	210,170	210,170	210,170	0
CASH BALANCE, DECEMBER 31	$ 264,090	264,090	139,240	(124,850)	151,170	151,170	267,090	115,920
WESTERN CAPITAL IMPROVEMENT FUND								
RECEIPTS								
Sales taxes	$ 650,000	650,000	691,298	41,298	650,000	650,000	681,994	31,994
Interest	5,000	5,000	12,591	7,591	3,000	3,000	9,245	6,245
Shared project reimbursements	50,000	50,000	74,000	24,000	0	0	67,200	67,200
Used equipment sales	102,000	102,000	90,258	(11,742)	98,000	98,000	87,064	(10,936)
Miscellaneous reimbursements	20,000	20,000	0	(20,000)	10,000	10,000	0	(10,000)
Total Receipts	827,000	827,000	868,147	41,147	761,000	761,000	845,503	84,503
DISBURSEMENTS								
Asphalt	150,000	150,000	216,497	(66,497)	150,000	150,000	187,144	(37,144)
Bridges, culverts, and blades	400,000	400,000	293,570	106,430	200,000	200,000	121,542	78,458
Equipment purchases	300,000	300,000	333,016	(33,016)	300,000	300,000	265,758	34,242
Gravel	150,000	150,000	219,091	(69,091)	150,000	150,000	176,006	(26,006)
Other	20,000	20,000	0	20,000	20,000	20,000	8,150	11,850
Total Disbursements	1,020,000	1,020,000	1,062,174	(42,174)	820,000	820,000	758,600	61,400
Net Change in Cash Balances	(193,000)	(193,000)	(194,027)	(1,027)	(59,000)	(59,000)	86,903	145,903
CASH BALANCE, JANUARY 1	467,155	467,155	467,155	0	380,252	380,252	380,252	0
CASH BALANCE, DECEMBER 31	$ 274,155	274,155	273,128	(1,027)	321,252	321,252	467,155	145,903

The accompanying Notes to the Financial Statements are an integral part of this statement

Note to the Required Supplementary Information

BUTLER COUNTY, MISSOURI
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the Special Road and Bridge Fund, Eastern Capital Improvement Fund, and Western Capital Improvement Fund in 2006.

Other Supplementary Information

Schedule 3

BUTLER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct programs:			
10.766	Community Facilities Loans and Grants	N/A	$ 10,145	0
	Passed through state Office of Administration -			
10.665	Schools and Roads - Grants to States	N/A	102,599	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO 1640	5,826	6,386
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.592	Local Law Enforcement Block Grants Program	2003-LBBX-0570	0	1,438
		2004-LBBX-0847	0	6,093
	Program total		0	7,531
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2005-DJBX-0779	13,322	0
	Passed through:			
	State Department of Public Safety -			
16.523	Juvenile Accountability Incentive Block Grants	2003-JAIBG_LG-06	0	14,032
		2002-SUP_JABG-01	0	33,516
	Program total		0	47,548
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,609	1,366
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO12-(21)	0	9,299
		BRO12-(22)	16,743	175,009
		BRO12-(24)	9,927	48,643
		BRO12-(25)	168,362	0
		BRO12-(26)	47,525	0
	Program total		242,557	232,951

Schedule 3

BUTLER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEM-04-04-5130	1,876	0
		HMEM-04-04-5120	0	1,876
	Program total		1,876	1,876
	GENERAL SERVICES ADMINISTRATION			
	Passed through state:			
	Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	197	1,601
	Office of Secretary of State -			
39.011	Election Reform Payments	N/A	103,750	122,646
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	N/A	0	8,065
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state Department of Social Services -			
93.563	Child Support Enforcement	N/A	178,980	168,808
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety:			
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0049	19,702	20,580
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	N/A	3,562	3,473
97.042	Emergency Management Performance Grants	2006-EM-E6-0037	25,570	0
		2005-GE-T5-0022	0	23,156
	Program total		25,570	23,156
	Total Expenditures of Federal Awards		$ 709,695	645,987

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of
Expenditures of Federal Awards

BUTLER COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Butler County, Missouri, except for the programs accounted for in the Health Center Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended December 31, 2006 and 2005.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represents the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 2006	2005
14.231	Emergency Shelter Grants Program	$ 5,826	6,386
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	1,876	1,876
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	3,562	3,473

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Butler County, Missouri

Compliance

We have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs, Butler County, Missouri, did not comply with requirements regarding cash management that are applicable to its Highway Planning and Construction program. Compliance

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with such requirements is necessary, in our opinion, for Butler County, Missouri, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Butler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-3.

Internal Control Over Compliance

The management of Butler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. However, we consider the significant deficiencies referred to above, finding numbers 06-1 and 06-2, to be material weaknesses.

The responses of Butler County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 27, 2007

Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weakness identified?	__x__ yes	_____ no
• Significant deficiency identified that is not considered to be a material weakness?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for CFDA Number 93.563 Qualified for CFDA Number 20.205	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding(s) that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Highway Planning and Construction Grants – Cash Management

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-012(21), (22), (24), (25), and (26)
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to contractors. Of 6 reimbursements reviewed, 4 reimbursements totaling $88,926 were received and held for more than 2 business days before the related payment was made to the contractor. These reimbursements included two reimbursements totaling $86,221 held 4 days. The County Clerk's office indicated they retrieve unpaid BRO vendor invoices and process expenditures for the County Commission's approval when they receive notice from the County Treasurer's office that payment has been received from the state. Although the County Treasurer notifies the County Clerk's office daily of all receipts and the County Clerk processes expenditures for the County Commission's signature two or three times per week, these payments do not appear to comply with federal guidelines.

The county contracts with the Missouri Department of Transportation (MoDOT) for bridge replacement and rehabilitation under the Highway Planning and Construction Program. Section .300(c) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the auditee to "comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs". Section XII of the MoDOT Local Public Agency Manual provides that local agencies must develop cash

management procedures to ensure payment is made to the contractor/consultant within 2 business days of receipt of funds from MoDOT.

WE RECOMMEND the County Commission establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with federal and contractual requirements.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We have now improved communication of the receipt of BRO funds between the County Treasurer and the County Clerk. The County Clerk will improve efforts to issue disbursements within the two day time frame.

06-2. Highway Planning and Construction Grants – Procurement, Suspension, and Debarment

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-012(21), (22), (24), (25), and (26)
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

When procuring engineering services for BRO projects, the county did not ensure that the engineering firm had not been suspended or debarred according to the federal list and did not require the engineering firm to certify that they had not been suspended or debarred. The county expended approximately $226,000 in the two years ended December 31, 2006 for BRO project engineering services.

At our request, the county reviewed the federal suspension and debarment listing and determined that the county's engineering services contractor was neither suspended nor debarred. Federal grant guidelines require the grant recipient to ensure that vendors and contractors are neither suspended nor debarred. Controls should be established to review the federal suspension and debarment listing and/or obtain suspension and debarment certifications from parties to ensure compliance with federal regulations.

WE RECOMMEND the County Commission review the federal suspension and debarment listing and/or obtain certifications from parties awarded contracts that the organization and its principals are not suspended or debarred.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will review for suspension and debarment of vendors who submit annual statements of qualification.

06-3. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-012(21), (22), (24), (25), and (26)
Award Years:	2006 and 2005
Questioned Costs:	N/A

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	State Department of Social Services
Federal CFDA Numbers:	93.563
Program Title:	Child Support Enforcement
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were overstated by $71,000 and $140,000 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2006 and 2005 the County Clerk failed to include federal expenditures of $131,000 under the Election Reform Payments Program, but included $195,000 in 2006 and 2005 under a Juvenile Justice and Delinquency Prevention – Allocation to the States Program which represented contract reimbursements that are not considered federal awards. In addition, the County Clerk included federal monies of $102,000 in 2005 under a Schools and Roads – Grants to States Program which were not expended until the following year and $142,000 in 2006 and 2005 under a Child Support Enforcement Program which represented the county's share of program expenditures. The

County Clerk indicated the office had not developed a formal method for identifying and tracking federal program expenditure activity.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

Similar conditions were noted in prior reports. Although the County Commission and County Clerk indicated they would implement the recommendations, the county has not adequately improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk has now implemented a ledger to track federal grant monies received in calendar year 2007 that will require reporting. This schedule will be utilized to ensure federal reporting is complete and accurate.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BUTLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BUTLER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BUTLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, Missouri, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 27, 2007. We also have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 27, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for the Highway Planning and Construction program (CFDA number 20.205).

Because the Health Center Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

This Management Advisory Report (MAR) presents any findings arising from our review of the county board referred to in the preceding paragraph. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Butler County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Butler County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Budgets and Planning

Budgets prepared for some county funds contained unreasonable estimates. The county's financial monitoring procedures are ineffective and resulted in excess expenditures.

A. The County Commission's budget preparation procedures do not ensure that the budget documents reasonably reflect the County Commission's, other county officials', or other county boards' anticipated financial activity and cash balances, and lessen the effectiveness of the budget as a tool for monitoring or controlling county disbursements.

Because of inaccurate budget estimates, the estimated ending cash balance was significantly under estimated for some county funds, as follows:

Fund	Year Ended December 31, 2006 Budgeted Cash Balance (Under) Stated	Year Ended December 31, 2005 Budgeted Cash Balance (Under) Stated
General Revenue	$ (831,591)	(617,694)
Special Road and Bridge	(109,782)	(145,783)
Assessment	(50,404)	(96,475)
Bad Check	(53,288)	N/A
Law Enforcement Complex	(242,565)	(240,775)
Eastern Capital Improvement	N/A	(115,920)
Western Capital Improvement	N/A	(145,903)
Recorder User Fee	(116,221)	(169,656)
Sheriff Civil-Revolving	(24,415)	N/A
Collectors Tax Maintenance	(86,856)	(34,215)
Senior Citizens	(28,158)	(29,041)

The County Commission has historically estimated revenues conservatively and expenditures less conservatively. This generally provides a cash surplus when actual revenues exceed estimates and actual expenditures are less than estimated. In addition, as noted below, the County Commission does not amend budgets when it would appear appropriate and prudent to do so.

By not reasonably estimating expected receipts and disbursements, it is more difficult for the County Commission to analyze operations and monitor the county's financial condition.

B. Actual disbursements exceeded budgeted amounts for many funds, as follows:

Fund	Year Ended December 31, 2006	2005
Special Road and Bridge	$ 29,375	N/A
Law Enforcement Training	2,215	943
Bad Check	9,607	10,356
Eastern Capital Improvement	127,998	N/A
Western Capital Improvement	42,174	N/A
36th JJC Escrow	N/A	324,415
Commissary	4,606	N/A
DARE	1,860	13
Sheriff Drug	2,244	556
Special Election	52,260	N/A
911	14,003	8,989
Sheriff Civil-Revolving	1,969	606
Law Library	1,917	12,230
Law Enforcement Restitution	7,261	N/A

The County Commission receives quarterly budget to actual comparison reports for some but not all funds. However, there was little evidence in the commission meeting minutes of discussions regarding the budget status. Budget to actual comparison reports for other county officials are not produced on a regular basis and provided to other county officials. The information which is provided to other county officials is not routinely used to evaluate spending decisions. In addition, the County Commission does not amend budgets to reflect significant new revenue sources or other significant financial changes that arise after the original budget is prepared.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed periodically and used when making spending decisions throughout the year.

A condition similar to B was also noted in our two prior reports.

WE RECOMMEND the County Commission:

A. Work with other county officials to ensure that budgets provide reasonable estimates of anticipated financial activity.

B. Work with other county officials to ensure timely budget to actual reports are available and reviewed carefully, and refrain from approving disbursements which exceed budgeted amounts or amend the budgets as appropriate.

AUDITEE'S RESPONSE

A. We agree and will work with other county officials to ensure that budgets provide reasonable estimates.

B. We agree and have now implemented quarterly budget progress meetings with the other county officials. We will consider making budget amendments when necessary.

2.	Expenditures

The County Commission approves some expenditures without obtaining appropriate supporting documentation, has not determined the most cost effective method of providing

vehicles to employees, and does not have adequate methods of ensuring fuel purchased by the county is properly used only in county vehicles.

A. Supporting documentation related to some expenditures was insufficient to ensure amounts paid or allocated to various funds had a reasonable basis.

- The County Commission approved transfers of $100,000 each year from the 911 Fund to the Law Enforcement Complex Fund (LECF) to reimburse the LECF for salaries related to 911 dispatching. However, the County Commission did not document the salaries which were reimbursed or other data to support the basis for the amount of the transfers.

  Monies in the 911 Fund and LECF represent revenues which are restricted by statute to providing emergency dispatching services and law enforcement services, respectively. Costs paid by each fund should be clearly related to the services allowed by law and documentation retained to demonstrate the disbursements comply with the statutory restrictions.

- The County Commission approved payments during the two years ended December 31, 2006 totaling approximately $300,000 for insurance premiums which were allocated between the General Revenue, Road and Bridge, Assessment, and Law Enforcement Complex Funds. However, there was no documentation of the method or reasonableness of the allocation of the expenditure to the various funds.

The monies in these funds represent public funds, some of which are subject to restricted purposes, and county officials have a fiduciary responsibility to ensure expenditures are appropriate, reasonable, and supported with adequate documentation. Without documentation that transfers and allocations of expenditures are made on a reasonable, supported basis, the County Commission does not have adequate assurance that funds are spent appropriately.

B. The County Commission has not performed a cost/benefit analysis to determine if mileage reimbursements for personal vehicles, totaling over $146,000 from the Law Enforcement Complex Fund and the Sheriff's Fee Account are the most cost effective method of providing for employees' travel. The county previously paid mileage to all deputies for the use of their personal vehicles while patrolling. Although the county now provides vehicles which deputies use when performing general patrolling, the county still reimburses mileage for personal vehicles to the Sheriff for mileage incurred on official business and to reserve deputies for serving civil and criminal papers and transporting prisoners. The reserve deputies are not paid salaries for the duties they perform.

- Mileage reimbursements from the Law Enforcement Complex Fund to two reserve deputies who transport prisoners and serve criminal papers for the Sheriff's Department totaled over $100,000 during the two years ended December 31, 2006. In addition, one of the reserve deputies was also paid

over $28,000 from the Sheriff's Fee Account as mileage reimbursements for civil and garnishment paper service.

- Mileage reimbursements from the Law Enforcement Complex Fund to the County Sheriff for mileage he incurs using a personal vehicle totaled over $18,000 during the two years ended December 31, 2006. The Sheriff receives reimbursements for actual mileage up to a maximum of $850 per month and all but three of the 23 payments made to the Sheriff were at the monthly maximum amount. Even though the miles reimbursed is capped at approximately 1,900 miles per month, it may still be more cost beneficial for the county to provide a car rather than paying for mileage. In addition, mileage logs submitted by the Sheriff only indicate total number of miles driven per day and do not include other necessary details.

Given the significant amount of monies being spent for mileage reimbursements, the county should determine whether it would be more economical to purchase additional county vehicles, incur fuel and maintenance costs, and pay part-time salaries to the reserve deputies. A formal cost/benefit analysis would provide the County Commission with data to make informed decisions and ensure the economical use of county resources. Vehicle usage logs should include trip information (i.e., dates used, beginning and ending odometer readings, destination, and purpose).

C. The Sheriff's Department and Road and Bridge Department do not have adequate methods of monitoring fuel purchased by the county to ensure it is properly used only in county vehicles. Disbursements for fuel reflected on the Law Enforcement Sales Tax and Road and Bridge funds' expenditure records totaled approximately $78,000 and $650,000, respectively, during the two years ended December 31, 2006.

- Sheriff’s Department employees purchase fuel for county owned vehicles by charging at a local gas station. When fuel is purchased for these vehicles, the store clerk verifies the sale amount on the charge ticket and the deputies are to document the vehicle number, badge number, odometer reading, gallons purchased, and price per gallon on the charge ticket. The charge tickets are retained by the vendor and submitted to the Sheriff's Department each month with the monthly billing statement.

  While the Sheriff's Department clerks summarize the charge tickets by badge number and match the charge tickets to the monthly billing, the department performs no analysis to determine if the fuel purchases reported for each vehicle are reasonable in comparison to the mileage incurred by the vehicle. In addition, the charge tickets do not always include all necessary information to allow the clerks to perform a complete analysis. We attempted to do such an analysis for one month, but due to the inaccurate and incomplete records, the results were not useable.

- The Road and Bridge Department employees dispense fuel into the county's equipment and vehicles from bulk fuel tanks located at the maintenance shed. Employees record the date, employee name, vehicle number, and gallons pumped on a log maintained at the shed. However, the log does not contain vehicle odometer or equipment hour meter readings which would be necessary to perform analysis of usage. The maintenance supervisor submits delivery tickets and periodic billings to the County Clerk for payment when the vendor fills the bulk fuel tanks.

  A complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained and periodic reconciliations of fuel usages and purchases to the calculated fuel on hand are not performed. In addition, the fuel usage logs are not routinely reviewed by the road and bridge supervisor or County Commission to determine if the fuel dispensed to each vehicle or piece of equipment is reasonable in comparison to the mileage or usage incurred by the vehicle. Currently such a review is not possible due to the information missing in the log.

Complete fuel inventory records and usage information are needed to provide data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel usage and expenditures, fuel inventory balances should be reconciled to fuel on hand and records of fuel dispensed to vehicles or equipment should be compared to usage information such as miles driven or hours operated. Failure to account for and analyze fuel usages could result in theft, or misuse.

WE RECOMMEND the County Commission:

A. Ensure there is adequate documentation to support the amount and allocation of all expenditures from county funds.

B. Work with the Sheriff to perform a cost-benefit analysis to determine the most economical method for providing employee travel when performing official duties. In addition, obtain sufficiently detailed vehicle usage logs for personal mileage reimbursed to county employees.

C. Work with the Sheriff to ensure vehicle fuel usage is analyzed for reasonableness and the Road and Bridge department maintains complete usage logs and fuel inventory records which are periodically reconciled to fuel purchased and on hand.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We will strive to provide adequate documentation to support the amount and allocation of all expenditures from county funds.

B. We will work with the Sheriff to perform such an analysis and request that the Sheriff maintain sufficient documentation of personal mileage reimbursed by the county.

C. We will work with the Sheriff and the Road and Bridge department to implement this recommendation.

The Sheriff provided the following responses:

B. I agree with this recommendation and will work on performing a cost-benefit analysis and I will maintain more detailed mileage records.

C. My department has revised fuel tracking procedures and will develop additional procedures to analyze usage by vehicle.

3. Juvenile Justice Center

The County Commission did not adequately document the processes of selecting a site for a juvenile justice center, efforts to determine that the lease/purchase price entered into and the cost of renovating the structure chosen were reasonable, or adequate support for expenditures made to prepare the site for the county's use.

The County Commission acquired real estate that the county planned to use as a juvenile justice center. Expenditures, future lease payments and other consideration given by the county for the property and renovations totaled approximately $576,000. The proposed lease/purchase agreement for the property dated August 2004 required the owner: to submit plans to be approved by the county for renovation of the existing building on the property, perform exterior tuck pointing and roof coating, warranty the building and heating/cooling systems for one year, and provide a buyout option to the county of $1 at the end of the lease term. The county agreed to: provide all equipment and fixtures needed to prepare the building for the county's use, enter into a lease/purchase agreement to transfer title of the property, and compensate the owner for costs of renovations necessary to prepare the building for county use. The county also agreed to reduce the cash down payment to the owner by $130,000 if the owner was the successful bidder at $130,000 on several properties that the county planned to sell through sealed bids.

- The former Presiding Commissioner indicated that the Circuit Judge assisted the commission in locating and securing a property for use as the juvenile justice center.

The county had determined that two separate facilities in use for juvenile detention and custody activities were no longer suitable for county occupancy due to safety and building code concerns. County officials indicated that prior to August 2004, the county considered approximately ten different sites, narrowed the list of potential sites down to three and then consulted with an architect to further review the feasibility of the three properties. After discussing the properties with the architect, the county determined that one property was most feasible and proceeded with negotiations to acquire the property and perform the necessary renovations to prepare the property for county use. However, the County Commission minutes and county records do not document the efforts to locate potential sites, reports or other information submitted by the architect, the criteria used or reasons for accepting or rejecting the possible sites, or the process of negotiating the proposed lease agreement for the selected site.

- The County Commission agreed to a lease/purchase price for the selected site totaling $324,000 which included a $50,000 down payment, a property trade valued at $130,000, and $144,000 in future monthly lease payments. In addition, under separate agreement, the county acquired approximately 2 acres of adjacent land from the owner for $30,000. The county also agreed to compensate the owner $180,000 for renovation costs. Although the former Presiding Commissioner and the Circuit Judge indicated that they consulted the County Assessor and other real estate experts qualified to estimate the value of the acquisition and proposed renovations, the commission minutes and county records do not document the county's efforts to determine reasonableness of the amounts incurred by the county to acquire and prepare the building for county use.

- The lease/purchase proposal did not provide sufficient details on the renovation activities the owner was responsible for completing in order to receive the $180,000 payment for renovations. Although the proposal provided broad guidelines regarding the scope of the renovations and required written renovation plans, there is no evidence that the county received the detailed written plans. The former Presiding Commissioner and the Circuit Judge indicated that the renovation details were verbally negotiated and were not formally documented by the county or the owner. In addition, the County Commission approved additional renovation payments to the owner totaling approximately $42,000.

  Due to the lack of documentation of the detailed items to be covered under the original $180,000 in renovation costs, it is unclear why the additional $42,000 in costs fell outside the scope of the original anticipated work. Of the total renovation costs, only $17,000 included in the additional payments was competitively bid.

These monies represent public funds and officials have a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation. Documentation of the County Commission's activities and decision processes are necessary to provide support for the commission's decisions and actions. Adequate supporting documentation should include information on the criteria used and judgments made during

selection of real estate for acquisition as well as efforts to substantiate the reasonableness of amounts negotiated. Also, agreements should contain sufficient details of the scope of work to be performed and support for related payments should demonstrate that the scope was met.

WE RECOMMEND the County Commission adequately document activities related to purchases of real estate, including the processes used to select the property and to determine the fair value of related contracts. In addition, agreements for construction or services should contain sufficient details of the scope of work and related invoices should clearly demonstrate how the payment relates to the agreed upon scope of work.

AUDITEE'S RESPONSE

We agree with this recommendation and will improve our recordkeeping. We will ensure that contracts are adequately detailed.

4. Payroll Procedures

The County Clerk's office does not have sufficient time records to support payroll expenditures or leave and compensatory balance liabilities. Recordkeeping procedures varied among the other county offices and some of the records maintained were not adequate. Finally, the county's personnel and union employee policies do not address necessary leave accrual and compensatory time issues and existing policies are not always followed. During the two years ended December 31, 2006, Butler County expended over $7.5 million for payroll costs. The County Commission is responsible for approving payroll related expenditures, and the County Clerk is responsible for maintaining adequate records to support these expenditures.

A. Payroll expenditures are not always properly supported by time sheets which have been prepared and signed by employees or reviewed and approved by supervisors. In addition, time sheets do not always accurately report actual time worked by employees.

- The Chief Juvenile Officer and a Juvenile Office employee received pay from multiple funding sources during the two years ended December 31, 2006. Timesheets to support these payments were inadequate.

  The Chief Juvenile Officer received a full time salary from the state for managing and supervising the activities of the Juvenile Office 35 hours per week. In addition, the county paid her approximately $10,000 each year during 2005 and 2006 to work approximately seven hours per week as the detention center supervisor. The Chief Juvenile Officer indicated these additional duties were usually performed during the week in addition to the state paid duties.

Another Juvenile Office employee received a full time salary from the state for performing secretarial duties 35 hours per week. In addition, the county paid her approximately $6,500 during a three month period in 2005 for temporarily filling a vacant position monitoring and mentoring probationary juvenile offenders 40 hours per week. The two full time positions were held concurrently by the employee. The Chief Juvenile Officer indicated this employee generally worked 35 daytime hours and 20 evening hours during the week and an additional 20 hours on the weekends.

Separate state and county time sheets were prepared for each position showing total hours worked each day. However, the time sheets did not include time periods worked to demonstrate when the reported hours were actually worked. In addition, the county only received a copy of the time sheet related to county payroll and was not able to verify the validity of time reported for county payroll in relationship to other duties performed by these employees.

- The Road and Bridge Department employees, Sheriff's deputies, and the County Treasurer's deputy do not prepare and submit time sheets to the County Clerk's office. The Road and Bridge Department and Sheriff's Department supervisors maintain records of employee work attendance and prepare a payroll summary for the County Clerk's office indicating pay due or other required changes for each employee. The Road and Bridge Supervisor maintains a daily log and calendar sheet for each employee when they call in to report for work and obtain their daily assignments. The Sheriff's office prepares a log for each deputy which is prepared primarily from the dispatching records that track when deputies radio in to indicate the start and end of their shift. The employees do not review the accuracy of the time summaries prepared by the supervisors. The County Treasurer verbally communicates information to the County Clerk's office for required changes in the Deputy Treasurer's salaried pay.

- Time sheets prepared by employees in some other county offices are not signed by the employees to certify the accuracy and/or are not signed by the supervisors to indicate review and approval of the employees' time worked.

- Employees in several offices record time worked each day as eight hours although the actual time worked on a normal day is seven hours. Failure to record actual time worked prevents an accurate record of overtime worked and comp time accrued.

Detailed time sheets document hours actually worked; provide information necessary to monitor overtime worked, leave and compensatory time usage and balances; and, are beneficial in demonstrating compliance with county policy and federal Fair Labor Standards Act (FLSA) requirements. Time sheets should be signed by all

employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office.

B. County policy for sick and vacation leave allows leave to be used by county employees before it is earned. In addition, the county has not developed a policy related to commuting in county owned vehicles, and the union employee compensatory time policy does not specify various issues related to compensatory time.

- County policy for sick and vacation leave allows a full year's accrual to be credited to the employee's leave balance as of the beginning of the calendar year. Employees' leave balances may be used before the employee works the appropriate pay periods to earn the leave. Employees could potentially use all available leave balances, including unearned leave, and terminate prior to the end of the year. As a result, the county risks incurring unnecessary leave liability expense.

- The county has not developed a policy for commuting in county owned vehicles although three employees of the Road and Bridge Department commute (as defined by IRS code) to and from work in county vehicles on a daily basis. These employees are not required to maintain and submit appropriate documentation to account for commuting mileage or to allow for proper reporting of fringe benefits as required by the IRS code. Taxes on commuting benefits are not withheld from the employees' paychecks.

- The Road and Bridge department's union employee contract allows for approved overtime and defines who is eligible to work overtime, when the overtime calculation starts, and minimum overtime hours earned per incident. However, the policy does not address compensatory time accrual, usage, balance carry over, or payout policies.

County policy should provide for the fair and equitable accrual of earned leave to employees' leave balances and should restrict the use of leave to earned leave balances. Additional policies should provide for commuting and compensatory time procedures and the county should ensure these policies are in compliance with federal law. Failure to provide such policies and ensure compliance by county employees exposes the county to unnecessary leave expenses and non-compliance with federal requirements for reporting fringe benefits.

C. The County Clerk's office does not maintain centralized records of leave or compensatory balances or the associated liabilities. Recordkeeping procedures varied among the other county offices and some of the records maintained were not adequate. In addition, vacation, sick, and compensatory leave accruals and balances were not always properly supported by time sheets or leave records.

- Leave records were not maintained by the Juvenile Office or the Public Administrator's office. In addition, while leave records documenting leave earned and used were prepared in all other county offices, the records in some offices did not always include information on cumulative balances available to employees.

- The former County Clerk estimated compensatory time accruals for employees that worked overtime. The accruals were not always supported by the employees' time and attendance records.

- The Sheriff automatically credited the deputies' leave balances with 7.5 hours of compensatory time each month during the two years ended December 31, 2006 and 2005 regardless of actual time worked or amounts reported in time and attendance records maintained by the supervisor. This arrangement did not ensure that employees were properly compensated for additional hours worked.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

Conditions similar to A, B, and C were also noted in our two prior reports.

WE AGAIN RECOMMEND the County Commission:

A. Require all county employees to prepare time sheets documenting actual time worked. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.

B. Revise county policy to ensure leave is available to employees only when earned and revise union employee policy to include procedures for compensatory time. In addition, develop a policy defining the allowability and reporting of commuting in county vehicles.

C. Require leave and compensatory records be maintained for all county employees. These leave and compensatory records should be filed with the County Clerk and should be reviewed for accuracy and potential liability. In addition, the County Commission should ensure leave and compensatory time records are supported by time sheet and attendance records.

AUDITEE'S RESPONSE

A. We agree with this recommendation. We and the County Clerk will request signed and approved time sheets for all county employees.

B. We will review county leave policies with other officials and make necessary changes. We will review tax laws and work to develop an appropriate county policy for commuting in county vehicles.

C. We agree with this recommendation.

5. Collateral Securities

The County Treasurer, County Collector, and Circuit Clerk do not have adequate procedures in place to monitor the sufficiency of collateral amounts and collateral pledged for some of the County Treasurer's and County Collector's deposits are subject to a higher level of risk.

A. The County Treasurer, County Collector, and Circuit Clerk do not monitor their bank account balances to ensure they are sufficiently collateralized. Each official relies on the depository bank to monitor bank balances and adjust the amount of pledged collateral accordingly.

A portion of the County Treasurer's and County Collector's deposits is swept daily into repurchase agreements which have their own collateral security. The depository bank pledges collateral for the remaining combined deposits of the County Treasurer and County Collector. The bank pledges collateral separately for the deposits of the Circuit Clerk. Although the County Treasurer's and County Collector's deposits totaling $1,674,481 and $1,796,628 at December 31, 2006 and 2005, respectively, and the Circuit Clerk's deposits totaling $240,189 and $648,817 at December 31, 2006 and 2005, respectively, appeared to be adequately collateralized, the county would not have known if collateral balances had been insufficient because of the lack of monitoring.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC. To ensure collateral pledged is adequate, county officials should develop procedures to routinely monitor bank account balances and the related collateral security.

B. Some deposits of the County Treasurer and County Collector are not collateralized by the depository bank with securities pledged in the county's name and the depository agreement does not clearly protect the county's investments. The bank performs a daily analysis of the County Treasurer's and County Collector's bank accounts and sweeps amounts in excess of the county's current needs into overnight repurchase agreements. The combined repurchase agreements totaled $12,437,627 and $11,928,602 at December 31, 2006 and 2005, respectively. The bank pledges separate collateral for each repurchase agreement daily and the county is notified the following business day of the repurchase agreement transactions and the related collateral that has been pledged. While the collateral is held by an independent

custodial bank, the securities are not pledged in the county's name. It appears the collateral is not held in the county's name due to the difficulty the bank would have in obtaining the county's authorization to release the collateral when these transactions are made at the end of each day.

The county's depository agreement with the bank requires all collateral for deposits to be held under joint custodial receipt in the name of the county and the depository bank and also requires the county's authorization for release. However, the agreement does not specifically address the sweep overnight repurchase agreements and the related collateral issues. It may be impractical for the repurchase agreement collateral to be held in the county's name and to require the county's prior authorization for release. However, to adequately protect county funds the depository agreement should create a contractual obligation by clearly addressing the repurchase agreement transactions and requiring the bank to commit in writing to maintaining adequate collateral pledged for the benefit of the county.

Inadequate monitoring of collateral securities and the failure to ensure the collateral is pledged specifically to the county could leave the county's funds unsecured and subject to loss in the event of a bank failure.

Conditions similar to A were also noted in our two prior reports.

WE RECOMMEND:

A. The County Treasurer, County Collector, and Circuit Clerk develop procedures to monitor the adequacy collateral securities pledged. Documentation of these efforts should be maintained.

B. The County Treasurer and County Collector work with the bank to amend the depository agreement to include the repurchase agreement transactions. The agreement should ensure the bank is committed in writing to maintaining adequate collateral securities pledged for the benefit of the county.

AUDITEE'S RESPONSE

The County Treasurer provided the following responses:

A. I will develop procedures to monitor the adequacy of collateral securities pledged and document those efforts.

B. I will work with the bank to amend the banking services agreement to address all services and ensure the county's deposits are adequately secured.

The County Collector provided the following responses:

A. I am willing to work with the County Treasurer to ensure adequate collateral is pledged.

B. I agree with this recommendation.

The Circuit Clerk provided the following response:

A. I agree with this recommendation. I have now implemented a comparison of the bank's monthly reports of collateral to the bank balance. I will document these reviews. My office will monitor daily deposits and will notify the bank of large deposits to ensure adequate collateral is received.

6. County Property Records and Procedures

Procedures and records to account for county property are not adequate. The County Commission has not established a written policy related to the handling and accounting for fixed assets. The County Clerk has not implemented adequate procedures to ensure that the county's property records are complete, accurate, sufficient to meet statutory requirements, and provide a basis for determining proper insurance coverage.

The County Clerk does not maintain overall county property records and does not ensure that all county departments perform and submit annual inventory lists. Annually, the County Clerk sends each department a memo requesting the inventory lists. Although most county departments had submitted inventory lists, the County Commission and the Sheriff's Department had not submitted the required lists and the County Clerk had not performed any follow up to attempt to obtain the missing lists or to ensure the accuracy or completeness of the lists that were submitted by other departments.

The departments' inventory lists serve as the county's overall property control records; however, many lists do not include sufficient details to identify additions; acquisition dates or source; property values; deletions; method and authorization of disposition, reason and amount received for disposal, or beginning and ending balances which could be reconciled to the additions and deletions during the year. Although some department inventory lists showed property items were disposed of since the previous reporting period, no explanation was attached to identify pertinent details, such as reasons for disposal, authorization for disposal, method of disposal, to whom disposed, and amount received.

The County Clerk's office issues property tags at the request of the county departments to be affixed to newly acquired property. However, the property addition is not recorded on the County Clerk's copy of the departments' inventory lists at the time the tag is issued. In addition, the County Clerk does not have a procedure to track property purchases throughout the year and compare to inventory lists submitted by the various departments.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. Additionally, the completeness and accuracy of the overall county property records is questionable. These problems increase the possibility

of undetected theft and inadequate insurance coverage.

Section 49.093, RSMo requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

A similar condition was noted in our two prior reports.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition the County Clerk should develop and maintain complete and accurate county property records and develop procedures to ensure accurate and complete physical inventories are conducted and inventory lists submitted by all county departments. Finally the County Clerk should implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

We will establish a written policy and encourage compliance by other county officials.

7. Collector's Accounting Controls and Procedures

The County Collector's procedures related to cash receipts are in need of improvement and the Collector's annual settlements did not properly reflect all tax collections. The County Collector's office processed property taxes totaling in excess of $18.3 million and $17.5 million during the years ended February 28, 2007 and 2006, respectively.

A.1. The County Collector accepts cash, checks, and money orders for the payment of property taxes. Although the tax receipts are marked paid, the method of payment is not noted on the tax receipts and the composition of tax receipts is not reconciled to the composition of deposits. In addition, cash refunds were also made for some small overpayments of taxes and licenses which were originally paid by check; however, the refunds were not noted on the tax receipts. See part A.2. below.
Without recording the method of payments on tax receipts and reconciling the method of payments to the composition of deposits, the Collector cannot ensure all monies collected are ultimately recorded and deposited. Tax receipts should indicate the method of payment (i.e., cash, checks, or money orders) and the composition should be reconciled to the bank deposits. Refunds should be made by check or should be marked on the tax receipts if made by cash.

2. Monies received are not always deposited intact. During our review, we noted the following concerns:

   - Monies received for partial payments of property taxes are held in cash in envelopes in the County Collector's vault until full payment is received. If the original form of payment is by check, the check is deposited and cash from other collections is withheld from the daily deposit and placed in the vault. The collector normally stamps payments on the tax bills and the tax book with a mechanical stamping machine that maintains a consecutive numerical sequence. However, the stamp is not applied to the tax bills or the tax book when partial payments are accepted. A cash count performed on June 12, 2007 showed partial payments of $7,213 in cash on hand.

   - Regular daily cash receipts are used to cash personal checks for county employees.

   To adequately account for collections and reduce the risk of loss or misuse of funds, all monies received should be stamped with a payment number and deposited intact. In addition, personal checks should not be cashed for county employees.

B. The County Collector records partial payments on the tax book, the Collector's and taxpayers' copies of the tax bills, and on individual envelopes in which the taxpayer's cash is held in the vault. The partial payment is not recorded in the Collector's tax system software due to conflicts that occur with month-end reporting. There are no partial payment ledgers or monthly open items listings maintained which document partial payment funds held.

   Maintaining a partial payment ledger and monthly open items listings that are reconciled to the payments held could be used to document that partial payment balances are properly accounted for and that sufficient cash is available to pay all liabilities. The ledger and open items listings could also be used to account for the monies whether they were deposited and held in the Collector's bank account rather or if maintained in cash.

C. The County Collector's annual settlements did not reflect drainage district tax collections totaling approximately $370,000 for each of the years ended February 28, 2007 and 2006. In addition, the annual settlement for the year ended February 28, 2006 did not reflect undistributed interest receipts on protested taxes totaling $2,075. The County Collector did not provide justification for not including the drainage district taxes on the settlements. The County Collector also indicated since protested tax interest is not allowed to be distributed until after the protested case is settled, she believed she was unable to add the protested tax interest to the settlement without distributing it.

Section 139.160, RSMo, requires the County Collector to report on all monies received. Incomplete annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the collector was charged with collecting.

Conditions similar to A and C were also noted in our two prior reports.

WE RECOMMEND the County Collector:

A.1. Record the method of payment on tax receipts and reconcile the composition of tax receipts to deposits. Issue refunds of overpayments by check or mark the refund on the tax receipts if made by cash.

2. Receipt stamp partial payments, deposit partial payments intact, and discontinue cashing personal checks for county employees.

B. Develop a partial payment ledger and monthly listing of open items and reconcile the open items listings to the undistributed partial payments held for taxpayers.

C. Prepare complete and accurate annual settlements.

AUDITEE'S RESPONSE

A.1. I am considering new tax system software that would provide this capability. I will ensure composition of receipts is recorded and agreed to deposits. Refunds will be issued by check.

A.2. I will either receipt stamp and deposit partial payments or discontinue accepting partial payments. If employee personal checks are cashed, I will ensure that the transaction is documented.

B. I will either develop a partial payment ledger and deposit partial payments or discontinue accepting partial payments.

C. I will include drainage district receipts and disbursements on the annual settlements.

8. Prosecuting Attorney's Controls and Procedures

Accounting duties are not segregated, receipts are not processed timely and are not properly controlled until deposit or transmittal, bad checks are not adequately accounted for, and documentation is not obtained to verify restitution payments are passed through to victims. The Prosecuting Attorney collects, and distributes restitution and fees for bad checks and court ordered restitution. Restitution and fee receipts totaled approximately $560,000 and $640,000 for the years ended December 31, 2006 and 2005, respectively.

A. Accounting duties have not been adequately segregated in the Prosecuting Attorney's Office.

- One individual issues receipt slips for court ordered restitution and records the transactions to accounts receivable records. A second individual prepares the deposits, reconciles the composition of receipts to deposits, makes disbursements, prepares the open items listing, and reconciles the account balance to the bank statement and the open items listing. There are no other documented supervisory reviews of the court ordered restitution duties to ensure all monies receipted were deposited and disbursements were appropriate.

- The bad check bank reconciliations are performed by the office manager; however, all other duties are performed by one individual with no documented supervisory reviews of the completeness and composition of receipts to deposits, disbursements, or posting of transactions to the accounts receivable records.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies received are not always deposited or transmitted intact or in a timely manner and are not properly controlled until deposit or transmittal. Monies are normally collected each business day, but deposits and transmittals are usually made only five to seven times per month. In addition, bad check receipts are not always posted to the accounts receivable records in the order received and are not deposited until after being posted, resulting in some monies not being deposited intact.

- The court ordered restitution account bank records for seven months from 2006 and 2005 indicated that deposits were made approximately five times per month and averaged approximately $1,400.

- The bad check account bank records for seven months from 2006 and 2005 indicated that deposits were made approximately seven times per month and averaged approximately $1,800.

- The Bad Check Fund receipt records for 2006 indicate the Prosecuting Attorney's office transmitted bad check fees to the County Treasurer approximately one time per week and the transmittals averaged approximately $2,000.

The Prosecuting Attorney's bank records indicate that approximately seventy percent of criminal restitution and sixty percent of bad check restitution collections deposited are in the form of cash. In addition, checks and money orders are not restrictively endorsed immediately upon receipt and monies are not held in a safe or other secure location until deposited or transmitted.

Deposits or transmittals should be made intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt. Deposits should be more frequent if significant amounts of cash are collected and monies should be secured in a safe or other secure location until deposited or transmitted.

C. An adequate review of the system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system. In addition, the complaint form and information regarding the handling of each case is maintained in the individual case files and all pending case files are stored together. The computer system assigns a sequential case number to the complaint forms as they are entered and allows information related to collection, court proceedings, and disposition to be recorded on each case. However, the Prosecuting Attorney's staff has not generated and used reports available from the system to account for the numerical sequence of all cases or to ensure cases are appropriately collected or prosecuted as applicable.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, periodic reports of the complaints entered on the computer system should be generated and reviewed. This review should ensure the numerical sequence of each case is accounted for and that the status or disposition of each case in the computer system is appropriate.

D. Money orders received for repayment of bad checks or court ordered restitution are not always deposited but may be forwarded directly to the victim and documentation is not obtained from the merchant to ensure payments are received. Good internal control procedures require that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order. Failure to do so increases the risk that loss or misappropriation of funds will not be detected on a timely basis.

Conditions similar to A, B, and C were also noted in our two prior reports.

WE RECOMMEND the Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Deposit or transmit all monies intact on a timely basis, restrictively endorse checks and money orders immediately upon receipt, and adequately secure monies until deposited or transmitted.

C. Generate and review reports that account for the completeness and handling of all bad check complaints.

D. Obtain documentation when money orders are turned over directly to the victim.

AUDITEE'S RESPONSE

A. We have now implemented additional segregations of duties and supervisory reviews to ensure the accuracy of accounting records.

B. We are now depositing receipts daily and we ensure receipts are deposited intact when possible. All monies held overnight are now secured in the safe. In addition, checks and money orders made payable to the Prosecuting Attorney or County Treasurer are now restrictively endorsed when received.

C. We are now generating reports of bad checks in complaint number order which are used by an independent employee to monitor for payment or filing of charges. The Assistant Prosecuting Attorney now receives and reviews monthly reports of case statuses.

D. We do not feel it would be feasible to obtain receipts from victims due to the large volume of activity, limited staff, and low probability of receiving responses from all victims when money is remitted to them. We will take this recommendation under consideration.

9. Public Administrator's Controls and Procedures

Annual settlements are not filed timely, there is no policy to direct the type of accounts that wards' monies are deposited into, and some wards' funds are not adequately secured. The Public Administrator acts as the court-appointed personal representative for wards of the Circuit Court and is responsible for receiving, disbursing, holding and accounting for the assets of those individuals. As of December 31, 2006, the Public Administrator maintained bank accounts for approximately 230 wards.

A. Annual settlements were not always filed in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held as well as financial activity for the year. The court notifies the Public Administrator of approaching settlement due dates; however, settlements were still filed late. We reviewed annual settlements due in 2005, 2006, or 2007 for five cases. Seven settlements were filed between two to twelve months after the due date. Two more settlements that had not yet been filed as of the date of our review were four months delinquent.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

B. Neither the Circuit Court nor the Public Administrator have established a policy to direct the type of accounts that wards' monies are deposited into. The Public Administrator conducted the court ordered sale of a ward's real estate in December 2005 and deposited the proceeds totaling $256,275 in a non-interest bearing checking account. The account balance was not transferred to an interest bearing account until May 2007. Potential interest earned on the deposit over the seventeen month period could have totaled almost $11,000 had the Public Administrator secured an interest rate for the deposit of 3%.

Sections 473.333 and 475.190, RSMo direct the Public Administrator to invest surplus monies in direct obligations of the United States, obligations unconditionally guaranteed by the United States, or federally insured savings accounts. Failure to invest surplus monies deprives wards of potential income.

C. The Public Administrator has not established adequate procedures to ensure all client balances are adequately secured. The Public Administrator maintained funds of up to several hundred thousand dollars for some clients which significantly exceeded the Federal Deposit Insurance Corporation (FDIC) coverage of $100,000. No collateral securities were pledged by the depository banks to cover the monies in excess of the FDIC coverage.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

A condition similar to A was also noted in our prior report.

WE RECOMMEND:

A. The Public Administrator ensure annual settlements are filed in a timely manner.

B. The Circuit Court and Public Administrator ensure monies held on behalf of wards of the court are adequately invested in accordance with state law.

C. The Public Administrator ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

AUDITEE'S RESPONSE

A. The current case load of the office does not allow for timely filing of settlements. I have now requested authorization for an additional part-time employee to help us get caught up.

B. I will work with the Judge to develop an investment policy to ensure large balances are appropriately invested.

C. I will discuss obtaining collateral or other security agreements with the applicable depository banks.

10. Sheriff's Controls and Procedures

The Sheriff Department's procedures related to accounting duties, processing of monies, and open item reconciliations are in need of improvement. Department personnel indicated they processed approximately $330,000 and $380,000 during the years ended December 31, 2006 and 2005, respectively, in inmate monies, prisoner board bill payments, civil and criminal case fees, bonds, and gun permits.

A. Cash custody and recordkeeping duties have not been adequately segregated in the Sheriff's Department. Although jail staff receive inmate and bond monies, only the bond monies are immediately receipted in the jail while inmate monies are receipted by the jail administrator on the following business day. The jail administrator also prepares deposits, disburses monies, and prepares bank reconciliations for the inmate and bond bank accounts. In addition, an office clerk bills and collects civil and criminal monies, prepares receipts and deposits, disburses monies, and prepares bank reconciliations for the civil and criminal bank account. There are no documented independent reviews of the accounting records performed by the office supervisor or the Sheriff.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Prenumbered receipt slips are not issued for inmate monies at the time they are initially received. Jail staff receive inmate monies; record the date, amount, and name of the inmate on an envelope; and place the monies inside the envelope and into a locked collection box. The jail administrator retrieves the inmate monies each

business day from the collection box, completes prenumbered receipt slips, and prepares the bank deposits. In addition, although prenumbered receipts are issued by the jail staff at the time bonds are received, an independent person does not account for the numerical sequence of either the inmate or bond receipt slips or reconcile the composition of either type of receipt slips issued to the composition of related deposits.

Internal controls would be improved by issuing receipt slips immediately upon receipt of all monies and providing for an independent accounting for the numerical sequence of receipt slips and a reconciliation of the composition of receipt slips issued to the composition of the deposits. Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the Sheriff's Department cannot ensure all monies collected are ultimately recorded and deposited.

C. Open items listings are not prepared for the inmate funds account. Although the daily receipt and disbursement activity is reconciled to the inmate funds ledger maintained in the jail data base, the inmate balances from the fund ledger are not periodically compared to the checking account balance. At our request, the Sheriff's Department prepared an open items listing during August 2007 and attempted to reconcile the listing to the reconciled bank balance. However, the open items list may not have contained all accounts with open balances. For example, negative inmate accounts were excluded from the open items report and only accounts for currently incarcerated inmates or inmates with release dates in 2006 or 2007 were included in the open items listing. The Sheriff's Department believes that some inmates' balances from prior years are not accurate.

Accurate open items listings prepared on a regular basis and reconciled to cash balances are necessary to properly document all known liabilities and to detect and correct errors timely. Reconciling the cash balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Sheriff's Department should investigate any differences noted in these reconciliations and take appropriate action.

Conditions similar to C were also noted in our prior reports dating back to the two years ended December 31, 1998 and in our special review of the Butler County Sheriff's Inmate and Commissary Accounts dated November 10, 1999 which also reported missing monies. Immediate improvements in controls over inmate funds are necessary to ensure that inmate funds are properly accounted for.

WE RECOMMEND the Sheriff:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Require prenumbered receipt slips be issued for all monies immediately upon receipt. In addition, ensure an independent person accounts for the numerical sequence of the receipt slips and reconciles the composition of receipt slips to deposits.

C. Ensure inmate fund open items listings are accurately prepared monthly and reconciled to the account balances.

AUDITEE'S RESPONSE

A&B. I agree with these recommendations.

C. We will continue to work on inmate account open item reconciliations.

11. Board for the Care of the Handicapped

The Board for the Care of the Handicapped does not adequately monitor budgets or expenditures and minutes of board meetings are not signed by the Board's president or secretary to indicate approval. The Board receives income from property taxes and other miscellaneous sources and contracts with three not-for-profit (NFP) agencies to provide sheltered workshop, residential, and transportation services to handicapped Butler County citizens. During 2006 and 2005, the Board paid the NFPs approximately $407,000 and $360,000, respectively, for various services. The County Treasurer serves as custodian for the Care of the Handicapped Fund.

A. The Board is not adequately monitoring the use of monies provided to the various NFP agencies. The Board meets only two times per year to approve funding for the various agencies. The Board then relies on the County Commission to approve periodic payments to the agencies based upon schedules established by the annual budget or periodic requests received. The agencies' payment requests do not provide any supporting documentation of the services provided or use of Board funds. The ongoing master contracts with the agencies require them to submit information regarding the projects and goals undertaken and monthly financial reports or other documentation that would enable the Board to monitor the use of monies provided to the agencies. However, there was no documentation that the Board received any of the information required by the contracts.

The agencies submit annual funding requests to the Board which indicate anticipated revenues by source, including Board funds, and anticipated expenditures, but not beginning and projected ending amounts of cash balances on hand. The Board approves an annual amount of funding for each agency based on a review of the funding proposal. The Board funding provides a subsidy to each agency rather than paying for specific services and the annual funding agreements do not establish minimum levels of service necessary to earn the monies budgeted. As noted above, the Board does not obtain periodic reports or other information from the agencies

which would allow the Board to compare the budgeted activity to ongoing actual revenues and expenditures.

The Board does not have adequate assurance that funds provided to the agencies by the Board are spent appropriately due to inadequate monitoring efforts and inadequate supporting documentation for funds disbursed to the NFP's. The Board has a fiduciary responsibility to the citizens of Butler County to provide and document adequate oversight to ensure funds are expended appropriately and for the benefit of Butler County residents.

B. Actual disbursements exceeded budgeted amounts for 2005 for the Care of the Handicapped Fund by approximately $35,000. Expenditures were made during 2005 to two not-for-profit (NFP) agencies in excess of the NFPs' proposals for services which were approved by the Board in December 2004 and included in the Board's annual budget for 2005.

The Board's funds are held by the County Treasurer and disbursed by the County Clerk upon request by the NFPs after approval by the County Commission. The Board meets twice a year and the July 2005 board minutes indicate that the Board approved $8,600 in additional expenditures for one NFP agency. However, the board minutes do not document the Board's discussion of additional expenditures of the other NFP agency totaling approximately $27,700. In addition, the Board did not formally amend the budget for excess expenditures to either NFP, which would have required holding public budget hearings and filing an amended budget with the State Auditor's office.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

C. Board minutes are not consistently signed by the preparer. In addition, the minutes are not signed by the Board President or a designated member to attest to their completeness and accuracy. Minutes should be signed by the preparer and the Board President or a designated member to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

Conditions similar to A and B were also noted in our prior report.

WE RECOMMEND the Board for the Care of the Handicapped:

A. Ensure the master contracts or annual funding agreements establish minimum levels of service to be provided. In addition, obtain and review periodic reports of NFP

agency financial activity and project progress reports to ensure that public funds are expended for appropriate purposes.

B. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

C. Ensure the minutes are signed by the preparer and the Board President or a designated member to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

A. We have discussed this issue, agree with this recommendation, and will work with the contracting agencies to document expected levels of services to be provided to the board. We will establish requirements for reporting of services provided by the agencies and will review these reports for compliance with contractual requirements and annual funding agreements.

B. We agree with this recommendation and will improve our documentation of budget review discussions. In addition, we are now planning on meeting on a quarterly basis and will perform budget reviews at those meetings. We will ensure the board's budget is formally amended and reported to the County Clerk and State Auditor's Office when necessary.

C. We agree with this recommendation.

12. Senior Citizen's Board Controls and Procedures

The Senior Citizen's Board does not consistently require service providers to document how funds provided by the Board are spent. The Board received approximately $207,000 and $204,000 in 2006 and 2005, respectively, from property taxes, interest income, and other miscellaneous receipts. The Board provided funding in 2006 and 2005 to various service providers for nutrition, home health, transportation, and support services.

The Board's written contracts to provide funding require service providers to maintain documentation of how Board funds are spent and make those records available to the Board; however, the Board does not obtain or review this information from all the service providers. In addition, the contracts do not specify minimum levels of service or the information to be submitted by providers when requesting payment. While some service providers submit sufficient details to support payment requests such as copies of invoices, other service providers only submit summary totals for expenses such as number of individuals served, type and amount of services provided, wages, and mileage.

To ensure Board funds are properly expended, contracts should establish minimum levels of service expected and the documentation required to support payments requested. In addition, the detailed supporting records of the service providers should be reviewed periodically by the Board for agreement with payment requests.

WE RECOMMEND the Senior Citizen's Board should ensure the contracts establish minimum levels of services and documentation required to support payments requested. In addition, periodically review detailed supporting records documenting how funds provided by the Board are spent by the service providers and ensure agreement with the service providers' payment requests.

AUDITEE'S RESPONSE

We agree with this recommendation and will ensure contracts establish expected levels of services and will obtain monthly reports from the service providers to document actual services provided. We will compare services provided to expected levels of services.

Follow-Up on Prior Audit Findings

BUTLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Butler County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Officials' Salaries

   A. The county had not taken action on mid-term salary increases given to some elected officials in 1997, which appeared invalid based on a 2001 Missouri Supreme Court decision.

   B. The Prosecuting Attorney did not receive compensation equal to that of an Associate Circuit Judge as required by state law for a full-time prosecutor. This resulted in the Prosecuting Attorney receiving $3,499, $3,849, and $7,460 less than the Associate Circuit Judge in 2002, 2001, and 2000, respectively.

   Recommendations:

   The County Commission:

   A. Review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments.

   B. Review the salary payments made each year to the Prosecuting Attorney.

   Status:

   A. Partially implemented. The County Commission indicated they consulted with the Prosecuting Attorney and decided not to pursue repayment of the salary overpayments.

   B. Implemented. The county paid the Prosecuting Attorney an agreed upon amount of $12,000 in additional salary in 2004 in satisfaction of a total liability of $17,740 for calendar years 2000 through 2003.

2. Budgetary Procedures

   A. Formal budgets were not prepared for various county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury.
   B. Actual expenditures exceeded budgeted amounts in various funds.

C. The county's published financial statements did not include appropriate revenue and expenditure detail as required by state law and did not include the financial activity of two county funds.

Recommendations:

The County Commission:

A. Ensure financial information for all county funds is included in the budgets and that separate budgets are prepared for each fund.

B. Not authorize expenditures in excess of budgeted amounts.

C. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

Status:

A. Partially implemented. The County Commission has prepared or obtained budgets for all county funds held by the County Treasurer and most county funds held outside the county treasury. Budgets were not obtained for the Circuit Court's Interest and Time Payment Fee Funds during the audit period; however, a 2007 budget had been obtained for the Interest Fund and the County Clerk was working with the Circuit Clerk to obtain a 2007 budget for the Time Payment Fee Fund. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 1.

C. Implemented.

3. Payroll Procedures

A. Centralized records were not maintained of time sheets or annual leave, sick leave, and compensatory time earned, taken, and accumulated for all county employees. As a result, a payroll check was issued in error for approximately $596 to a part-time employee in the Collector's office but no effort had been made to recover the amount of the check. In addition, the Road and Bridge department supervisor tracked the time worked by the Road and Bridge employees and submitted time summaries to the County Clerk's office, however, the employees did not prepare individual time sheets or review the time summaries prepared by the supervisor.

B. For the fourth quarter of 2002 and 2001 the County Clerk's office under-reported medicare wages and under-paid medicare taxes to the applicable taxing authorities.

C. Procedures had not been established to ensure that IRS regulations regarding fringe benefits were followed. Three Road and Bridge employees and a Sheriff employee were allowed to use county vehicles to commute to and from work. The County Commission indicated those employees were considered on-call 24 hours a day for emergency situations; however, this policy was not documented in the employee manual.

D. The Sheriff and deputies were not required to submit invoices or an itemized expense report to support the uniform allowance, nor were uniform allowances reported on W-2 forms.

Recommendations:

The County Commission:

A. Require centralized records be maintained by the County Clerk's office of time worked, vacation, sick leave, and overtime earned, used, and accumulated. Consider action to recover the payroll check of $596 that was issued in error to the part-time employee of the Collector's office. Require time sheets to be prepared and signed by Road and Bridge employees and properly reviewed and approved by the Road and Bridge supervisor prior to being submitted to the County Clerk's office.

B. Implement payroll procedures to ensure that all payroll and payroll tax reporting is complete and correct and ensure a supervisory review is completed and documented.

C. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.

D. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

Status:

A. Partially implemented. The county obtained repayment of the check issued in error. However, the county still has not established centralized records of leave and compensatory time and timesheets are still not prepared by some employees. See MAR finding number 4.

B. Implemented.

C. Partially implemented. The Sheriff's employee is no longer allowed to commute in a county vehicle. However, the county has still not developed a policy establishing the

allowability and reporting of commuting activity by the Road and Bridge Department personnel. See MAR finding number 4.

D. Uniform allowances are no longer paid to the Sheriff and his deputies. The county now purchases all uniforms needed.

4. County Treasurer's Procedures

A. The County Treasurer maintained twelve checking accounts. In addition, old outstanding checks dating back to 1999 totaled $910 at December 31, 2002. A large number of bank accounts and old outstanding checks caused additional and unnecessary record keeping and increased the likelihood that errors would occur in recording transactions.

B. Although the County Treasurer formally documented bank reconciliations for the county's bank accounts, unreconciled differences fluctuated between months and she did not always investigate significant differences noted.

C. The County Treasurer used various methods to allocate interest earned to various funds she believed were required per statute to receive interest earned on balances, however, she did not retain documentation of how the allocation was computed. In addition, some significant funds were not included in the interest allocation process.

Recommendations:

The County Treasurer:

A. Consider reducing the number of bank accounts maintained, and attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

B. Reconcile the fund ledger to the county's bank accounts. Investigate and correct identified differences. Finally, consult the County Commission to determine the proper correcting entry for all unexplained differences.

C. Retain documentation of interest distributions.

Status:

A. Partially implemented. While the County Treasurer still maintains eleven bank accounts, the old outstanding checks have been resolved and routine procedures have been established to investigate checks outstanding for a considerable time. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented. As of August 31 2007, the current County Treasurer has identified the reasons for approximately $11,000 of unreconciled differences and related fund ledger posting errors, plans to make corrections to the fund ledgers where necessary,

and plans to seek approval from the County Commission for disposition of the remaining unidentified cash balance.

C. Not implemented. Interest calculations are still not documented but are now based on the individual funds' balances as a percentage of the total fund balance. The methodology appears to be consistently applied and the calculations can easily be reproduced. Interest is not allocated to any fund with less than a $10,000 balance. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Collateral Securities

Collateral securities pledged by the county's depository bank to cover deposits of the County Treasurer and County Collector were insufficient. The county apparently had not adequately monitored the level of bank activity.

Recommendation:

The County Commission ensure adequate collateral securities are pledged to protect county funds. This can be done by monitoring bank activity and providing timely notice to the depository banks of the need for additional collateral securities.

Status:

Partially implemented. Collateral securities were sufficient to cover county deposits of the County Collector and County Treasurer at December 31, 2006 and 2005. However, the officials have not developed procedures to monitor the adequacy of collateral pledged by the bank. See MAR finding number 5.

6. Property Tax System and Computer Controls

A. The County Clerk did not maintain an account book with the County Collector as a means for the County Clerk and the County Commission to verify the County Collector's annual settlements.

B. The County Clerk did not verify the current and back tax books for accuracy.

C.1. Access to the property tax programs and data files was not adequately restricted and passwords were not changed on a periodic basis to ensure confidentiality.

2. The Treasurer and the County Clerk backed up the financial data; however, the backup disks were not stored at an off-site location.

Recommendations:

The County Commission work with the applicable county officials to:

A. Ensure the County Clerk maintains an account book with the County Collector.

B. Ensure the County Clerk formally verifies the accuracy of the tax books.

C.1. Ensure access to specific computer programs/data files is restricted to authorized individuals through a system of passwords and security codes. Passwords should be unique by individual and changed periodically.

2. Ensure backup disks are prepared and stored in a secure, off-site location.

Status:

A. Partially implemented. As of September 2007, the current County Clerk has established an account book with the collector for tax year 2007 and has charged the County Collector with the monies payable into the county treasury. The County Clerk indicated she plans to use the account book to verify the collections, delinquent credits, abatements, additions, and protested amounts reported by the County Collector for tax year 2007 on the annual settlement that will be submitted after the close of the tax year on February 29, 2008. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. The current County Clerk has implemented procedures to verify the accuracy of tax books. The back tax book totals have been verified and the County Clerk plans to verify the 2007 tax books when they become available. Although not repeated in the current MAR, our recommendation remains as stated above.

C.1. Partially implemented. Access to the assessment and tax program data is properly restricted to the County Collector and County Assessor's offices, respectively. The County Assessor's office has established unique passwords which are changed annually; however, passwords are not periodically changed in the County Collector's office. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Implemented.

7. Expenditures

A. Bids were not always solicited or advertised nor was bid documentation always retained for various purchases by the county.

B. The County Commission approved payments to Poplar Bluff Industries, Inc. for economic development without apparently requiring or retaining adequate supporting documentation of services provided as identified in engagement letters and contracts.

C. The county paid the Poplar Bluff Chamber of Commerce for their portion of a retail

study but the County had no supporting documentation for the payment and a copy of the retail study had to be obtained directly from the Poplar Bluff Chamber of Commerce. In addition, there was no contract documenting the rights and obligations of each party and no documentation to support the county's share of the project costs.

D. The County Commission obtained a loan, payable over a three-year period, to purchase road and bridge equipment. Given the terms, the loan may have constituted long-term debt which the County had no legal authority to incur.

Recommendations:

The County Commission:

A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

B. Obtain adequate supporting documentation for all payments to vendors and require detailed documentation to ensure payments are reasonable.

C. Enter into written agreements for all services which specify all duties to be performed and the compensation to be paid.

D. Ensure monies are borrowed in accordance with the provisions of state law.

Status:

A. Partially implemented. While county minutes and bid files indicated the county bids numerous items, the county did not always document the reasons for considering purchases sole source, attempts to locate other vendors, or efforts made to ensure amounts paid to sole source vendors were reasonable. We noted 3 sole source purchases for which the reasons and other information were not adequately documented. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

C. Partially implemented. While contracts were noted for most applicable disbursements, the county made a $2,500 payment to a company and a $15,000 payment to the City of Poplar Bluff for economic development services for which contracts could not be located. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Implemented.

8. General Fixed Assets

Each county official was responsible for maintaining an inventory listing of the fixed assets in their office. Inventories were not always completed annually, and the inventory listings did not always include applicable information. Also, additions to the inventory listing were not reconciled to equipment expenditures to ensure all fixed assets were properly recorded.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property.

Status:

Not implemented. See MAR finding number 6.

9. Board for the Care of the Handicapped

A. The Board did not adequately monitor the use of monies provided to various not-for-profit (NFP) organizations. The Board met only one time a year to approve funding for the various organizations. In addition, minutes of the one meeting were not signed attesting to their accuracy.

B. Actual expenditures exceeded budgeted amounts for the year ended December 31, 2002. As the board met only annually, it appeared they did not periodically monitor expenditures.

Recommendations:

The Board for the Care of the Handicapped:

A. Adequately monitor the use of monies provided to NFP organizations. In addition, ensure board minutes are signed by the secretary as preparer and by the Board President to attest to their completeness and accuracy.

B. Ensure the annual budget includes reasonable estimates of expenditures and keep expenditures within budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised.

Status:

A&B. Not implemented. See MAR finding number 11.

10. County Collector's Accounting Controls and Procedures

A. The tax receipts, while marked paid by the County Collector, did not indicate the method of payment. In addition, the composition of tax receipts was not reconciled to the composition of bank deposits.

B. The County Collector did not deposit receipts intact. Monies received for partial payments of property taxes were held in cash in the County Collector's vault until full payment was received. Also, cash receipts were used to cash personal checks for county employees and cash refunds were made for overpayments of taxes and licenses paid by check.

C. The County Collector's annual settlements did not reflect some drainage district tax collections and the annual settlement filed for the year ended February 28, 2003 showed collections exceeded distributions by approximately $4,500.

D. The County Collector indicated she had informal agreements to collect taxes and retain fees for five drainage districts created by the Circuit Court. However, state law would appear to require a contract with the county and that it be in writing.

Recommendations:

The County Collector:

A. Indicate the method of payment on all paid tax statements. In addition, reconcile the composition of paid tax statements to the composition of deposits.

B. Deposit all monies received for partial payments intact daily and ensure deposits are reconciled to the daily abstracts. In addition, the County Collector should discontinue the practice of cashing personal checks from tax receipts, and make refunds by check.

C. File complete and accurate annual settlements.

D. Enter into a written agreement for the collection of taxes and the amount of fees to be retained. In addition, the contract should address any county costs involved in the tax collection process.

Status:

A, B &C. Not implemented. See MAR finding number 7.

D. Not implemented. While no written contracts have been obtained, the commissions being collected and retained comply with the amounts required in state statutes. Although not repeated in the current MAR, our recommendation remains as stated

above.

11. Prosecuting Attorney

A. Accounting duties for bad check processing were not adequately segregated and a documented supervisory review was not performed by the Prosecuting Attorney.

B. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, timely processing, and the subsequent disposition of these complaints had not been established.

C.1. Receipt slips were not issued for some monies received by the bad check office.

2. Bad check and court-ordered restitution payments and fees were not deposited in the Prosecuting Attorney's bank accounts or transmitted to the County Treasurer on a timely basis. In addition, partial payments were sometimes held until payment was received in full.

3. Cashiers checks and money orders received were not restrictively endorsed immediately upon receipt but instead were endorsed at the time the payments were processed into the bad check computer system.

D. The Prosecuting Attorney's two bad check restitution checking accounts had old outstanding checks over one year old.

E. The Prosecuting Attorney had not established a formal policy specifying when the court should be notified of unpaid cases. In addition, specific procedures had not been established to ensure follow-up collection efforts were adequate.

Recommendations:

The Prosecuting Attorney:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented in the bad check office.

B. Implement procedures to adequately account for bad checks received, process bad checks in a timely manner, and account for the ultimate disposition.

C.1. Issue pre-numbered receipt slips for all monies received and account for the numerical sequence of receipt slips.

2. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed $100 and retain a listing documenting the monies that were transmitted or deposited.

3. Restrictively endorse cashiers checks and money orders immediately upon receipt.

D. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions and close the old bad check restitution bank account.

E. Maintain a complete and accurate listing of delinquent unpaid court ordered restitution and bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such delinquent amounts.

Status:

A. Partially implemented. While reconciliations of the bad check bank account are now performed by an independent individual, all other duties are performed by one individual with no documented supervisory review. See MAR finding number 8.

B&
C.3. Not implemented. See MAR finding number 8.

C.1.
&D. Implemented.

C.2. Partially implemented. The Prosecuting Attorney's office documents monies included in each transmittal or deposit. However, transmittals and deposits are not made timely. See MAR finding number 8.

E. Partially implemented. Written court ordered restitution collection procedures and listings of delinquent unpaid bad check cases and court ordered restitution cases have been developed. The Prosecuting Attorney's office is currently reviewing old bad check cases to determine if additional action or dismissal of the cases should be pursued with the court. However, collection procedures for bad check restitution and fees have not been formalized in writing. Although not repeated in the current MAR, our recommendation remains as stated above.

12. Sheriff's Accounting Controls and Procedures

A. The Sheriff had not established a formal policy for follow up collection efforts for unpaid incarceration costs billed to other political subdivisions.

B. The county housed prisoners for various political subdivisions and did not have any written contracts.

C. The total of the prisoners' monies in the Sheriff's commissary checking account was not reconciled to the total of the individual prisoner balances maintained on computer files.

D. Checks received were not always restrictively endorsed immediately upon receipt. .

E.1. Documentation was not always adequate to support mileage reimbursements paid to the Sheriff for patrolling in his personal vehicle.

2. Civil service fees and mileage was paid directly to the deputies who performed the paper service from the sheriff's fee account. Mileage relating to criminal cases such as transporting prisoners, criminal service, and patrolling was paid to the deputies from the county's General Revenue Fund monthly. There were no procedures in place to ensure that reimbursements paid directly to the deputies for civil mileage had not already been reimbursed by the General Revenue Fund.

Recommendations:

The County Commission and Sheriff:

A. Establish written procedures for pursuing the collection of such delinquent amounts.

B. Establish a billing rate appropriate for housing inmates in the County jail, and enter into written contracts as required by law.

C. Reconcile the individual prisoner and commissary balances to the total of the monies in the account on a monthly basis.

D. Restrictively endorse all checks immediately upon receipt.

E.1. Maintain adequate documentation to support mileage claims.

2. Establish procedures to ensure that mileage costs paid for civil paper service from the Sheriff's fee account have not already been reimbursed by the General Revenue Fund. Consider requiring all paper service fees to be remitted to the County Treasurer and discontinue reimbursing mileage costs from the Sheriff's fee account.

Status:

A. Not implemented. A policy has not been established for pursuing collection of delinquent billings for incarceration costs. Billings totaling $4,500 were written off in December 2006. However, the billing, monitoring, and write off duties have been segregated from collection duties and unpaid bills are maintained in a separate file until paid or written off. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. While the Sheriff has obtained written contracts with two counties for which he regularly houses prisoners at a reduced rate of $30 per day, he does not have a written contract with the City of Poplar Bluff which pays a flat

quarterly fee of $3,650. During 2006, about 69% of the approximately $57,000 in prisoner boarding received from parties other than the state came from these three entities. In addition, the Sheriff has billed $45 per day for incarceration of individuals for other political subdivisions for a number of years, but he has still not performed a review of the cost of incarcerating individuals to determine an appropriate billing rate. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Not implemented. See MAR finding number 10.

D&
E.2. Implemented.

E.1. Not implemented. See MAR finding number 2.

13. Circuit Clerk's Accounting Controls

The open items listing of liabilities did not reconcile to the cash balance and old open items dating back to 1999 and prior were still being held.

Recommendation:

The Circuit Clerk reconcile the open items listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies. In addition, establish procedures to routinely review the status of old open items. Any unclaimed or unidentified monies should be disposed of in accordance with state law.

Status:

Partially implemented. The Circuit Clerk has identified and resolved old open items. Open item reconciliations were discontinued upon conversion to the state's JIS accounting software in September 2005 but were resumed in May 2007 during our review. A reconciliation prepared for December 2006 indicated a $1 unreconciled difference and no significant differences were noted with subsequent open items reconciliations performed by the Circuit Clerk. Although not repeated in the current MAR, our recommendation remains as stated above.

14. Probate Division's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated and there was no documentation that an independent review of deposits and accounting records was performed.

B. Monies received were not deposited on a timely basis. In addition, the method of payment was not indicated on the one-write receipt slips and reconciled to the composition of the amounts deposited.

C. While monthly listings of open items were prepared, the Probate reconciled bank balance exceeded the open items listing. In addition, the unidentified amount often varied from month to month.

Recommendations:

The Probate Division:

A. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.

B. Deposit receipts intact daily or when accumulated receipts exceed $100. In addition, ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

C. Determine reason for all unidentified cash balances and investigate fluctuations in the unidentified balance. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.

Status:

A, B, &C. The Butler County Probate Division Court consolidated with the Butler County Circuit Court as of January 2005. All accounting controls and procedures of the Probate Division are now the responsibility of the Butler County Circuit Clerk. The prior issues identified appear to have been addressed and implemented within the Circuit Clerk's operations.

15. Public Administrator's Controls and Procedures

Annual settlements were not always filed in a timely manner by the Public Administrator.
Recommendation:

The Public Administrator ensure annual settlements are filed on a timely basis.

Status:

Not implemented. See MAR finding number 9.

16. Senior Citizens' Service Board

A. The Senior Citizens' Service Board budgets did not include a comparative statement of actual receipts and disbursements for the two previously completed fiscal years, and the beginning and ending cash balance information was not provided. In addition, the Board did not perform a reconciliation of prior year's beginning cash,

receipts, and disbursements to the ending cash balance.

B. The board minutes were prepared and signed by the Board Secretary, but the minutes were not signed by the Board President.

Recommendations:

The Senior Citizens' Service Board:

A. Ensure budgets are complete and accurate.

B. Ensure board minutes are signed by the Board President to attest to their completeness and accuracy.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BUTLER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1849, the county of Butler was named after William O. Butler, a Mexican War General. Butler County is a county-organized, third-class county and is part of the Thirty-Sixth Judicial Circuit. The county seat is Poplar Bluff.

Butler County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 1,100 miles of county roads and 365 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 37,693 in 1980 and 40,867 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 328.4	319.3	279.6	253.2	131.7	49.3
Personal property	121.3	123.9	110.0	109.6	20.8	17.7
Railroad and utilities	23.9	25.4	25.5	22.5	21.3	17.9
Total	$ 473.6	468.6	415.1	385.3	173.8	84.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Butler County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .0995	.0995	.1100	.1300
Special Road and Bridge Fund	.0342	.0342	.0400	.0600
Health Center Fund	.0935	.0932	.0975	.0979
Developmentally Disabled Fund	.0935	.0932	.0975	.0979
Senior Citizen's Service Fund	.0466	.0465	.0487	.0489

Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 137,479	131,336	121,589	115,262
General Revenue Fund	460,129	442,713	449,087	427,326
Special Road and Bridge Fund	155,244	149,775	159,948	152,001
Assessment Fund	253,811	242,545	223,779	177,496
Health Center Fund	422,804	403,756	389,707	372,364
Developmentally Disabled Fund	422,800	403,739	389,656	372,018
School districts	13,353,491	12,750,767	11,794,398	11,219,524
Community college	1,052,295	1,006,513	952,419	905,867
Ambulance district	69,992	65,940	66,150	63,876
Fire protection districts	603,489	580,156	546,799	523,586
Senior Citizen Board	210,679	201,395	194,598	186,028
Drainage districts	363,921	360,210	367,682	373,443
Tax Sales Surplus Fund	12,342	3,680	11,914	655
Cities	20,348	12,811	17,410	16,643
County Clerk	1,177	1,141	1,224	1,210
Publication fees	7,710	5,720	8,610	8,991
Tax Maintenance Fund	44,546	42,211	47,211	45,983
County Employees' Retirement	96,255	91,864	99,189	90,615
Surtax	265,079	260,656	253,489	228,342
Interest on investments	37,292	27,836	15,333	6,398
Commissions and fees:				
General Revenue Fund	296,287	284,641	270,975	258,069
County Collector	8,141	7,954	8,192	8,466
Total	$ 18,295,311	17,477,359	16,389,359	15,554,163

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	91	92	93	90	%
Personal property	89	91	90	91	
Railroad and utilities	100	100	100	100	

Butler County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	$ .0050	None	50	%
Road and Bridge Capital Improvements	.0025	None	None	
Butler County Corrections Center	.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Joe Humphrey, Presiding Commissioner		37,438	35,965	34,917	33,980
Jeffrey Darnell, Associate Commissioner		35,076	33,695	32,713	31,836
Robert Myers, Associate Commissioner		35,076	33,695	32,713	31,836
Debby Lundstrom, Recorder of Deeds		53,278	51,179	49,888	48,242
John Dunivan, County Clerk		53,278	51,179	49,689	48,242
Kevin Barbour, Prosecuting Attorney (1)		96,000	96,000	108,000	93,068
Mark L. Dobbs, Sheriff		57,428	55,167		
Bill R. Heaton, Sheriff				53,560	52,124
Bonita Conover, County Treasurer		49,698	47,740	46,350	45,107
Larry Cotrell, County Coroner		18,896	18,152	17,624	17,151
Sharron Payne, Public Administrator		53,278	51,179	49,689	48,242
Brenda Fox, County Collector (2), year ended February 28 (29),	61,689	59,456	58,110	56,930	
Marion Tibbs, County Assessor (3), year ended August 31,		53,239	51,351	49,953	49,102

(1) The amount for 2004 includes a payment of $12,000 to compensate for salary underpayments in previous years.
(2) Includes $8,141, $7,954, $8,192, and $8,466, respectively, of commissions earned for collecting drainage district property taxes.
(3) Includes $688, $688, $765, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.

State-Paid Officials:				
Betty Scott, Circuit Clerk	49,470	46,479		
Jane Shain-Bucy, Circuit Clerk			47,850	13,796
Wanda Ellsworth, Circuit Clerk				33,504
John Bloodworth, Associate Circuit Judge	96,000	96,000	96,000	96,000
William Clarkson, Associate Circuit Judge	96,000	96,000	96,000	96,000

Susan Montee, CPA
Missouri State Auditor

December 2007

Marion County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-88

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Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Marion, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Budgetary and financial statement procedures are in need of improvement. The approved budget document did not adequately project anticipated disbursements and the ending cash balance for some county funds. For several funds, budgets included erroneous classifications of receipts, disbursements, and transfers. The County Commission and various elected officials did not ensure budgets were prepared for some county funds. Also, actual disbursements exceeded budgeted amounts for several funds. The county's annual published financial statements did not include financial information for some county funds held by various elected officials, the Health Department, and the Emergency Telephone Service (E911) Board.

The county has not adopted procedures to monitor or assess the results of the actual sales tax rollbacks and to consider any differences noted in prior years when calculating the current year's rollback. Although the County Clerk believes that the voluntary property tax reductions should be considered in calculating the excess, these reductions were clearly designated as voluntary and not sales tax reductions on tax forms.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $655,500 and $232,400 for the years ended December 31, 2006 and 2005, respectively.

The E911's controls and procedures for the State Domestic Preparedness Equipment Support Program were not adequate to ensure compliance with federal requirements. The E911 Board paid $356,447 from December 2005 to June 2006 for equipment which will not be received until the new building is constructed. The E911 Board also does not have adequate procedures for capital assets purchased through the State Domestic program.

The county does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. There was no evidence the County Commission examined and approved the additions and abatements of property taxes or the County Collector's annual settlements. In addition, the county has not obtained bond coverage for the Assessor as required by state law and various county employees who handle money. Furthermore, the county does not clearly document for which years allowable administrative transfers are included in the budgeted transfer amount each year.

(over)

Timecards are not submitted to the County Clerk's office for Highway Department employees. As a result of the summary timesheets prepared by the Highway Department not agreeing with the original timecards, one employee's compensatory balance was overstated by 3.5 hours. Also, timesheets are not prepared by the part-time Emergency Management Director, the county's policy regarding the accumulation of compensatory time is not clear, and the County Coroner's compensation did not appear to comply with statutory provisions.

The E911 Fund budget document does not adequately project the fund's financial condition. The budgets do not include a beginning or estimated ending cash balance. In addition, the two previous years' actual amounts are not shown on the budget document as required. The E911 disbursement procedures related to documenting approval of invoices, maintaining adequate supporting documentation for credit card purchases, and paying additional compensation to employees need improvement. In addition, board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy and do not clearly indicate whether decisions made during the closed session were announced during the open session.

The Health Department receipt and disbursement controls and procedures are in need of improvement. The Health Department gave gift cards and paid additional compensation to some employees without adequate documentation. In addition, bank reconciliations are not complete or adequately documented. Board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy and do not clearly indicate whether decisions made during the closed session were announced during the open session. The Health Department does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized nor do they have a conflict of interest or financial disclosure policy.

The county does not have a written agreement with the Extension Council for the sale of county plat books and maps. The county purchases the books and maps, with the understanding that all monies collected by the Extension Council are paid to the 4H Council, who reimburses the county for the cost of each item sold. No one monitors to ensure all costs are properly reimbursed to the county.

The audit also includes recommendations to improve records and procedures for bids, agreements with not-for-profit organizations, county vehicles and fuel usage, and capital assets. Additional concerns regarding controls were noted for the County Treasurer, Sheriff, Circuit Clerks, Prosecuting Attorney, Public Administrator, Juvenile Justice Center, Assessor, County Coordinator, and Highway Department.

All reports are available on our Web site: www.auditor.mo.gov

MARION COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Marion County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Marion County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 1, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Marion County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

November 1, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Julie Vollmer, CPA
Audit Staff:	Julie M. Moore
	Zeb Tharp
	Deborah S. Whitis

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Marion County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles

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such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies referred to above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Marion County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Marion County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

November 1, 2007

Financial Statements

Exhibit A-1

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	111,976	4,742,243	4,327,548	526,671
Special Road and Bridge		54,379	1,613,720	1,497,543	170,556
Assessment		603	347,331	325,504	22,430
Law Enforcement Training		4,505	7,630	8,440	3,695
Sheriff's Civil Fees		43,822	49,134	45,960	46,996
Drug Enforcement		993	8,844	8,844	993
Sheriff's Revolving		1,388	4,600	1,736	4,252
Domestic Violence		3	2,492	2,450	45
Prosecuting Attorney Training		798	1,580	1,149	1,229
Prosecuting Attorney		1,048	10,872	7,445	4,475
Capital Improvements		189,026	812,760	882,593	119,193
Veterans Road		361,495	1,150,382	1,537,457	(25,580)
L.E.P.C.		22,661	10,818	12,016	21,463
Recorder's Preservation		78,068	14,607	1,005	91,670
Recorder's Technology		19,351	7,029	4,342	22,038
Election Services		77	5,071	1,826	3,322
Collector's Tax Maintenance		18,936	25,867	12,252	32,551
Continued Progress		818,572	2,934,299	3,444,958	307,913
Law Enforcement Restitution		20,702	39,738	0	60,440
Election HAVA		8,089	123,271	127,778	3,582
Health Department		982,184	1,913,345	1,739,293	1,156,236
Emergency Telephone Service (E911)		310,881	1,294,685	1,275,814	329,752
Circuit Clerk Interest - District I		16,527	1,111	881	16,757
Circuit Clerk Interest - District II		14,163	6,418	14,508	6,073
Law Library		3,833	6,046	3,720	6,159
Juvenile Justice Center		1,053	2	0	1,055
Sheriff's Jail Inmate		8,777	98,158	95,189	11,746
Circuit Clerk Passport Fees - District II		4,146	7,080	0	11,226
Drug Court - District II		1,024	6,880	839	7,065
Juvenile Victims - District I		846	0	333	513
Juvenile Victims - District II		8,984	835	0	9,819
Total	$	3,108,910	15,246,848	15,381,423	2,974,335

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	58,021	4,263,948	4,209,993	111,976
Special Road and Bridge		78,332	1,673,746	1,697,699	54,379
Assessment		2,952	305,583	307,932	603
Law Enforcement Training		4,664	7,300	7,459	4,505
Sheriff's Civil Fees		20,087	53,550	29,815	43,822
Drug Enforcement		378	10,000	9,385	993
Sheriff's Revolving		0	2,614	1,226	1,388
Domestic Violence		79	2,209	2,285	3
Prosecuting Attorney Training		578	1,153	933	798
Prosecuting Attorney		565	6,384	5,901	1,048
Capital Improvements		912,746	30,173	753,893	189,026
Veterans Road		517,661	4,682	160,848	361,495
L.E.P.C.		36,509	11,002	24,850	22,661
Recorder's Preservation		80,018	13,237	15,187	78,068
Recorder's Technology		23,896	6,745	11,290	19,351
Election Services		688	2,861	3,472	77
Collector's Tax Maintenance		19,164	25,607	25,835	18,936
Continued Progress		768,769	2,680,000	2,630,197	818,572
Law Enforcement Restitution		0	20,702	0	20,702
Election HAVA		0	15,694	7,605	8,089
Health Department		1,009,085	1,731,031	1,757,932	982,184
Emergency Telephone Service (E911)		265,285	884,581	838,985	310,881
Circuit Clerk Interest - District I		16,393	467	333	16,527
Circuit Clerk Interest - District II		17,220	1,796	4,853	14,163
Law Library		2,113	4,793	3,073	3,833
Juvenile Justice Center		1,125	41	113	1,053
Sheriff's Jail Inmate		7,162	142,113	140,498	8,777
Circuit Clerk Passport Fees - District II		0	4,146	0	4,146
Drug Court - District II		0	1,245	221	1,024
Juvenile Victims - District I		771	75	0	846
Juvenile Victims - District II		8,608	618	242	8,984
Total	$	3,852,869	11,908,096	12,652,055	3,108,910

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 16,184,390	15,120,318	(1,064,072)	11,011,914	11,737,108	725,194
DISBURSEMENTS	16,946,903	15,265,953	1,680,950	14,337,945	12,495,117	1,842,828
RECEIPTS OVER (UNDER) DISBURSEMENTS	(762,513)	(145,635)	616,878	(3,326,031)	(758,009)	2,568,022
CASH, JANUARY 1	1,756,492	3,049,557	1,293,065	2,525,108	3,799,477	1,274,369
CASH, DECEMBER 31	993,979	2,903,922	1,909,943	(800,923)	3,041,468	3,842,391
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	318,697	308,177	(10,520)	200,000	212,464	12,464
Sales taxes	1,900,000	2,075,225	175,225	1,600,000	1,710,493	110,493
Intergovernmental	1,025,033	1,042,641	17,608	1,016,681	884,033	(132,648)
Charges for services	749,100	782,408	33,308	726,355	733,405	7,050
Interest	4,000	10,207	6,207	3,500	3,790	290
Other	75,125	99,194	24,069	71,750	49,278	(22,472)
Transfers in	424,391	424,391	0	670,485	670,485	0
Total Receipts	4,496,346	4,742,243	245,897	4,288,771	4,263,948	(24,823)
DISBURSEMENTS						
County Commission	158,477	158,988	(511)	153,782	150,507	3,275
County Clerk	207,500	204,109	3,391	202,500	188,768	13,732
Elections	165,000	142,061	22,939	100,000	109,396	(9,396)
Buildings and grounds	167,543	166,167	1,376	187,747	174,098	13,649
Employee fringe benefits	18,000	110,223	(92,223)	15,500	18,186	(2,686)
County Treasurer	56,197	55,155	1,042	55,648	53,468	2,180
County Collector	221,945	225,082	(3,137)	217,497	211,968	5,529
Recorder of Deeds	97,233	96,596	637	94,036	83,234	10,802
Circuit Clerk	46,500	18,905	27,595	13,200	17,326	(4,126)
Associate Circuit Court	10,243	4,096	6,147	10,183	3,394	6,789
Associate Circuit (Probate)	8,100	5,218	2,882	77,299	52,217	25,082
Court administration	25,700	40,678	(14,978)	22,425	25,638	(3,213)
Public Administrator	152,020	155,373	(3,353)	159,973	151,988	7,985
Sheriff	601,507	569,810	31,697	549,292	545,367	3,925
Jail	1,575,950	1,542,147	33,803	1,517,997	1,559,127	(41,130)
Prosecuting Attorney	282,863	255,227	27,636	277,075	261,086	15,989
Juvenile Officer	151,633	128,961	22,672	151,845	123,124	28,721
County Coroner	50,221	37,880	12,341	71,132	64,415	6,717
Planning and zoning	39,663	20,974	18,689	39,518	26,204	13,314
Child support enforcement	80,067	78,903	1,164	81,448	76,748	4,700
Tax increment financing	55,140	62,368	(7,228)	40,350	47,507	(7,157)
Public health and welfare services	1,500	1,334	166	3,000	2,803	197
Other general county governmen	259,512	238,449	21,063	300,051	243,424	56,627
Transfers out	36,500	8,844	27,656	11,400	20,000	(8,600)
Emergency Fund	135,000	0	135,000	130,000	0	130,000
Total Disbursements	4,604,014	4,327,548	276,466	4,482,898	4,209,993	272,905
RECEIPTS OVER (UNDER) DISBURSEMENTS	(107,668)	414,695	522,363	(194,127)	53,955	248,082
CASH, JANUARY 1	111,976	111,976	0	58,021	58,021	0
CASH, DECEMBER 31	4,308	526,671	522,363	(136,106)	111,976	248,082

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	975,000	1,018,089	43,089	940,000	930,047	(9,953)
Intergovernmental	572,235	558,330	(13,905)	572,500	569,037	(3,463)
Interest	2,400	6,981	4,581	3,500	2,341	(1,159)
Other	29,000	30,320	1,320	41,000	72,321	31,321
Transfers in	0	0	0	0	100,000	100,000
Total Receipts	1,578,635	1,613,720	35,085	1,557,000	1,673,746	116,746
DISBURSEMENTS						
Salaries	719,213	695,928	23,285	707,728	701,959	5,769
Employee fringe benefits	397,322	341,958	55,364	385,767	358,321	27,446
Supplies	176,400	212,528	(36,128)	138,400	136,293	2,107
Insurance	49,735	45,533	4,202	42,000	41,268	732
Road and bridge materials	67,500	18,954	48,546	197,500	75,947	121,553
Equipment repairs	125,000	79,340	45,660	175,000	82,855	92,145
Rentals	500	6	494	500	0	500
Equipment purchases	20,000	25,884	(5,884)	550,000	230,448	319,552
Construction, repair, and maintenance	500	0	500	500	47	453
Other	76,750	77,412	(662)	91,750	38,922	52,828
Transfers out	0	0	0	31,639	31,639	0
Total Disbursements	1,632,920	1,497,543	135,377	2,320,784	1,697,699	623,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	(54,285)	116,177	170,462	(763,784)	(23,953)	739,831
CASH, JANUARY 1	54,379	54,379	0	78,332	78,332	0
CASH, DECEMBER 31	94	170,556	170,462	(685,452)	54,379	739,831
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	299,900	344,591	44,691	297,200	293,311	(3,889)
Interest	500	1,096	596	400	618	218
Other	2,000	1,644	(356)	1,500	1,654	154
Transfers in	28,000	0	(28,000)	1,400	10,000	8,600
Total Receipts	330,400	347,331	16,931	300,500	305,583	5,083
DISBURSEMENTS						
Assessor	328,588	325,504	3,084	300,500	307,932	(7,432)
Total Disbursements	328,588	325,504	3,084	300,500	307,932	(7,432)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,812	21,827	20,015	0	(2,349)	(2,349)
CASH, JANUARY 1	603	603	0	2,952	2,952	0
CASH, DECEMBER 31	2,415	22,430	20,015	2,952	603	(2,349)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	7,500	7,630	130	8,000	7,300	(700)
Total Receipts	7,500	7,630	130	8,000	7,300	(700)
DISBURSEMENTS						
Sheriff	12,000	8,440	3,560	12,000	7,459	4,541
Total Disbursements	12,000	8,440	3,560	12,000	7,459	4,541
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	(810)	3,690	(4,000)	(159)	3,841
CASH, JANUARY 1	4,505	4,505	0	4,664	4,664	0
CASH, DECEMBER 31	5	3,695	3,690	664	4,505	3,841

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S CIVIL FEES FUND						
RECEIPTS						
Charges for services	50,000	49,134	(866)	47,000	53,550	6,550
Total Receipts	50,000	49,134	(866)	47,000	53,550	6,550
DISBURSEMENTS						
Sheriff	50,000	45,960	4,040	50,000	29,815	20,185
Total Disbursements	50,000	45,960	4,040	50,000	29,815	20,185
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,174	3,174	(3,000)	23,735	26,735
CASH, JANUARY 1	43,822	43,822	0	20,087	20,087	0
CASH, DECEMBER 31	43,822	46,996	3,174	17,087	43,822	26,735
DRUG ENFORCEMENT FUND						
RECEIPTS						
Other	0	0	0	200	0	(200)
Transfers in	8,500	8,844	344	9,800	10,000	200
Total Receipts	8,500	8,844	344	10,000	10,000	0
DISBURSEMENTS						
Northeast Missouri Narcotics Task Force	8,500	8,844	(344)	10,000	9,385	615
Total Disbursements	8,500	8,844	(344)	10,000	9,385	615
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	615	615
CASH, JANUARY 1	993	993	0	378	378	0
CASH, DECEMBER 31	993	993	0	378	993	615
SHERIFF'S REVOLVING FUND						
RECEIPTS						
Charges for services	3,000	4,600	1,600	3,000	2,614	(386)
Total Receipts	3,000	4,600	1,600	3,000	2,614	(386)
DISBURSEMENTS						
Sheriff	3,000	1,736	1,264	3,000	1,226	1,774
Total Disbursements	3,000	1,736	1,264	3,000	1,226	1,774
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,864	2,864	0	1,388	1,388
CASH, JANUARY 1	1,388	1,388	0	0	0	0
CASH, DECEMBER 31	1,388	4,252	2,864	0	1,388	1,388
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	2,300	2,484	184	2,600	2,204	(396)
Interest	0	8	8	0	5	5
Total Receipts	2,300	2,492	192	2,600	2,209	(391)
DISBURSEMENTS						
Shelters	2,300	2,450	(150)	2,600	2,285	315
Total Disbursements	2,300	2,450	(150)	2,600	2,285	315
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	42	42	0	(76)	(76)
CASH, JANUARY 1	3	3	0	79	79	0
CASH, DECEMBER 31	3	45	42	79	3	(76)

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUNI						
RECEIPTS						
Charges for services	1,500	1,580	80	1,300	1,153	(147)
Total Receipts	1,500	1,580	80	1,300	1,153	(147)
DISBURSEMENTS						
Prosecuting Attorney	1,500	1,149	351	1,500	933	567
Total Disbursements	1,500	1,149	351	1,500	933	567
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	431	431	(200)	220	420
CASH, JANUARY 1	798	798	0	578	578	0
CASH, DECEMBER 31	798	1,229	431	378	798	420
PROSECUTING ATTORNEY FUND						
RECEIPTS						
Charges for services	5,000	10,872	5,872	7,000	6,384	(616)
Total Receipts	5,000	10,872	5,872	7,000	6,384	(616)
DISBURSEMENTS						
Prosecuting Attorney	6,048	7,445	(1,397)	7,565	5,901	1,664
Total Disbursements	6,048	7,445	(1,397)	7,565	5,901	1,664
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,048)	3,427	4,475	(565)	483	1,048
CASH, JANUARY 1	1,048	1,048	0	565	565	0
CASH, DECEMBER 31	0	4,475	4,475	0	1,048	1,048
CAPITAL IMPROVEMENTS FUND						
RECEIPTS						
Sales taxes	0	0	0	100	14	(86)
Intergovernmental	550,000	10,300	(539,700)	400,000	24,058	(375,942)
Interest	2,500	2,400	(100)	10,500	5,079	(5,421)
Other	1,000	60	(940)	1,000	1,022	22
Transfers in	911,000	800,000	(111,000)	800,000	0	(800,000)
Total Receipts	1,464,500	812,760	(651,740)	1,211,600	30,173	(1,181,427)
DISBURSEMENTS						
Salaries	70,421	68,863	1,558	57,412	57,770	(358)
Employee fringe benefits	35,300	35,551	(251)	33,908	31,499	2,409
Office	14,000	2,812	11,188	14,000	3,096	10,904
Equipment	2,500	3,021	(521)	2,000	1,399	601
Mileage and training	4,591	4,579	12	4,509	3,337	1,172
Roads and bridges	1,280,000	658,467	621,533	1,720,000	484,826	1,235,174
Building repair	23,000	29,696	(6,696)	23,000	21,402	1,598
Other	30,000	526	29,474	30,000	16,504	13,496
Transfers Out	79,078	79,078	0	134,060	134,060	0
Total Disbursements	1,538,890	882,593	656,297	2,018,889	753,893	1,264,996
RECEIPTS OVER (UNDER) DISBURSEMENTS	(74,390)	(69,833)	4,557	(807,289)	(723,720)	83,569
CASH, JANUARY 1	189,026	189,026	0	912,746	912,746	0
CASH, DECEMBER 31	114,636	119,193	4,557	105,457	189,026	83,569

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
VETERANS ROAD FUND						
RECEIPTS						
Interest	0	1,452	1,452	4,712	4,682	(30)
Transfers in	2,000,000	1,148,930	(851,070)	0	0	0
Total Receipts	2,000,000	1,150,382	(849,618)	4,712	4,682	(30)
DISBURSEMENTS						
Engineering	10,000	0	10,000	80,000	45,415	34,585
Construction	2,036,000	1,533,374	502,626	335,000	6,509	328,491
Legal services	2,000	0	2,000	2,000	0	2,000
Other	2,000	4,083	(2,083)	2,000	5,550	(3,550)
Transfers out	0	0	0	103,374	103,374	0
Total Disbursements	2,050,000	1,537,457	512,543	522,374	160,848	361,526
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50,000)	(387,075)	(337,075)	(517,662)	(156,166)	361,496
CASH, JANUARY 1	361,495	361,495	0	517,662	517,661	(1)
CASH, DECEMBER 31	311,495	(25,580)	(337,075)	0	361,495	361,495
L.E.P.C. FUND						
RECEIPTS						
Intergovernmental	10,000	10,734	734	10,000	10,430	430
Other	0	84	84	0	572	572
Total Receipts	10,000	10,818	818	10,000	11,002	1,002
DISBURSEMENTS						
Office supplies	3,000	465	2,535	3,000	0	3,000
Equipment	7,000	1,654	5,346	5,000	8,500	(3,500)
Training	10,000	9,728	272	8,000	12,804	(4,804)
Mileage and registration	4,500	169	4,331	3,500	3,546	(46)
Total Disbursements	24,500	12,016	12,484	19,500	24,850	(5,350)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,500)	(1,198)	13,302	(9,500)	(13,848)	(4,348)
CASH, JANUARY 1	22,661	22,661	0	36,509	36,509	0
CASH, DECEMBER 31	8,161	21,463	13,302	27,009	22,661	(4,348)
RECORDER'S PRESERVATION FUND						
RECEIPTS						
Charges for services	9,100	13,072	3,972	12,000	12,312	312
Interest	900	1,535	635	1,000	925	(75)
Total Receipts	10,000	14,607	4,607	13,000	13,237	237
DISBURSEMENTS						
Recorder of Deeds	88,000	1,005	86,995	92,000	15,187	76,813
Total Disbursements	88,000	1,005	86,995	92,000	15,187	76,813
RECEIPTS OVER (UNDER) DISBURSEMENTS	(78,000)	13,602	91,602	(79,000)	(1,950)	77,050
CASH, JANUARY 1	78,068	78,068	0	80,018	80,018	0
CASH, DECEMBER 31	68	91,670	91,602	1,018	78,068	77,050

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S TECHNOLOGY FUND						
RECEIPTS						
Charges for services	5,500	6,654	1,154	5,800	6,509	709
Interest	200	375	175	400	236	(164)
Total Receipts	5,700	7,029	1,329	6,200	6,745	545
DISBURSEMENTS						
Recorder of Deeds	25,000	4,342	20,658	30,000	11,290	18,710
Total Disbursements	25,000	4,342	20,658	30,000	11,290	18,710
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,300)	2,687	21,987	(23,800)	(4,545)	19,255
CASH, JANUARY 1	19,351	19,351	0	23,896	23,896	0
CASH, DECEMBER 31	51	22,038	21,987	96	19,351	19,255
ELECTION SERVICES FUND						
RECEIPTS						
Charges for services	6,000	5,071	(929)	3,000	2,861	(139)
Total Receipts	6,000	5,071	(929)	3,000	2,861	(139)
DISBURSEMENTS						
Elections	6,000	1,826	4,174	3,675	3,472	203
Total Disbursements	6,000	1,826	4,174	3,675	3,472	203
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,245	3,245	(675)	(611)	64
CASH, JANUARY 1	77	77	0	688	688	0
CASH, DECEMBER 31	77	3,322	3,245	13	77	64
COLLECTOR'S TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	23,700	25,301	1,601	23,800	25,338	1,538
Interest	300	566	266	200	269	69
Total Receipts	24,000	25,867	1,867	24,000	25,607	1,607
DISBURSEMENTS						
County Collector	19,100	7,252	11,848	18,250	20,835	(2,585)
Transfers out	5,000	5,000	0	5,000	5,000	0
Total Disbursements	24,100	12,252	11,848	23,250	25,835	(2,585)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	13,615	13,715	750	(228)	(978)
CASH, JANUARY 1	18,936	18,936	0	19,164	19,164	0
CASH, DECEMBER 31	18,836	32,551	13,715	19,914	18,936	(978)

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CONTINUED PROGRESS FUND						
RECEIPTS						
Sales taxes	1,237,500	1,255,928	18,428	1,200,000	1,209,753	9,753
Interest	10,000	11,676	1,676	5,000	10,900	5,900
Reimbursements from COPS	2,226,159	1,666,695	(559,464)	0	1,459,347	1,459,347
Total Receipts	3,473,659	2,934,299	(539,360)	1,205,000	2,680,000	1,475,000
DISBURSEMENTS						
Highway department building	30,000	67,009	(37,009)	100,000	1,657,544	(1,557,544)
Capital improvements	0	0	0	800,000	0	800,000
Debt service	545,462	533,099	12,363	482,353	476,241	6,112
Jail improvements	0	555,607	(555,607)	0	0	0
Transfers out	3,301,313	2,289,243	1,012,070	496,412	496,412	0
Total Disbursements	3,876,775	3,444,958	431,817	1,878,765	2,630,197	(751,432)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(403,116)	(510,659)	(107,543)	(673,765)	49,803	723,568
CASH, JANUARY 1	818,572	818,572	0	768,769	768,769	0
CASH, DECEMBER 31	415,456	307,913	(107,543)	95,004	818,572	723,568
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	50,000	39,738	(10,262)	500	20,702	20,202
Total Receipts	50,000	39,738	(10,262)	500	20,702	20,202
DISBURSEMENTS						
Sheriff	50,000	0	50,000	500	0	500
Total Disbursements	50,000	0	50,000	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	39,738	39,738	0	20,702	20,702
CASH, JANUARY 1	20,702	20,702	0	0	0	0
CASH, DECEMBER 31	20,702	60,440	39,738	0	20,702	20,702
ELECTION HAVA FUND						
RECEIPTS						
Intergovernmental	115,750	123,125	7,375			
Interest	0	146	146			
Total Receipts	115,750	123,271	7,521			
DISBURSEMENTS						
Elections	115,750	127,778	(12,028)			
Total Disbursements	115,750	127,778	(12,028)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(4,507)	(4,507)			
CASH, JANUARY 1	8,089	8,089	0			
CASH, DECEMBER 31	8,089	3,582	(4,507)			

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH DEPARTMENT FUND						
RECEIPTS						
Property taxes	445,000	452,871	7,871	441,000	433,230	(7,770)
Intergovernmental	1,070,530	1,259,536	189,006	956,731	1,114,416	157,685
Charges for services	150,820	124,036	(26,784)	81,700	126,721	45,021
Interest	17,000	45,629	28,629	10,000	16,099	6,099
Other	30,100	31,273	1,173	17,300	40,565	23,265
Total Receipts	1,713,450	1,913,345	199,895	1,506,731	1,731,031	224,300
DISBURSEMENTS						
Salaries and fringe benefits	1,131,193	1,134,041	(2,848)	1,100,095	1,093,556	6,539
Office	45,407	53,888	(8,481)	52,100	49,135	2,965
Equipment purchases and repairs	117,000	97,384	19,616	22,000	21,428	572
Mileage and training	46,000	54,509	(8,509)	34,868	46,282	(11,414)
Contracted services	172,820	178,563	(5,743)	62,020	166,894	(104,874)
Building	36,200	30,981	5,219	136,398	173,844	(37,446)
Medical supplies	40,000	54,077	(14,077)	40,000	42,575	(2,575)
Insurance	29,500	21,743	7,757	29,500	33,670	(4,170)
Vehicle	16,000	2,303	13,697	18,000	19,252	(1,252)
Grant	47,930	81,448	(33,518)	42,450	76,943	(34,493)
Other	31,400	30,356	1,044	219,300	34,353	184,947
Total Disbursements	1,713,450	1,739,293	(25,843)	1,756,731	1,757,932	(1,201)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	174,052	174,052	(250,000)	(26,901)	223,099
CASH, JANUARY 1	0	982,184	982,184	0	1,009,085	1,009,085
CASH, DECEMBER 31	0	1,156,236	1,156,236	(250,000)	982,184	1,232,184
EMERGENCY TELEPHONE SERVICE (E911) FUND						
RECEIPTS						
Sales taxes	825,000	837,248	12,248	800,000	806,625	6,625
Intergovernmental	0	452,231	452,231	0	73,405	73,405
Charges for services	0	0	0	0	31	31
Interest	3,150	5,105	1,955	2,000	3,137	1,137
Other	0	101	101	0	1,383	1,383
Total Receipts	828,150	1,294,685	466,535	802,000	884,581	82,581
DISBURSEMENTS						
Salaries and fringe benefits	496,676	507,703	(11,027)	501,450	504,682	(3,232)
Insurance	500	5,624	(5,124)	3,500	3,676	(176)
Equipment	29,500	375,996	(346,496)	2,000	177,289	(175,289)
Professional services	3,000	93,047	(90,047)	6,600	32,317	(25,717)
Office	16,692	14,091	2,601	11,360	10,796	564
Mileage and training	25,000	9,102	15,898	28,500	20,900	7,600
Advertising	1,500	200	1,300	4,800	600	4,200
Building and utilities	0	0	0	31,360	0	31,360
Maintenance agreements	10,000	0	10,000	28,220	0	28,220
Telephone	77,500	75,681	1,819	80,000	75,540	4,460
Land	115,000	114,031	969	0	1,999	(1,999)
Debt repayment	0	0	0	96,624	0	96,624
Other	10,200	80,339	(70,139)	7,000	11,186	(4,186)
Total Disbursements	785,568	1,275,814	(490,246)	801,414	838,985	(37,571)
RECEIPTS OVER (UNDER) DISBURSEMENTS	42,582	18,871	(23,711)	586	45,596	45,010
CASH, JANUARY 1	0	310,881	310,881	0	265,285	265,285
CASH, DECEMBER 31	$ 42,582	329,752	287,170	586	310,881	310,295

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Department Board of Trustees, the Emergency Telephone Service (E911) Board, or the Law Enforcement Restitution Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Election HAVA Fund	2005
Circuit Clerk Interest - District I Fund	2006 and 2005
Circuit Clerk Interest - District II Fund	2006 and 2005
Law Library Fund	2006 and 2005
Juvenile Justice Center Fund	2006 and 2005
Sheriff's Jail Inmate Fund	2006 and 2005
Circuit Clerk Passport Fees - District II Fund	2006 and 2005
Drug Court - District II Fund	2006 and 2005
Juvenile Victims - District I Fund	2006 and 2005
Juvenile Victims - District II Fund	2006 and 2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Assessment Fund	2005
Drug Enforcement Fund	2006
Domestic Violence Fund	2006
Prosecuting Attorney Fund	2006
L.E.P.C. Fund	2005
Collector's Tax Maintenance Fund	2005
Continued Progress Fund	2005
Election HAVA Fund	2006
Health Department Fund	2006 and 2005
Emergency Telephone Service (E911) Fund	2006 and 2005

Deficit budget balances are presented for General Revenue Fund, Special Road and Bridge Fund, and Health Department Fund for the year ended December 31, 2005. However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Department Fund	2006 and 2005
Emergency Telephone Service (E911) Fund	2006 and 2005
Circuit Clerk Interest - District I Fund	2006 and 2005
Circuit Clerk Interest - District II Fund	2006 and 2005
Law Library Fund	2006 and 2005
Juvenile Justice Center Fund	2006 and 2005
Sheriff's Jail Inmate Fund	2006 and 2005
Circuit Clerk Passport Fees - District II Fund	2006 and 2005
Drug Court - District II Fund	2006 and 2005
Juvenile Victims - District I Fund	2006 and 2005
Juvenile Victims - District II Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Marion County will not be

able to recover its deposits or recover collateral securities that are in an outside party's possession.
The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not insured by the FDIC are pledged to the county rather than to specific county officials.

The county's deposits at December 31, 2006, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial banks in the county's name. At December 31, 2005, the reported amount of the county's deposits was $7,132,464 and the bank balance was $7,541,262. Of the bank balance, $446,071 was exposed to custodial credit risk because that amount was uncollateralized.

Of the Health Department Board's bank balance at December 31, 2006 and 2005, $116,537 and $4,153, respectively, was exposed to custodial credit risk because those amounts were uncollateralized.

The Emergency Telephone Service (E911) Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial banks in the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustment

The General Revenue Fund's cash balance at January 1, 2005, as previously stated has been increased by $716,701, to reflect the cash balance shown in the county's records.

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

Fund	Balance
Health Department Fund	$ 1,009,085
Emergency Telephone Service (E911) Fund	265,285
Circuit Clerk - District I Interest Fund	16,393
Circuit Clerk - District II Interest Fund	17,220
Law Library Fund	2,113
Juvenile Justice Center Fund	1,125
Sheriff's Jail Inmate Fund	7,162
Juvenile Victims - District I Fund	771
Juvenile Victims - District II Fund	8,608

Supplementary Schedule

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 504	1,382
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program	ERS045-5164	0	71,244
	for Women, Infants, and Children	ERS045-6164	98,250	17,834
		ERS045-7164	23,658	0
	Program Total		121,908	89,078
10.559	Summer Food Service Program for Children	ERS046-6164i	70	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services			
14.231	Emergency Shelter Grants Program	ERS01640643	0	8,570
		ERS01640755	9,256	0
	Program total		9,256	8,570
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety			
16.523	Juvenile Accountability Incentive Block Grant	2002-SUP-JABG-09	0	15,673
		2003JABG-SUP-11	8,516	0
	Program Total		8,516	15,673
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	43-6001552	3,800	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-064(14)	9,516	13,187
20.600	State and Community Highway Safety	BPC03-26-Z	902	0

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	2,995	2,522
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	14,503	7,605
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA-2002-FED	113,275	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects	ERS146-5164L	0	4,191
	State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Childre	ERS146-6164L	2,637	7,643
	Program Total		2,637	11,834
93.268	Immunization Grants	N/A	97,670	53,353
93.283	Centers for Disease Control and Prevention	A0C05380158	0	83,092
	Investigations and Technical Assistanc	A0C07380229	58,099	0
		A0C07380045	16,688	0
	Program Total		74,787	83,092
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	58,051	51,567
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA 067-4164C NUR	0	990
		PGA 067-5164S SAN	0	3,085
		PGA 067-6164C	2,500	0
		AOC0638	2,766	0
	Program Total		5,266	4,075

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Health and Senior Services			
93.778	Medical Assistance Program	AOC05380196	38,984	32,474
93.945	Assistance Programs for Chronic Disease Preventio	AOC04380022	33,100	1,375
	and Control	AOC04380236	0	21,099
	Program Total		33,100	22,474
93.991	Preventive Health and Health Services Block Gran	AOC04380017	11,191	27,155
		AOC04380140	12,579	0
	Program Total		23,770	27,155
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4164M	34,046	31,635
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2003-MU-T3-0003	365,683	179,358
	Total Expenditures of Federal Awards		$ 1,019,239	635,034

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

MARION COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Marion County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on the prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for the Immunization Grants (CFDA number 93.268)

represent the original acquisition cost of vaccines obtained by the Health Department through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $9,256 and $8,570 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2006 and 2005, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Marion County, Missouri

Compliance

We have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in finding number 06-4 in the accompanying Schedule of Findings and Questioned Costs, Marion County, Missouri did not comply with requirements regarding allowable costs, equipment management, and procurement and suspension and debarment that are applicable its State Domestic Preparedness Equipment Support Program. Compliance with such requirements

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is necessary, in our opinion, for Marion County, Missouri, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Marion County, Missouri, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-3.

Internal Control Over Compliance

The management of Marion County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-3 and 06-4 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. However, we consider the significant deficiencies referred to above, finding numbers 06-3 and 06-4, to be material weaknesses.

The responses of Marion County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

November 1, 2007

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Noncompliance material to the financial statements noted?	__x__ yes	_____ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	__x__ yes	_____ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs except CFDA number 97.004, which was qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510a of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1. Budgets and Published Financial Statements

Budgetary and financial statement procedures are in need of improvement.

A. Budgetary procedures need improvement. The following problems regarding budgets were noted:

1. The approved budget document did not adequately project anticipated disbursements and the ending cash balance of the Capital Improvements Fund and Veterans Road Fund, for the years ended December 31, 2006 and 2005, and the Special Road and Bridge Fund for the year ended December 31, 2005. The budgets significantly overestimated disbursements, and as a result the actual ending cash balances were much higher than the projected ending balances, as follows:

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance	Budget	Actual	Variance
Special Road and Bridge Fund						
Disbursements	$ 1,632,920	1,497,543	135,377	2,320,784	1,697,699	623,085
Cash Balance	94	170,556	170,462	(685,452)	54,379	739,831
Capital Improvements Fund						
Disbursements	1,538,890	882,593	656,297	2,018,889	753,893	1,264,996
Cash Balance *	114,636	119,193	4,557	105,457	189,026	83,569
Veterans Road Fund						
Disbursements	2,050,000	1,537,457	512,543	522,374	160,848	361,526
Cash Balance	311,495	(25,580)	(337,075)	0	361,495	361,495

* For the Capital Improvement Fund, the county also significantly overestimated receipts for 2006 and 2005, as a result the difference in the cash balance was lessened.

As evidenced by the amounts presented above, the County Commission does not adequately review historical cost data when preparing the budget. The County Commission indicated for the funds noted above it is difficult to estimate the disbursements because time constraints or weather may not allow them to perform all of the planned projects. Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operation and current financial condition, the budgets should reflect reasonable estimates of disbursements and the anticipated ending cash balance.

2. Budget misclassifications for several funds included erroneous classifications of receipts, disbursements, and transfers. Some transfers were not consistently reflected between county funds. For example, while the county reflected transfers in the General Revenue Fund, Special Road and Bridge Fund, Capital Improvements Fund, and Veterans Road Fund the corresponding transfers out were not properly reflected on the Continued Progress Fund. Transfers out, totaling $2,289,243 and $496,412 for 2006 and 2005, respectively, were erroneously combined with various operating

expense categories or were not clearly labeled as transfers. For example, one transfer to the General Revenue Fund was labeled as "Law Enforcement".

While these budget misclassifications do not have an effect on the overall accuracy of budget totals for receipts and disbursements, they do result in an inaccurate presentation of the county's financial activity. Adjustments have been made to the audited financial statements to correct these errors.

To ensure the information presented on the county's budget documents is complete and accurate, the County Clerk should perform thorough reviews and comparisons to supporting records. Such procedures are essential for communicating accurate financial data to county residents. Further, the county's budgets should include appropriate classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

B. The county's annual published financial statements did not include financial information for several county funds held by various elected officials. In addition, the Board of Trustees for the Health Department and the E911 Board did not publish their annual financial statements in 2006 or 2005. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

Similar conditions to A.1. and B were noted in the prior two reports.

WE RECOMMEND the County Commission:

A.1. Ensure that budgets provide reasonable estimates of anticipated financial activity.

2. And County Clerk ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the county budget documents.

B. Ensure all required funds are presented in the county's annual published financial statements. In addition, the Board of Trustees for the Health Department and E911 Board should publish their financial statements annually as required by state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and the County Clerk indicated:

A.1. The Road and Bridge Fund was changed in 2006 to more accurately reflect anticipated financial activity. The Veteran's Road Fund will soon be closed out. The County Clerk stated that it is very difficult at the beginning of the year to anticipate activity of the Capital Improvements Fund. Such things as weather, construction companies' other activities, and revising of bridge replacement priorities by the County Commission can have a great impact on Capital Improvements Fund activities later in the year.

2. The County Clerk's Office will do additional reviews in the future to ensure the budget classifications are correct.

The County Clerk indicated:

B. We have not received these budgets although they have been requested. We would publish their financial statements if the budgets were received.

The President of the Health Department Board of Trustees and the Health Department Administrator indicated:

B. We will review this recommendation to ensure it is required for the Health Department.

The E911 Director and Chairman of the Board indicated:

B. This recommendation will be implemented.

06-2. County Sales Taxes

The county has not adopted procedures to monitor or assess the results of the actual sales tax rollbacks and to consider any differences noted in prior years when calculating the current year's rollback.

The county is required to compute the annual property tax levy to meet the 50 percent rollback requirement, and certify to the State Auditor's Office the annual property tax levy including the amount the levy is required to be rolled back, as well as any voluntary rollback. For 2003 through 2006, the county certified the sales tax reduction and voluntary reductions as follows:

	2006	2005	2004	2003
Sales tax reduction	$.1778	.1870	.2518	.2484
Voluntary reduction	.1500	.1661	.1313	.1347

The County Clerk believes that the voluntary reduction should be considered in calculating the excess; however, these amounts were clearly designated as voluntary reductions not sales tax reductions. In addition, the September 2006 minutes indicated the county had voluntarily rolled back the General Revenue tax levy to offset the $.15 levy for the Health Department per their "gentlemen's agreement" when voters passed the separate levy for the Health Department. If the voluntary reduction is included, the county rolled back approximately $1.5 million more than required during these four years. However, utilizing the amounts certified as sales tax reduction, property tax collections were not sufficiently offset by 50 percent of sales taxes collected, resulting in excess collections of approximately $561,800 at December 31, 2006. If the county considers the voluntary reduction to be part of the sales tax reduction calculation, it should certify it as sales tax reduction to the State Auditor's Office to clearly show compliance with state law.

In addition, the County Clerk does not compare his estimated rollback amounts to actual amounts to ensure the sales tax rollback complied with state law. Without this type of calculation, the County cannot consider any excess tax collections when computing the current year's rollback as required.

It is unclear if sales tax monies distributed to the city TIF district should have been considered in the rollback calculation, thus it has not been included. The county distributed sales taxes of approximately $62,228, $47,367, $37,211 and $56,219 from the General Revenue Fund to the city TIF District during the years ended December 31, 2006, 2005, 2004, and 2003, respectively.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Marion County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The County should review their past designations of sales tax rollback and voluntary rollback to determine if these were misclassified and ensure future certifications properly reflect their position on the rollbacks purpose. In addition, the County Clerk should consult the Prosecuting Attorney to determine the effect distribution of sales tax monies to TIF districts has on rollback calculations.

WE RECOMMEND the County properly distinguish between sales tax and voluntary reductions on certified tax forms to clearly show compliance with state law. In addition, the county should consult the Prosecuting Attorney to determine the effect of sales tax distributions to TIF districts on the calculations.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated:

I do not completely disagree with the auditor notations; however, I would point out that the form provided by the State of Missouri is quite vague, and lacking in direction about how to properly use it. In reality, the procedure is not being abused and Marion County actually has the lowest property tax rates throughout northeast Missouri.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-3. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Numbers:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-5164, ERS045-6164, and ERS-0457164
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Numbers:	93.283
Program Title:	Centers for Disease Control and Prevention - Investigations and Technical Assistance
Pass-Through Entity Identifying Number:	A0C05380158, A0C07380229, and A0C07380045
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Numbers:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity Identifying Number:	2003-MU-T3-0003
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $655,500 and $232,400 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's

Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards and properly account for their awards on the SEFA. The following problems regarding the SEFA were noted:

- The County Clerk and Health Department reported revenues instead of expenditures for several programs.

- In 2006 and 2005, the County Clerk included only the county's portion of the grant for State Domestic Preparedness Equipment Support Program which resulted in the grant being understated by approximately $356,100 and $167,800. The County Clerk indicated he was not aware the E911 Board had received federal monies that were required to be reported.

- The Health Department did not report the value of vaccines received for Immunization Grants (CFDA #93.268), which understated federal expenditures by approximately $97,600 and $53,300 for 2006 and 2005, respectively.

- In 2006, the County Clerk failed to include federal monies of $113,270 for the Help America Vote Act Requirements Payments Program.

- The Juvenile Justice Center included state grants incorrectly on the SEFA.

- The County Clerk failed to include the required pass-through grantor's number on most of the programs that were reported.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

Similar conditions were noted in our two prior reports. Although the County Commission, County Clerk, Health Department, and Juvenile Justice Center indicated they would implement the recommendations, the county has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission, County Clerk, Health Department, Juvenile Justice Center, and E911 Board prepare a complete and accurate schedule of expenditures of federal awards. In addition, the County Commission and County Clerk should ensure that the correct contract numbers are included on the schedule.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

We will attempt to do better in the future.

The President of the Health Department Board of Trustees and the Health Department Administrator, E911 Director and the Chairman of the Board, and the Juvenile Officer indicated:

This recommendation will be implemented.

06-4. State Domestic Preparedness Equipment Support Program

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Numbers:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity Identifying Number:	2003-MU-T3-0003
Award Years:	2006 and 2005
Questioned Costs:	$356,447

The county's controls and procedures did not comply with requirements regarding allowable costs, equipment management, and suspension and debarment, that are applicable to the State Domestic Preparedness Equipment Support Program. Marion County and E911 Board disbursements for this program were approximately $545,000 in 2006 and 2005. The E911 Board disbursed the majority of the monies for the State Domestic program.

A. From December 2005 to June 2006, the E911 Board made three payments totaling $356,447, to a communications company for the prepayment of equipment. The E911 Board will not receive this equipment until the new building is constructed due to lack of storage space. As of October 2007, the E911 Board had not received the equipment because construction has not started on the new building. The E911 Director indicated these grant monies were expended prior to receiving the equipment because of the grant deadline. As a result, these payments do not appear to have been for allowable costs and we have questioned costs of $356,447 which is the total paid for equipment that has not been received by the E911 Board. In addition, the E911 Board did not enter into a written agreement with the communications company regarding this equipment being delivered to the new E911 building for the monies prepaid.

   Section .300(c) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the auditee to "comply with laws, regulations, and the

provisions of contracts or grant agreements related to each of its Federal programs". Prepaying for goods and services violates the Missouri Constitution. Article VI, Section 23 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money to any corporation, association, or individual. It is not prudent to prepay for goods or services to be received at a later date which could result in paying for goods or services not received. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

B. The E911 Board does not have adequate procedures for capital assets purchased through the State Domestic program. A GPS system and USB printer costing $5,992 received in 2005 were not added to the E911 Board capital asset records. See MAR finding number 6 regarding recommendations for overall E911 Board capital assets.

Grants Common Rule §105-71.132 specifies that states will use, manage, and dispose of equipment acquired under a grant in accordance with state laws and procedures. Section 49.093, RSMo, requires counties to account for personal property costing $1,000 or more.

C. The board did not ensure the vendors providing equipment totaling $69,415 under the grant had not been debarred or suspended by the federal government. The Common Rule requires entities receiving federal awards to determine that vendors receiving procurement contracts equal to or exceeding $25,000 and their principals are not suspended or debarred. The E911 Director was not aware of this requirement and did not verify the standing of the consulting or project vendors. The General Service Administration's Excluded Parties List System showed the vendors were eligible for contracts.

WE RECOMMEND the Emergency Telephone Service (E911) Board:

A. Consult with the grantor agency to resolve the questioned costs and determine if other action is needed. In the future, the E911 Board should ensure future funds are only used for allowable costs and discontinue the practice of prepaying for items.

B. Ensure capital assets purchased through the State Domestic program are accounted for properly.

C. Establish procedures to ensure vendors are not suspended or debarred.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The E911 Director and the Chairman of the Board indicated:

A. *We partially disagree with these findings. The majority of the grant money that was received by the 911 Board was used to purchase equipment that will be installed in a new 911 communications center that was in the early planning stages when the grant was awarded. Since the grant deadline arrived well before the building was completed, we were faced with the challenge of what to do with the new equipment until it was ready to be installed.*

We requested and received several grant extensions by the State until we were notified of the final deadline. We were told by the State that we were in jeopardy of losing the remaining grant money if it was not spent before the summer of 2006. The State was kept informed as to our situation and we were told by the State that we could store the equipment until the new building was ready and that there were no requirements that the equipment had to be immediately placed into service. The 911 Board does not have adequate storage space available and would have needed to rent space in order to store the equipment. The vendor agreed to store our equipment in a secure and environmentally controlled warehouse at no cost to the Board until we were ready to install the equipment in the new building. Much of this equipment is not kept in the vendor's ordinary stock and had to be special ordered (and paid for) at the time of purchase. The vendor has been ready to deliver any of the equipment that we have purchased at anytime that we are ready to install it. Spending public tax dollars on storage space until the new building is completed just doesn't make good fiscal sense when someone is willing to store the equipment for us at no cost.

It is our position that the equipment was purchased in accordance to the grant specifications and guidance provided by the State and we disagree with the auditors conclusion that these payments were not for allowable costs. We simply have been able to store the equipment at no cost to the tax payers until it is ready to be installed, without losing out on this rare opportunity to improve emergency 911 services to the public. We most certainly would have preferred that the new building was completed and ready for the equipment in 2006, or that additional grant extensions could have been given, unfortunately, this was not the case and our only option was to purchase and store the equipment - or to forfeit the grant money. Under the circumstances we feel that we made the best decisions we could with the options that were available to us.

We will follow up with the SEMA grant manager to discuss the concerns that have been raised by the auditor.

B. *This recommendation will be implemented.*

C. *The E911 Board was not aware of this requirement. This will be done if future federal monies are received.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Marion County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2004.

04-1. The Associate Circuit Division District I and the Circuit Clerk Division District II did not have proper reconciliations for cash accounts.

Recommendation:

The prior report did not include a recommendation.

Status:

Not implemented. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005, in both districts. See MAR finding number 10 and 11.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MARION COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MARION COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 2007. We also have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for the State Domestic Preparedness Equipment Support Program (CFDA number 97.004).

Because the Board of Services for the Developmentally Disabled is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information for the years ended June 30, 2006 and June 30, 2005.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Marion County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Marion County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Commission Procedures

The County Commission records and procedures related to budgets, closed meeting minutes, review of the property tax system, bond coverage and documentation of administrative transfers are in need of improvement.

A. Budgetary procedures need improvement as follows:

1. The County Commission and various elected officials did not ensure budgets were prepared for nine county funds held by various elected officials. Receipts of approximately $126,500 and $155,300 and disbursements of approximately $115,500 and $149,300 were not budgeted for the years 2006 and 2005, respectively. Although the County Clerk requested budgets for these funds, he apparently did not provide some elected officials with the proper budget forms. As a result, budget information submitted to the County Clerk was not complete for some funds. The officials indicated they did not know the required information for a budget. The county has not complied with statutory provisions and cannot effectively monitor disbursements or fund balances without a comprehensive budget document.

   Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's Office. By preparing or obtaining budgets for all county funds, the County Commission and other county officials present a complete financial plan to

the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

A similar condition was noted in our prior report.

2. Actual disbursements exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31, 2006	2005
Assessment	$ N/A	7,432
Prosecuting Attorney	1,397	N/A
L.E.P.C	N/A	5,350
Collector's Tax Maintenance	N/A	2,585
Continued Progress	N/A	751,432
Election HAVA	12,028	N/A
Emergency Telephone Service (E911)	490,246	37,571

The County Commission and E911 Board periodically review budget to actual comparison reports. The County Commission and the E911 Board indicated that not amending the budget was an oversight.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

B. The County does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. The County Treasurer's and County Collector's combined deposits were uncollateralized by approximately $4,529,000 and $446,000 during January 2007 and December 2005, respectively, when significant property taxes were received and distributed. The County relies on the bank to ensure they have pledged adequate collateral securities. The securities are released by the County Clerk.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC. Inadequate collateral securities leave the county's funds unsecured and subject to loss in the event of a bank failure.

C. The County Commission occasionally held closed meetings; however, minutes of these meetings are not adequate. The closed meeting minutes did not include sufficient detail of matters discussed and actions taken. The only closed meeting minutes were notes jotted down by the County Clerk which included both the open and closed session. These notes were not signed by the preparer or the County Commission.

Section 610.020, RSMo, requires minutes of closed meetings be taken and retained by all governmental bodies and to indicate the date, time, place, members present, members absent, and a record of votes taken. Minutes of closed meetings constitute the record of proceedings of the County Commission. They help show that the closed discussions or business related to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo, and document important facts considered in reaching significant decisions regarding county business.

D. County Commission procedures for review of the property tax system are in need of improvement. The following problems regarding County Commission review of the property tax system were noted:

1. Additions and abatements of property taxes are not reviewed or approved by the County Commission. The Assessor makes changes to the property tax system for additions and abatements. The County Collector then prints the court order for the additions and abatements which is given to the County Clerk's office annually.

   Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission. In addition, court orders should be approved, at least monthly, by the County Commission for all additions and abatements to the property tax system.

2. There was also no evidence the County Commission and County Clerk examined and approved the County Collector's annual settlements. The County Clerk maintains an account book that summarizes property tax amounts that the County Collector is charged with collecting (original property tax bills and subsequent additions to the tax books) and the corresponding credits for these amounts (monthly tax collections, abatements, protested taxes, and delinquent taxes). Although the County Clerk's office personnel indicated the account book was compared to the County Collector's annual settlements, this was not documented.

   Reconciling the account book to the County Collector’s records and investigating discrepancies would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements.

Such procedures are intended to establish checks and balances related to the collection of property taxes. Furthermore, Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

E. The Assessor has not obtained bond coverage as required by state law. The County Clerk is responsible for purchasing county bonds and indicated he did not believe this bond was necessary because of the small amount of monies collected. Section 53.040, RSMo, requires bond coverage of at least $1,000 for the Assessor. In addition, various county employees who handle money are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees and officials handling monies should be adequately bonded.

F. The county does not clearly document which years allowable transfers are included in the budgeted transfer amount each year. The County Clerk maintains a spreadsheet of the allowable transfers calculated for each year and notes if the transfer is made by the county. When funds are needed by the General Revenue Fund, the County Clerk determines which of the amounts from prior years, which the county has not yet taken, should be transferred in the current year. For example, the amount transferred from the Capital Improvements Fund in 2005 was the administrative transfer calculated for 1998 and 1999.

During the audit period, administrative transfers were transferred to the General Revenue Fund as follows:

	Year Ended December 31,	
Fund	2006	2005
Special Road and Bridge	$ N/A	31,639
Capital Improvements	79,078	104,060
Veteran's Road	N/A	103,374

The county did not budget for an administrative transfer in 2006, but transferred $79,078 for 2001 and 2002 from the Capital Improvements Fund to the General Revenue Fund. There is no documentation in the budget indicating the county may decide to take the allowable administrative transfers in future years instead of forgoing the allowable transfer when it is not budgeted for a year.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the Special Road and Bridge Fund and specific purpose capital improvements funds. It appears questionable to forgo the administrative transfers in the appropriate years and later rescind the decision and recoup the amounts when the General Revenue Fund experiences financial difficulties. For citizens to be aware of the county's administrative transfer procedures, all decisions should be clearly documented in the budget document or noted at the budget hearing and documented in the minutes.

WE RECOMMEND the County Commission:

A.1. And other officials ensure budgets are prepared for all county funds. In addition, the County Clerk should provide the proper budget forms to the various elected officials.

2. And the E911 Board review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

B. Work with the County Treasurer and the County Collector to develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

C. Ensure minutes of closed meetings clearly document all business conducted and are properly signed.

D.1. Review and approve all additions and abatements on a timely basis.

2. And County Clerk perform a review of the County Collector's annual settlements using the County Clerk's account book. Any discrepancies should be investigated and resolved.

E. Ensure the Assessor obtain bond coverage as required by state law. In addition, review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

F. Require all information regarding administrative transfers be documented in the budget document. In addition, the County Commission should adequately budget for administrative transfers.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

A.1. The County Clerk believes his letter to other elected officials requesting the budgets for these nine county funds is sufficient for them to respond with their budget information for these lesser known funds. Further, he believes that if he is to be responsible for these funds, he should be given the role of administering their receivables and payables the same way that all other funds, such as the General Revenue, Special Road and Bridge, and Assessment Funds are administered.

2. We discovered our own error in the Continued Progress Fund and corrected it in 2006. Obvously, .there is always room for improvements for tracking everything.

C&F. These recommendations will be implemented.

D.1 &E. These recommendations have been implemented.

D.2. We have always reviewed these, but will document our review in the future.

The Collector and the County Treasurer indicated:

B. We are working with the bank to develop procedures to monitor collateral securities.

The E911 Director and the Board President indicated:

A.2. This recommendation will be implemented.

2. Disbursements

The county does not have adequate procedures regarding the procurement of major purchases and professional services. In addition, the county has not developed an effective method of monitoring the services provided by several not-for-profit (NFP) organizations.

A. While a review of commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

Concerns were noted related to the following purchases:

	Year Ended December 31,	
Items or Services	2006	2005
Kitchen and cleaning supplies	$ 38,512	106,236
Prescriptions	6,871	88,847

The Chief Deputy and Deputy County Clerk indicated the above items were not bid because the individual items were not over $4,500. They were unaware of the bidding requirement applied to all purchases of $4,500 or more from any one person, firm, or corporation during any period of ninety days.

In addition to the above items, there were other instances in which the county is not adequately bidding and/or documenting factors related to purchases:

- The county paid $282,952 for the pipeline owner to move a pipeline for a construction project. The County Clerk indicated this was a sole source purchase. However, this was not documented.

- Although a $101,400 disbursement for election equipment was bid, the county did not document why a bid which was $8,460 less was not accepted. The County Clerk indicated the lowest bid was not selected because the election equipment was incompatible with the other election equipment.

- The county spent approximately $15,000 for heating and cooling services for the Sheriff's Department. Although the Chief Deputy indicated the services were required due to an emergency, there was no documentation regarding this.

- A trailer costing approximately $4,600 was purchased by the Emergency Management Director. Although the Director indicated he solicited prices via phone calls, documentation of these calls was not retained.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. The county has not developed an effective method of monitoring the services provided by several not-for-profit (NFP) organizations. Although agreements with the NFPs allow the county to require documentation on the use of the requested funds, the county has not required such documentation. During 2006, the county paid the NFPs approximately $28,000 for these funding requests for various services (such as meals for senior citizens, recycling, etc.).

The monitoring efforts used by the county do not provide adequate assurance as to how monies are being spent. At a minimum, the county should ensure documentation is received regarding the specific services to county residents in exchange for funding provided by the county.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Adequately monitor the use of monies provided to NFP organizations.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

A. In 2007, we began outsourcing the kitchen supplies and prescriptions so this will no longer be a problem. We will try to document bid decisions better in the future.

B. This recommendation will be implemented in the future.

3. County Treasurer Controls and Procedures

The County Treasurer procedures relating to unclaimed monies and outstanding checks are in need of improvement.

A. In 2006 and 2005, the County Treasurer deposited approximately $2,700 of unclaimed monies in the county's General Revenue Fund, rather than turning the monies over to the state Unclaimed Property Section as required by state law. The unclaimed monies included old outstanding checks. The County Treasurer indicated her procedures were consistent with those of the past as she believed these monies should be retained by the county not the state.

Sections 447.500 through 447.595, RSMo, requires unidentified monies be turned over to the state Unclaimed Property Section. The County Treasurer should review these sections of state law and take appropriate action.

B. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2006, the County Treasurer's bank account had 59 outstanding checks, totaling $2,584, which dated back to 2002. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

WE RECOMMEND the County Treasurer:

A. Distribute approximately $2,700 from the General Revenue Fund to the state Unclaimed Property Section. In addition, the County Treasurer should establish procedures for turning over unidentified amounts to state Unclaimed Property.

B. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The County Treasurer indicated:

I will take these recommendations under advisement.

4. Payroll Procedures and Official's Salaries

Records and procedures regarding timecards and timesheets are in need of improvement. In addition, the county's policy regarding the accumulation of compensatory time is not clear and the County Coroner's salary did not appear to comply with statutory provisions. Marion County disburses approximately $2.8 million annually for payroll costs. The County Commission is responsible for approving payroll related disbursements, and the County Clerk is responsible for maintaining adequate records to support these disbursements.

A. Timecard and timesheet records and procedures are in need of improvement. The following problems regarding timecards and timesheets were noted:

1. Timecards are not submitted to the County Clerk's office for Highway Department employees. The Highway Department's secretary prepares summary timesheets using the original timecards. Although the summary monthly timesheets are apparently reviewed for accuracy by the Highway Department Superintendent before they are submitted to the County Clerk's office, the summary timesheets did not always agree with the timecards. One employee's compensatory balance was overstated by 3.5 hours due to errors on the summary.

   Submission of detailed time records to the County Clerk's office, which are approved by supervisors, would provide support for payroll processed by the county. The county cannot adequately document the legitimacy of payroll amounts and leave balances without adequate documentation.

2. Timesheets are not prepared by the Emergency Management Director. The county pays the Emergency Management Director $7,500 annually as a part-

time employee, but he is also paid by the Health Department and Ralls County. County Clerk personnel indicated he is considered to be a salaried employee who does not earn any leave and is not required to submit timesheets. The county has no documentation indicating the number of hours worked, or how such hours relate to those charged to the other entities.

Detailed timesheets document hours actually worked; provide information necessary to monitor overtime worked, leave and compensatory time usage and balances; and, are beneficial in demonstrating compliance with county policy and federal Fair Labor Standards Act (FLSA) requirements. Timesheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office.

B. The county's policy regarding the accumulation of compensatory time is not clear. Section A of the County Personnel Policy Manual states "Overtime compensation for time worked in excess of 40 hours within the work week is computed at the rate of 1.5 times the number of hours worked in excess of 40 hours"; whereas, section C states "Overtime compensation for time worked, sick leave, vacation or compensatory time over eight hours per day or in excess of 40 hours within the work week is rewarded at the rate of 1.5 times the usual rate of pay in the form of compensatory time off." Currently the county awards overtime compensation for time worked, sick leave, vacation, or compensatory time over eight hours per day except in unusual situations. County Clerk personnel indicated this has been the compensatory time policy that has been followed for several years.

Complete and detailed written policies are necessary to provide guidance for the effective and consistent management of the county's employees. The County Commission should review and update their policies.

C. In addition to the salary set by state statue, the County Coroner received a fee of $200 for each death scene that she reviewed. Between 2003 and 2005, the County Coroner received approximately $54,000 for death scene reviews. Beginning in 2006, the County Commission stopped paying this additional compensation, because they believed the County Coroner was being paid twice for the same work performed. The Salary Commission had not approved this additional compensation for the County Coroner.

Section 58.095, RSMo, states that the County Coroner's annual salary will be based upon the county's assessed valuation and decisions made by the Salary Commission.

Similar conditions to A and B were noted in our prior report.

WE RECOMMEND the County Commission:

A.1. Require detailed time records which are approved by supervisors to be submitted to the County Clerk's office.

2. Require all county employees to prepare timesheets. These timesheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk's office.

B. Review the current county practice and policies regarding compensatory time to determine the proper policies are established and followed.

C. Consult the Prosecuting Attorney to obtain an opinion on the legality of the additional compensation and seek repayment of any excess salary payments.

AUDITEE'S RESPONSE

The County Commission indicated:

A. We will take these recommendations under advisement.

B. We will review this.

C. We have consulted with the Prosecuting Attorney and decided not to pursue repayment of these monies.

5. County Property Records and Procedures

Procedures and records to account for county property are not adequate. In addition, records and monitoring procedures for county vehicles and fuel are not sufficient.

A. Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. The County Clerk maintains a capital asset listing for each office and indicated each county official or their designee was responsible for performing periodic inventories and inspections. At December 31, 2006, county property not including vehicles and buildings was valued at $5.7 million on the county insurance policy. The following problems regarding county property records and procedures were noted:

- The County Clerk does not send a memo to county departments requesting they perform inspections and physical inventories, and submit inventory reports to document these efforts. As a result, the Highway Department in

2006 was the only inventory submitted to the County Clerk's office during the audit period.

- Although the capital asset listing showed property items were disposed of since the previous reporting period, the explanation in the inventory reports did not identify pertinent details, such as reasons for disposal, method of disposal, to whom disposed, or amount received. For example, the department inventory records indicated an AS400 mainframe ($30,545) was disposed of and a computer ($1,712) was no longer in use. The County Clerk indicated county property is normally disposed of by either destroying or selling it.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. Additionally, the completeness and accuracy of the overall county property records is questionable, and some changes to the records are not supported. These problems increase the possibility of undetected theft and inadequate insurance coverage.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft. Section 49.093, RSMo also requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records.

B. Records and monitoring procedures for county vehicles and fuel used by various officials are not sufficient as follows.

1. Mileage/usage logs are not maintained for Sheriff's Office vehicles. Although the Highway Department and County Coordinator do maintain mileage/usage logs, such information is not reconciled to fuel purchases. As a result, fuel usage cannot be reviewed for reasonableness and cannot be reconciled to invoices received and paid by the County Clerk's office. During the two years ended December 31, 2006, the county paid for fuel purchases totaling approximately $82,300 for the Sheriff's Office, $19,700 for the Highway Department, and $1,100 for the County Coordinator.

   Mileage/usage logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings (or hours of use for equipment), and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business, are being properly utilized, and help identify vehicles and

equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

A similar condition was noted in our prior report.

2. Records of diesel fuel usage for Highway Department vehicles and equipment are not adequately reviewed. During the two years ended December 31, 2006, the county expended about $265,600 for diesel fuel for vehicles and equipment used by the Highway Department. Employees dispense fuel from tanks located at the Highway Department and record the date, vehicle description, and gallons pumped on logs. Mileage/usage logs are maintained by the Highway Department for their vehicles; however, these are not reconciled to the periodic invoices received by the county when the vendor fills the bulk fuel tanks. In addition, a complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained. The failure to perform proper reconciliations increases the possibility that improper billing amounts will be paid and the risk that theft or misuse of fuel could occur and not be detected.

   Complete fuel inventory records and usage logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel usage and disbursements, the fuel usage logs should be periodically reviewed and recorded usage reconciled to fuel purchased and on hand. Failure to account for fuel usages could result in theft, or misuse.

WE RECOMMEND:

A. The County Clerk implement a procedure for tracking new property items throughout the year in order to modify insurance coverage promptly. The County Clerk should also work with other county departments to ensure physical inventories are conducted and reports submitted. In addition, the County Clerk should ensure the county property records include all applicable information.

B.1. The County Commission and Sheriff ensure complete and accurate mileage/usage and maintenance logs are maintained for all vehicles. The logs should be reviewed by a supervisor periodically for completeness and reasonableness. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

2. The County Commission ensure the Highway Department maintains complete fuel inventory records, and that fuel usage logs are periodically reviewed for completeness and reasonableness of usage and reconciled to fuel purchased and on hand.

AUDITEE'S RESPONSE

The County Clerk indicated:

A. We will no longer keep track of assets that are less than the required amount. We will request inventories from the official who would have assets in excess of this amount.

The County Commission indicated:

B.1 &2. We will take these recommendations under advisement.

The Sheriff indicated:

B.1. This recommendation will be implemented.

6. Emergency Telephone Service (E911) Accounting Controls and Procedures

The Emergency Telephone Service (E911) procedures related to budgets, related party transactions, disbursements, minutes, and capital assets are in need of improvement. The E911 Fund received approximately $1.3 million and $885,000 from sales tax, grants, and interest income during 2006 and 2005, respectively.

A. The E911 Fund budget document does not adequately project the fund's financial condition. The budgets do not include a beginning or estimated ending cash balance. In addition, the two previous years' actual amounts are not shown on the budget document as required. Although the E911 compiles an annual financial statement, these statements are not filed with their budget documents, and different classifications are used. For 2006 and 2005, the amounts shown on Exhibit B were obtained from the E911 Board's financial reports.

The budgets should accurately reflect the beginning and ending cash balances to be of maximum assistance to the board and to adequately inform the public. Section 50.590, RSMo, requires budgets to include the figures for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year. Complete and accurate financial information in the budget document is also essential for communicating accurate financial data to county residents. Further, the board's budgets should include appropriate and consistent classifications of receipts and disbursements to ensure the board's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

B. The E911 Board paid approximately $10,290 and $2,890 in 2006 and 2005, respectively, to a legal firm partially owned by a board member's brother. This legal firm was selected prior to this board member being elected to the E911 board; however, the E911 Board did not enter into a written contract. The board member

has signed checks totaling approximately $10,350 to the legal firm after approval of the bills by the E911 Director. However, since the Board does not formally approve disbursements, it is unclear whether the board member abstained from voting on payment of these services.

To help prevent conflicts of interest or the appearance of conflict of interest, discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented so that the public has assurance that no official has benefited improperly. The E911 Board should consider establishing a policy which addresses these types of situations. Section 432.070, RSMo, also requires contracts of political subdivisions to be in writing.

C. Disbursement controls and procedures are in need of improvement as follows.

1. The E911 Director did not document his approval of some invoices paid. The E911 Board has given the director the authority to approve disbursements, and after the accounting firm prepares the checks, two board members sign the checks. Examples of items without documentation of approval include a mapping system ($69,415) and telephone services ($3,577).

   Disbursements made from E911 funds should be reviewed and approved by the E911 Director before payment is made to ensure all disbursements represent valid operating costs.

2. Adequate supporting documentation was not received or retained for some credit card purchases. The E911 has two credit cards used by board members and employees for travel and other purposes. Credit card disbursements totaled approximately $18,250 for 2006 and 2005. Approximately $1,100 of credit card charges reviewed did not have adequate documentation. The E911 did not have supporting documentation for some credit card disbursements, other than the monthly billing from the credit card company.

   The E911 Board should require the users of the E911 credit cards to submit invoices or other documentation for all charges.

3. In 2006 and 2005, the E911 Board paid additional compensation to its employees totaling $2,350. There was no explanation or support for these payments in the payroll records, however the E911 Board approved this additional compensation as holiday pay.

   Article III, Section 39 of the Missouri Constitution prohibits counties from granting any extra compensation, fee or allowance to employees for services already rendered.

D. Board meeting minutes need improvement.

1. Board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy. Minutes should be signed by the preparer and a board member to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

2. The minutes do not clearly indicate whether decisions made during the closed session were announced during the open session.

   The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote; requires sufficient documentation of discussions held in closed meetings to demonstrate compliance with statutory provisions, and support important decisions made; and requires certain votes taken in closed session to be disclosed in open session.

E. Capital assets procedures are not sufficient and capital asset records are not complete.

   The capital asset listing does not include acquisition dates, descriptions, or values for some items. As a result, capital asset purchases can not be reconciled to additions per the capital asset records. In addition, the capital asset listing does not appear to be complete. Land purchased in 2006 for $114,032 was not included on the capital asset list as of August 2007. In addition, the E911 does not conduct an annual physical inventory.

   Adequate capital asset records and monitoring procedures by the E911 are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over E911 property. The comparison of periodic inventories to overall E911 capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, record, and insure new capital assets are necessary to properly protect E911 assets.

Similar conditions to C.2, C.3, and E were noted in the prior report.

WE RECOMMEND the Emergency Telephone Service (E911) Board:

A. Ensure complete and accurate budgets are prepared and filed with the State Auditor's Office. In addition, ensure all receipts and disbursements are consistently reported in

the county budget documents and financial reports.

B. Review the related party transactions for propriety, and in the future, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. The E911 Board should consider adopting a policy to address these types of situations. In addition, the E911 Board should enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the E911 Board.

C.1. Require the Director's approval be documented on all invoices prior to payment.

2. Require adequate supporting documentation for all credit card charges be submitted prior to payment, such as detailed invoices.

3. Discontinue the practice of paying additional compensation to employees.

D.1. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.

2. Ensure complete and accurate minutes of the board's meetings are maintained including, but not limited to, a record of any votes taken and other information required by state law.

E. Implement a procedure for tracking new capital assets throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

The E911 Director and the Chairman of the Board indicated:

A. This recommendation will be implemented with the 2008 budget.

B. This legal firm is no longer used by the E911 Board. The Board member is no longer on the Board. This potential conflict of interest no longer exists. The E911 Board will consider a conflict of interest policy.

C.1. We will ensure this approval is documented in the future. These were just due to unusual circumstances.

2. This was an isolated instance where one board member failed to retain receipts. In the future, we will try to avoid this situation.

3. We will continue to do this in order to retain employees.

D. These recommendations will be implemented.

E. Capital asset procedures will be developed.

7. Health Department Accounting Controls and Procedures

The Health Department policies and procedures related to receipts, bank reconciliations, disbursements, minutes, property, collateral securities, and conflict of interest are in need of improvement. The Health Department received approximately $1.9 and $1.7 million from property taxes, charges for services, grants, and interest during 2006 and 2005, respectively.

A. The Health Department receipt controls and procedures are in need of improvement as follows.

1. Cash custody and recordkeeping duties have not been adequately segregated. One clerk receives monies, records transactions, prepares deposits, and prepares bank reconciliations. Although the Board Treasurer indicated that he reviews the bank reconciliation, there is no documented supervisory review or comparison of the receipt slips issued to deposits.

   Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

2. The method of payment is not always noted on receipt slips and the composition of receipt slips issued is not reconciled to the composition of deposits. Without including the method of payment and reconciling the composition, the Health Department cannot ensure all monies collected are ultimately recorded and deposited.

B. Bank reconciliations are not complete or adequately documented. The account clerk posts the bank transactions to their computer system and prints lists of outstanding checks and deposits in transit, and a reconciliation summary. However, the reconciliation summary does not indicate the book balance. The reconciled bank balance exceeded the book balance by approximately $260 at January 4, 2007. The account clerk indicated this difference was due to a bank error when the banks merged, which had been corrected; however, she could not provide documentation noting the difference or showing it had been corrected. In addition, the bank reconciliations reflected numerous old outstanding checks. The January 4, 2007 reconciliation included 13 checks, totaling $6,608, which some dated back to 2003.

Complete and well documented bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. The Health Department should investigate any differences noted and take appropriate action.

C. The Health Department disbursement controls and procedures are in need of improvement

1. While a review of board meeting minutes and bid files indicated the Health Department bid numerous items, the Department did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the board minutes nor the disbursement records contained adequate documentation of the Department's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

   Concerns were noted related to the following purchases in 2006 and 2005:

Items or Services		Amount
Physical therapy	$	207,717
Flu vaccines		29,927
Van		17,882

   Although Health Department personnel indicated they solicited prices for the vaccines and advertisements via phone calls, documentation of these calls was not retained. In addition, Health Department personnel indicated the van was purchased through a state contract; however, documentation was not retained.

   Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Health Department has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in department business. Documentation of the various proposals received, and the Health Department's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

2. Gift cards totaling $1,390 were purchased during the two years ended December 31, 2006 for employees. These purchases do not appear to be necessary or a prudent use of Department funds. The Health Department should ensure that funds are only spent on items which are necessary and beneficial to county residents.

3. In 2005, the Health Department Board paid additional compensation or incentives to four of its employees totaling $2,000 who were at the top of their pay scale. The employee timesheets provided no explanation or support for these payments. The Health Department Administrator indicated these payments were employee incentives for completion of a particular project; however, this was not documented. In addition, the Health Department does not have a policy regarding this type of incentive payment.

   Article III, Section 39 of the Missouri Constitution prohibits counties from granting any extra compensation, fee or allowance to employees for services already rendered.

D. Meeting minutes need improvement. The following problems regarding meeting minutes were noted:

1. Board minutes are not consistently signed by the preparer. In addition, the minutes are not signed by a board member to attest to their completeness and accuracy. Minutes should be signed by the preparer and a board member to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

2. Open session minutes typically indicate that the meeting is being closed, but the vote to close the meeting is not always documented. The Health Department Board held numerous closed sessions over the past several years. Separate minutes are not prepared for closed meetings. In two instances, the open minutes did not include a summary of what had been discussed in the closed session. In addition, the open session minutes do not clearly indicate whether any decisions made during the closed session were announced during the open session.

   The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote; requires sufficient documentation of discussions held in closed meetings to demonstrate compliance with statutory provisions, and support important decisions made; and requires certain votes taken in closed session to be

disclosed in open session.

Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board.

E. The Health Department's procedures to account for capital assets are not sufficient and the capital asset records are not complete. As of December 31, 2006, the Health Department capital assets, not including vehicles and buildings, was valued at approximately $213,600 on the Health Department insurance property.

The capital asset listing does not include acquisition dates or values for some items. As a result, capital asset purchases can not be reconciled to additions per the capital asset records. In addition, the capital asset listing does not appear to be complete. A van purchased in 2005 for $17,882, was not included on the capital asset list as of September 2007. Although, Health Department personnel indicated an annual physical inventory was performed, it appears procedures were not adequate to determine that all items had not been recorded.

Adequate capital asset records and monitoring procedures by the Health Department are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over Health Department property. The comparison of periodic inventories to overall Health Department capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, record, and insure new capital assets are necessary to properly protect Health Department assets.

F. The Health Department does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. In the month of January 2007, the Health Department's deposits were uncollateralized by approximately $3,800, and on December 31, 2006 and 2005 by approximately $116,500 and $4,100, respectively. The Health Department Administrator indicated she relies on the bank to ensure they have pledged adequate collateral securities. In addition, the Health Department does not have a depositary agreement with one of the banks used.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC. Inadequate collateral securities leave the Health Department's funds unsecured and subject to loss in the event of a bank failure. Written depositary contracts should be prepared so that both the bank and the Health Department understand and can comply with the requirements of the agreement. The contracts should include agreements to ensure collateral securities are pledged by the bank to secure Health Department monies.

G. The Health Department has not established a conflict of interest or financial disclosure policy.

- One board member, whose husband owns a Confined Animal Feeding Operation (CAFO), voted to rescind a controversial ordinance on CAFO's.

- One board member was appointed to a committee to select an attorney to represent the Health Department on a lawsuit filed by his brother.

The minutes did not clearly document these situations or how such possible conflict of interests were avoided.

Board members should avoid any type of involvement in board decisions that relate to themselves or their families. Discussions and decisions where potential conflicts of interest exist should be completely documented so that the public has assurance that no official has benefited improperly. In addition, the Board of Trustees should consider establishing a policy which addresses these types of situations and provides a code of conduct for board members.

WE RECOMMEND the Health Department Board of Trustees:

A.1. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

2. Ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.

B. Ensure complete bank reconciliations are prepared on a monthly basis. In addition, the Health Department should investigate any old outstanding checks and differences noted.

C.1. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

2. Avoid purchases of unnecessary items.

3. Discontinue the practice of paying additional compensation to employees.

D.1. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.

2. Ensure complete and accurate minutes of the board's meeting are maintained including, but not limited to, a record of any votes taken and other information required by state law.

E. Implement a procedure for tracking new capital assets throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

F. Enter into depositary agreements with all banks used and develop monitoring procedures to ensure adequate collateral securities are pledged by all depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

G. Avoid actual or apparent conflicts of interest. Also, the Board should establish a policy that ensures compliance with statutes and avoids the appearance of a conflict of interest.

AUDITEE'S RESPONSE

The President of the Health Department Board of Trustees and the Health Department Administrator indicated:

A. This recommendation has been implemented.

B&D. These recommendations will be implemented.

C.1. This will be better documented in the future.

2. The Board and Administrator plan to continue to give the employees gift cards in order to help retain employees.

3. We no longer do this. The Board did approve the additional compensation, which was noted in the minutes.

E. We will review the capital asset policy.

F. We will consider developing new procedures for this area.

G. We will consider developing a conflict of interest policy. We have obtained a written legal opinion regarding the CAFO situation, which indicated this was not a conflict of interest.

8. Inmate Commissary Accounting Controls and Procedures

The Sheriff's controls and procedures for the commissary account need improvement. This account is used for personal monies of inmates, commissary purchases made by inmates, purchases using commissary profits, and other fees charged to inmates. The Sheriff's Office records the monies received for each inmate in the commissary computer program provided by the independent vendor. The vendor is then contacted by the inmates to make commissary purchases which are recorded in the commissary computer program. The Sheriff's Office deducts the commissary profit from the amounts paid to the vendor for

inmate purchases. In addition, the Sheriff's office purchases some additional commissary items from local vendors (that are sold to the inmates) and items for his office from the commissary profits.

All of the activity in the commissary account and inmate monies are included in the Jail Inmate Fund. The Sheriff's office processes approximately $120,000 annually through the commissary account.

A. Bank reconciliations and open items procedures are not adequate. The following problems regarding bank reconciliations and open items were noted:

1. Bank reconciliations for the commissary account are not documented. Although the Sheriff's clerk indicated she reconciles the bank account, formal bank reconciliations are not prepared. Upon our request, the December 31, 2006 and 2005, bank reconciliations were prepared.

   Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely.

2. Monthly listings of open items (liabilities) are prepared for the inmate monies; however, they are not reconciled with cash balances. Although ledgers for the checking account and the medical fees receipts are maintained, a ledger for the commissary profits, interest income, and disbursements of commissary profit/medical fees is not maintained. As a result, the Sheriff's Jail Inmate Fund includes both inmate and Sheriff activity. The Sheriff's Office believes that all monies exceeding the total of the inmate monies are profits or fees that can be spent by the Sheriff. At December 31, 2006, the balance in this fund exceeded the inmate open items listing by approximately $9,400. Without a ledger of commissary profits, medical fees, interest income and purchases, the Sheriff can not reconcile to cash balances, and ensure that the records are correct.

   In addition, commissary profits are not remitted to the county treasury. Section 50.330, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasurer.

B. Some necessary personal items (toilet paper, etc.) are sold to inmates by the Sheriff's Office. These fees are county fees that should be credited to the General Revenue Fund (see A.2. above). The Sheriff's Office personnel indicated the fees for personal items were charged because inmates should pay for the entire cost of their stay in jail. However, the Sheriff could not provide any statutory authority authorizing the collection of these fees. These fees are charged in addition to the regular daily rate for board.

C. Receipt procedures for the commissary account are in need of improvement.

1. The numerical sequence of receipt slips issued is not accounted for properly. The Sheriff's Office issues manual receipt slips for inmate monies received, which are numbered by the clerks before the books are used. There were several instances noted where the numbering was incorrect and numbers were used twice. There were several receipts slips missing (entire pages had been removed from the receipt book). Also, the method of payment is not noted on some receipt slips and the composition of receipt slips issued is not reconciled to the composition of deposits.

   In addition, the numerical sequence of the transaction numbers assigned by the commissary computer system are not accounted for properly. A transaction number is assigned by the computer system for each manual receipt slip posted to the system. Sheriff's personnel indicated that they could not generate any reports which listed the transaction numbers.

   To ensure all monies collected have been posted to the computer system and deposited, the numerical sequence of receipt slips and transaction numbers should be accounted for properly.

2. Monies received are not always deposited intact or in a timely manner. The Sheriff's Office sometimes holds inmates monies for several days before they are deposited. If sheriff personnel believe the inmate will only be held a short while, the monies are held and returned to the inmate upon his release. (see 3 below). If the inmate is not released the monies are then deposited. A cash count performed on July 18, 2007, showed a receipt that was held for fourteen days before being deposited. In addition, checks are not restrictively endorsed immediately upon receipt.

3. The Sheriff's Office does not obtain a signature from inmates to verify the return of monies or cash refunded upon their release. Some monies collected are held and then returned to the inmate upon his/her release. In addition, the Sheriff's Office disburses petty cash to inmates who are released with a balance of less than $3.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip/transaction numbers should be accounted for, and the composition should be reconciled to the bank deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. In addition, if monies are returned or refunded in cash to the inmate, the inmate's signature should be obtained for documentation to indicate the inmate received the monies due to them.

Similar conditions to A.2 and C.1 were noted in the prior report.

WE RECOMMEND the Sheriff:

A.1. Require bank reconciliations be prepared on a monthly basis.

2. Ensure the monthly open items listing is reconciled to the accounting records and any differences are investigated and corrected. The Sheriff should discontinue the practice of maintaining county charges and commissary profit outside the county treasury. If these monies continue to be maintained in the Sheriff's commissary account, a ledger should be maintained detailing the amounts received and spent.

B. Review the charging of fees for personal items with the Prosecuting Attorney to ensure the fees are appropriate.

C.1. Ensure receipt slips are prenumbered by the printer and the numerical sequence of receipt slips issued and transactions posted can be accounted for properly. In addition, the Sheriff should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.

2. Deposit all monies intact on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

3. Obtain documentation from the inmates when monies are distributed to them.

AUDITEE'S RESPONSE

The Sheriff indicated:

A.1. The new computer system should do this.

2. We will open a separate bank account for the commissary profits, interest income, and fees for non-commissary items. This will allow us to implement this recommendation.

B. We plan to continue to charge for the necessary personal items because we feel inmates should pay for all costs. This also reduces the cost to the county for each inmate.

C.1. We will purchase prenumbered receipt slips for the commissary. The new computer system should allow us to account for transaction numbers.

2&3. All monies will be deposited intact and a check will be issued to return monies to the inmate.

AUDITOR'S COMMENT

B. All costs to the county should be included in the daily rate charged for board. In addition, written contracts with the various entities should clearly indicate what services are included in the daily rate.

9. Sheriff Accounting Controls and Procedures

The Sheriff's Office procedures related to receipts, segregation of duties, open items, board bills, and seized property are in need of improvement. The Sheriff's Office processes approximately $930,000 annually in the Sheriff's general account which includes summons fees, bonds, gun permits, and other general receipts.

A. Some monies collected in the Sheriff's Office in Palmyra are not adequately accounted for and secured. Prenumbered receipt slips are not issued for civil receipts received in the mail and the numerical sequence of the receipt slips which are issued are not accounted for properly. In addition, receipts collected are not maintained in a secure location or transmitted in a timely manner to the Hannibal Office for deposit. Checks and money orders collected are kept in a basket on the clerk's desk until they are transmitted. A $500 cash bond was held for six days before it was transmitted to the Hannibal Office. Also, checks are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt and the receipt slip numbers should be accounted for properly. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and transmittals should be made intact on a timely basis. Transmittals should be more frequent if significant amounts of cash are collected. Also, monies should be stored in a secure location until transmitted.

A similar condition was noted in our prior report.

B. Procedures regarding segregation of duties, receipts, and open items for the Sheriff's Office in Hannibal are in need of improvement.

1. Cash custody and recordkeeping duties have not been adequately segregated. The Sergeant receives all monies, records transactions, prepares deposits,

and prepares bank reconciliations. Although the Sheriff or the Chief Deputy will review the bank reconciliation, there is no supervisory review or comparison of the receipt slips issued to deposits.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

2. Monies received are not deposited in a timely manner. During December 2006, the office made eight deposits averaging approximately $3,500. In addition, the composition of receipt slips issued is not reconciled to the composition of deposits.

   To adequately account for collections and reduce the risk of loss or misuse of funds, the composition of receipt slips issued should be reconciled to the bank deposits and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

3. An open items listing is not prepared for the general account. The general account balance exceeded the amounts disbursed for the month by approximately $2,650 and $2,900 at December 31, 2006 and 2005, respectively. Sheriff's Office personnel indicated they did not know of any additional items which should have remained in the account.

   Preparation of a monthly open items listing and reconciliation to the balance in the account is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Sheriff's Office should investigate any differences noted and take appropriate action.

C. The Sheriff's Office houses prisoners for other counties and cities and bills the various entities for these services. The Sheriff's Office processed approximately $428,700 and $399,600 in 2006 and 2005, respectively, for these services.

1. Accounting duties are not adequately segregated for billing and collecting prisoner board bills. One deputy is primarily responsible for billing, receiving, depositing, and disbursing monies and maintaining the account records related to the board bills.

   Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of billing, collecting, and following up on unpaid prisoner board bills. If proper segregation of duties cannot be

achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

2. Follow-up procedures for past due prisoner billings have not been established. Although Sheriff's Office personnel indicated they sometimes send out additional requests for unpaid amounts, they did not have any documentation of follow up on past due billings. In July 2007, the Sheriff's office had an unpaid bill from one county in the amount of $1,050, that was for services from March and April 2006. Unpaid board bills should be monitored and appropriate follow up action taken to ensure county costs are recouped.

3. The Sheriff's Office does not have current written agreements with Ralls County and the City of Hannibal although they receive monies for boarding of their prisoners. Section 432.070, RSMo, requires the county to have all contracts in writing. Written agreements should be prepared with all political subdivisions for services provided. The agreements should be updated periodically, clearly specify the arrangements between parties for the services provided, and be approved by the County Commission.

D. The Sheriff withheld and retained $445 accountable fees from a partition sale. The Sheriff indicated that he relied on the heir's attorney to calculate the fee. Based on our calculation, the fees in this case should have been $265, and should have been turned over to the county.

To ensure all accountable fees are properly collected, the Sheriff's Office should calculate the Sheriff's fees on partition sales, retain supporting documentation, and ensure the proper fees are collected and distributed. Attorney General's Opinion No. 108, 1970 to Holman, provides that commissions on partition sales are accountable fees and should be paid into the county's General Revenue Fund. The Sheriff should ensure that all accountable fees withheld from partition sale proceeds are properly disbursed to the county.

E. Seized property records and procedures need improvement as follows.

1. The seized property log is not complete and periodic physical inventories of the property on hand are not conducted. Three items selected from the seized property room were not included on the seized property log and $807, recorded on the log in 1996, was missing from the seized property room. Sheriff's personnel stated that these monies were disposed of; however, no disposition was noted on the seized property log and no documentation of the actual disposition or the order to dispose of these monies could be provided.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. The seized property log should include all

seized property items, and include information such as description, persons involved, current location, case number, and disposition of such property. Periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

2. Procedures have not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases have been disposed in court are currently being stored. According to the seized property log, property is on hand dating back to 1996.

   Section 542.301, RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

WE RECOMMEND the Sheriff:

A. Ensure prenumbered receipt slips are issued for all monies received and accounted for properly. In addition, receipt slips issued should be reconciled to monies transmitted to Hannibal for deposit. Ensure monies received are stored in a secure location until transmitted. In addition, transmit monies to the Hannibal office on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

B.1. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

2. Ensure monies are deposited on a timely basis. In addition, the Sheriff should ensure the composition of receipt slips is reconciled to deposits.

3. Ensure open items are reconciled to the account balances monthly and investigate any unidentified monies.

C.1. Adequately segregate accounting duties relating to board bills to the extent possible or ensure periodic supervisory reviews are performed and documented.

2. Establish procedures to adequately monitor and collect unpaid board of prisoner accounts receivable.

3. And the County Commission should enter into current written agreements for the boarding of prisoners.

D. Review the calculation of the partition sale fees and return any monies to be redistributed as appropriate. In addition, the Sheriff should ensure all fees from future sales are properly computed, documentation is maintained to support the calculation, and the fees are turned over to the county.

E.1. Ensure a complete inventory listing of all seized property is maintained and updated for both additions and dispositions. In addition, a periodic physical inventory should be performed and reconciled to the inventory listing.

2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

AUDITEE'S RESPONSE

The Sheriff indicated:

A. We will review these procedures.

B.1. I will ensure this is done in the future.

2. I will ensure deposits are made more timely.

3. I will review this recommendation.

C.1 &2. These recommendations have been implemented.

3. I do not believe this is necessary due to the office's working relationship with these entities.

D. I will obtain documentation of the fee calculation from the attorney in the future. I do not agree that these fees should be turned over to the county. I will research this further.

E.1. We are currently working on an inventory of seized property. This $807 was from a prior administration and there is no way to know if these monies were in the seized property room when I took office.

2. This recommendation will be implemented.

10. Circuit Clerk Accounting Controls and Procedures (Hannibal)

The Circuit Court - District II procedures related to bank reconciliations, open items, old bank accounts, and receipts are in need of improvement. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005. The Circuit Court started using the Justice Information System (JIS) computer system in September

2005. The Circuit Court processed approximately $914,000 and $1,269,000 in 2006 and 2005, respectively, in civil and criminal case fees, fines, and bonds.

A. JIS bank reconciliation and open item controls and procedures for the Circuit Court need improvement.

1. The bank reconciliation for December 2006 was not received by the Circuit Court until September 2007. The Office of the State Court Administrator (OSCA) has been performing the bank reconciliations for the Circuit Court since the conversion to the JIS. The December 31, 2006 bank reconciliation included nine reconciling items which had not been investigated and resolved.

   The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition, although the OSCA provides support to the various courts across the state, it is ultimately the Circuit Court's responsibility to perform bank reconciliations timely and to ensure differences are resolved timely. Failure to resolve differences and reconciling items timely increases the risk that other errors or misstatements will not be detected on a timely basis.

2. Listings of open items (liabilities) are not reconciled with cash balances of the Circuit Clerk's JIS account. At December 31, 2006, the balance of the JIS account was $141,748 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled $141,595, indicating a potential overage in the account of $153. The Circuit Clerk could not explain this difference nor was the difference investigated.

   Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors corrected on a timely basis. The Circuit Clerk should immediately work with OSCA to investigate and resolve the current overage in the account.

B. The Circuit Clerk has two old bank accounts which have not been used for several years and have had only minimal activity. The Circuit Clerk's procedures regarding old bank accounts are in need of improvement.

- The child support account had a bank balance of $4,684 at December 31, 2006, although the Circuit Court stopped collecting these monies in 2001. No attempt has been made by the Circuit Clerk to properly dispose of the monies in this account.

- The Circuit Clerk went on the JIS in September 2005. During this process, a new bank account (discussed in part A above) was opened to handle court transactions. As of December 2006, the old general bank account had not been closed nor had the open cases regarding this account been entered into the JIS System. The old general bank account reconciled balance as of December 31, 2006 was $233,276.

- The December 31, 2006, reconciled bank balance of the old general account exceeded open items by $15,538. While the Circuit Clerk was aware of this difference, she has not investigated nor could she offer a possible explanation.

- Several open items for the old general account had negative balances. The Circuit Clerk indicated this was caused by excess monies being paid out for some of the cases or receipts not being entered into the old system for some of the cases.

- The Circuit Clerk has not established adequate procedures to follow-up and resolve old outstanding checks. As of December 31, 2006, there were 15 outstanding checks, totaling $959, that were over a year old for the old bank accounts, with some of these outstanding checks dating back to the 1998.

Old inactive cash balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. The Circuit Clerk should attempt to obtain written authorization from the court to dispose of the court monies. Overall efficiency could also be improved by reducing the number of accounts. In addition, the Circuit Clerk should take action to investigate the overage which appears to exist in the old general account

C. Various financial records could not be located. The bank statements and canceled checks for January through July 2005 for the Associate Court account, which has since been closed, could not be located. At our request, the Circuit Clerk did obtain copies of these bank statements. In addition, they were unable to locate the one write ledger which showed various receipt and disbursement information.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

D. Prenumbered receipt slips are not issued or recorded on a receipt log for some monies received. The Circuit Clerk receives Sheriff's fees for the serving of papers for garnishment cases. Cash and checks received are turned over to the appropriate Sheriff without recording transmittal dates in the accounting records or depositing the monies into her bank account. In addition, receipts are maintained in an unsecured location on top of a circuit court table prior to turnover.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received or recorded on a receipt log immediately upon receipt. The date of turnovers to the appropriate Sheriff should be recorded in the accounting records. In addition, receipts should be maintained in a secure location.

WE RECOMMEND the Circuit Clerk:

A. Reconcile the accounting records to the bank accounts and a monthly detailed listing of open items on a timely basis. The Circuit Clerk should investigate and correct identified differences.

B. Dispose of old court monies, combine any monies with similar purposes, and close unnecessary accounts.

C. Retain financial records in a secure location to prevent misplacement or loss.

D. Issue prenumbered receipt slips for all monies received or record receipts on a receipt log. The transmittal date should be recorded in the accounting records. In addition, maintain receipts in a secure location until deposited or transmitted.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. We are now doing more timely bank reconciliations, and are working on resolving the various reconciling items. We will begin printing, reviewing, and reconciling open items.

B. We are working on this.

C. This was before I took over the division. All records will be retained.

D. We are working on developing proper procedures for these fees.

11. Circuit Clerk Accounting Controls and Procedures (Palmyra)

The Circuit Court - District I procedures related to bank reconciliations, open items, old bank accounts, and accrued costs are in need of improvement. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005. The Circuit Court started using the Justice Information System (JIS) computer system in September 2005. The Circuit Court processed approximately $436,260 and $690,890 in 2006 and 2005, respectively, in civil and criminal case fees, fines, and bonds.

A. The controls and procedures regarding bank reconciliations for the Circuit Court need improvement.

- Bank reconciliations for the JIS bank account are not performed on a timely basis. The last attempted bank reconciliation for the JIS account was performed in May 2007 for May 31, 2006.

- Bank reconciliations are not complete and the bank balance is not reconciled to a monthly listing of open items (liabilities). Although the May 31, 2006 bank reconciliation prepared by the Circuit Clerk reconciled with the book balance, the Circuit Clerk was unable to provide supporting documentation for some of the adjustments on the bank reconciliation. As a result, the supported reconciled bank balance was $1,020 more than the book balance.

- At May 31, 2006, the book balance of the JIS account was $93,815 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled $95,563, indicating a potential shortage in the account of $1,748. In addition, the Circuit Clerk does not generate or review a detailed open items listing from JIS.

Reconciling the accounting records to the bank account and an open items listing ensures that the records are in balance and sufficient funds are available for the payment of all liabilities. Differences should be reviewed monthly and appropriate adjustments should be made to correct the records.

B. The court does not have adequate procedures to review the status of old open items. The June 18, 2007 open items listing included approximately 100 cases and totaled over $37,000. For the two cases reviewed, the monies collected should have been applied to the case when the defendant was sentenced on October 21, 2005 and when the case was closed on November 9, 2005.

The failure to routinely review open items and prorate available monies when appropriate increases the volume of cases which must be monitored and deprives the state, county or others the use of those monies. A procedure to routinely review open

items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the court needs to perform a comprehensive review of old open items and dispose of monies as appropriate.

A similar condition was noted in our last report.

C. The Circuit Clerk maintains five old bank accounts which have not been used for several years and have had only minimal activity. The Circuit Clerk's procedures regarding old bank accounts are in need of improvement.

- The Circuit Division, Associate Division, Probate Division, and bond accounts have not been used for court monies since 2005 with book balances of $12,979, $1,926, $600, and $10,953, respectively, at December 31, 2006. No attempt has been made by the Circuit Clerk to properly dispose of the monies in these accounts. At our request, the Circuit Clerk was able to identify open items (liabilities) for all of the old bank accounts.

- The child support account which has not been used since 2001 has a bank balance of $1,813 and negative book balance of $155 at December 31, 2006.

- The Circuit Clerk has not established adequate procedures to follow-up and resolve old outstanding checks. As of December 31, 2006, there were 78 outstanding checks, totaling $5,858, that were over a year old for the old bank accounts, with some of these outstanding checks dating back to the 1980's.

Old inactive cash balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. The Circuit Clerk should attempt to obtain written authorization from the court to dispose of the court monies. Overall efficiency could also be improved by reducing the number of accounts. In addition, the Circuit Clerk should take action to investigate the shortage which appears to exist in the child support account.

D. Accrued costs have not been billed on a timely basis and may result in lost revenue to the county. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. As of October 2007, the Circuit Clerk's last billing to the state was in September 2007 for cases from July through September 2005. There are currently approximately 10 cases over a year old. For three cases, the Circuit Clerk missed filing before the two-year filing period deadline had expired which resulted in lost revenues of $10,480.

To ensure that revenues are maximized, the Circuit Clerk should implement procedures to track all reimbursable board of prisoner costs and submit timely reimbursement claims to the state.

WE RECOMMEND the Circuit Clerk:

A. Reconcile the accounting records to the bank accounts and a monthly detailed listing of open items on a timely basis. In addition, the Circuit Clerk should investigate and correct identified differences.

B. Routinely review open items and disburse or dispose of monies as appropriate.

C. Dispose of old court monies, combine any monies with similar purposes, and close unnecessary accounts. In addition, the Circuit Clerk should refrain from having negative balances and ensure monies are available to cover all outstanding checks.

D. Establish and implement procedures to track reimbursable board of prisoner costs and submit applicable reimbursement claims to the state in a timely manner.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. This recommendation will be implemented.

B. This recommendation has already been implemented.

C. I will do this when time is available.

D. This will be done on a timely basis.

12. Prosecuting Attorney Accounting Controls and Procedures

The Prosecuting Attorney's office does not have an adequate system to account for the receipt and eventual disposition of all bad checks. Currently, Marion County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. If payment is collected by the 10 day deadline, the complaint form and information regarding the handling of the case is not recorded on the case log, thus only complaints not paid within the deadline are recorded on the case log and assigned a sequential number. The bad check case files which have been paid are filed separately from pending cases. No identifying or tracking numbers are assigned to some complaint forms or bad checks in a manner that allows all bad check complaint forms to be accounted for properly. As a result, there is no assurance all bad checks have been disposed of properly.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and this number should be used to track the status and disposition of the corresponding bad check. Information in the records should include the complaint number, merchant name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition.

A similar condition was noted in the prior report.

WE AGAIN RECOMMEND the Prosecuting Attorney develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

I will consider this recommendation.

13. Public Administrator Accounting Controls and Procedures

The Public Administrator's procedures relating to beginning inventories, annual settlements, disbursements, and real estate sales need improvement. The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. At December 31, 2006, the Public Administrator handled approximately 167 cases.

A. Procedures have not been established to ensure the Public Administrator's beginning inventory is correct, which resulted in the one annual settlement not being complete. The Associate (Probate) Judge does not require supporting documentation to be filed with beginning inventories. In one case, the balance of a ward's bank account on the beginning inventory was overstated by $44 and twelve days of transactions were not included on the annual settlement. By not including these transactions on the annual settlement, receipts and disbursements were understated by $1,041 and $998, respectively.

   To ensure the financial activity of the estates is accurately reported to the Probate Court, procedures should be established to ensure all assets are properly reflected on the beginning inventory and supporting documentation should be filed with the Probate Court. All receipts and disbursements should also be accurately recorded on the annual settlements.

B. Controls and procedures regarding disbursements are in need of improvement.

1. Original copies of voided checks were not maintained. Voided checks should be properly mutilated and retained.

2. The Public Administrator issued checks in excess of the book balances for several wards. The Public Administrator indicated these disbursements were made prior to the monies becoming available because of the due dates on bills. As of December 31, 2006, seven wards had negative balances totaling $942. As a result of these negative balances, several wards were charged unnecessary bank fees. For example, one ward in 2006 had five negative balances which resulted in $42 of overdraft fees.

   To prevent unnecessary bank fees, the Public Administrator should refrain from issuing checks in excess of the balance.

C. Formal policies and procedures over the sale of real estate to the public have not been established. As a result of the lack of formal policies and procedures, real estate sales have not been handled consistently. For example, some real estate sales are advertised, while for sale signs are simply placed in the yard for others. In addition, after sealed bids are opened, the Public Administrator indicated she sometimes accepts additional verbal bids for the sale of real estate. And, the Public Administrator does not always maintain records of bids for some real estate sales.

   Failure to adopt formal written policies and procedures over sales to the public could result in lost revenues. Detailed written policies are also necessary to provide guidance to the public, provide a basis for real estate sales, ensure equitable treatment among the public, and avoid misunderstandings. The Public Administrator should develop procedures to ensure all real estate sales are handled consistently and adequate records of bids are maintained for real estate sales.

WE RECOMMEND the Public Administrator:

A. Work with the Probate Judge to establish procedures to ensure accurate and complete inventories and annual settlements are filed with the court. In addition, the Probate Judge should consider requiring supporting documentation be filed with beginning inventories.

B.1. Maintain the original copies of voided checks.

2. Ensure procedures are in place to eliminate bank overdraft charges.

C. Work with the Probate Judge to establish formal written policies and procedures over sales to ensure the best price is obtained and fair and equitable treatment to the public. In addition, a complete record of bids for all sales should be maintained by the Public Administrator.

AUDITEE'S RESPONSE

The Public Administrator indicated:

A. This was an unusual case with a lot of outstanding checks written prior to my taking over the case, thus it was difficult to determine the beginning balance. I will begin submitting a copy of the bank statement with the initial inventory.

B.1. Some of these could have been lost checks which were voided and reissued. This will be better documented in the future.

2. The rental agent wanted the checks in their office by the third of each month. This procedure has now been changed.

C. This recommendation will be implemented.

14. Juvenile Justice Center Accounting Controls and Procedures

Juvenile Justice Center procedures related to accounting duties, receipts, and open items are in need of improvement, and restitution payments to victims are not always made timely. The Juvenile Justice Center processes approximately $97,500 annually in fees from counties in the judicial circuit, state reimbursements, juvenile fees, restitution, and donations.

A. Cash custody and recordkeeping duties have not been adequately segregated in the Juvenile Justice Center. The Bookkeeper receives monies, records transactions, and prepares deposits and bank reconciliations. Although the Chief Juvenile Officer reviews the bank reconciliation, there is no supervisory review or comparison of the receipt slips issued to deposits.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only a couple of times per month. A $100 cash receipt was held twelve business days before it was deposited.

Deposits should be made intact on a timely basis to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds. Deposits should be more frequent if significant amounts of cash are collected.

C. The Juvenile Justice Center is unable to reconcile the monthly listings of open items (liabilities) to the cash balance. Although the Bookkeeper prepares a monthly listing of open items, she was unable to determine the reason for the difference between the reconciled cash balance and other identified liabilities. The account balance exceeded the identified open items by approximately $60 and $2,300 at December 31, 2006 and 2005, respectively. As a result, the Juvenile Justice Center has unidentified monies which are not being distributed to the various victims or counties.

Preparation of a monthly open items listing and reconciliation to the balance in the account is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Juvenile Justice Center should investigate any differences noted and take appropriate action.

D. Restitution monies are not distributed on a timely basis. The Juvenile Justice Center usually accumulates partial payments on court ordered restitution until the total amount is received and then distributes the monies to the victim. As of December 31, 2006, the balance of the court ordered restitution monies was approximately $12,800. This money had been collected on behalf of the victims by order of the court to pay restitution. Several cases had undistributed balances in excess of $100. For example, on December 31, 2006, one account with a balance of approximately $1,160 had received monies periodically beginning in November 2005, which was when the last distribution was made to the victims.

To expedite the distribution of restitution to victims and to reduce the amount of open items necessary to be accounted for, the Juvenile Justice Center should consider distributing restitution payments to the victims on a more timely basis.

WE RECOMMEND the Juvenile Justice Center:

A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Deposit all monies intact on a timely basis.

C. Ensure open items are reconciled to the account balances monthly and investigate any unidentified monies.

D. Consider distributing restitution payments to victims on a more timely basis.

AUDITEE'S RESPONSE

The Chief Juvenile Officer indicated:

A. I will begin performing a documented supervisory review.

B. We will try to deposit weekly when possible.

C. We will attempt to implement this recommendation.

D. This was always our policy in the past. We will consider establishing procedures to disburse more timely.

15. Assessor Accounting Controls and Procedures

Assessor procedures related to receipts, and record keeping and monitoring of outstanding copy fees are in need of improvement. The Assessor's Office transmits approximately $1,800 annually to the County Treasurer from the sale of maps and photocopies.

A. Receipt slips are not issued for some monies received. Receipt slips are only issued upon request. In addition, receipts are not always transmitted to the County Treasurer intact. Some cash receipts are used as a change fund or for petty cash disbursements for the office. Assessor personnel estimated they withhold approximately $10 week, or $520 a year for petty cash disbursements. The petty cash fund is not maintained on an imprest basis, a complete and accurate petty cash ledger is not maintained, and supporting documentation was not retained for some petty cash disbursements. Some monies from the petty cash fund are used to purchase bakery items for employees which does not appear to be a prudent use of taxpayer monies. The Assessor indicated that he often puts some of his personal funds into the petty cash fund; however, documentation could not be provided to show this.

Without issuing and accounting for prenumbered receipt slips for all monies collected, the Assessor cannot ensure all monies collected are ultimately recorded and transmitted. Section 50.370, RSMo, requires county officials to pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Further if a petty cash fund is needed, it should be kept on an imprest basis (meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of paid invoices or vouchers should always equal the predetermined

balance) and all reimbursements should be supported by vendor invoices or other documentation. In addition, the Assessor should maintain a complete and accurate petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund, retain documentation to support disbursements of the fund, and ensure all disbursements are a prudent use of taxpayers monies.

B. Recordkeeping and monitoring procedures related to outstanding copy fees are not adequate. The Assessor allows certain companies to charge fees for copies of records, and then bills them periodically. The Assessor tracks the amounts owed by company on a page of receipt slips for copies made in his office and bills the company when the page is full. In some instances it may take a month or more to fill up a page. If payment is not received within two months of the original billing, a second request is sent. However, copies of the original or second billings are not maintained and are not clearly documented on the page of receipts. As of October 2007, based on the notations on the receipt slips, it appears there were six instances of fees still owed dating back to January 2007.

   Unpaid fees could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active and timely pursuit of unpaid fees, revenues to the county could be lost.

   In addition, no written contracts exist between the Assessor and the thirteen companies allowed to charge copies. Prior to entering into written agreements with the companies, the Assessor should assess the reasonableness of the current rates and ensure the county receives fair consideration in exchange for its services. Further, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

Similar conditions were noted in the prior report.

WE AGAIN RECOMMEND the Assessor:

A. Issue official prenumbered receipt slips for all monies collected, and transmit all monies to the County Treasurer intact monthly. If a change fund or a petty cash fund is needed, it should be maintained at a constant amount or on an imprest basis. Documentation for disbursements of the office should be maintained to support reimbursement of the petty cash fund. In addition, petty cash funds should be used only for prudent county disbursements.

B. Establish procedures to adequately record and monitor outstanding fees. The Assessor should review the propriety of the rates charged for copies and obtain written agreements with the companies. In addition, the Assessor should cease using receipt slips to record charges.

AUDITEE'S RESPONSE

The Assessor indicated:

A. I will try to implement this recommendation.

B. I have established procedures to record and monitor accounts receivable. I will consider establishing written agreements with the companies.

16. Plat Book Sales

The county does not have a written agreement with the Extension Council for the sale of county plat books and maps. A letter from the 4H Council indicated the county would purchase the books and maps, with the understanding that all monies collected by the University Extension Council for the sale of the books and maps would be paid to the 4H Council, who would reimburse the county for the cost of each book or map sold. In addition, the monies from sale of books and maps in the Assessor's Office have also been transmitted to University Extension Office.

In February 2005, the county paid approximately $16,400 for plat books and maps. The county received approximately $2,100 and $4,800 during the years ended December 31, 2006 and 2005, respectively, in cost reimbursements from the 4H Council. No one monitors the sale of the books and maps to ensure all costs are properly reimbursed to the county.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written agreement with the not-for-profit organizations that clearly indicates the public services being provided by these organizations, this arrangement could be considered inappropriate. Written agreements should clearly outline expectations and provide a means for the county to monitor compliance with contract terms, and provide protections for the county in the event of a dispute over the terms of the agreement.

WE RECOMMEND the County Commission develop procedures to monitor the sales of plat books and maps to ensure all costs are properly reimbursed, and enter into a written agreement regarding the sale of plat books and maps. In addition, the County Commission should require entities receiving county funds to provide documentation of how the monies were disbursed.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

In the future, we will document this.

17. County Coordinator Accounting Controls and Procedures

The County Coordinator's procedures for receipts and transmittals are in need of improvement. The County Coordinator transmitted $19,258 and $10,023 in 2006 and 2005, respectively, to the County Treasurer from the issuance of building and rezoning permits, sale of street signs, and lease of flood plain property.

A. Cash custody and recordkeeping duties have not been adequately segregated in the County Coordinator's office. The secretary collects monies, records transactions, and prepares transmittals. The County Treasurer ensures the transmitted monies agree with the total on the transmittal report. However, a person independent of the receiving process does not compare the receipt slips to the transmittal report to ensure its accuracy.

   Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and transmitting monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Receipt procedures need improvement as follows:

   1. Prenumbered receipt slips are not issued for some monies received. The November 2005 transmittal report contained two receipts, totaling approximately $765, that were not recorded in the receipt book. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. Instead, the County Treasurer endorses them when she receives them from the County Coordinator's office once a month.

      Without issuing and accounting for prenumbered receipt slips for all monies collected the County Coordinator cannot ensure all monies collected are ultimately recorded and transmitted. In addition, checks and money orders should be restrictively endorsed immediately upon receipt to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

   2. Monies are normally collected each business day, but transmittals to the County Treasurer are normally made only once a month. In addition, receipt slips issued cannot be readily reconciled to the amount transmitted. The County Coordinator indicated that permit monies are not transmitted until a permit is approved, which can result in significant delays in permit monies being transmitted to the County Treasurer. For example, a $35 receipt received on January 3, 2006, was not included in the January 6, 2006, transmittal but was instead transmitted on February 3, 2006.

To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, all receipts should be transmitted intact and on a timely basis. If a permit is denied, the county should send that individual a refund by check. Transmittals should be more frequent if significant amounts of cash are collected. Additionally, recorded receipts should be reconciled to amounts transmitted on a periodic basis.

WE RECOMMEND the County Coordinator:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B.1. Issue receipt slips for all monies received. In addition, the County Coordinator should ensure checks or money orders are endorsed immediately upon receipt.

2. Ensure that receipts are turned over to the County Treasurer intact and in a timely manner. In addition, recorded County Coordinator receipt slips issued should be reconciled to monies transmitted on a periodic basis.

AUDITEE'S RESPONSE

The County Coordinator indicated:

A&B. These recommendations have already been implemented.

18. Highway Department Accounting Controls and Procedures

Highway Department procedures related to accounting duties and processing of monies are in need of improvement. The Highway Department transmitted approximately $30,000 and $63,600 during the year ended December 31, 2006 and 2005, respectively, to the County Treasurer from the sale of signs, culverts, road oil, and old equipment. The county installs the culverts sold in individual's driveways connecting to county roads, and applies the road oil to county roads for dust control.

A. Cash custody and recordkeeping duties have not been adequately segregated in the Highway Department. The Highway Department Superintendent and secretary collect monies and issue a prenumbered receipt slip. The secretary records transactions and prepares transmittals. The County Treasurer ensures the transmitted monies agree with the total on the transmittal report. However, a person independent of the receiving process does not compare the receipt slips to the transmittal to ensure its accuracy.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved

by segregating the duties of receiving and transmitting monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies are normally collected each business day, but transmittals to the County Treasurer are normally made only once a month. In 2006 and 2005, monthly transmittals ranged from $247 to $31,886. One check, for $7,557, was received on August 11, 2005; however, it was not transmitted to the County Treasurer until September 2, 2005. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

WE RECOMMEND the Highway Department:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Transmit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Highway Department Superintendent indicated:

These recommendations have been implemented.

Follow-Up on Prior Audit Findings

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Marion County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices and Published Financial Statements

   A. The approved budget did not adequately project anticipated disbursements and the ending cash balance of some funds. The budgets significantly overestimated disbursements, and as a result the actual ending cash balances were much higher than the projected ending balances.

   B. Formal budgets were not prepared for some funds.

   C. The county's annual published financial statements did not include the financial activity of some county funds.

   Recommendation:

   The County Commission:

   A. And the Ex-Officio Recorder review procedures used to establish annual budgets and prepare more reasonable budgets.

   B. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.

   C. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

   Status:

   A&C. Not implemented. See finding number 06-1.

   B. Not implemented. See MAR finding number 1.

2. Federal Awards

The County Clerk's, Health Center's, and Juvenile Justice Center's schedule of expenditures of federal awards included awards that were not federal, awards that were overstated due to incorrect calculations, and awards that were understated. The County Clerk and County Commission failed to adequately review this schedule for accuracy and completeness.

Recommendation:

The County Commission, County Clerk, Health Center, and Juvenile Justice Center ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 06-3.

3. Payroll and Personnel Procedures

A. Timecards were not always signed by employees or their supervisors. In addition, the Sheriff or his deputy did not review timesheets prepared by his employees or compare the leave recorded on the timesheets to the leave requests submitted.

B. Compensatory time was accumulated at time and a half although 40 hours were not worked during the week. The County Personnel Policies and Procedures Manual stated that overtime compensation would be rewarded at one and a half times the usual rate of pay, in the form of compensatory time off, for hours worked in excess of 40 per week.

Recommendation:

The County Commission:

A. Require time records be prepared and signed by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records. In addition, time sheets should be compared to leave requests and any differences investigated.

B. Review the County Personnel Policies and Procedures Manual and ensure compliance with the policy or adopt revisions that reflect the procedures the county is following. In addition, the Commission should ensure all terms are properly defined in the policy.

Status:

A&B. Not implemented. See MAR finding number 4.

4. Assessor

A. Receipts were not transmitted to the County Treasurer intact on a timely basis and were not kept in a secure location until transmitted. Some cash was retained for petty cash purchases. In addition, checks were not restrictively endorsed immediately upon receipt and receipt slips were issued only upon request.

B. The Assessor's Office issued pre-numbered receipt slips when individuals purchased plat books and/or maps regardless of whether the individuals paid at that time or charged the purchase. If the individual charged the purchase, the same receipt slip was then used to record any subsequent charges made by the individual. In addition, the Assessor's office did not regularly review charges to ensure individuals were paying their bills timely.

Recommendation:

The Assessor:

A. Ensure pre-numbered receipt slips are issued for all monies received, receipts are stored in a secure location until transmitted, checks are restrictively endorsed upon receipt, the method of payment per receipt slips is reconciled to the composition of monies transmitted to the County Treasurer and monies are transmitted timely and intact. In addition, if necessary, a petty cash fund should be established and maintained on an imprest basis.

B. Ensure receipt slips are issued only when monies are received and maintain an accounts receivable ledger listing of all individuals who owe the Assessor's office for plat books and maps. In addition, the Assessor should periodically review this ledger and seek payment for long overdue accounts.

Status:

A. Partially implemented. Receipts are stored in a secure location. See MAR finding number 15.

B. Not implemented. See MAR finding number 15.

5. Sheriff's Jail Inmate Fund

A. The Sheriff's Jail Inmate Fund was not reconciled to the individual inmate account balances and commissary profits.

B. The Sheriff provided commissary services to inmates which were not available through the contracted commissary vendor. An independent party did not periodically reconcile the amount of items purchased and remaining in inventory with receipts from the sale of the items.

C. Receipt slips were not issued for some monies received and the method of payment was not always indicated on the receipt slips.

D. The Sheriff's department petty cash fund was not maintained on an imprest basis.

E. Formal budgets were not prepared for the Sheriff's Jail Inmate Fund.

F. The Sheriff did not file a formal monthly report of activity in the Sheriff's Jail Inmate Fund with the County Commission.

Recommendation:

The Sheriff:

A. Ensure the individual prisoner account balances are reconciled to the reconciled bank balance of the Sheriff's Jail Inmate Fund on a monthly basis.

B. Ensure independent reconciliations of commissary monies received to items purchased and remaining in inventory are performed.

C. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued. In addition, the Sheriff should ensure the method of payment is indicated on all receipt slips and the composition of receipt slips issued is reconciled to the composition of bank deposits.

D. Ensure the petty cash fund is maintained on an imprest basis.

E. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.

F. File a monthly report of activity in the Sheriff's Jail Inmate Fund with the County Commission.

Status:

A&C Not implemented. See MAR finding number 8.

B&F. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Implemented.

E. Not implemented. See finding number 06-1.

6. Sheriff

Gun permits receipts were not deposited on a timely basis.

Recommendation:

The Sheriff deposit all monies intact daily or when accumulated receipts exceed $100.

Status:

Not implemented. See MAR finding number 9.

7. Associate Circuit Division - District II (Hannibal)

A. Formal budgets were not prepared for the Associate Circuit Division - District II Interest Fund.

B. Garnishment and civil receipts were not transmitted/deposited intact on a timely basis.

C. The method of payment was not always indicated on the Associate Division's receipt slips.

D. The Associate Division had not established procedures to routinely follow up on outstanding checks.

Recommendation:

The Associate Circuit Division:

A. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.

B. Transmit/deposit receipts intact daily.

C. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

D. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

The District II Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

A. Not implemented. See finding number 06-1.

B. Partially implemented. Civil fees are deposit timely; however, garnishment fees are not transmitted to the Sheriff on a timely basis. See MAR finding number 10.

C&D. Implemented.

8. Associate Circuit Division - District I (Palmyra)

A. Formal budgets were not prepared for the Associate Circuit Division - District I Interest Fund.

B. The bond account included cash bond receipts which had been held in excess of one year. In addition, the open items listing maintained by the Associate Circuit Division - District I included some cases that had been dismissed or closed.

C. Receipts were not deposited on a timely basis. In addition, neither deposit slips nor cash receipt records indicated the receipt slips comprising the deposit.

D. The method of payment was not always indicated on the Associate Division's civil receipt slips.

E. Checks and money orders received were not restrictively endorsed immediately upon receipt.

Recommendation:

The Associate Circuit Division - District I:

A. Ensure formal budgets are prepared and submitted to the County Clerk yearly as required by state law.

B. Adopt procedures to periodically follow up on old open items and dispose of them according to state law.

C. Deposit all monies intact daily or when accumulated receipts exceed $100. In addition, the Associate Circuit Division should ensure deposit slips or cash receipt records indicate the receipts comprising the deposit.

D. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

E. Restrictively endorse checks immediately upon receipt.

Status:

The District I Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

A. Not implemented. See finding number 06-1.

B. Not implemented. See MAR finding number 11.

C&E. Implemented.

D. Partially implemented. Although the method of payment is indicated on all receipt slips, the composition of receipts is not reconciled to the composition of bank deposits. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Vehicle Logs

The county did not require logs to be maintained documenting fuel costs and vehicle usage for ten road and bridge trucks and a sports utility vehicle, nineteen Sheriff's patrol cars and five transport vans, or the county coordinator's sports utility vehicle.

Recommendation:

The County Commission require usage logs be maintained for all county assigned vehicles and perform a periodic review of such.

Status:

Not implemented. See MAR finding number 5.

10. Computer Controls

The Ex-Officio Recorder's, Sheriff's, Public Administrator's, and Collector's passwords were not changed on a periodic basis to ensure confidentiality.

Recommendation:

The Ex-Officio Recorder, Sheriff, Public Administrator and Collector ensure passwords are periodically changed and remain confidential.
Status:

Partially implemented. Although the Sheriff and Public Administrator change passwords on a regular basis, the Recorder's and Collector's passwords are not changed on a periodic basis. Although not repeated in the current MAR, our recommendation remains as stated above.

11. Prosecuting Attorney

An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of the bad checks had not been established.

Recommendation:

The Prosecuting Attorney implement procedures to adequately account for bad checks received, as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check.

Status:

Not implemented. See MAR finding number 12.

12. Circuit Clerk - District II (Hannibal)

A. The Circuit Clerk had not established adequate procedures to ensure her various bank accounts were sufficiently collateralized.

B. Listings of liabilities (open items) were not prepared for the fee account.

C. The Circuit Clerk had not established procedures to routinely follow up on outstanding checks.

Recommendation:

The Circuit Clerk:

A. Develop procedures to monitor and ensure adequate collateral securities are pledged at all times.

B. Prepare monthly listings of open items and reconcile the listing to the cash balance.

C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

A&C. Implemented.

B. Partially implemented. Although the Circuit Clerk prepares a monthly listing of open items, it is not reconciled to the cash balance. See MAR finding number 10.

13. Circuit Clerk - District I (Palmyra)

The Circuit Clerk had not established procedures to routinely follow up on outstanding checks.

Recommendation:

The Circuit Clerk establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

The District I Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

Not implemented. See MAR finding number 11.

14. County Clerk

A. Receipt slips were not issued for some monies received. In addition, the method of payment was not always indicated on the receipt slips.

B. Checks received were not restrictively endorsed immediately upon receipt.

Recommendation:

The County Clerk:

A. Ensure receipt slips are issued for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and the composition of receipts is reconciled to the turnover to the Treasurer.

B. Restrictively endorse checks immediately upon receipt.

Status:

A. Partially implemented. Although receipt slips are not always issued, the method of payment is indicated on all receipt slips issued. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

15. Collector

A. The Collector maintained fifteen bank accounts between his two offices.

B. The County Collector's bank accounts had outstanding checks that were over one

year old.

Recommendation:

The Collector:

A. Evaluate the need for each bank account and combine any with similar purposes.

B. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

A. Partially implemented. The annual agreements with the drainage districts now require separate bank accounts be maintained for the drainage districts. The Collector has closed two accounts for credit card payments. The Collector could combine the partial payment and pay in advance accounts in the Hannibal Office as done for the Palmyra Office. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

6. Probate Division - District II (Hannibal)

A. Formal budgets were not prepared for the Probate Division - District II Interest Fund.

B. Accounting duties for the Probate Division were not adequately segregated. The duties of receiving, recording, depositing and disbursing monies were all performed by the Probate clerk. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Probate Division:

A. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.

B. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

The District II Associate Circuit Division, Probate Division, and Circuit Clerk's office were

consolidated in July 2005.

A. Not implemented. See finding number 06-1.

B. Implemented.

17. Probate Division - District I (Palmyra)

Accounting duties for the Probate division were not adequately segregated. The duties of receiving, recording, depositing and disbursing monies were all performed by the Probate clerk. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Probate Division adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

The District I Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

Partially implemented. Although duties for disbursing monies have been segregated, there is no segregation between receipting and depositing monies. Although not repeated in the current MAR, our recommendation remains as stated above.

18. Highway Department

The duties of billing, receiving, recording, and transmitting monies received for 911 signs, building permits, flood plain leases and road and bridge materials to the County Treasurer were all performed by the Highway Department's secretary. There was no independent reconciliation between the bills sent and the monies received to ensure payments have been collected. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly, transmitted to the Treasurer, and assets were adequately safeguarded.

Recommendation:

The Highway Department adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented. In addition, reconciliations between the billings and payments received should be performed periodically by an independent person.

Status:

Not implemented. See MAR finding number 18.

19. Ex-Officio Recorder

Accounting duties for the Ex-Officio Recorder's office were not adequately segregated. The duties of receiving, recording, depositing and disbursing monies were all performed by the Deputy Recorder. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Ex-Officio Recorder adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

Implemented.

20. Health Center

A. Actual disbursements exceeded the budgeted amounts in the Health Center Fund.

B. The county's annual published financial statements did not include the financial activity for the Health Center.

C. The Health Center did not have a formal emergency contingency plan for the computer systems, and had not formally negotiated arrangements for backup facilities in the event of a disaster.

Recommendation:

The Health Center:

A. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office. In addition, ensure budget amendments are made prior to incurring the actual expenditures.

B. Publish financial statements in accordance with state law.

C. Ensure a formal contingency plan for the Health Center's computer system is developed.

Status:

A&C. Implemented.

B. Not implemented. See finding number 06-1.

21. Emergency Telephone Service (E-911) Board

A. The E-911 Board had not established procedures to routinely follow up on outstanding checks.

B. The E-911 Board had not established formal policies and procedures for general fixed assets, including procedures to update property records, and number, tag or otherwise identify property items.

C. Credit card receipts were not reconciled to the monthly credit card bill.

D. The E-911 Board awarded each employee a gift card as a Christmas bonus. In addition, they awarded each dispatcher a gift card in appreciation of Telecommunicator's week.

E. The E-911 Board petty cash fund was not maintained on an imprest basis. Receipts were not always retained to document expenditures made and were not submitted with the reimbursement requests. In addition, receipt and disbursement records supporting petty cash fund activity were not maintained and some invoices or receipts were not maintained for petty cash expenditures.

F. The E-911 Board did not publish annual financial statements.

Recommendation:

The E-911 Board:

A. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

B. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with board property. Also, property control tags should be affixed to all general fixed assets, and board owned land and buildings should be included in the general fixed asset records. In addition, actual physical inventory of the various property items should be performed periodically.

C. Perform a documented monthly reconciliation of credit card purchases to the credit

card statement and investigate any significant discrepancies.

D. Discontinue the practice of paying employee bonuses.

E. Ensure the petty cash fund is maintained on an imprest basis. In addition, invoices should be maintained for all petty cash disbursements and a ledger should be prepared of all petty cash transactions.

F. Publish annual financial statements of the E-911 Board Fund in accordance with state law.

Status:

A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Although there were no problems with property tags, the 911 Board still has not developed a written policy for capital assets, recorded land and buildings on the records, or performed a physical inventory. See MAR finding number 6.

C&D. Not implemented. See MAR finding number 6.

E. Implemented.

F. Not implemented. See finding number 06-1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MARION COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1826, the county of Marion was named after Francis Marion of the Revolution. Marion County is a county-organized, third-class county and is part of the Tenth Judicial Circuit. The county seat is Palmyra.

Marion County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 490 miles of county roads and 109 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 28,638 in 1980 and 28,289 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 199.6	200.7	192.9	188.7	88.3	76.1
Personal property	97.4	94.6	92.7	93.8	24.8	13.6
Railroad and utilities	15.0	14.6	14.4	13.9	8.7	8.8
Total	$ 312.0	309.9	300.0	296.4	121.8	98.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Marion County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .1153	.0900	.0600	.0600
Special Road and Bridge Fund	.3323	.3323	.3136	.3170
Health Center Fund	.1491	.1491	.1491	.1491
Senate Bill 40 Board Fund	.1391	.1391	.1391	.1391

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 98,563	95,395	91,550	90,375
General Revenue Fund	381,882	292,656	196,522	194,358
Special Road and Bridge Fund	1,045,531	1,009,419	918,321	917,729
Assessment Fund	207,841	198,108	186,080	147,125
Health Department Fund	463,886	449,030	430,912	426,357
Senate Bill 40 Board Fund	432,777	418,914	402,012	397,765
School districts	11,305,802	10,803,739	10,343,658	10,010,094
Ambulance districts	903,227	866,346	830,639	820,427
Fire protection districts	51,425	47,837	44,078	41,803
Nursing home	483,978	468,420	449,611	445,009
Water sheds	10,345	10,049	8,733	9,046
TIF	314,915	292,046	264,161	242,339
Tax Maintenance Fund	26,978	24,991	24,203	23,018
Advertising deeds	3,788	3,140	1,779	2,190
Cities	172,590	156,602	158,769	157,721
County Clerk	2,986	3,179	3,363	3,042
County Employee's Retirement	65,339	62,253	60,231	54,783
Commissions and fees:				
General Revenue Fund	398,020	379,212	359,198	348,914
Total	$ 16,369,873	15,581,334	14,773,818	14,332,097

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	95	95	95	95	%
Personal property	95	94	95	94	
Railroad and utilities	100	100	100	100	

Marion County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .0050	None	50 %
Capital improvements	.0038	2014	None
Emergency Telephone Service (E911)	.0025	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Lyndon Bode, Presiding Commissioner		38,713	38,267	36,499	35,638
William Richmond, Associate Commissioner		36,713	36,267	34,499	33,638
Randy Spratt, Associate Commissioner		36,713	36,267	0	0
Kenneth N. Meyers Sr., Associate Commissioner		0	0	34,499	33,638
Robert J. Ravenscraft, County Clerk		55,626	54,951	52,271	50,967
Thomas P. Redington, Prosecuting Attorney		68,074	67,247	64,410	62,803
John E. Waldschlager, Sheriff		58,716	58,002	55,284	53,904
F. Jean Buckman, County Treasurer		41,164	40,663	38,681	37,716
Peggy Porter, County Coroner (1)		18,709	38,082	32,858	35,627
Gayle Viorel, Public Administrator		52,825	52,183	49,539	48,303
Lee Viorel, County Collector (2), year ended February 28 (29),	68,963	68,930	60,483	61,010	0
Carl Zupan, County Assessor (3), year ended August 31,		53,513	52,871	50,304	45,750
John D. Janes, County Surveyor (4)		3,200	1,300	975	2,250

(1) Includes $19,600, $15,600, and $18,800 in 2005, 2004, and 2003, respectively, for death scene review fees.
(2) Includes $9,370, $13,304, $5,532, and $8,739 in 2007, 2006, 2005, and 2004 respectively, of commissions earned for collecting drainage and levee property taxes.
(3) Includes $688, $688, $765, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.
(4) Compensation on a fee basis.

State-Paid Officials:					
John E. Yancey, Circuit Clerk, Division I and Ex Officio Recorder of Deeds		55,670	54,578	53,978	53,378
Carolyn Conners, Circuit Clerk, Division II		55,670	54,578	53,978	53,378
John J. Jackson, Associate Circuit Judge		96,000	96,000	96,000	96,000

The county entered into a lease purchase agreement with UMB Bank (the "Trustee") on August 24, 2006. The terms of the agreement call for the Trustee to provide funding for the costs of property improvements related to energy conservation at the jail and for the county to lease the justice center from the Trustee for lease payments equal to the amount due to retire the Trustee's indebtedness. Certificates of Participation bonds totaling $584,000 were issued by the Trustee, on August 24, 2006, on behalf of the county. Construction was essentially completed during 2006 and the lease is scheduled to be paid off in 2026. The repayments were to begin in June

2007. The remaining principal and interest due at December 31, 2006, was $810,524. The lease payments are anticipated to be paid with revenue generated from the county's capital improvements sales tax passed in April 2001.

The county entered into a lease purchase agreement with UMB Bank (the "Trustee") on December 1, 2004. The terms of the agreement call for the Trustee to provide funding for the costs to acquire, construct, improve, and maintain Phase 3 of Veterans Road and a county highway maintenance facility and for the county to lease the highway maintenance facility from the Trustee for lease payments equal to the amount due to retire the Trustee's indebtedness. Certificates of Participation totaling $4,395,000 were issued by the Trustee, on December 1, 2004, on behalf of the county. Construction on the Highway Department Building and Veterans Road was essentially completed during 2006 and 2007, respectively, and the lease is scheduled to be paid off in 2014. The remaining principal and interest due at December 31, 2006, was $4,290,923. The lease payments are anticipated to be paid with revenue generated from the county's capital improvements sales tax which was passed in April 2001.

Susan Montee, CPA
Missouri State Auditor

December 2007

ELEMENTARY AND SECONDARY EDUCATION AND SOCIAL SERVICES

Early Childhood Development, Education, and Care Fund

Report no. 2007-87

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Better Procedures Needed To Eliminate Overpayments and Evaluate Efficiency

The Department of Social Services (DSS)'s failure to adhere to established controls, DSS's poorly written contracts with child care facilities, and a lack of adequate communication between the Department of Elementary and Secondary Education (DESE) and DSS resulted in potential overpayments to child care facilities totaling at least $969,305. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for children. The DSS lacks an adequate system to track program data and produce management reports to analyze the effectiveness of programs. DESE and DSS have not conducted on-site monitoring of child care facilities as often as necessary.

Failure to adhere to controls, poorly written contracts, and lack of communication led to overpayments

DSS's failure to adhere to established controls, confusing and ambiguous contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments. Both DESE and DSS provide grants to child care facilities to create or expand the capacity of quality early childhood programs for children. Based on an analysis of the contractual requirements for each of these facilities and the licensing history provided by the Department of Health and Senior Services (DHSS), our audit found 5 of 16 facilities tested did not create the required increased capacity. (See page 10)

DSS did not adequately measure program performance

The DSS did not have an adequate system in place to track program data and produce management reports that would allow DSS to assess the effectiveness of Early Childhood Development, Education, and Care (ECDEC) programs and ensure program goals are met. The DSS has created a computerized database to enter periodic reports and invoices. However, program staff have not entered data as required and we found the database was incomplete and inaccurate. DSS staff stated that the database is not user friendly, the information maintained is not useful, and due to current work loads, staff do not have time to enter program data. (See page 15)

Increased on-site monitoring could help ensure compliance

The state has not monitored ECDEC contractors as frequently as necessary to ensure monies are spent in accordance with contractual requirements. Neither DESE nor DSS have created an on-site monitoring policy. In addition, due to other staffing priorities, on-site monitoring has not been conducted as often as officials have determined necessary. (See page 16)

Efficiency may be improved if fewer agencies administered programs

Programs may be administered more efficiently and effectively if fewer departments were involved. Currently, ECDEC funded child care programs include DSS (for children ages birth to 3), DESE (for children ages 3 to 5), and DHSS for licensure purposes. As a result, child care facilities are subject to regulation and monitoring visits from at least two and possibly three state departments. (See page 18)

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Abbreviations

DESE	Department of Elementary and Secondary Education
DSS	Department of Social Services
DHSS	Department of Health and Senior Services
ECDEC	Early Childhood Development, Education, and Care
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SAMII	Statewide Accounting System

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Dr. Kent King, Commissioner
Department of Elementary and Secondary Education
and
Deborah E. Scott, Director
Department of Social Services
Jefferson City, MO

From fiscal year 1999 to 2007, Missouri spent approximately $276.5 million from the Early Childhood Development, Education, and Care (ECDEC) Fund to increase the quantity and quality of early childhood services available to children ages birth to 5. The fund supports two programs administered by the Department of Elementary and Secondary Education (DESE), one by the Division of School Improvement, and the other by the Division of Special Education; four programs administered by the Department of Social Services (DSS), Children's Division; and the Department of Health and Senior Services (DHSS) program to regulate and license child care facilities. Audit objectives included (1) determining whether the state complies with legal provisions significant to the ECDEC Fund, (2) providing background information on the source of funding, the programs funded, and previous audit work performed on ECDEC funded programs, (3) presenting selected financial information relevant to the ECDEC Fund, and (4) determining whether internal controls were adequate to effectively administer ECDEC funded programs.

Our audit found DSS's failure to adhere to established controls, poorly written contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments to child care facilities. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for children. The audit also found DSS lacked an adequate system to track program data and produce management reports to analyze the effectiveness of programs, and DESE and DSS had not conducted on-site monitoring of child care facilities as often as necessary.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were John Luetkemeyer, Andrea Paul, and Amy Ames.

Susan Montee, CPA
State Auditor

Introduction

In 1998, the General Assembly passed House Bill 1519, which created the Early Childhood Development, Education, and Care (ECDEC) Fund. The purpose of the fund is to improve the quality and quantity of early childhood programs available to children ages birth to 5. The Department of Elementary and Secondary Education (DESE), Division of School Improvement, the Department of Social Services (DSS), Children's Division, and the Department of Health and Senior Services (DHSS) receive appropriations from the ECDEC Fund.

Studies Illustrate Benefit of Early Childhood Programs

In accordance with statutory requirements,[1] in July 2003 DESE and DSS released the results of a 4-year study that evaluated the impact of early childhood development, education, and care in Missouri. The analysis reported the strong relationships between high quality early childhood experiences and children's later performance across many developmental domains, including cognitive, linguistic, and socio-emotional functioning. The study showed that children who have had high quality early childhood experiences are more prepared for school, perform better throughout their school careers, and have better adult outcomes, such as higher income potential and less involvement in crime.[2]

Disparities in student achievement appear by kindergarten. Children growing up in adverse environments often begin school at a disadvantage because they are less likely to receive education at home that prepares them for school.[3] High-quality preschool programs improve students' schooling experiences and increase the likelihood of graduating from high school.[4] Preschool has been shown to reduce special education use by about 12 percent, on average.[5]

[1] Section 313.835.1(3)(e)d, RSMo.

[2] House Bill 1519 Early Childhood Project: Executive Summary and Policy Recommendations, p. 2.

[3] Christine Winquist Nort, Jean Lennon, Baiming Liu, and Kathryn Chandler, *Home Literacy Activities and Signs of Children's Emerging Literacy, 1993 and 1999*, NCES 2000-026rev (Washington, DC: U.S. Department of Education, 1999), p. 6, cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 17.

[4] Schweinhart, *Lifetime Effects: The High/Scope Perry Preschool Study Through Age 40*, p. 16; Campbell et al., "Early Childhood Education: Young Adult Outcomes From the Abecedarian Project," pp. 42-57; Reynolds et al., "Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Centers," pp. 267-303, cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

[5] Belfield, "The Fiscal Impacts of Universal Pre-K," cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

Reducing special education enrollments is particularly beneficial to state education budgets because it costs about twice as much to educate each child enrolled in a special education class.[6] Preschool also reduces grade repetition by approximately 21 percent.[7] The cost of repeating one grade is about $7,700 per student.[8]

A study[9] authorized by DESE and conducted by the Parents as Teachers National Center, released in April 2007, studied 7,710 public school students from a stratified random sample of Missouri districts and schools. The children were assessed at kindergarten entry and again in third grade to examine the impact of pre-kindergarten services on school readiness and later school success of children in the early elementary years. The study showed that 71 percent of children living in poverty that participate in preschool programs enter kindergarten ready for school, while only 64 percent of children living in poverty that do not participate in preschool programs enter kindergarten ready for school. The added value of early childhood programs carries over to third grade achievement for children living in poverty. The study compared Missouri Assessment Program Communication Arts test results at the third grade level for the 7,710 students in the random sample. The results showed that 79 percent of children that participated in early childhood education scored above the lowest level on the test, compared to 77 percent of students (a difference of about 150 children) living in poverty that did not participate in preschool programs.

States across the nation have recognized the importance of early childhood education. In fiscal year 2007, not a single legislature decreased its investment in pre-kindergarten, and 31 states plus the District of Columbia increased financial commitments to early childhood education. Over the past 2 years states' pre-kindergarten investments have grown by more than

[6]Augenblick and Myers, Incorporated, "Calculations of the Cost of an Adequate Education in Maryland in 2000-2001 Using Two Different Analytic Approaches" (Denver, CO: Augenblick and Myers, Incorporated, 2002), cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

[7]Belfield, "The Fiscal Impacts of Universal Pre-K," cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

[8]*The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

[9] A research summary based on a report by: Pfannenstiel, J.C., & Zigler, E. (2007). The Parents as Teachers program: its impact on school readiness and later school achievement.

$1 billion.[10] During fiscal year 2007, state agencies spent $29.4 million of $30.9 million appropriated by the Missouri General Assembly for ECDEC programs.

ECDEC Funded Programs

ECDEC Fund revenues consist of transfers from the Gaming Commission Fund and interest earned on fund balances. According to Section 313.835.1, RSMo, all revenue received by the Gaming Commission from license fees, penalties, admission fees, and administrative fees are deposited into the Gaming Commission Fund. As required by state law[11], fund revenues less expenditures and other statutorily required transfers[12] shall be transferred to the ECDEC Fund to be used to give parents meaningful choices and assistance in choosing the child care and education arrangements that are appropriate for their family. Any monies deposited in the ECDEC Fund shall be used to support programs that prepare children prior to the age in which they are eligible to enroll in kindergarten to enter school ready to learn and shall be annually appropriated for voluntary programs serving children in every region of the state. The state legislature appropriated monies annually to ECDEC programs administered by DESE, DSS, and DHSS. The seven programs with the amount of the 2007 appropriation and a brief description follows.

DESE Programs

Early Childhood Program $14,757,600

Provides funding to public schools, head start, and private child care centers that offer educational instruction for children 2 years from kindergarten entry, or 3 to 5 years of age. The purpose of the program is to increase capacity and quality at facilities that offer quality early childhood education to 3 to 5 year olds. Priority funding is given to programs serving low-income and special needs children.

First Steps Program $578,644

Provides early intervention for children with certain disabilities for ages birth to 3. The purpose of First Steps is to help families improve their child's development, learning, and participation in family and community life. First Steps provides services such as: occupational therapy, speech therapy, special instruction, audiology, physical therapy, assistive technology, and other supportive services.

[10] Pre[k] Now, *Votes Count: Legislative Action on Pre-K Fiscal Year 2007*, October 2006.
[11] Section 313.835, RSMo.
[12] See Appendix V for a schedule showing statutorily required transfers.

DSS Programs

Start Up and Expansion Program $3,689,400

Provides competitive grants to community based agencies, organizations, or individuals wishing to start child care programs or expand existing programs. The purpose of the program is to increase capacity at facilities offering quality infant and toddler child care for ages birth to 3. The program provides funding for equipment, supplies, initial staff salaries, minor remodeling to meet licensing guidelines, and education and training of staff.

Early Head Start Program $3,074,500

Provides funding to promote partnerships between Early Head Start and community child care facilities. The purpose of the program is to promote quality care for Missouri's birth to age 3 population, including prenatal care. The program serves families with children birth to 3 and pregnant women whose incomes are under 100 percent of the federal poverty level. Services include child care, parent education, access to a medical home, and other support services.

Stay at Home Parent Program $3,074,500

Provides funding to community organizations that assist eligible parents whose family income does not exceed 185 percent of the federal poverty level and who wish to care for their children under 3 years of age in the home. This program allows parents to take advantage of early childhood educational opportunities. The purpose of the program is to increase the availability of services and programs to parents of low-income households and build on existing resources in the community.

Accreditation Facilitation Program $3,074,500

Provides grants to community organizations which provide early childhood education to help with the cost of becoming accredited. The program provides training and professional instruction to early childhood educators. It also provides scholarships to teachers for continuing education or certification. The purpose of the program is to improve the quality of early childhood programs by establishing more accredited providers.

Purchase of Child Care $1,548,152

Provides approximately $1.2 million additional monies for the Early Head Start Program and $300,000 for rate enhancements paid to child care facilities providing services to a high percentage of children receiving state assistance.

DHSS Program

Child Care Improvement Program $728,740

The DHSS is responsible for the regulation and licensing of child care facilities. DHSS uses monies appropriated to the Child Care Improvement Program to contract with the Missouri Child Care Resource and Referral Network, which coordinates a series of early childhood educator trainings to help assist licensed child care providers meet annual training and education requirements. ECDEC monies are also used for the Opportunities in a Professional Education Network Initiative. The initiative is Missouri's career development initiative for early childhood and school-age/after-school professionals. The purpose of the program is to support the implementation of a coordinated career development system that will recruit, support, and retain professionals who work with young children and youth.

Previous SAO Audit Information

The SAO has previously issued three audits pertaining to programs funded by ECDEC monies.

Previously audited ECDEC funded programs

Report Title	Report Number	Date Issued
DESE/First Steps Program	2007-01	January 2007
DSS/Early Head Start Contract With KCMC Child Development Corporation	2006-34	June 2006
DHSS/Child Care Facilities Inspections and Licensing	2002-52	July 2002

Source: SAO

Scope and Methodology

To determine whether the state complied with legal provisions significant to the ECDEC Fund, we reviewed relevant state laws and regulations to obtain an understanding of those provisions. We also assessed the risk that illegal acts, including fraud, and violation of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with those provisions. We relied on audit work performed during the SAO's annual statewide financial statement audit at the Missouri Gaming Commission to ensure statutorily required amounts were properly transferred from the Gaming Commission Fund to the ECDEC Fund. To ensure a minimum of 10 percent of monies deposited into the fund were appropriated to three programs administered by DSS, as required by state law, we reviewed the Office of Administration's Summary of Appropriation Activity reports and discussed with applicable staff the procedures in place to forecast fund revenues and to amend future appropriations.

To provide information related to the programs funded by the ECDEC Fund, we gathered information from DESE, DSS, and DHSS. We also compiled a listing of previous audits issued by the SAO.

To present financial information related to the ECDEC Fund, we obtained revenue, expenditure, and appropriation data from the statewide accounting system, SAMII. We used this data to prepare a schedule of fund activity for fiscal year 1999 through fiscal year 2007 and a statement of appropriations for fiscal years 2005 through 2007. We verified the reliability of this financial information by comparing the revenues, expenditures, and fund balances from the SAMII system to the State Treasurer's Office Fund Activity reports. To present a schedule of statutorily required transfers out of the Gaming Commission Fund, we pulled transfer data from the Combined Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments schedule from prior SAO audits of the Missouri Gaming Commission.

To determine whether internal controls were adequate to effectively administer ECDEC funded programs,[13] we discussed current procedures with DESE and DSS officials, obtained an understanding of relevant internal controls, and considered whether those controls have been properly designed and placed in operation. In addition, we selected eight child care facilities that received both DESE and DSS funding in 2006, six randomly selected child care facilities that received DSS funding in fiscal years 2004, 2005, or 2006,[14] one child care facility that defaulted on a DESE contract and was subsequently awarded a contract from DSS, and one child care facility that continued to receive ECDEC monies from DSS after the facility defaulted on two DESE grants.

We requested comments on a draft of our report from the Commissioner of Elementary and Secondary Education and the Director of the Department of Social Services. We conducted our work between October 2006 and September 2007.

[13] For the purposes of this report, controls related to DESE's First Steps Program and DHSS's Child Care Improvement Program were not reviewed because a separate audit of the respective program has either recently been issued or is currently in process.

[14] We randomly selected two child care facilities from each of these fiscal years.

Better Procedures Needed to Eliminate Overpayments and Evaluate Effectiveness

DSS's failure to adhere to established controls, DSS's poorly written contracts with child care facilities, and a lack of adequate communication between DESE and DSS resulted in potential overpayments to child care facilities totaling at least $969,305. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for children. The DSS lacks an adequate system to track program data and produce management reports to analyze the effectiveness of programs. DESE and DSS have not conducted on-site monitoring of child care facilities as often as necessary.

Failure to Adhere to Controls, Poorly Written Contracts, and Lack of Communication Led to Overpayments

DSS's failure to adhere to established controls, confusing and ambiguous contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments. Both DESE and DSS provide grants to child care facilities to create or expand the capacity of quality early childhood programs for children. DESE's policy requires child care centers to increase licensed capacities by December 15, while DSS's policy requires licensed capacity to be increased by June 30 of the first contract year. DESE requires facilities to increase capacity and then provides funding to the facility while DSS advances funding so funds are available to the facility to increase capacity. Based on an analysis of the contractual requirements for each of these facilities and the licensing history provided by DHSS, our audit found 5 of 16 facilities tested did not create the required increased capacity as noted in Table 2.1:

Table 2.1: ECDEC Noncompliant Contractor Data

	Number of Slots Required by Contract	Actual Slots Created/Added	Difference	Early Childhood Program Funding	Start Up and Expansion Program Funding	Total Funding
Facility 1	32	14[A]	18	$249,020	$135,000	$384,020
Facility 2	27	17	10	228,083	175,000	403,083
Facility 3	23	18	5	0	151,375	151,375
Facility 4	8	0	8	0	70,000	70,000
Facility 5	29	18[B]	11	221,960	188,910	410,870
Total	119	67	52	$699,063	$720,285	$ 1,419,348

[A] Created a total of 20 additional slots per DHSS licensing information; however, only 14 slots related to ECDEC funding.

[B] Created a total of 28 additional slots per DHSS licensing information; however, only 18 slots related to ECDEC funding.

Source: DHSS Child Care License, SAMII Expenditure Data

- Facility 1 received ECDEC funding totaling $384,020 from DESE and DSS during fiscal years 2004 through 2007 to create a total of 32 additional licensed slots. Based on licensing information provided by DHSS, the facility increased the license capacity by 20

slots in September 2004. However, according to the owner of the facility, it was the owner's understanding that only 14 of the 20 additional slots created were based on the funding from DESE and DSS. The owner's interpretation of the DSS contract was to create four additional licensed slots, and the owner's understanding of the DESE contract was to create 10 additional licensed slots. However, the owner sent documentation to DESE stating the facility had created the 20 additional slots required. Additionally, the owner stated that when DSS performed an on-site visit in October 2006, the owner informed the DSS representative that only four additional slots were created and filled. However, the DSS staff person responsible for the program told us she was not made aware of the owner's position regarding the contract requirements.

Fiscal year 2007 was the last year of the 3-year contract with DSS, and according to a DESE official, DESE did not renew its contract for fiscal year 2008 because the facility failed to receive accreditation. Therefore, the facility is not receiving ECDEC funding in fiscal year 2008.

- Facility 2 received ECDEC funding totaling $403,083 from DESE and DSS during fiscal years 2003 through 2007 to create a total of 27 licensed slots in two child care centers. The facility contracted with DESE from fiscal years 2003-2008 to create 10 licensed slots at the first center and contracted with DSS from 2006-2008 to create 17 licensed slots at the second center.

  According to the license history provided by DHSS, the first center increased its licensed capacity by 12 slots from 108 to 120 in June 2002. In November 2005, the facility decreased the licensed capacity at the first center by 16 and moved those slots to the second center, which was opened in March 2005. Based on licensing information provided by DHSS, the second center added a total of 7 licensed slots in December 2005. However the contract with DSS required 17 licensed slots be created. DSS disbursed a total of $175,000 to this facility in fiscal years 2006 and 2007, even though the center failed to comply with the contract.

  In accordance with fiscal year 2008 contract renewals, the facility will receive $50,000 from DSS and $15,000 from DESE for its two centers. Also under the terms of a new contract awarded by DSS to this facility in fiscal year 2008, the facility will receive a total of $225,000 over 3 years to increase its license capacity by 16 slots. According to a DSS official, DSS did not verify contractual

compliance with the first contract awarded to this facility prior to renewing or awarding additional contracts.

- Facility 3 received ECDEC funding totaling $175,000 from DSS during fiscal years 2005 through 2007 to create 23 additional licensed slots. According to the contract, these slots were required to be added by June 30, 2005. According to a DSS official, the facility was unable to increase capacity in its first year; so DSS extended the deadline to June 30, 2006. The facility again was unable to increase capacity. At this point, DSS required the facility to refund $23,625 of $175,000 it had advanced to the facility, and granted an extension to June 30, 2007. No documentation of either extension was available in DSS files. Based on licensing information from DHSS, the facility increased the licensed capacity by 18 slots in June 2007, leaving it 5 slots short of the required number of slots.

- Facility 4 received ECDEC funding totaling $70,000 from DSS during fiscal years 2006 and 2007, and will receive additional funding of $20,000 for fiscal year 2008 to create 8 additional licensed slots. According to the contract, the facility was required to increase capacity by the end of the first contract year, or June 30, 2006. However, based on licensing information from DHSS, the facility had not increased capacity by August 2007.

  DSS granted this facility a new 3-year contract in fiscal year 2008. Under the new contract, the facility will receive $225,000 over 3 years to create an additional 40 licensed slots. DSS staff did not ensure the facility adhered to the first early childhood startup contract by increasing capacity before entering into a second contract. A DSS official agreed that DSS should have ensured the facility adhered to the first contract before issuing the second contract.

- Facility 5 originally contracted with DSS in fiscal year 2003 to create 48 additional licensed slots for $225,000. According to a DSS official, the facility was unable to create the required number of licensed slots and DSS agreed to reduce funding and the required additional slots to 19. However DSS could not provide adequate documentation of this agreement. Based on SAMII data, DSS paid this contractor a total of $188,910 under this contract from fiscal year 2003 to 2005.

The facility also received ECDEC funding totaling $221,960 from DESE during fiscal years 2004 through 2007 to create 10 licensed slots. Based on licensing information from DHSS, the facility created 28 licensed slots in August of 2003. However, according to the owner of the facility, it currently serves eight infant and toddlers, and thirteen 3 to 5 year olds with 7 slots reserved for older school age children who are not eligible for ECDEC funding. Based on this data, the facility created the required slots for DESE's contract, but only created 8 of the 19 required slots for children eligible for DSS's funding.

In total, 52 of the required 119 (about 44 percent) additional licensed slots were not created. DESE policies require all of the slots contracted for to be created or all funding be returned. DSS contracts entitle DSS a full refund of all fees paid in the event of contractor noncompliance. As a result, the total amount of potential overpayments is $969,305[15] through fiscal year 2007. Since DSS's policy is to provide funding for early childhood programs up front, it is imperative that adequate monitoring procedures exist to ensure overpayments do not occur.

Licensed capacity information was not adequately verified by DSS

According to officials at DESE and DSS, to ensure the child care facilities create or expand its early childhood program by the contractually required slots, program employees compare licensed capacity[16] prior and subsequent to receiving grant monies. However, this procedure was not adequately performed by DSS, resulting in the noncompliance and overpayments noted for the five child care facilities. A DSS employee initially told us she did not know why overpayments were not detected, then later stated that DSS allowed facility 2 to decrease licensed capacity in one age group and increase capacity in the birth to 3 age group, allowing the facility to maintain the same overall licensed capacity and comply with the contractual requirements. However, DSS's contract with facility 2 did not include language that allowed the facility to rearrange licensed slots, and DSS could not provide documentation of such an agreement.

Poorly written contracts led to confusion

Our review of seven DSS contracts with the five noncompliant facilities found conflicting information regarding the additional licensed slots to be created in four of these contracts. Specifically, the proposed number of children the facility is required to add to its licensed capacity differs from

[15] Represents $1,419,348 of total funding less $228,083 for 10 slots that were created in DESE's contract with facility 2 and $221,960 for 10 slots that were created for DESE's contract with facility 5.

[16] Child care facilities are licensed by the Department of Health and Senior Services.

one section of the contract to another. As a result, inconsistencies in the contracts have left division staff unable to determine the required number of slots to be added. For example, the division employee responsible for contract compliance told us she could not determine whether facility 4 had created the required number of licensed slots because the contract contained three different numbers for the slots required to be created.

DSS does not have an adequate system in place to ensure the information submitted on the grant applications is accurate and complete. According to a division official, DSS officials and staff review the application to ensure the information is accurate and complete. However, the current licensed capacity as reported by the facility did not agree with the license certificate provided by DHSS in two of seven contracts reviewed. We received differing explanations of why this information was not correct. However, none of the explanations adequately explained the discrepancies.

Officials from both DSS and DESE told us the intention of the programs is to create and maintain increased capacity. However, contracts with child care facilities did not contain specific language regarding maintaining the increased capacity.

Better communication may have prevented overpayments

According to officials from both DESE and DSS, neither agency considered grants awarded and slots required by the other department. This lack of communication contributed to the overpayments. A DESE employee stated better communication with DSS may have detected the noncompliance and resulting overpayment for facility 1. A DESE official stated that after being informed by the SAO, the department will monitor this issue closer to detect noncompliant contractors. Changes made by DSS to the Start Up and Expansion Program in fiscal year 2008 should allow each agency to more easily use the license certificate issued by DHSS to ensure the appropriate slots are created as required by each department's contract.

In addition, DESE and DSS have not developed a method to share information regarding noncompliant contractors. According to a DESE official, in May of 2004 DESE conducted an on-site visit of facility 4 and found the facility was noncompliant in the following areas:

- Supervision
- Records
- 10 Percent Match Requirement
- Budget Control
- Accreditation
- Teacher Evaluation
- Teacher Qualifications

- Curriculum Training
- Class Size
- Materials and Supplies

Based on this evaluation, DESE pulled the facility's funding and required it to refund $24,120. However, although the facility defaulted on its contract with DESE, DSS continued to fund the facility. Additionally, DSS approved new contracts with the facility in fiscal years 2006 and 2008. According to a DSS official, DSS was not aware the contractor failed to meet DESE's program requirements until after the bid evaluation process. Per the official, DSS decided to conduct more on-site visits to ensure the facility operated in compliance with the contract. According to the official, since fiscal year 2005, one on-site visit has been conducted; however, no documentation of the visit could be located, and the visit apparently did not detect the noncompliance noted earlier.

DSS System Not Adequately Measuring Program Performance

The DSS did not have an adequate system in place to track program data and produce management reports that would allow DSS to assess the effectiveness of ECDEC programs and ensure program goals are met. The DSS has created a Grants Tracking System, a computerized database where periodic reports and invoices are entered. However, program staff have not entered data as required and we found the database was incomplete and inaccurate. DSS staff stated that the database is not user friendly, the information maintained is not useful, and due to current work loads, staff do not have time to enter program data. According to a division official, the Grants Tracking System was created to capture data trends and produce reports that would improve the grant award process, allow the division to better administer the programs, and provide reports for the legislature on the effectiveness of the programs.

The DESE has created a database to track data related to the ECDEC program. Information submitted by child care facilities on the grant application is entered into the database, including contact information, dollar amount requested, and projected annual budget. Additionally, financial and program data, such as actual expenditures, reimbursement requests, and the number of children served, is entered into the system. The division staff can run queries to pull data from the system and produce reports from the inception of the program. The reports are submitted to national organizations that compile early childhood statistics, used internally to report the status of the program, and provided to the state legislature to report the accomplishments of the program. The reports generated show program outcomes such as number of facilities receiving funds, number of children served, school districts that offer ECDEC funded programs, special education enrollment, and ECDEC spending per child.

The DSS did not maintain a listing of and was unable to readily provide data for contractors that did not fulfill contractual requirements, or to track money refunded from noncompliant contractors. According to a division official, while there is no list to track noncompliant contractors, the agency relies on the memory of experienced division officials, the hardcopy historical documentation in contractor files, and the officials from other divisions within DSS. According to this official, a uniform way to track noncompliant contractors has not been developed because of the lack of time and importance, there have been too few fraudulent contractors to worry about, and noncompliant contractors are often put on a corrective action plan and resolve any issues before the DSS requires the contractor to refund the grant amount. The official acknowledged that the need for a listing to track money refunded from noncompliant contractors is becoming more important since the department is dealing with multiple funding streams.

The DESE has created a spreadsheet to track contractors that were unable to fulfill the ECDEC contracts. The spreadsheet lists the contractor name, contract year, the reason for noncompliance, the awarded grant amount, and the actual expenditures. Additionally, the Financial Management section within DESE tracks the ECDEC contractor refunds to ensure the noncompliant facilities refund money to DESE as required.

Increased On-site Monitoring Could Help Ensure Compliance

The state has not monitored early childhood contractors as frequently as necessary to ensure monies are spent in accordance with contractual requirements. Neither DESE nor DSS have created an on-site monitoring policy. In addition, due to other staffing priorities, on-site monitoring has not been conducted as often as officials have determined necessary.

The DESE has contracted with the Project Construct National Center to provide technical assistance to ECDEC recipients. The Center annually monitors each child care facility using the Early Childhood Environmental Rating Scale assessment tool to ensure DESE is funding quality programs and meeting educational requirements. The assessment tool is a nationally recognized evaluation method for early childhood programs. However, the Center does not perform a financial review to ensure expenditures reimbursed by the department are accurate and appropriate. The on-site monitoring performed by DESE staff includes assessing a facility's:

- Accreditation progress
- Budgeted and actual expenditures submitted to DESE
- Student enrollment
- Physical inventory list
- Materials and supplies are appropriate to implement curriculum

- Educational material available to students
- Fee schedule to ensure a sliding fee scale for low income families
- Educators have the required qualifications and have attended professional development opportunities
- Program quality evaluation
- Current child care license

According to a DESE official, staff currently try to monitor contractors on-site once every 5 years; however, since staffing levels are limited, many on-site visits were not completed. Since program inception in fiscal year 1999, DESE has visited 115 of 379 (about 30 percent) ECDEC contractors. DESE currently employs four program supervisors who oversee 379 contractors and 524 Parents as Teacher programs. The DESE official agreed that more frequent monitoring of program funding is needed.

The DSS has contracted with the University of Missouri-Columbia, Center for Family Policy and Research to provide technical assistance to ECDEC child care facilities under the Start-Up and Expansion Program. Providers visit facilities monthly to assist in meeting grant goals, approving the quality of the facility, and preparing a professional development plan with yearly goals for all staff. The Center for Family Policy and Research representative must also meet with DSS representatives monthly to report issues and communicate concerns regarding the goals and requirements of the grant within each facility.

DSS began on-site monitoring of ECDEC contractors in fiscal year 2006. During on-site monitoring, DSS staff ensure contractor compliance with contractual requirements, such as number and eligibility of children served, and whether programs are meeting matching requirements. Although a DSS official stated that the goal is to monitor each contractor once per year, current staffing levels and a high turnover rate limit the number of site visits that are presently conducted. Table 2.2 shows the number of contractors monitored through fiscal year 2007:

Table 2.2: Number of DSS ECDEC Contractors Monitored

Program	Number of Contractors	Number Monitored	Percentage Monitored
Start Up and Expansion	43	21	49
Stay at Home Parent	26	10	38
Accreditation Facilitation	6	4	67
Early Head Start	10	4	40

Source: Department of Social Services.

According to DESE and DSS officials, the departments do not have enough program specialist/program supervisors to adequately monitor contractor compliance and ensure monies are spent in accordance with contractual requirements. A DSS official also pointed to high employee turnover resulting in decreased monitoring. Although both DESE and DSS officials attributed the lack of on-site monitoring to current staffing levels, neither agency has performed an analysis or study to determine the numbers of staff needed to ensure program goals are met and ECDEC monies are spent appropriately.

DESE and DSS had performed on-site monitoring at two of the five noncompliant facilities. However DSS did not identify overpayments because monitoring visits did not include adequate procedures to verify compliance with contractual requirements regarding increased capacity.

Fewer departments may better administer ECDEC funded child care programs

ECDEC funded child care programs may be administered more efficiently and effectively if fewer departments were involved. Currently, ECDEC funded child care programs include DSS (for children ages birth to 3), DESE (for children ages 3 to 5), and DHSS for licensure purposes. As a result, child care facilities are subject to regulation and monitoring visits from at least two and possibly three state departments.

Conclusions

DSS's failure to adhere to established controls, poorly written contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments to child care facilities. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for Missouri's children.

DSS does not have an adequate system in place to track program data and produce management reports to allow the DSS to assess the effectiveness of the program. DSS's system also did not capture information regarding noncompliant contractors.

DESE and DSS had not adequately monitored ECDEC contractors to ensure monies are spent in accordance with contractual requirements. According to division officials, on-site monitoring was not conducted as often as necessary due to inadequate staffing levels. In addition, DSS on-site monitoring visits did not include adequate procedures to determine whether child care facilities were complying with contractual requirements regarding increased capacity. Greater efficiency and effectiveness may be achieved by consolidating the administration of ECDEC programs under fewer state agencies.

Recommendations

We recommend the Commissioner of the Department of Elementary and Secondary Education and the Director of the Department of Social Services:

2.1 Determine the extent and seek reimbursement of overpayments made to noncompliant early childhood contractors.

2.2 Ensure each agency is aware of the other agency's contractual requirements with child care facilities when determining contractor compliance regarding increased capacity. In addition, we recommend these agencies share information regarding noncompliant facilities.

2.3 Determine the optimal frequency to perform and develop a written policy for on-site monitoring. This policy should specify how often visits are to occur, procedures to be performed including specific procedures to verify increased capacity, and require written documentation of monitoring visits to be maintained.

2.4 Amend future contract language to include specific language requiring increased capacity to be maintained during contract renewal periods and new contracts.

We recommend the Director of the Department of Social Services:

2.5 Ensure licensure information is properly verified when determining contractor compliance with increased child care capacity.

2.6 Ensure grant applications contain accurate information and contracts do not include conflicting information.

2.7 Ensure adequate documentation of contract extensions and amendments is maintained.

2.8 Develop a system to track program data and produce management reports to allow DSS to assess the effectiveness of ECDEC programs. The system should contain accurate, up-to-date, and complete statistical data for each of the early childhood programs administered by DSS with the option to conduct analyses.

2.9 Maintain a listing of noncompliant contractors that includes the reason for noncompliance and any amounts owed to DSS.

We recommend the General Assembly:

2.10 Consider utilizing fewer agencies to administer ECDEC programs.

Agency Comments

Department of Elementary and Secondary Education comments

2.1 DESE partially concurs. DESE will further review facility 1 to determine compliance with contractual requirements. If it is determined that facility 1 has been in noncompliance DESE will take the necessary steps to seek reimbursement.

2.2 DESE partially concurs. DESE guidelines are available on our website from the time the Invitation for Bid is open through June 30 of that contract year. A meeting with representatives from the Departments of Elementary and Secondary Education, Health and Senior Services, and Social Services was conducted on Monday, November 26, 2007. The purpose of this meeting was to outline the process for notifying partner agencies of new and noncompliant awardees. DESE will continue to request involvement of the partner agencies in the Pre Bid meeting which is offered each year for potential contractors to learn about the requirements of the contract and ask questions regarding eligibility. We will also continue to request a representative from each agency to participate in scoring these competitive bids. Each year prior to awarding the contracts, DESE submits a list of potential awardees to DHSS for licensing review; DHSS notifies DESE if any candidates are not in good standing.

2.3 DESE partially concurs. DESE verifies increased licensed capacity prior to payment of any funding and is currently considering the development of a policy to regulate the frequency of program monitoring.

2.4 DESE partially concurs. Contract language could be amended to require programs to maintain the required increase of capacity throughout the contracts and all renewals. However, DESE would reserve the option to review each situation to determine if the change in license capacity is necessary to sustain the program as a whole or if it is being requested to circumvent the intent of the program guidelines.

Department of Social Services comments

2.1 We agree with this recommendation to the extent that the facts and the contract provisions support reimbursement recovery. When it is determined that a reimbursement is appropriate, any amounts paid for child care slots not created will be recovered. Recovery of the full amount paid under the contract will not be pursued as recommended in the audit report. The purpose of the Start Up and Expansion Grant is to provide quality community based providers an opportunity to expand

child care slots. A decision to seek reimbursement of payment in full would jeopardize the availability of the child care slots created by compromising the facility's ability to remain in business. Closing a quality child care facility is not a good outcome for the community or for the families and children of Missouri.

We have studied the files of the five providers included in the audit findings and will take the following actions:

- *Providers 2 and 4 will be placed on corrective action plans with an expected outcome of increasing child care slots to the number required in the contract by June 30, 2008.*

- *Provider 1 was required to create 12 additional DSS child care slots. DSS verified that those slots were actually created but were not maintained. DSS will make changes to the FY 2009 Start Up and Expansion contracts to require providers to maintain the additional created slots through the life of the contract (see response to 2.4).*

- *DSS and DESE are investigating provider 5's compliance with the contract. A corrective action plan and/or reimbursement plan will be established, as needed.*

- *A review of the facts and contract provisions continues for provider 3 to determine if reimbursement recovery is appropriate.*

2.2 *We agree with this recommendation. DSS has a communication plan in place with DHSS for noncompliant child care providers that are both licensed by the DHSS and receiving child care subsidies from DSS. DSS will build on that plan, adding information relevant for Start Up and Expansion contractor oversight.*

For part of the time period covered in the audit an overlap in the age of children served by DSS and DESE made it difficult to use DHSS licensing information and effectively assess a provider's compliance with adding new child care slots. Changes were made in July 2006 so that DSS funds only child care slots for children age zero to two, while DESE funds child care slots for children over two years of age, as the licensing requirements are much different for these two groups.

The DSS Early Childhood and Prevention Services Section is developing a communication plan to ensure that information regarding

noncompliant facilities is shared between the DSS and DESE. A communication policy will be in place by January 31, 2008.

2.3 We agree with this recommendation. The Early Childhood and Prevention Services Section is developing policies and procedures to document and standardize the frequency and quality of on-site monitoring. Recommended suggestions in the audit report will be included. The policies and procedures will be completed by January 31, 2008.

Effective December 2007, questions relating to Start Up and Expansion contract provisions will be added to the list of questions on the tool used by the DSS Division of Budget and Finance Contract Compliance Unit to monitor child care subsidy providers. This is an efficient way to identify combination Child Care Subsidy/Start Up and Expansion providers that may need more extensive review.

2.4 We agree with this recommendation. Fiscal year 2009 contracts will include language requiring contracted providers to maintain additional created child care slots during the three-year contract period and a fourth year.

2.5 We agree with this recommendation. The staff overseeing the Start Up and Expansion contracts has worked closely in the past year and a half with DHSS to increase communication regarding our contractors. As part of the monitoring process, DSS staff have access to DHSS licensing files and licensing information database.

2.6 We agree with this recommendation. The Early Childhood and Prevention Services Section and contract management staff have established procedures to ensure grant applications and contracts contain accurate and consistent information.

2.7 We agree with this recommendation. Policies and procedures are in development to ensure that all documentation and contract amendments are on file. This policy will be completed and in place by January 31, 2008.

2.8 We agree with this recommendation. DSS is developing outcomes based, performance oriented contracts. The Early Childhood and Prevention Services Section continues to work with the Office of Administration, Information Technology Services Division, to develop a user-friendly database to capture the information for these programs. The Early Childhood and Prevention Services Section has recently

designated a lead person, with database and information technology experience, to serve as the liaison with the Information Technology Services Division to fast track the development and implementation of the database.

2.9 *We agree with this recommendation. Until now, this information has resided in individual case records rather than a central location. DSS has implemented a central tracking system for noncompliant contractors that will be accessible by all Early Childhood and Prevention Services Section staff. The tracking system includes details about the status of corrective action plans as well as information on overpayments.*

2.10 *DSS will be asking the Coordinating Board for Early Childhood to review and make recommendations regarding the administration of the ECDEC Fund.*

To address contract compliance, DSS established the Contract Compliance Unit in March 2006. The unit was directed to begin its work with the Child Care Subsidy Program by conducting on-site contract reviews. Since the unit's inception, over 2,900 providers have been reviewed. As a result, 240 contracts have been terminated and 140 licensed providers have been referred to DHSS for possible licensure violations. These and other actions have resulted in $19.5 million in savings to the Child Care Program, providing funds to increase child care eligibility and provider rates. I am directing the expansion of the Contract Compliance Unit's duties to include a review of all DSS ECDEC contracts.

Appendix I

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	Year Ended June 30,								
	2007	2006	2005	2004	2003	2002	2001	2000	1999
RECEIPTS									
Interest and Refunds	$ 543,340	478,875	310,550	405,574	831,481	1,807,659	2,745,383	1,393,287	62,048
Total Receipts	543,340	478,875	310,550	405,574	831,481	1,807,659	2,745,383	1,393,287	62,048
DISBURSEMENTS (by agency)									
Elementary and Secondary Education	14,950,001	14,897,573	18,101,642	17,721,832	24,419,641	28,355,972	22,748,506	8,905,599	12,303
Social Services	13,598,527	13,782,712	14,196,038	13,356,904	31,936,647	15,407,842	11,924,117	6,780,609	209,069
Health and Senior Services	817,855	825,550	760,433	871,782	955,412	767,030	218,293	0	0
Office of Administration	36,511	0	0	0	0	0	0	0	0
Total Disbursements	29,402,894	29,505,835	33,058,113	31,950,518	57,311,700	44,530,844	34,890,916	15,686,208	221,372
RECEIPTS (UNDER) DISBURSEMENTS	(28,859,554)	(29,026,960)	(32,747,563)	(31,544,944)	(56,480,219)	(42,723,185)	(32,145,533)	(14,292,921)	(159,324)
TRANSFERS									
Transfers from Gaming Commission Fund	28,923,521	30,357,641	33,570,596	27,484,600	34,173,702	31,746,595	30,538,114	34,417,893	25,500,000
Transfers to:									
Office of Administration (OA)-Operating	382,285	603,866	576,100	481,496	167,197	167,874	36,273	0	0
OA-Capital Improvements	0	0	741	0	0	0	0	0	0
Revenue-Operating	0	0	0	0	25	0	834	0	0
Total Transfers	28,541,236	29,753,775	32,993,755	27,003,104	34,006,480	31,578,721	30,501,007	34,417,893	25,500,000
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(318,318)	726,815	246,192	(4,541,840)	(22,473,739)	(11,144,464)	(1,644,526)	20,124,972	25,340,676
CASH JULY 1	6,634,086	5,907,271	5,661,079	10,202,919	32,676,658	43,821,122	45,465,648	25,340,676	0
CASH JUNE 30	$ 6,315,768	6,634,086	5,907,271	5,661,079	10,202,919	32,676,658	43,821,122	45,465,648	25,340,676

Appendix II

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriations	Expenditures	Lapsed Balances
Department of Elementary and Secondary Education			
For grants to school districts under the Early Childhood Development, Education and Care Program, including up to $25,000 in expense and equipment, for program administration	$ 14,757,600	14,371,357	386,243
For the First Steps Program	578,644	578,644	0
Total Department of Elementary and Secondary Education	15,336,244	14,950,001	386,243
Department of Social Services, Children's Division			
For the purpose of funding early childhood start-up and expansion grants pursuant to Chapter 313, RSMo	3,689,400	3,537,497	151,903
For the purpose of funding early childhood development, education, and care programs for low-income families pursuant to Chapter 313, RSMo	3,074,500	2,978,570	95,930
For the purpose of payments to accredited child care providers pursuant to Chapter 313, RSMo	3,074,500	2,961,176	113,324
For the purpose of funding certificates to low-income, at-home families pursuant to Chapter 313, RSMo	3,074,500	2,782,421	292,079
For the purpose of funding child care services, the general administration of the programs, and to support the Educare Program	1,548,152	1,295,247	252,905
For the Children's Division personal service and/or expense and equipment	53,597	42,971	10,626
For the payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses	645	645	0
Total Department of Social Services	14,515,294	13,598,527	916,767
Department of Health and Senior Services, Division of Regulation and Licensure			
For the purpose of funding activities to improve the quality of childcare, increase the availability of early childhood development programs, before- and after-school care, in-home services for families with newborn children, and for general administration of the program	728,740	576,961	151,779
For the purpose of funding program operations and support Personal Service and/or Expense and Equipment	252,476	240,894	11,582
Total Department of Health and Senior Services	981,216	817,855	163,361
Office of Administration			
DHSS IT Consolidation Expense and Equipment	35,145	35,116	29
DSS IT Consolidation Personal Service	1,397	1,392	5
Unemployment Benefits	102	3	99
	36,644	36,511	133
Total All Funds	$ 30,869,398	29,402,894	1,466,504

Appendix III

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2006

	Appropriations	Expenditures	Lapsed Balances
Department of Elementary and Secondary Education			
For grants to school districts under the Early Childhood Development, Education and Care Program, including up to $25,000 in expense and equipment, for program administration	$ 14,757,600	14,318,929	438,671
For the First Steps Program	578,644	578,644	0
Total Department of Elementary and Secondary Education	15,336,244	14,897,573	438,671
Department of Social Services, Children's Division			
For the purpose of funding early childhood start-up and expansion grants pursuant to Chapter 313, RSMo	3,689,400	3,578,248	111,152
For the purpose of funding early childhood development, education, and care programs for low-income families pursuant to Chapter 313, RSMo	3,074,500	2,969,157	105,343
For the purpose of payments to accredited child care providers pursuant to Chapter 313, RSMo	3,074,500	2,896,371	178,129
For the purpose of funding certificates to low-income, at-home families pursuant to Chapter 313, RSMo	3,074,500	2,737,448	337,052
For the purpose of funding child care services, the general administration of the programs, and to support the Educare Program	1,548,152	1,548,152	0
For the Children's Division personal service and/or expense and equipment	51,993	51,993	0
DSS IT Consolidation Personal Service	1,343	1,343	0
Total Department of Social Services	14,514,388	13,782,712	731,676
Department of Health and Senior Services, Division of Health Standards and Licensure			
For the purpose of funding activities to improve the quality of childcare, after-school care, in-home services for families with newborn children, and for general administration of the program in accordance with Section 313.835, RSMo	728,740	559,350	169,390
For the purpose of funding program operations and support Personal Service and/or Expense and Equipment	230,320	227,262	3,058
DHSS IT Consolidation Expense and Equipment	38,938	38,938	0
Total Department of Health and Senior Services	997,998	825,550	172,448
Total All Funds	$ 30,848,630	29,505,835	1,342,795

Appendix IV

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2005

	Appropriations	Expenditures	Lapsed Balances
Department of Elementary and Secondary Education			
For grants to school districts under the Early Childhood Development, Education and Care Program, including up to $25,000 in expense and equipment, for program administration	$ 16,545,112	12,815,600	3,729,512
For the First Steps Program	5,286,042	5,286,042	0
Total Department of Elementary and Secondary Education	21,831,154	18,101,642	3,729,512
Department of Social Services, Children's Division			
For the purpose of funding early childhood start-up and expansion grants pursuant to Chapter 313, RSMo	4,136,278	3,622,721	513,557
For the purpose of funding early childhood development, education, and care programs for low-income families pursuant to Chapter 313, RSMo	3,446,898	2,937,042	509,856
For the purpose of payments to accredited child care providers pursuant to Chapter 313, RSMo	3,446,898	3,044,564	402,334
For the purpose of funding certificates to low-income, at-home families pursuant to Chapter 313, RSMo	3,446,898	3,032,370	414,528
For the purpose of funding child care services, the general administration of the programs, and to support the Educare Program	1,548,152	1,507,969	40,183
For the Children's Division personal service and/or expense and equipment	53,336	51,372	1,964
Total Department of Social Services	16,078,460	14,196,038	1,882,422
Department of Health and Senior Services, Division of Health Standards and Licensure			
For the purpose of funding activities to improve the quality of childcare, after-school care, in-home services for families with newborn children, and for general administration of the program in accordance with Section 313.835, RSMo	728,740	492,920	235,820
For the purpose of funding program operations and support Personal Service and/or Expense and Equipment	269,258	255,713	13,545
Health Leasing	17,516	11,800	5,716
Total Department of Health and Senior Services	1,015,514	760,433	255,081
Total All Funds	$ 38,925,128	33,058,113	5,867,015

Appendix V
GAMING COMMISSION FUND
COMPARATIVE SCHEDULE OF STATUTORILY REQUIRED TRANSFERS

	Year Ended June 30,														
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	Total
Transfers to Veterans' Commission Capital Improvement Trust Fund*	$ 6,000,000	6,000,000	9,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	38,905,493	53,876,013	0	8,408,536	0	0	137,190,042
Transfers to Missouri National Guard Trust Fund*	4,000,000	4,000,000	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	0	0		0	0	31,000,000
Transfers to Missouri College Guarantee Fund	5,000,000	5,000,000	5,000,000	5,000,000	4,500,000	4,500,000	6,000,000	4,500,000	3,000,000	0	0	0	0	0	42,500,000
Transfers to Early Childhood Development Education and Care Fund	28,923,521	30,357,641	33,570,596	27,484,600	34,173,702	31,746,595	30,538,114	34,417,893	25,500,000	0	0	0	0	0	276,712,662
Transfers to Compulsive Gamblers Fund	248,173	160,814	489,850	489,850	472,704	398,074	46,612	0	0	0	0	0	0	0	2,306,077
Transfer to the General Revenue Fund - State	0	0	0	0	0	0	0	0	0	0	0	0	3,000,000	0	3,000,000
Gaming Proceeds for Education Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	929,232	929,232
TOTAL	$ 44,171,694	45,518,455	53,060,446	38,974,450	45,146,406	42,644,669	42,584,726	44,917,893	70,405,493	53,876,013	0	8,408,536	3,000,000	929,232	493,638,013

* Transfers during the year ended June 30, 2005, include $3 million and $1 million to the Veterans' Commission Capital Improvement Trust fund and Missouri National Guard Trust Fund, respectively, that pertain to the year ended June 30, 2004.
The transfer made to the Veterans' Commission Capital Improvement Trust Fund in fiscal year 1999 included $35,905,493 of remaining net proceeds collected during fiscal year 1998 and therefore, distributed pursuant to the laws effective for fiscal year 1998 collections.

Susan Montee, CPA
Missouri State Auditor

December 2007

Howard County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-86

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Howard County, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The County Clerk made various errors on federal tax returns and related forms and in making remittances of federal taxes. During 2006 the county paid approximately $13,000 to the IRS for unpaid taxes, penalties and interest. At June 2007 the county owed the IRS approximately $22,000 for unresolved errors pertaining to previous years. Reporting and/or payment errors occurred during 2004, 2005, and 2006, and, despite receiving numerous Internal Revenue Service (IRS) notices, some had not been resolved as of September 2007. The County Clerk does not have adequate controls for ensuring the amounts paid and reported to the IRS are accurate and consistent. Because county officials did not act promptly to research and resolve the various problems with the IRS, the county has paid and still owes a significant amount in underpaid taxes, penalties, and interest. A review of county payroll records and reports indicates some errors may have been reporting rather than payment errors, and at least a portion of the additional tax liability, penalties, and interest amounts may have been avoided.

Various billings from October 2006 through June 2007, totaling approximately $36,800, for unemployment taxes, utilities, and state income tax withholdings were not promptly paid and, consequently, the county incurred late payment penalties totaling approximately $3,100. Other payments during this period including employee deferred compensation payments and employee health insurance premiums were also untimely. While the county was not penalized for these late remittances, county officials should ensure obligations on behalf of its employees are met.

The county did not always solicit bids, develop adequate bid specifications, or retain bid documentation for various purchases. In addition, neither the County Commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices, explanations for contract changes, or reasons for sole source purchase determinations. Also, federal procurement rules were not followed for some equipment purchases made with federal grant monies.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, expenditures for federal grants were not always reported correctly on the schedule. For

(over)

example, the 2006 Highway Planning and Construction Program expenditures were overstated by more than $630,000.

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the current and back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements or adequately review property tax additions and abatements. The County Clerk indicated that he does not intend to review additions and abatements, maintain an account book, or verify the Collector's annual settlement.

The Circuit Clerk and Ex Officio Recorder of Deeds does not always receipt and deposit monies on a timely basis and, for bank accounts of the Circuit Clerk, has not followed-up on old outstanding checks or disbursed monies on old inactive cases.

For the various bank accounts of the Sheriff's office, bank reconciliations are not consistently and accurately performed. Additionally, monies received are not always deposited intact on a timely basis and documentation showing the disposition of jail receipts is not always retained.

Bank reconciliations for the Senate Bill 40 Board's accounts are not prepared and transaction registers were not always maintained. Also, the board's budget preparation procedures do not ensure that the budget documents reasonably reflect the board's anticipated financial activity and cash balances, and lessen the effectiveness of the budget as a tool for monitoring or controlling board disbursements and for decision-making about the board's tax levy.

The audit also includes recommendations to the county to improve records and procedures related to county property, vehicles, and budgets.

All reports are available on our Web site: www.auditor.mo.gov

HOWARD COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Howard County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Howard County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 18, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Howard County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

September 18, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Rex Murdock
	Janielle Arens
	Sarah Schulte

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Howard County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize,

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record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies referred to above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Howard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Howard County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Howard County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 18, 2007

Financial Statements

Exhibit A-1

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	281,369	1,090,941	1,214,626	157,684
Special Road and Bridge		429,639	987,272	996,959	419,952
Assessment		9,453	138,191	136,889	10,755
Law Enforcement Training		2,231	1,678	3,303	606
Prosecuting Attorney Training		661	315	0	976
Law Enforcement Sales Tax		172	488,136	474,289	14,019
Recorder User Fees		4,891	4,518	4,678	4,731
Keller Building		107,053	131,601	234,813	3,841
Victims of Domestic Violence		5,981	1,286	0	7,267
Civil Defense		520	15,448	14,490	1,478
Sheriff Civil Fees		4,969	13,699	13,710	4,958
Prosecuting Attorney Bad Check		13,583	19,880	26,076	7,387
Howard County Economic Development		178,231	53,392	4,832	226,791
Election Services		5,265	326	4,649	942
Law Enforcement Supplemental		2,766	25,605	28,371	0
Sheriff Benevolent		4,050	963	1,094	3,919
Recorder Technology		4,648	2,903	2,579	4,972
Prosecutor's Supplemental		11,017	20,828	25,387	6,458
Levee Districts		334,425	106,880	45,305	396,000
Collector's Technology		15,578	13,192	7,155	21,615
Sheriff Revolving		3,841	1,387	894	4,334
Jail Sales Tax		169,587	253,277	233,331	189,533
Sheltered Services Board		138,404	99,747	79,318	158,833
911 Board		270,036	294,330	294,184	270,182
Circuit Court Interest		10,733	669	1,463	9,939
Law Library		20,259	3,507	0	23,766
Focus On Kids		1,861	945	675	2,131
Total	$	2,031,223	3,770,916	3,849,070	1,953,069

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	189,837	1,036,612	945,080	281,369
Special Road and Bridge		387,887	1,217,695	1,175,943	429,639
Assessment		701	143,013	134,261	9,453
Law Enforcement Training		1,309	1,152	230	2,231
Prosecuting Attorney Training		845	301	485	661
Law Enforcement Sales Tax		2,798	399,266	401,892	172
Recorder User Fees		3,849	4,586	3,544	4,891
Keller Building		31,801	280,860	205,608	107,053
Victims of Domestic Violence		5,082	899	0	5,981
Civil Defense		1,650	18,664	19,794	520
Sheriff Civil Fees		5,524	12,427	12,982	4,969
Prosecuting Attorney Bad Check		15,114	10,117	11,648	13,583
Howard County Economic Development		131,000	52,821	5,590	178,231
Election Services		5,217	1,314	1,266	5,265
Law Enforcement Supplemental		6,204	62,108	65,546	2,766
Sheriff Benevolent		4,452	980	1,382	4,050
Recorder Technology		1,794	2,854	0	4,648
Prosecutor's Supplemental		6,352	25,629	20,964	11,017
Levee Districts		324,771	57,990	48,336	334,425
Collector's Technology		12,075	12,548	9,045	15,578
Sheriff Revolving		2,762	1,079	0	3,841
Jail Sales Tax		139,937	286,097	256,447	169,587
Sheltered Services Board		146,146	91,886	99,628	138,404
911 Board		230,802	299,052	259,818	270,036
Circuit Court Interest		12,800	67	2,134	10,733
Law Library		16,893	3,366	0	20,259
Focus On Kids		1,675	711	525	1,861
Total	$	1,689,277	4,024,094	3,682,148	2,031,223

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 4,020,085	3,770,916	(249,169)	3,658,818	4,024,027	365,209
DISBURSEMENTS	4,844,430	3,849,070	995,360	4,417,370	3,680,014	737,356
RECEIPTS OVER (UNDER) DISBURSEMENTS	(824,345)	(78,154)	746,191	(758,552)	344,013	1,102,565
CASH, JANUARY 1	2,022,104	2,031,223	9,119	1,676,477	1,676,477	0
CASH, DECEMBER 31	1,197,759	1,953,069	755,310	917,925	2,020,490	1,102,565
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	265,000	264,199	(801)	247,000	264,018	17,018
Sales taxes	294,000	286,805	(7,195)	268,000	293,482	25,482
Intergovernmental	203,014	204,671	1,657	153,047	108,287	(44,760)
Charges for services	192,854	179,173	(13,681)	195,779	174,523	(21,256)
Interest	13,820	18,756	4,936	5,045	13,818	8,773
Other	69,009	137,337	68,328	62,020	140,682	78,662
Transfers in	43,164	0	(43,164)	43,000	41,802	(1,198)
Total Receipts	1,080,861	1,090,941	10,080	973,891	1,036,612	62,721
DISBURSEMENTS						
County Commission	78,987	78,698	289	78,436	78,124	312
County Clerk	59,109	59,120	(11)	58,135	58,192	(57)
Elections	136,130	134,762	1,368	12,650	15,397	(2,747)
Buildings and grounds	72,664	65,306	7,358	71,000	54,463	16,537
Employee fringe benefit	76,700	71,056	5,644	76,700	71,171	5,529
County Treasurer	28,515	27,813	702	28,415	28,095	320
County Collector	66,939	64,430	2,509	65,447	62,822	2,625
Ex Officio Recorder of Deed	25,022	19,942	5,080	22,500	15,668	6,832
Circuit Clerk	19,200	3,828	15,372	19,200	5,582	13,618
Associate Circuit Court	18,852	16,631	2,221	18,150	16,921	1,229
Associate Circuit (Probate)	7,850	1,108	6,742	7,850	555	7,295
Court administration	39,890	19,761	20,129	41,600	19,091	22,509
Public Administrator	50,592	50,160	432	46,395	45,750	645
Prosecuting Attorney	76,766	75,141	1,625	72,890	71,183	1,707
Juvenile Officer	87,124	65,550	21,574	81,037	47,617	33,420
County Coroner	14,500	10,547	3,953	14,500	11,465	3,035
Other General County Governmen	138,174	148,012	(9,838)	96,589	101,086	(4,497)
Public health and welfare service	180,129	179,550	579	193,193	177,378	15,815
Transfers out	139,467	123,211	16,256	75,920	64,520	11,400
Emergency Fund	67,430	0	67,430	81,991	0	81,991
Total Disbursements	1,384,040	1,214,626	169,414	1,162,598	945,080	217,518
RECEIPTS OVER (UNDER) DISBURSEMENTS	(303,179)	(123,685)	179,494	(188,707)	91,532	280,239
CASH, JANUARY 1	281,369	281,369	0	189,837	189,837	0
CASH, DECEMBER 31	(21,810)	157,684	179,494	1,130	281,369	280,239

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	175,000	193,467	18,467	190,000	185,023	(4,977)
Sales taxes	267,659	258,358	(9,301)	254,600	271,345	16,745
Intergovernmental	644,373	445,648	(198,725)	660,853	673,958	13,105
Charges for services	39,134	27,202	(11,932)	19,000	50,368	31,368
Interest	14,892	31,244	16,352	12,000	18,127	6,127
Other	18,129	31,353	13,224	1,004	18,874	17,870
Total Receipts	1,159,187	987,272	(171,915)	1,137,457	1,217,695	80,238
DISBURSEMENTS						
Salaries	310,000	296,781	13,219	300,000	295,810	4,190
Employee fringe benefit	81,550	57,161	24,389	74,300	77,138	(2,838)
Supplies	85,000	87,616	(2,616)	57,500	91,987	(34,487)
Insurance	23,500	24,372	(872)	22,000	22,071	(71)
Road and bridge materials	20,600	16,279	4,321	20,000	17,617	2,383
Equipment repairs	61,000	58,273	2,727	62,500	63,246	(746)
Rentals	1,000	0	1,000	0	0	0
Equipment purchases	137,717	132,192	5,525	110,516	110,124	392
Construction, repair, and maintenance	519,518	221,189	298,329	566,000	436,423	129,577
Debt service	1,319	1,329	(10)	1,286	1,285	1
Other	95,500	101,767	(6,267)	95,500	60,242	35,258
Transfers out	0	0	0	39,000	0	39,000
Total Disbursements	1,336,704	996,959	339,745	1,348,602	1,175,943	172,659
RECEIPTS OVER (UNDER) DISBURSEMENTS	(177,517)	(9,687)	167,830	(211,145)	41,752	252,897
CASH, JANUARY 1	429,639	429,639	0	387,887	387,887	0
CASH, DECEMBER 31	252,122	419,952	167,830	176,742	429,639	252,897
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	134,400	129,698	(4,702)	116,600	132,409	15,809
Charges for Services	6,750	5,485	(1,265)	3,400	6,668	3,268
Interest	1,200	1,677	477	350	1,020	670
Other	1,980	1,331	(649)	930	1,916	986
Transfers in	1,000	0	(1,000)	14,020	1,000	(13,020)
Total Receipts	145,330	138,191	(7,139)	135,300	143,013	7,713
DISBURSEMENTS						
Assessor	144,590	136,889	7,701	135,300	134,261	1,039
Total Disbursements	144,590	136,889	7,701	135,300	134,261	1,039
RECEIPTS OVER (UNDER) DISBURSEMENTS	740	1,302	562	0	8,752	8,752
CASH, JANUARY 1	9,453	9,453	0	701	701	0
CASH, DECEMBER 31	10,193	10,755	562	701	9,453	8,752

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	1,100	1,593	493	1,000	997	(3)
Interest	87	85	(2)	20	155	135
Total Receipts	1,187	1,678	491	1,020	1,152	132
DISBURSEMENTS						
Sheriff	3,300	3,303	(3)	2,170	230	1,940
Total Disbursements	3,300	3,303	(3)	2,170	230	1,940
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,113)	(1,625)	488	(1,150)	922	2,072
CASH, JANUARY 1	2,231	2,231	0	1,309	1,309	0
CASH, DECEMBER 31	118	606	488	159	2,231	2,072
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	250	265	15	250	269	19
Interest	0	50	50	17	32	15
Total Receipts	250	315	65	267	301	34
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	600	485	115
Total Disbursements	0	0	0	600	485	115
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	315	65	(333)	(184)	149
CASH, JANUARY 1	661	661	0	845	845	0
CASH, DECEMBER 31	911	976	65	512	661	149
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	295,000	286,796	(8,204)	270,000	293,484	23,484
Charges for services	60,000	46,043	(13,957)	58,000	70,846	12,846
Interest	750	1,219	469	1,000	520	(480)
Other	6,000	39,541	33,541	7,500	3,416	(4,084)
Transfer In	70,000	114,537	44,537	55,000	31,000	(24,000)
Total Receipts	431,750	488,136	56,386	391,500	399,266	7,766
DISBURSEMENTS						
Sheriff's departmen	204,871	240,733	(35,862)	199,000	206,049	(7,049)
Jail	167,940	176,424	(8,484)	162,702	160,134	2,568
Vehicle expenses	53,500	57,132	(3,632)	30,800	35,709	(4,909)
Total Disbursements	426,311	474,289	(47,978)	392,502	401,892	(9,390)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,439	13,847	8,408	(1,002)	(2,626)	(1,624)
CASH, JANUARY 1	172	172	0	2,798	2,798	0
CASH, DECEMBER 31	5,611	14,019	8,408	1,796	172	(1,624)

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER USER FEES FUND						
RECEIPTS						
Charges for service	4,800	4,336	(464)	4,800	4,448	(352)
Interest	140	182	42	53	138	85
Total Receipts	4,940	4,518	(422)	4,853	4,586	(267)
DISBURSEMENTS						
Ex Officio Recorder of Deed	9,324	4,678	4,646	8,638	3,544	5,094
Total Disbursements	9,324	4,678	4,646	8,638	3,544	5,094
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,384)	(160)	4,224	(3,785)	1,042	4,827
CASH, JANUARY 1	4,891	4,891	0	3,849	3,849	0
CASH, DECEMBER 31	507	4,731	4,224	64	4,891	4,827
KELLER BUILDING FUND						
RECEIPTS						
Rental income	94,050	100,990	6,940	100,516	96,113	(4,403)
Interest	2,250	1,460	(790)	530	4,556	4,026
Other	115,051	4,151	(110,900)	600	180,191	179,591
Transfer In	0	25,000	25,000	0	0	0
Total Receipts	211,351	131,601	(79,750)	101,646	280,860	179,214
DISBURSEMENTS						
Personnel	29,342	28,607	735	28,636	29,880	(1,244)
Operations	72,424	86,769	(14,345)	72,382	68,908	3,474
Building	109,486	119,437	(9,951)	31,500	106,820	(75,320)
Total Disbursements	211,252	234,813	(23,561)	132,518	205,608	(73,090)
RECEIPTS OVER (UNDER) DISBURSEMENTS	99	(103,212)	(103,311)	(30,872)	75,252	106,124
CASH, JANUARY 1	107,053	107,053	0	31,801	31,801	0
CASH, DECEMBER 31	107,152	3,841	(103,311)	929	107,053	106,124
VICTIMS OF DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for service	1,000	883	(117)	1,000	639	(361)
Interest	300	403	103	101	260	159
Total Receipts	1,300	1,286	(14)	1,101	899	(202)
DISBURSEMENTS						
Shelter	6,772	0	6,772	6,059	0	6,059
Total Disbursements	6,772	0	6,772	6,059	0	6,059
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,472)	1,286	6,758	(4,958)	899	5,857
CASH, JANUARY 1	5,981	5,981	0	5,082	5,082	0
CASH, DECEMBER 31	509	7,267	6,758	124	5,981	5,857

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CIVIL DEFENSE FUND						
RECEIPTS						
Charges for services	156	0	(156)	0	5,321	5,321
Intergovernmental Revenues	8,030	7,382	(648)	7,610	7,811	201
Interest	32	27	(5)	32	32	0
Transfer In	6,900	8,039	1,139	6,900	5,500	(1,400)
Total Receipts	15,118	15,448	330	14,542	18,664	4,122
DISBURSEMENTS						
Office expenses	1,250	1,359	(109)	1,075	1,392	(317)
Equipment	200	0	200	200	0	200
Personnel expenses	13,668	13,131	537	13,125	13,237	(112)
Transfers out	0	0	0	0	5,165	(5,165)
Total Disbursements	15,118	14,490	628	14,400	19,794	(5,394)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	958	958	142	(1,130)	(1,272)
CASH, JANUARY 1	520	520	0	1,650	1,650	0
CASH, DECEMBER 31	520	1,478	958	1,792	520	(1,272)
SHERIFF CIVIL FEES FUND						
RECEIPTS						
Charges for services	12,188	13,365	1,177	12,000	12,189	189
Interest	200	334	134	100	238	138
Transfer In	8,000	0	(8,000)	0	0	0
Total Receipts	20,388	13,699	(6,689)	12,100	12,427	327
DISBURSEMENTS						
Sheriff	20,000	13,710	6,290	17,600	12,982	4,618
Total Disbursements	20,000	13,710	6,290	17,600	12,982	4,618
RECEIPTS OVER (UNDER) DISBURSEMENTS	388	(11)	(399)	(5,500)	(555)	4,945
CASH, JANUARY 1	4,969	4,969	0	5,524	5,524	0
CASH, DECEMBER 31	5,357	4,958	(399)	24	4,969	4,945
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	18,000	16,323	(1,677)	4,000	8,309	4,309
Interest	0	884	884	300	583	283
Other	0	2,673	2,673	0	1,225	1,225
Transfer In	0	0	0	14,500	0	(14,500)
Total Receipts	18,000	19,880	1,880	18,800	10,117	(8,683)
DISBURSEMENTS						
Prosecuting Attorney	22,826	16,076	6,750	14,652	11,648	3,004
Transfer Out	0	10,000	(10,000)	0	0	0
Total Disbursements	22,826	26,076	(3,250)	14,652	11,648	3,004
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,826)	(6,196)	(1,370)	4,148	(1,531)	(5,679)
CASH, JANUARY 1	13,583	13,583	0	15,114	15,114	0
CASH, DECEMBER 31	8,757	7,387	(1,370)	19,262	13,583	(5,679)

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HOWARD COUNTY ECONOMIC DEVELOPMENT FUND						
RECEIPTS						
Interest	7,000	14,109	7,109	3,500	6,769	3,269
Lease income	46,500	39,283	(7,217)	44,267	46,052	1,785
Total Receipts	53,500	53,392	(108)	47,767	52,821	5,054
DISBURSEMENTS						
Economic developmen	100,000	0	100,000	100,000	0	100,000
Miscellaneous expenses	9,600	4,832	4,768	7,530	5,590	1,940
Loans	50,000	0	50,000	0	0	0
Total Disbursements	159,600	4,832	154,768	107,530	5,590	101,940
RECEIPTS OVER (UNDER) DISBURSEMENTS	(106,100)	48,560	154,660	(59,763)	47,231	106,994
CASH, JANUARY 1	178,231	178,231	0	131,000	131,000	0
CASH, DECEMBER 31	72,131	226,791	154,660	71,237	178,231	106,994
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	1,100	82	(1,018)	1,066	1,082	16
Interest	233	244	11	105	232	127
Total Receipts	1,333	326	(1,007)	1,171	1,314	143
DISBURSEMENTS						
Election expenses	0	4,649	(4,649)	0	1,266	(1,266)
Total Disbursements	0	4,649	(4,649)	0	1,266	(1,266)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,333	(4,323)	(5,656)	1,171	48	(1,123)
CASH, JANUARY 1	5,265	5,265	0	5,217	5,217	0
CASH, DECEMBER 31	6,598	942	(5,656)	6,388	5,265	(1,123)

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT SUPPLEMENTAL FUND						
RECEIPTS						
Intergovernmental	50,000	20,313	(29,687)	50,000	50,000	0
Interest	160	109	(51)	170	158	(12)
Transfers in	12,309	5,183	(7,126)	11,950	11,950	0
Total Receipts	62,469	25,605	(36,864)	62,120	62,108	(12)
DISBURSEMENTS						
Personnel	49,677	20,409	29,268	45,207	61,326	(16,119)
Vehicle	0	0	0	9,000	2,220	6,780
Miscellaneous	0	0	0	4,000	2,000	2,000
Transfers out	7,691	7,962	(271)	0	0	0
Total Disbursements	57,368	28,371	28,997	58,207	65,546	(7,339)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,101	(2,766)	(7,867)	3,913	(3,438)	(7,351)
CASH, JANUARY 1	2,766	2,766	0	6,204	6,204	0
CASH, DECEMBER 31	7,867	0	(7,867)	10,117	2,766	(7,351)
SHERIFF BENEVOLENT FUND						
RECEIPTS						
Interest	173	215	42	50	173	123
Other	800	748	(52)	1,000	807	(193)
Total Receipts	973	963	(10)	1,050	980	(70)
DISBURSEMENTS						
Equipment	4,800	1,094	3,706	5,000	1,382	3,618
Total Disbursements	4,800	1,094	3,706	5,000	1,382	3,618
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,827)	(131)	3,696	(3,950)	(402)	3,548
CASH, JANUARY 1	4,050	4,050	0	4,452	4,452	0
CASH, DECEMBER 31	223	3,919	3,696	502	4,050	3,548
RECORDER TECHNOLOGY FUND						
RECEIPTS						
Charges for services	2,400	2,606	206	3,600	2,704	(896)
Interest	155	297	142	200	150	(50)
Total Receipts	2,555	2,903	348	3,800	2,854	(946)
DISBURSEMENTS						
Equipment	7,100	2,579	4,521	5,389	0	5,389
Total Disbursements	7,100	2,579	4,521	5,389	0	5,389
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,545)	324	4,869	(1,589)	2,854	4,443
CASH, JANUARY 1	4,648	4,648	0	1,794	1,794	0
CASH, DECEMBER 31	103	4,972	4,869	205	4,648	4,443

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTOR'S SUPPLEMENTAL FUND						
RECEIPTS						
Intergovernmental	18,932	20,372	1,440	25,000	25,250	250
Interest	500	456	(44)	130	379	249
Transfer In	0	0	0	2,500	0	(2,500)
Total Receipts	19,432	20,828	1,396	27,630	25,629	(2,001)
DISBURSEMENTS						
Prosecuting Attorney	15,500	16,212	(712)	13,337	9,015	4,322
Transfers out	17,816	9,175	8,641	10,750	11,949	(1,199)
Total Disbursements	33,316	25,387	7,929	24,087	20,964	3,123
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,884)	(4,559)	9,325	3,543	4,665	1,122
CASH, JANUARY 1	11,017	11,017	0	6,352	6,352	0
CASH, DECEMBER 31	(2,867)	6,458	9,325	9,895	11,017	1,122
LEVEE DISTRICTS FUNDS						
RECEIPTS						
Property taxes	77,808	101,719	23,911	77,808	54,663	(23,145)
Interest	2,500	5,161	2,661	2,850	3,327	477
Total Receipts	80,308	106,880	26,572	80,658	57,990	(22,668)
DISBURSEMENTS						
Office expenditures	11,970	3,759	8,211	12,820	3,762	9,058
Construction, repair, and maintenance	164,550	17,672	146,878	164,550	21,140	143,410
Loan payment	23,250	23,874	(624)	25,000	23,434	1,566
Total Disbursements	199,770	45,305	154,465	202,370	48,336	154,034
RECEIPTS OVER (UNDER) DISBURSEMENTS	(119,462)	61,575	181,037	(121,712)	9,654	131,366
CASH, JANUARY 1	334,425	334,425	0	324,771	324,771	0
CASH, DECEMBER 31	214,963	396,000	181,037	203,059	334,425	131,366
COLLECTOR'S TECHNOLOGY FUND						
RECEIPTS						
Charges for services	11,747	11,855	108	11,260	11,747	487
Interest	801	1,337	536	0	801	801
Total Receipts	12,548	13,192	644	11,260	12,548	1,288
DISBURSEMENTS						
Collector	10,470	7,155	3,315	11,450	9,045	2,405
Total Disbursements	10,470	7,155	3,315	11,450	9,045	2,405
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,078	6,037	3,959	(190)	3,503	3,693
CASH, JANUARY 1	15,578	15,578	0	12,075	12,075	0
CASH, DECEMBER 31	17,656	21,615	3,959	11,885	15,578	3,693

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF REVOLVING						
RECEIPTS						
Charges for services	744	1,116	372	4,290	930	(3,360)
Interest	149	271	122	40	149	109
Total Receipts	893	1,387	494	4,330	1,079	(3,251)
DISBURSEMENTS						
Sheriff	4,500	894	3,606	4,000	0	4,000
Total Disbursements	4,500	894	3,606	4,000	0	4,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,607)	493	4,100	330	1,079	749
CASH, JANUARY 1	3,841	3,841	0	2,762	2,762	0
CASH, DECEMBER 31	234	4,334	4,100	3,092	3,841	749
JAIL SALES TAX FUND						
RECEIPTS						
Sales tax revenues	256,000	244,290	(11,710)	230,000	255,169	25,169
Interest	2,930	6,176	3,246	1,600	2,315	715
Other	0	0	0	0	1,593	1,593
Transfers in	23,547	2,811	(20,736)	31,000	27,020	(3,980)
Total Receipts	282,477	253,277	(29,200)	262,600	286,097	23,497
DISBURSEMENTS						
Debt Service	235,000	233,331	1,669	229,303	229,286	17
Transfer out	23,547	0	23,547	31,000	27,161	3,839
Total Disbursements	258,547	233,331	25,216	260,303	256,447	3,856
RECEIPTS OVER (UNDER) DISBURSEMENTS	23,930	19,946	(3,984)	2,297	29,650	27,353
CASH, JANUARY 1	169,587	169,587	0	139,937	139,937	0
CASH, DECEMBER 31	193,517	189,533	(3,984)	142,234	169,587	27,353
SHELTERED SERVICES BOARD FUND						
RECEIPTS						
Property taxes	94,000	96,707	2,707	83,000	87,715	4,715
Interest	2,500	3,040	540	2,500	4,171	1,671
Total Receipts	96,500	99,747	3,247	85,500	91,886	6,386
DISBURSEMENTS						
Office expenses	2,540	2,424	116	3,620	1,933	1,687
Client services	184,402	76,894	107,508	188,100	97,695	90,405
Contingencies	20,000	0	20,000	30,000	0	30,000
Total Disbursements	206,942	79,318	127,624	221,720	99,628	122,092
RECEIPTS OVER (UNDER) DISBURSEMENTS	(110,442)	20,429	130,871	(136,220)	(7,742)	128,478
CASH, JANUARY 1	138,404	138,404	0	146,146	146,146	0
CASH, DECEMBER 31	27,962	158,833	130,871	9,926	138,404	128,478

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
911 BOARD FUND						
RECEIPTS						
Sales taxes	308,155	286,609	(21,546)	271,000	293,482	22,482
Interest	4,000	6,521	2,521	3,000	4,370	1,370
Other	0	1,200	1,200		1,200	1,200
			0			
Total Receipts	312,155	294,330	(17,825)	274,000	299,052	25,052
DISBURSEMENTS						
Salaries and employee fringe benefit	259,161	239,973	19,188	231,300	213,983	17,317
Office Supplies	6,963	7,407	(444)	6,660	6,202	458
Equipment	39,421	44,394	(4,973)	33,590	35,649	(2,059)
Training	1,000	927	73	1,000	696	304
Other	5,610	1,483	4,127	1,450	3,288	(1,838)
Total Disbursements	312,155	294,184	17,971	274,000	259,818	14,182
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	146	146	0	39,234	39,234
CASH, JANUARY 1	270,036	270,036	0	230,802	230,802	0
CASH, DECEMBER 31	270,036	270,182	146	230,802	270,036	39,234
CIRCUIT COURT INTEREST						
RECEIPTS						
Interest	600	669	69			
Total Receipts	600	669	69			
DISBURSEMENTS						
Office Expenditures	1,800	1,463	337			
Total Disbursements	1,800	1,463	337			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,200)	(794)	406			
CASH, JANUARY 1	1,800	10,733	8,933			
CASH, DECEMBER 31	600	9,939	9,339			
LAW LIBRARY FUND						
RECEIPTS						
Fees	4,000	3,262	(738)	4,000	3,226	(774)
Interest	0	245	245	0	140	140
Total Receipts	4,000	3,507	(493)	4,000	3,366	(634)
DISBURSEMENTS						
Office Expenses	7,300	0	7,300	7,000	0	7,000
Total Disbursements	7,300	0	7,300	7,000	0	7,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,300)	3,507	6,807	(3,000)	3,366	6,366
CASH, JANUARY 1	20,259	20,259	0	16,893	16,893	0
CASH, DECEMBER 31	16,959	23,766	6,807	13,893	20,259	6,366

Exhibit B

HOWARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
FOCUS ON KIDS FUND						
RECEIPTS						
Charges for services	680	945	265	455	711	256
Total Receipts	680	945	265	455	711	256
DISBURSEMENTS						
Family education services	525	675	(150)	675	525	150
Total Disbursements	525	675	(150)	675	525	150
RECEIPTS OVER (UNDER) DISBURSEMENTS	155	270	115	(220)	186	406
CASH, JANUARY 1	1,675	1,861	186	1,675	1,675	0
CASH, DECEMBER 31	1,830	2,131	301	1,455	1,861	406

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the various levee district boards, the Howard County Sheltered Services Board, or the Howard County 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Circuit Court Interest Fund for the year ended December 31, 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Training Fund	2006
Law Enforcement Sales Tax Fund	2006 and 2005
Keller Building Fund	2006 and 2005

Civil Defense Fund	2005
Prosecuting Attorney Bad Check Fund	2006
Election Services Fund	2006 and 2005
Law Enforcement Supplemental Fund	2005
Focus On Kids Fund	2006

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the General Revenue Fund and Prosecutor's Supplemental Fund for the year ended December 31, 2006.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Sheltered Services Board Fund	2006
Law Library Fund	2006 and 2005

In addition, the county's published financial statements did not disclose disbursement detail by vendor for the Levee Districts, 911 Board, Circuit Court Interest, and Focus on Kids Funds for the years ended December 31, 2006 and 2005; and for the Sheltered Services Board for the year ended December 31, 2005.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance

Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Howard County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, various levee district boards', Sheltered Services Board's and 911 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2006 AND 2005

This schedule includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1. Federal Taxes

The County Clerk made various errors on federal tax returns and related forms and in making remittances of federal taxes. Even after receiving numerous Internal Revenue Service (IRS) notices regarding payment and/or reporting errors, neither the County Clerk nor the County Commission made sufficient efforts to resolve the problems and satisfy liabilities. This failure to promptly resolve these matters has resulted in significant interest and penalties being assessed to the county. During 2006 the county paid approximately $13,000 to the IRS for unpaid taxes, penalties and interest. At June 2007 the county owed the IRS approximately $22,000 for unresolved errors pertaining to previous years. Reporting and/or payment errors occurred during 2004, 2005, and 2006 as described below.

1. The County Clerk and County Commission have not resolved discrepancies between the total wages and taxes reported on the 2004 IRS W-2 forms (Wage and Tax Statements) and 941 forms (Employer's Quarterly Federal Tax Returns) and the quarterly taxes actually remitted to the IRS. The county processed payroll for the county library and erroneously reported the wages and taxes of those employees under the county's IRS employer identification number on the W-2 forms. Because the county issued separate quarterly tax payments and 941 forms for the county and library, the W-2 forms showed that more taxes were due from the county than were paid. The County Clerk's files indicate the county received notice of these discrepancies from the IRS as early as August 2006. However, it was not until after receiving another notice that the county prepared a $9,163 (additional taxes of $7,296 and interest and penalties of $1,867) check to the IRS in March 2007 to remedy the problem. The check was not mailed at that time and we located it in the County Clerk's files in July 2007. Although we promptly notified the County Clerk of the oversight, the check was not mailed until September 2007. Because of the delay between initial check preparation and mailing, the amount paid will no longer fully satisfy the IRS debt. The County Clerk's office contacted the IRS in mid-September 2007 and determined the liability had increased by at least $1,023 in additional penalties and interest.

   A review of the various county payroll records and reports indicates the error which triggered the initial notice from the IRS may have been a reporting rather than payment error. Had the county performed a review of its records as compared to what was reported and made prompt communications with the IRS, at least a portion of the additional tax liability, penalties, and interest may have been avoided. This matter was not yet fully resolved as of September 2007.

2. The County Clerk and County Commission did not properly investigate the cause of a discrepancy between the amounts paid and reported for the quarter ended December 31, 2005. The IRS noted the amounts the county remitted for income tax withholdings and payroll taxes for that quarter were approximately $1,814 less than the corresponding amounts reported on the quarterly 941 form. The IRS assessed the county penalties and interest totaling $1,859 for the discrepancy. In May 2006, the county remitted $3,673 to the IRS for the discrepancy and penalties and interest without determining the underlying cause, either amounts reported incorrectly on the 941 form or amounts paid incorrectly. Because the employee payroll withholdings noted on the county's payroll register agree to the amounts paid to the IRS for that quarter, it appears likely the amounts paid to the IRS were correct and the amounts reported on the 941 form were incorrect. Again, had the county performed a review of its records as compared to what was reported and paid, and made prompt communications with the IRS, at least a portion of the additional tax liability, penalties, and interest may have been avoided. While this issue has been resolved with the IRS, it is possible the county made an unnecessary expenditure.

3. The County Clerk and County Commission have not yet resolved an error that originated by the county overpaying payroll taxes in May 2006. In that month, the county overpaid the IRS for April 2006 taxes by approximately $24,000. Multiple other errors occurred throughout the year resulting in a net overpayment of approximately $17,163 at December 2006. Thus, in December 2006, apparently after discussions with the IRS, the county reduced its IRS payment for November 2006 taxes by this amount. However, the IRS issued the county two refund checks, totaling $16,262, in December 2006, which the county deposited in February 2007. It appears there may have been miscommunications between the county and IRS, and sufficient follow up was not performed to determine the reason for the refund checks. A June 2007 IRS notice indicated the county owed approximately $21,844 (unpaid taxes of $16,033 and penalties and interest totaling $5,811). This issue had not been resolved with the IRS as of September 2007 and until this is done the IRS will likely continue to assess additional interest and penalties.

The errors and discrepancies occurred because the County Clerk did not have adequate controls for ensuring the amounts paid to the IRS and amounts reported to the IRS were accurate and consistent. Additionally, the County Clerk's payroll and IRS files appeared incomplete and disorganized, and did not retain good documentation of the sequence of events surrounding the errors, IRS notices, and actions taken by the county on the notices. As a result, the County Clerk was not aware of the undelivered check and did not fully understand the status of the unresolved issues with the IRS.

Because the county officials did not act promptly to research and resolve these various problems with the IRS, the county has paid and still owes a significant amount in underpaid taxes, penalties, and interest. In September 2007 the County Clerk's office contacted the IRS to determine the current IRS debt, request an abatement of penalties, and set up a payment schedule. The county should resolve these issues immediately with the IRS to avoid further interest and penalties.

The County Clerk needs to develop procedures to ensure data is reported accurately and consistently on the various IRS reports and forms. Any future IRS notices should be researched to determine the problem and resolved promptly with the IRS to avoid paying unnecessary taxes and/or penalties and interest.

WE RECOMMEND the County Commission and County Clerk immediately resolve the existing issues with the IRS and institute procedures to ensure future amounts reported and paid to the IRS are accurate and consistent. Any further notices from the IRS should be resolved immediately to avoid additional and potentially unnecessary costs.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated:

The County Treasurer and Deputy County Clerk will be meeting with the IRS later this month to resolve the issues. We will make changes to current procedures to improve reporting and payments, and to ensure we are more aware of any future problems.

06-2.	**Late Payments**

The county did not promptly pay some vendor billings, totaling approximately $36,800, and, paid approximately $3,100 in late payment penalties. Additionally, the county paid for part of the penalties from a fund restricted for election purposes.

Various billings from October 2006 through June 2007 for unemployment taxes, utilities, and state income tax withholdings were not promptly paid and, consequently, the county incurred late payment penalties totaling approximately $3,100. Other payments during this period, including employee deferred compensation payments and employee health insurance premiums, were also untimely. For example, deferred compensation amounts withheld from employee paychecks from January to May 2007 were all received by the plan administrator in June 2007, and 4 checks for unemployment taxes for the period March to June 2007 all cleared the bank in July 2007. It appears the County Clerk did not promptly mail checks to the vendors resulting in the late payments. The health insurance premiums were not paid for one month and the insurer temporarily suspended the county's policy. The problem was identified when an employee reported problems with a health insurance claim. After the county paid the required premium amounts, the insurer reinstated the county's policy and honored claims during the suspended period. The county was not directly penalized for the late remittances of employee deferred compensation payments and health insurance premiums. The County Clerk attributed the oversights to his absences and turnover in staff in his office. The county should ensure obligations are remitted timely to vendors to avoid penalties and ensure that obligations on behalf of its employees are met.

Additionally, to penalize the County Clerk's office for the errors, the County Commission required a portion of the penalties on the unemployment taxes and state income taxes, approximately $1,200, to be paid from the County Clerk's Election Services Fund. Section 115.065 RSMo, restricts the expenditures of the Election Services Fund to election purposes.

WE RECOMMEND the County Commission and County Clerk ensure vendors are promptly paid. Additionally, the Election Services Fund should be reimbursed from the appropriate funds for the penalties.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

All bills are now being paid in a timely manner. We will consider reimbursing the Election Services Fund.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Because Howard County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HOWARD COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 18, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Responses. These MAR findings resulted from our audit of the financial statements of Howard County but do not meet the criteria for inclusion in the written report on internal control over financial reporting and on compliance and other matters that is required for an audit performed in accordance with *Government Auditing Standards*. Howard County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1.	Expenditures

While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, develop adequate bid specifications, or retain bid documentation for various purchases. In addition, neither the County Commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries), explanations for contract changes, or reasons for sole source purchase determinations. For example, we had concerns related to the following purchases made during the two years ended December 31, 2006:

Item		Cost
Keller Building roof replacement	$	195,471
Annual rock purchases for 2006		160,360
Annual diesel fuel purchases for 2006		68,150
2007 Dump truck		97,317
Voting equipment (one-time purchase)		117,508
Emergency radios (one-time purchase)		39,955
Steel (one-time purchase)		12,150

- For the Keller building roof replacement, the county's bid specifications were not adequate and changes to the contract were not adequately documented. The county's specifications to bidders did not require submitted bids to be based on prevailing wage rates. As a result, the county's contract with the low bidder was not based on prevailing wages. When the county learned the vendor was not in compliance with the prevailing wage law, the county agreed to increase the contract price by $17,500 to bring wages for the project into compliance with the law. Additionally, the contract price with the vendor was increased by about $10,000 above the original bid price and the reasons for this change were not documented. The County Commission indicated these additional costs were due to materials price increases and because the vendor had not included one section of the roof in the original bid.

- For the rock and diesel fuel, the County Commission indicated they obtained bids for the items early in 2006; however, the bid documentation could not be located. The commission meeting minutes in February 2006 indicate that bids were opened from vendors but provide no further details. Rock and diesel fuel bid documentation for 2005 and 2007 was on file.

- The County Commission indicated that bids were obtained for the truck but the bids were not retained and the bidders and their bids were not documented elsewhere.

- The voting equipment was acquired with federal grant funds and as noted in MAR finding number 3, federal guidelines require the solicitation of bids for such purchases. The County Clerk indicated he did not solicit bids because he had utilized the chosen vendor for election equipment in the past.

- The emergency radios were acquired with federal grant funds and as noted in MAR finding number 3, federal guidelines require the solicitation of bids for such purchases. The County Commission indicated the vendor was helpful in obtaining the grant to procure the radios and had been the county's primary vendor for radios in the past; and, consequently, bids were not solicited for this purchase.

- For the steel, the county's Road and Bridge supervisor indicated he obtained price quotes from vendors but did not maintain documentation of the price quotes received.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process and criteria, or reasons why competitive proposals were not solicited, should be retained to demonstrate compliance with the law and support decisions made. Additionally, the county's bid specifications should be complete and changes in awarded bid amounts should be adequately documented.

WE RECOMMEND the County Commission perform a competitive procurement process for all major purchases and retain all bid documentation. Also, the county's bid specifications should be complete and changes in awarded bid amounts should be adequately documented.

AUDITEE'S RESPONSE

The County Commission indicated they will obtain and retain bids when required and ensure bid specifications are complete.

2. Budgets

Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31, 2006	2005
Law Enforcement Sales Tax	$ 44,478	9,389
Keller Building	23,561	73,090
Civil Defense	N/A	5,393
Prosecuting Attorney Bad Check	3,250	N/A
Election Services	4,649	1,266
Law Enforcement Supplemental	N/A	7,339

The County Commission and other officials receive budget to actual comparison reports monthly. The County Commission indicated the expenditures represented necessary disbursements and they could not avoid exceeding the budget, however it was an oversight that the budgets for these funds were not amended.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

WE RECOMMEND the County Commission and other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.

AUDITEE'S RESPONSE

The County Commission indicated they will review budgets more closely and amend budgets when necessary.

3.	**Reporting and Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards was not accurate and the county did not always adhere to federal procurement rules.

A. The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, expenditures for federal grants were not always reported correctly on the schedule. For both 2005 and 2006, the Highway Planning and Construction Program (BRO) amounts were significantly overstated. For example, the 2006 SEFA presented BRO expenditures of $657,518 while actual BRO expenditures according to the county's financial records totaled approximately $24,000. It appears the County Clerk intended to report project estimates rather than actual expenditures.

In addition, although the county's SEFA for 2006 shows that federal program expenditures exceeded $500,000, the county did not recognize the need to consider obtaining an audit as required by federal regulations. Given the concerns noted above, it is apparent the 2006 SEFA information is not accurate and no audit was required. However, the County Commission should carefully review the SEFA included with each budget document, evaluate amounts for accuracy, and determine

whether an audit is required. These procedures and the resulting decision should be documented.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

A similar problem with the county's SEFA was noted in several prior reports. Although the County Commission and County Clerk indicated they would implement the recommendations, the county has not improved these controls and procedures.

B. As previously discussed in MAR finding number 1, the county purchased voting equipment and emergency radios without soliciting bids. These items were purchased with federal Help America Vote Act (HAVA) and Homeland Security grant monies. Federal rules require local governments follow applicable procurement laws including state bidding laws. By not following federal rules related to these purchases, the county's expenditures could be disallowed by the federal granting agencies and the county required to repay the federal awards.

WE RECOMMEND the County Commission and County Clerk:

A. Work to ensure the SEFA is complete and accurate, and ensure that audits are obtained whenever federal program expenditures exceed the threshold provided by federal regulation.

B. Follow federal procurement rules for purchases made with federal funds.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated they will implement these recommendations.

4. Property Tax Procedures

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the current and back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements or adequately review property tax additions and abatements. For the year ended February 28, 2007, taxes charged to the County Collector totaled about $6,700,000, including additions and abatements totaling about $59,000 and $52,000, respectively.

A. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The property tax books were generated by the county's

property tax system vendor and tax statements were tested by the County Collector prior to mailing.

Because the Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he/she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Controls over property tax additions and abatements are not adequate. Addition and abatement requests are prepared by the Assessor and submitted to the County Collector. The County Collector posts the changes to the property tax records. The County Commission reviews monthly reports of total additions and abatements which are generated by the County Collector. No independent and subsequent review of the actual changes made to the property tax system as compared to approved change requests and/or court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If this is not feasible given the county's property tax system setup and procedures, the County Clerk should periodically reconcile approved additions and abatements to actual changes made to the system.

C. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charges to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the

County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

These conditions were also noted in our prior audit reports and the County Clerk and County Commission indicated then that procedures would be improved. However, procedures have not significantly changed.

WE AGAIN RECOMMEND:

A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

B. The County Commission along with the County Clerk develop procedures to ensure any changes to the property tax system are properly approved and monitored.

C. The County Clerk maintain an account book with the County Collector and the County Commission should consider using the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

The County Clerk indicated:

A. I perform some review of tax book information and will continue to do so, but better document this review in the future.

B. I do not intend to review changes made to the property tax system.

C. I do not intend to maintain an account book or verify the collector's annual settlement information.

The County Commission indicated:

B. They will work with the Collector to develop a procedure to review the property tax additions and abatements.

C. They will consider ways to review the annual settlements.

5. County Property Records and Procedures

Procedures and records to account for county property are not adequate and vehicle usage logs are not maintained for some county vehicles.

A. The County Clerk is responsible for maintaining overall county property records; while each county department is responsible for performing annual physical inventories and submitting property listings to the County Clerk. However, the county's overall procedures are not sufficient and county property records are not complete.

The County Clerk has no procedure to identify property purchases and disposals throughout the year, and does not formally request each department to submit annual inventory reports. As a result, it appears many departments did not perform annual inventories or submit required reports. A review of the County Clerk's records showed that annual inventory reports for 2005 were on file only for the Assessor, Sheriff, and Road and Bridge department, and no inventory reports for 2006 were on file. The 2005 inventory report for the Sheriff's office only included equipment and vehicles assigned to deputies and did not include office and jail equipment. In addition, property items are not properly numbered, tagged, or otherwise identified as property of the county property.

Adequate county property records and monitoring procedures are necessary to provide effective internal controls, meet statutory requirements, and provide a basis for proper insurance coverage. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. In addition, procedures to promptly tag new property items are necessary to properly protect county assets.

B. Sufficient vehicle usage logs are not maintained for the county's road and bridge vehicles. The county maintains ten pickup trucks for the road and bridge employees to use for travel to/from the road and bridge shed and the job site. The county expended approximately $32,000 from the Special Road and Bridge Fund for fuel during the two years ended December 31, 2006. While logs are maintained that show truck operator, date, and destination, an individual log is not maintained for each vehicle and no odometer readings, purpose information, or operating costs (i.e., fuel, repairs, etc.) is provided. Without adequate vehicle usage logs, the county cannot effectively monitor that vehicles are used only for county business, that operating costs are reasonable, and that fuel and maintenance billings to the county are appropriate. Vehicle usage logs should include trip information (i.e., vehicle operator, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information. These logs should be reviewed by a

supervisor to ensure vehicles are used only for county business and evaluate operating costs.
A similar condition was noted in our prior audit.

WE RECOMMEND:

A. The County Clerk work with the other county departments to ensure annual physical inventories are performed and reports submitted, utilize the reports to monitor property additions and dispositions, implement a procedure for tracking and tagging new property items throughout the year.

B. The County Commission require that complete vehicle usage logs be maintained for all county vehicles. In addition, the County Commission should review the logs periodically to monitor the usage of county-owned vehicles.

AUDITEE'S RESPONSE

A. The County Clerk indicated he will maintain an overall inventory and ensure physical inventories are done, additions are tagged, and deletions are properly recorded.

B. The County Commission indicated they will require mileage be recorded for each vehicle when fuel is dispensed and will review the records monthly beginning next year.

6. Circuit Clerk and Ex Officio Recorder of Deeds' Controls

The Circuit Clerk and Ex Officio Recorder of Deeds does not always receipt and deposit monies on a timely basis and, for bank accounts of the Circuit Clerk, has not followed-up on old outstanding checks or disbursed monies on old inactive cases. The Circuit Clerk's office collected fines, court costs, and bonds totaling approximately $325,000 and $82,000 during 2006 and 2005, respectively. The Ex Officio Recorder of Deeds' office received monies for copies and recording marriage licenses, UCC filings, deeds, tax liens, and other commercial paper totaling approximately $82,000 annually.

A. Receipts are not always deposited on a timely basis and payments for marriage license applications are sometimes held for long periods before being receipted.

- Court monies are usually deposited two or three times during the month. We counted the undeposited collections on hand on July 30, 2007, and noted receipts totaling $941 (including $205 in cash) that had been held from one to 12 days.

- Ex Officio Recorder of Deeds' monies are prepared for deposit daily, but are only taken to the bank once or twice per week. As a result, deposits are often comprised of several days receipts. We counted the undeposited collections

on hand on July 12, 2007, and noted receipts for deeds totaling $645 (including $36 in cash) that had been held from one to three days. Additionally, we noted receipts on hand for seven marriage license applications totaling $319 (including $223 in cash) that were not recorded in the receipt ledger and the monies for five of the applications had been held for periods from one to 15 years. The Ex Officio Recorder of Deeds did not receipt these items into the receipt ledger because the applicant had not returned for the marriage license after the three day waiting period. One of the marriage license applications contained a note indicating that $39 was paid, but only $19 was on hand for this item. The Ex Officio Recorder of Deeds could not explain this discrepancy. The amount of monies on hand with some of the other applications were also amounts not consistent with standard marriage license fees (i.e., $1 accompanied one of these applications). Without sufficient records the amount of monies actually received is not clear and proper handling cannot be demonstrated.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis and marriage license fees should be recorded in the receipt ledger upon receipt. The Ex Officio Recorder of Deeds should attempt to return the old unclaimed marriage license fees and if the payer cannot be located, the monies should be disposed of in accordance with state law.

B. The Circuit Clerk has not followed-up on old outstanding checks or disbursed monies on old inactive cases.

- The Circuit Clerk maintains two child support bank accounts that have been inactive for years with combined bank balances at December 31, 2006, totaling approximately $1,562. The accounts contain 27 outstanding checks totaling approximately $1,839 that were issued prior to 2002. One of the accounts has outstanding checks exceeding the bank balance at December 31, 2006, indicating the account is short by approximately $277.

- The Circuit Clerk continues to maintain an old court bank account which was the primary account until the court adopted a new case management system in 2001 and opened a new account. At December 31, 2006, a comparison of the reconciled bank balance of $534 to identified liabilities indicates the account is short by approximately $100. The open items consist of amounts held on 10 old inactive cases. Additionally, the account contains 16 checks totaling approximately $620 that have been outstanding more than one year.

Old outstanding checks should be voided and reissued to those payees who can be readily located. If payees cannot be located, the amounts should be disbursed in accordance with state law. In addition, the Circuit Clerk should investigate activity in these accounts and attempt to identify reasons for apparent shortages. Once follow up procedures are completed and monies disbursed as appropriate, the bank accounts should be closed.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

A. Deposit all monies intact on a timely basis and record fees received for marriage licenses immediately upon receipt. The old unclaimed marriage license fees should be disposed of in accordance with state law.

B. Appropriately dispose of the old inactive cases and outstanding checks and close the old bank accounts.

AUDITEE'S RESPONSE

The Circuit Clerk and Ex Officio Recorder of Deeds indicated:

A. This recommendation will be implemented.

B. The child support accounts have already been closed and the shortage covered by Circuit Clerk Interest Fund monies. The other account will also be closed after the three remaining outstanding checks are followed up on.

7. Sheriff's Controls

For the various bank accounts of the Sheriff's office, bank reconciliations are not consistently and accurately performed. Additionally, monies received are not always deposited intact on a timely basis and documentation of the disposition of receipts in the jail is not always retained. The Sheriff handles monies for civil and criminal fees, gun permits, board bills, and bonds, and his office processed receipts totaling approximately $485,000 and $118,000 during 2006 and 2005, respectively.

A. Bank reconciliations are not consistently and accurately performed for the various bank accounts. Bank reconciliations had not been prepared since July 2006 because the computer system failed. The Sheriff's office acquired a new system in 2007 but the bookkeeper had not begun using the new system to track the carrying balances of the accounts or prepare bank reconciliations. We requested the bookkeeper prepare current reconciliations and reviewed the February 2007 through May 2007 monthly reconciliations she then prepared. Errors in the outstanding checks and/or deposits in transit listed on the reconciliations resulted in inaccurate reconciled bank balances. Additionally, the bookkeeper has not prepared an open items listing because amounts received are normally distributed immediately or at month-end and the bank accounts should zero out. However, the bank accounts contained unidentified monies totaling approximately $1,500 at May 30, 2007.

Monthly bank reconciliations and current accounting records are necessary to ensure bank activity and records are in agreement and to detect and correct errors timely. In

addition, the Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and disposed of in accordance with state law.

B. Monies received are not always deposited intact on a timely basis and documentation showing the disposition of jail receipts is not always retained. We tested the receipt records for September through November 2005 and December 2006 and noted the following concerns:

- One receipt for $20 in cash in September 2005 was apparently not deposited. Although the bookkeeper generally accounts for receipts when she prepares deposits, neither she nor the Sheriff could explain this item.

- Two jail receipts in December 2006 totaling about $467 in cash were remitted directly to the applicable court and no receipt from the court was retained by the Sheriff's Office. Jail receipts are for amounts received by the deputies and jailers for bonds or board payments. These monies are turned over to the bookkeeper for deposit. Jail receipt slips are not reconciled to bank deposits.
- Deposits into the regular account are not always timely. Deposits into this account generally range from two to seven per month. However, we noted where all receipts for November 2005 totaling $2,135 and including $290 cash were deposited on December 1, 2005.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be reconciled to the bank deposits and receipts slips from other offices retained to support the direct turnover of collections. The Sheriff's office should investigate any differences noted and take appropriate action. Additionally, deposits should be made intact and on a timely basis.

WE RECOMMEND the Sheriff:

A. Ensure proper month end reconciliations are performed and documented, and any discrepancies resolved timely. In addition, the Sheriff should ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.

B. Ensure receipts are reconciled to bank deposits and bank deposits are intact and timely.

AUDITEE'S RESPONSE

The Sheriff indicated:

A. They will use the new computer system to maintain a cash balance and perform bank reconciliations. The bookkeeper will receive training in early 2008 on the use of the system.

B. They will make efforts to ensure deposits are timely and receipts agree to deposits.

8. Sheltered Services Board's Controls and Procedures

Bank reconciliations for the board's accounts are not prepared and the transaction register was not always maintained. Additionally, the board's budgets and budgeting procedures are not adequate.

The board receives monies for property taxes and provides services to mentally handicapped residents of the county by disbursing monies to agencies or individuals. For 2006 and 2005, board receipts totaled approximately $100,000 and $91,000, respectively, and board disbursements totaled approximately $77,000 and $95,000, respectively.

A. Bank reconciliations for the board's accounts are not prepared and transaction registers containing the cash balance were not always maintained. The former board treasurer maintained a transaction register for the board's accounts until December 2005 and resigned shortly thereafter. The current treasurer indicated she maintains a transaction register but she could not provide the registers for 2006 because the computer system crashed. Additionally, the cash balances reported on the board's monthly financial reports and budgets cannot be agreed to any source document and discrepancies between the December 31, 2006, cash balances reported on the bank statement ($161,518), financial report ($156,943), and 2007 budget document ($164,189) are not explained.

   Based on a review of the bank statements and after accounting for various reconciling items, the December 31, 2006, cash balance presented in the report financial statements is $158,833.

   A properly maintained transaction register with updated cash balances and monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely.

B. The board's budget preparation procedures do not ensure that the budget documents reasonably reflect the board's anticipated financial activity and cash balances, and lessen the effectiveness of the budget as a tool for monitoring or controlling board disbursements and for decision-making about the board's tax levy.

The board significantly overestimated disbursements for the years ended December 31, 2006 and 2005. The budgeted disbursements for client services exceeded the authorized contract maximums and also included expected additional expenditures related to contracts from the previous year. As a result, the budgeted disbursements for client services exceeded the related actual disbursements by approximately $108,000 and $90,000 for the years ended December 31, 2006 and 2005, respectively.

Additionally, the board prepares no periodic financial reports comparing budgeted and actual receipts and disbursements and maintains no documented comparisons of amounts expended and the related contract amounts.

In 2005 the board decided to increase its tax levy from $.09 per $100 assessed valuation to $.10 per $100 assessed valuation. The board's meeting minutes indicate that the increase was needed because the amounts granted for 2005 were expected to exceed 2005 receipts by about $30,000. There was no indication in the minutes that the board considered its available cash balance or its expectation of financial needs for 2006 when making this decision. Additionally, it appears that overestimations of upcoming expenditures caused an unrealistic projection of the board's financial position. For each year-end the actual cash balance exceeded the anticipated cash balance by approximately $130,000. As a result, the tax increase has contributed to a significant cash balance.

Realistic projections of the board's uses of funds are essential for the efficient management of the board's finances and for communicating accurate financial data to county residents. Misrepresentation of the board's anticipated disbursements is misleading to the public and prevents an accurate estimate of the board's anticipated financial condition. Amounts budgeted for client services should be based upon realistic estimates of amounts expected to be disbursed. To improve the effectiveness of the budgets as a planning tool, comparisons of budgeted and contracted amounts to actual receipts and expenditures should be prepared and reviewed by the board throughout the year.

WE RECOMMEND the Sheltered Services Board:

A. Ensure a complete and current transaction register is maintained of the receipts, disbursements, and cash balances. This register should be reconciled to the bank statements monthly.

B. Ensure that budgets provide reasonable estimates of anticipated disbursements and obtain and review budget to actual reports throughout the year and use this information when making tax levy decisions.

AUDITEE'S RESPONSE

The Sheltered Services Board indicated:

A. They agree with the recommendation. Their current treasurer did not realize the time commitment involved when she volunteered for the job. They are currently seeking someone else to fill her position and will ensure that the new treasurer maintains proper registers, bank reconciliations and backup copies of electronic files.

B. They agree with the recommendation and will implement it beginning with the 2008 budget.

Follow-Up on Prior Audit Findings

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Howard County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

   A. The county's General Revenue Fund was in poor financial condition. For several years, disbursements exceeded receipts, resulting in a declining cash balance.

   B. The county's Keller Building Fund was in poor financial condition. At times the county relied on rental deposits to pay building operating costs. The county had not set rental rates at a level sufficient to offset future building repair and replacement needs.

   Recommendation:

   The County Commission:

   A. Consider various alternatives of increasing receipts and/or reducing disbursements to improve the financial condition of the General Revenue Fund and to maintain an adequate operating cash reserve.

   B. Refrain from using rental deposits to pay operating expenses and set rental rates at a level sufficient to cover operating costs and establish an adequate cash reserve.

   Status:

   A. Implemented.

   B. Partially implemented. For the four years ended December 31, 2006, total operating costs exceeded total rental revenues and a transfer of $25,000 from the General Revenue Fund was needed in 2006. However, the county has increased the per square foot rental rates by 20 percent for 2007. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Budgets

The county did not have procedures in place to ensure the county's budget documents accurately presented financial activities of the county. Several receipts and disbursements were misclassified and disbursements of one fund were understated.

Recommendation:

The County Commission and County Clerk prepare complete and accurate budgets.

Status:

Not implemented. While some inaccuracies in the financial information presented in the budgets were noted, these amounts were not material. Although not repeated in the current MAR, our recommendation remains as stated above.

3. County Policies, Records, and Procedures

A. Various county employees that receipt and deposit monies were not covered by an employee bond.

B. The County Clerk had not established procedures to routinely follow up on outstanding warrants.

C. The County Clerk did not retain warrant registers for some county funds.

Recommendation:

A. The County Commission obtain adequate bond coverage for all persons with access to negotiable assets.

B. The County Clerk establish procedures to routinely follow up on old outstanding warrants.

C. The County Clerk retain records in a secure location in accordance with state law.

Status:

A. Not implemented. The County Commission believes employees are adequately covered under the bonds of the various elected officials. Although not repeated in the current MAR, our recommendation remains as stated above.

B. This recommendation is no longer applicable because the county stopped issuing warrants and began issuing warrant/checks in 2003.

C. Implemented.

4. Payroll and Personnel Procedures

A. The County Clerk did not maintain centralized compensatory time records for each employee. Each county official and/or department was responsible for maintaining compensatory time records.

B. The county vacation leave accumulation policy was not enforced and accumulated vacation balances of four employees exceeded their maximum allowable accumulations.

C.1. Holiday pay for the Sheriff's employees was not calculated consistently and in accordance with county policy and hours used in the payroll calculations did not always agree to timesheet information.

2. The county was not compensating Sheriff's department deputies for overtime and compensatory time as stated in the county's personnel policy manual.

Recommendation:

A. The County Commission require all employees to report compensatory time earned and taken on their monthly time sheets and require the County Clerk to maintain centralized compensatory time records for all county employees.

B. The County Clerk ensure employee vacation leave balances do not exceed the maximum stated in the county policy.

C.1. The Sheriff and County Clerk ensure holiday pay is calculated in accordance with county policy and hours worked are calculated correctly.

2. The County Commission require the Sheriff to compute overtime for law enforcement personnel based on 171 hours over a 28-day period as established in the county's personnel policy manual.

Status:

A. Partially implemented. Employees report compensatory time earned and taken on timesheets. However, the accumulated compensatory balances are not reported on the timesheets and the County Clerk does not track these balances for employees. Rather, department supervisors maintain compensatory time balances for employees. Compensatory time balances did not appear to be significant. Although not repeated in the current MAR, the County Clerk should maintain centralized compensatory time balances for all county employees.

B. Not implemented. We noted three employees with current vacation leave balances in excess of the maximum allowable accumulation. Although not repeated in the

current MAR, our recommendation remains as stated above.

C.1. Partially implemented. Hours worked appear to be calculated correctly. However, the Sheriff allows compensatory time at straight time to deputies who work on holidays while the county policy indicates employees shall be paid at time and one-half for work on holidays. Although not repeated in the current MAR, the Sheriff should pay deputies for holidays worked in accordance with county policy.

2. Implemented.

5. County Computer Controls and Procedures

A. Passwords were not changed on a periodic basis and computers used by the County Assessor's office and County Collector's office were set to retain the password, so knowledge of the password was not required to gain access to the computerized information.

B. Backup disks of county financial and payroll information and county property tax information were not stored at an off-site location.

C. The county did not have a formal emergency contingency plan for its computer systems.

Recommendation:

A. The County Commission ensure passwords are periodically changed, remain confidential, and are required to obtain access to computerized information.

B. The County Clerk and County Collector ensure backup disks are stored in a secure, off-site location.

C. The County Commission develop a formal contingency plan for the county's computer systems.

Status:

A&B. Implemented.

C. Not implemented. The County Commission believes a formal plan is not needed. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Property Tax Book Procedures

A. The County Clerk did not prepare or verify the current or back tax books. The computer operator was responsible for entering the tax rates and extending and printing the tax books. There was no evidence that the County Clerk was adequately verifying the tax books charged to the County Collector.

B. Controls over property tax additions and abatements were not adequate. The County Assessor made changes to the property tax system for additions and abatements. The County Collector then printed the additions and abatements at the end of the year for the County Commission to review.

C. The County Clerk did not maintain an account book with the County Collector. As a result, the County Collector's annual settlements could not be adequately reviewed and errors could go undetected.

Recommendation:

A. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.

B. The County Clerk reconcile additions and abatements to the County Collector's annual settlements. In addition, the County Commission should review and approve all additions and abatements on a timely basis.

C. The County Clerk maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

Status:

A&C. Not implemented. See MAR finding number 4.

B. Partially implemented. The County Commission now reviews and approves reports of total additions and abatements monthly. However, the County Clerk does not reconcile additions and abatements to the County Collector's annual settlements or perform any other procedures related to additions and abatements. See MAR finding number 4.

7. Associate Commissioner Salaries

The county had not taken action on mid-term salary increases improperly given to the Associate Commissioners in 1999, although a Supreme Court decision determined the applicable statue was unconstitutional and the county Prosecuting Attorney concluded the mid-term raises were not valid.
Recommendation:

The County Commission develop a plan for obtaining repayment of the salary overpayments.

Status:

Not implemented. The county commission indicated in our prior report they would not seek repayment, but they did not formally document their considerations and decision. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Vehicle Records

No vehicle usage logs were maintained for the road and bridge pickup trucks and the log for the pool vehicle was not adequate.

Recommendation:

The County Commission require that complete vehicle usage logs be maintained for all county vehicles. In addition, the County Commission should review the logs periodically to monitor the usage of county-owned vehicles.

Status:

Not implemented. See MAR finding number 5.

9. Circuit Clerk and Ex Officio Recorder of Deeds' Accounting Controls and Procedures

A. Receipts were not deposited on a timely basis.

B. The Circuit Clerk and Ex Officio Recorder of Deeds had not established procedures to routinely follow up on outstanding checks.

C. A listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate. Also, monies were not disbursed on old, inactive cases.

Recommendation:

The Circuit Clerk/Ex Officio Recorder of Deeds:

A. Deposit receipts daily or when accumulated receipts exceed $100.

B. Establish procedures to routinely follow up on old outstanding checks.

C. Maintain a record of accrued costs and establish procedures to follow up and pursue timely collection, review older cases with the Circuit Judge and determine the appropriate disposition of inactive cases.

Status:

A&B. Not implemented. See MAR finding number 6.

C. Partially implemented. Accrued costs listings are maintained and periodically reviewed. However, some monies on old inactive cases have not been disbursed. See MAR finding number 6.

10. Prosecuting Attorney's Accounting Controls and Procedures

Receipts were not deposited on a timely basis.

Recommendation:

The Prosecuting Attorney deposit receipts daily or when accumulated receipts exceed $100.

Status:

Implemented.

11. Sheriff's Accounting Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. Receipts were not recorded and deposited on a timely basis.

C. Receipts and disbursements records were not complete. Disbursements only were recorded in the check register, while the cash control ledger contained only receipts information. As a result, there was no book balance for reconciliation purposes and no bank reconciliations were performed

D. Monthly listings of open items (liabilities) were not prepared and reconciled to the cash balance of the garnishment account.

E. Calendar advertising commissions were not deposited into a bank account or otherwise accounted for by the Sheriff.

Recommendation:

A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.
B. Issue receipt slips immediately upon receipt for all monies received, reconcile the

composition of receipts to the composition of deposits, and deposit receipts intact daily or when accumulated receipts exceed $100.

C. Maintain a complete check register and cash control ledger, and perform monthly bank reconciliations.

D. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any monies remaining unidentified should be disposed of in accordance with state law.

E. Remit calendar advertising commissions to the County Treasurer as required by state law and retain supporting documentation for all purchases.

Status:

A&E. Implemented.

B. Partially implemented. Receipt slips are issued for all monies received. However, receipts are not always reconciled to deposits and deposits are not always intact and timely. See MAR finding number 7.

C. Partially implemented. The bookkeeper maintained a book balance and prepared monthly bank reconciliations until July 2006, but the book balance and reconciliations have not been maintained currently. See MAR finding number 7.

D. Not implemented. See MAR finding number 7.

12. Health Department Accounting Controls and Procedures

Monies received were not transmitted to the County Treasurer intact on a timely basis. Monies were withheld from these transmittals to pay for postage and other small purchases.

Recommendation:

The Health Department transmit all monies intact to the County Treasurer on a timely basis. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis, and all reimbursements should be supported by vendor invoices or other documentation.

Status:

Partially implemented. Receipts are transmitted intact although the frequency of the transmittals has not improved. Although not repeated in the current MAR, the Health Department should transmit monies to the Treasurer on a timely basis.

13. Sheltered Services Board Accounting Controls and Procedures

A. Sheltered Services Board members did not review invoices and compliance with contract terms prior to signing checks. One payment to a contractor exceeded the amount authorized in the contract by approximately $1,700.

B. Cash balances and receipt and disbursement information reported on the board's budgets were incorrect. The budgets presented cash balances prior to December 31, and actual receipt and disbursement amounts for the two prior years as of the initial budget preparation date, rather than for the entire year.

C. The cash balance of the Sheltered Services Board Fund substantially exceeded annual disbursements.

Recommendation:

The Sheltered Services Board:

A. Review all invoices and other supporting documentation before signing checks and ensure payments comply with contract terms. In addition, the board needs to seek reimbursement of the $1,700 overpayment.

B. Ensure the budget document reflects complete and accurate prior years' receipts, disbursements, and cash balance information which is available when the budget is prepared, and/or includes an explanation for any incomplete or estimated data presented.

C. Review its future financial needs and consider the cash balance when setting future tax levies.

Status:

A. Implemented. Reimbursement of the overpayment was received in December 2003.

B. Partially implemented. The prior years' receipts were accurately presented on the budgets. However, there were small differences between the cash balances and prior years' disbursements presented on the budgets and the actual cash balance and disbursements. Although not repeated in the current MAR, our recommendation remains as stated.

C. Not implemented. See MAR finding number 8.

14. 911 Board Records and Procedures

A. Timesheets did not include documentation of supervisory approval.
B. In November 2002 and December 2001, the 911 Board made lump sum year-end salary adjustment payments to its employees. Because there was no indication in the

payroll records that these payments were compensation for additional hours worked, these payments appeared to represent bonuses.

C. The 911 Board did not maintain general fixed asset records nor perform physical inventories to account for all property owned by the board.

D. The board's open meeting minutes did not always document the specific reasons for closed sessions.

Recommendation:

The 911 Board:

A. Require all timesheets include supervisory approval.

B. Discontinue the practice of paying employee bonuses.

C. Establish property records for all fixed assets and require annual physical inventories of the fixed assets. The board should require additions to the fixed asset list to be reconciled to purchases annually and ensure prenumbered inventory tags that label each item as "Property of Howard County 911" are attached to board property and equipment.

D. Ensure open meeting minutes state the reasons for going into closed session.

Status:

A-D. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOWARD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1816, the county of Howard was named after General Benjamin Howard. Howard County is a county-organized, third-class county and is part of the Fourteenth Judicial Circuit. The county seat is Fayette.

Howard County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 474 miles of county roads and 87 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 10,008 in 1980 and 10,212 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 60.4	58.3	55.7	53.2	35.2	19.5
Personal property	23.3	22.5	21.1	22.4	11.4	8.1
Railroad and utilities	14.6	15.3	15.1	14.1	13.1	12.3
Total	$ 98.3	96.1	91.9	89.7	59.7	39.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Howard County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .2500	.2420	.2588	.2587
Special Road and Bridge Fund *	.2723	.2723	.2723	.2723
Sheltered Services Board Fund	.1000	.1000	.0900	.0900

* The county retains all tax proceeds from areas not within road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 30,837	29,213	28,543	27,623
General Revenue Fund	262,250	242,248	251,100	244,375
Special Road and Bridge Fund	278,821	264,185	258,328	251,109
Special road districts	70,058	66,371	64,072	63,634
Assessment Fund	83,983	79,538	77,230	61,810
Sheltered Services Board Fund	101,154	95,486	84,790	82,246
School districts	4,073,734	3,845,278	3,760,347	3,640,204
Library district	89,660	85,000	83,055	79,954
Ambulance district	292,397	277,048	270,644	262,673
Fire protection districts	236,717	222,359	217,286	210,956
Watershed district	29,363	27,164	24,976	19,900
Levee and drainage districts	82,712	105,347	108,317	116,935
Collector's Technology Fund	11,377	11,524	11,562	10,714
Cities	200,057	190,974	189,964	184,735
County Clerk	213	1,263	1,186	219
County Employees' Retirement	33,000	36,934	35,312	31,075
Other	23,753	24,412	24,524	24,797
Commissions and fees:				
County Collector	3,530	3,439	3,789	3,371
General Revenue Fund	93,545	89,812	88,942	83,787
Total	$ 5,997,161	5,697,595	5,583,967	5,400,117

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	92.7	93.0	93.3	93.2	%
Personal property	87.0	88.2	87.1	86.9	
Railroad and utilities	100.0	87.4	100.0	100.0	
Levee and drainage	99.8	96.4	99.3	98.8	

Howard County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .0050	None	50 %
Law Enforcement	.0050	None	None
911	.0050	None	None
General	.0050	None	None
Capital improvements	.0050	2011	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
William Lowell Eaton, Presiding Commissioner		25,760	25,760	25,760	25,760
Howard Black, Associate Commissioner		23,760	23,760	22,440	22,440
Richard Conrow, Associate Commissioner		23,760	23,760	22,440	22,440
William Mark Hill, County Clerk		36,000	36,000	36,000	36,000
Mason R.Gebhardt, Prosecuting Attorney		43,000	43,000	43,000	43,000
Charlie Polson, Sheriff		40,000	40,000	39,000	39,000
Kathyrne Ann Harper, County Treasurer		26,640	26,640	26,640	26,640
Frank Flaspohler, County Coroner		10,000	10,000	9,500	9,500
Marsha Davis, Public Administrator		36,000	36,000	36,000	36,000
Sharon Himmelberg, County Collector (1), year ended February 28 (29),	39,530	39,439	39,789	39,371	
George Frink, County Assessor (2), year ended August 31,		36,688	35,355	34,765	34,866
Gene Bowen, County Surveyor (3)					

(1) Includes $3,530, $3,439, $3,789 and $3,371, respectively, of commissions earned for collecting city property taxes.
(2) Includes $688, $688, $765, and $866, respectively, of annual compensation received from the state.
(3) Compensation on a fee basis.

State-Paid Officials:				
Charles J. Flaspohler, Circuit Clerk and Ex Officio Recorder of Deeds	49,470	48,500	47,850	47,300
Gary Sprick, Associate Circuit Judge	96,000	96,000	96,000	96,000

The county entered into a lease purchase agreement with United Missouri Bank on March 28, 2003. The terms of the agreement called for the county to lease the Howard County Law Enforcement Center to United Missouri Bank, and for the bank to lease purchase the center back to the county with lease payment equal to the amount due to retire the indebtedness. Certificates of Participation totaling $1,725,000 were issued by United Missouri Bank on behalf of the county and the proceeds of those certificates were used to construct the center which was completed in June 2004. The lease is scheduled to be paid off in the year 2012. The remaining

principal and interest due on the lease at December 31, 2006 was $1,200,000 and $151,830, respectively. The Certificates of Participation are anticipated to be paid with revenues generated by the one-half cent capital improvement sales tax which expires December 31, 2011.

Susan Montee, CPA
Missouri State Auditor

December 2007

ELEMENTARY AND SECONDARY EDUCATION

Safe Schools Grant Program

Report No. 2007-85

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

The following findings were included in our audit report on the Department of Elementary and Secondary Education – Safe Schools Grant Program.

The Safe Schools Act, passed in 1996, provides for alternative education grants. The department is to award grants to school districts to assist in providing alternative education services for students with disruptive behavior (violent, abusive, or chronically disruptive) who are not adequately served in the traditional classroom. Two types of grants are authorized: competitive first-year grants and non-competitive second and third-year continuation grants. The school districts apply for the grant funds on an annual basis, and priority is given to continuation grants. A single school district, a two-district partnership, or a consortium of three or more districts may apply for grants.

From fiscal year 2002 to 2006, the department also awarded pilot safe schools grants to selected school districts for alternative education services. These pilot grants were to help school districts develop best practices in alternative education to serve as models for other districts.

The Department of Elementary and Secondary Education (department) needs to improve its oversight and management of its Safe Schools Grant Program. Our audit found that state laws, regulations, and department guidelines applicable to this grant program were routinely ignored, and the results or impact of this program are unknown or unsubstantiated. Since fiscal year 1997, the state has spent over $71 million on this grant program.

The General Assembly has decreased the program funding by almost 70 percent since the program was implemented in 1997. As noted in Appendix A to this report, appropriations decreased to $3.1 million in fiscal year 2007 from $10 million in fiscal year 1997. As a result, the department has reduced the type of services funded by the program and the program is serving fewer students.

Grants were awarded to 270 school districts from 1997 to 2007. According to department records, the grant program served approximately 2,800 and 53,700 students in fiscal years 2007 and 2006, respectively. The number of students served decreased in fiscal year 2007 because the pilot grant program was terminated and grants for prevention services were not available. Almost 45,000 students received prevention services in fiscal year 2006. In addition to providing grants to school districts, the department spent grant funds on grant-related items and services, such as grant reader travel expenses, grant management software, printing, and promotional expenses.

(over)

Our audit found that the department has not developed a formal, comprehensive method to evaluate whether the grant program is working as intended and is addressing students with disruptive behavior. The department has little assurance that grant funds are used effectively because they do not formally evaluate whether the individual school districts met their stated goals, objectives, or benchmarks each year, or that the grant program is adequately providing alternative educational opportunities for violent, abusive, or chronically disruptive students, as required by state law and regulations.

The pilot program was never evaluated for its effectiveness or necessity. As noted above, the pilot grants were to help the school districts to develop best practices to serve as a model project for other school districts. During the five fiscal years 2002 to 2006, the department paid almost $4.5 million to 18 school districts for pilot programs. Additionally, the department did not award the grant funding on a competitive basis and the program was not handled in accordance with state regulations or addressed in the department's administrative manuals. Also, the department did not document adequate reasons or benefits for handling the two programs differently.

The department does not adequately review school districts' grant expenditures to determine if the expenditures are allowable and proper, or if the local match requirements and approved budget amounts are met.

The department may not have always ensure that all school districts received fair and equitable treatment and were given the opportunity to participate in the program. Of the 270 school districts awarded grants, 20 school districts have received approximately $17.7 million (approximately 25 percent of the total grant funds) and received funding for 5 to 11 years. In addition, many other school districts have also received funding longer than provided in state regulations. Overall, 79 school districts received grant funds for 7 to 11 years and 85 school districts received grant funds for 4 to 6 years. In addition, the department frequently changed the grant requirements including the type of grants/services allowed, grant period, and local match rate. The department did not adequately document their reasons and rationale for these changes.

In fiscal year 2006, a 20 school district "mega-consortium" grant was awarded without requiring a competitive process. No other first-year grant applications were accepted that year. The department subsequently awarded the mega-consortium continuation grants in fiscal years 2007 and 2008, and the grant awards totaled $430,000, $426,000, and $453,500, in fiscal years 2008, 2007, and 2006, respectively. Additionally, these grant amounts exceeded the maximum allowed for a consortium of three or more school districts, as provided in the applicable administrative manuals.

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
D. Kent King, Commissioner
Department of Elementary and Secondary Education
Jefferson City, MO

We have audited the Department of Elementary and Secondary Education, Safe Schools Grant Program. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2007 and 2006, and included certain activities/transactions dating back to 1997. This report is the first of two reports on the Missouri Safe Schools Act and other programs designed to protect Missouri school children. The objectives of this audit were to:

1. Review certain department policies and procedures related to the Safe Schools Grant Program for awarding funds, monitoring school districts' performance, and evaluating the grant program.

2. Review certain expenditures of the grant program and related controls.

3. Determine the school districts' and department's compliance with certain laws, regulations, and department guidelines as they relate to the grant program.

4. Determine and report the grants awarded.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant

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agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by September 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Statewide Advantage for Missouri (SAM II) System and the department's management and was not subjected to the procedures applied in the audit of the Safe Schools Grant Program.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Elementary and Secondary Education, Safe Schools Grant Program.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Safe Schools Grant Program

The Department of Elementary and Secondary Education (department) needs to improve its oversight and management of its Safe Schools Grant Program. Our audit found that state laws, regulations, and department guidelines applicable to this grant program were routinely ignored, and the results or impact of this program are unknown or unsubstantiated. Since fiscal year 1997, the state has spent over $71 million on this grant program.

This report is the first of two reports regarding the state's Safe Schools Act. The second report, which will be issued later, will address additional issues related to the Safe Schools Act and other state safe schools initiatives.

Background Information

As discussed more fully in the History, Organization, and Statistical Section of this report, the Safe Schools Act, which passed in 1996, provides for alternative education grants under Section 167.335, RSMo. The department is to award grants to school districts to assist in providing alternative education services for students with disruptive behavior (violent, abusive, or chronically disruptive) who are not adequately served in the traditional classroom.

The Code of State Regulations at 5 CSR 50-350.020 outlines the policies and procedures for the administration of the grant program. Two types of grants are authorized; competitive first-year grants, and non-competitive second and third-year continuation grants. Each year, the department prepares an administrative manual which outlines the current year's grant process. The school districts apply for the grant funds on an annual basis, and priority is given to continuation grants. Remaining funds, if any, are available for first-year grants. A single school district, a two-district partnership, or a consortium of three or more districts may apply for grants.

In addition, from fiscal year 2002 to 2006, the department awarded pilot safe schools grants to selected school districts for alternative education services. These pilot grants were to help school districts develop best practices in alternative education to serve as models for other districts.

Currently, the maximum amount awarded for a grant is $100,000 for a single school district, $200,000 for a two-district partnership, and $300,000 for a three or more district consortium. In fiscal year 2007, the department changed the local district match requirement to a percentage of the state grant amount awarded from the local match being

a percentage of the total (state and local) approved grant amount. According to department personnel, the intent is for the school districts to become self-sufficient with their alternative education services after the grant ceases.

Funding

The General Assembly has funded the grant program by appropriations from the state's General Revenue and/or Lottery Proceeds funds. However, the General Assembly has decreased the program funding by almost 70 percent since the program was implemented in 1997. As noted in Appendix A to this report, appropriations decreased to $3.1 million in fiscal year 2007 from $10 million in fiscal year 1997. As a result, the department has reduced the type of services funded by the program and the program is serving fewer students.

Grants were awarded to 270 of 524 school districts from 1997 to 2007. In the early years of the program, the grants were awarded for prevention services, intervention services (alternative schools), security equipment, and school resource officers. Beginning in fiscal year 2004, grants were only given for prevention and intervention services; and starting in fiscal year 2007, grants are only awarded for intervention services. Also, as noted above, the department awarded pilot grants in addition to the regular safe schools grants. According to department records, the grant program served approximately 2,800 and 53,700 students in fiscal years 2007 and 2006, respectively. The number of students served decreased in fiscal year 2007 because the pilot grant program was terminated and grants for prevention services were not available. Almost 45,000 students received prevention services in fiscal year 2006.

From 1997 to 2007, the various grants awarded to the school districts totaled approximately $71.3 million. Department records indicate that the number of each type of grants awarded and total grant expenditures were:

	Year Ended June 30,										
Grant Type	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Safe Schools	27	68	67	75	96	124	132	126	141	116	17
Pilot Safe Schools	N/A	17	18	18	18	18	N/A	N/A	N/A	N/A	N/A
School Resource Officers	N/A	N/A	N/A	N/A	20	21	21	22	23	23	N/A
Equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	76
Total Grants	27	85	85	93	134	163	153	148	164	139	93
Total Grant Expenditures (In millions)	$ 2.9	3.0	3.9	4.2	6.1	8.4	8.7	8.2	8.7	8.5	8.7

A schedule of the total grant payments to the various school districts is included in Appendix C of this report.

In addition to providing grants to school districts, the department spent grant funds on grant-related items and services, such as grant reader travel expenses, grant management software, printing, and promotional expenses. Also, primarily from fiscal years 2000 to 2006, grant monies were spent on other items, including $175,000 toward a department Character Education contract, approximately $58,000 for safety training for school district personnel, and approximately $53,000 toward a statewide cost saving contract.

Scope and Methodology

We reviewed the department's controls, policies, and procedures over the grant processes, concentrating on fiscal years 2003 through 2007. We also tested the various grants received by 14 school districts during this time period to determine the department's and school districts' compliance with the grant policies and procedures. A schedule of payments to these districts is included in Appendix E of this report. Also, for five of these school districts, we requested and reviewed school district records supporting the grant expenditures for the most recent year the district had received grant funds.

Problems Identified

A. The department has not developed a formal, comprehensive method to evaluate whether the grant program is working as intended and is addressing students with disruptive behavior.

The administrative manuals provide that the school districts, in their grant application, establish goals, objectives, and benchmarks and describe their overall evaluation plan to assess the effectiveness of their program. The manuals also state that 1) this data will be used by the department to determine the effectiveness of the individual programs, 2) adequate progress has to be shown for continuation grants, and 3) funding is contingent on successful implementation of the previously funded program.

School districts are also required to submit a program evaluation narrative (PEN) report by June 30 each year. The PEN report is to include information about the district's success in meeting its program goals and objectives and general information about the implementation of its program. However, department personnel indicated that this information is usually not documented in the PEN report, but rather it is discussed with the districts in the continuation grant application process. Grant applications are due in May each year.

1. The department has little assurance that grant funds are used effectively because they do not formally evaluate whether the individual school districts met their stated goals, objectives, or benchmarks each year.

The PEN reports did not explicitly require the school districts to address their success in meeting the stated goals/objectives as outlined on their grant application. Additionally, the evaluation of the goals/objectives was not formally documented during the continuation grant application process. Department employees indicated that once a current application was approved, the department orally negotiated with the school districts receiving continuation grants about their budget and objectives. In addition, the department has no established procedures to obtain information regarding the success of meeting goals/objectives for school districts in their final grant year or those that do not renew their grant.

Also, prior to fiscal year 2007, the department had not established any overall objectives for all grants. In 2007, the department established four common objectives. However, as noted above, the school districts were not required to formally report whether they had met these common objectives or any other objectives established by the school districts.

Without a formal written evaluation of the individual school district's progress in meeting their stated goals, objectives, and benchmarks, the department cannot readily determine if the school district used the funds effectively and should continue to receive grant funds. In addition, the department should consider preparing an annual report regarding the success of meeting the overall program goals/objectives, and the individual school districts' success in meeting their program goals/objectives. With such reporting, the department would have a method to evaluate the effectiveness of the grant program and to determine needed changes, if any.

2. The department has little assurance the grant program is adequately providing alternative educational opportunities for violent, abusive, or chronically disruptive students, as required by state law and regulations.

The department does not require the school districts to track or otherwise provide assurance that the grant funds serve the appropriate students. From our discussions with some of the school districts receiving safe schools grants for their alternative education programs and our review of grant applications and PEN reports, it appears that alternative education programs often serve students who have not exhibited violent or disruptive behaviors, such as teen mothers and students who work part-time. Some school districts' personnel indicated that they did not track the extent the grant funding was used for alternative education programs for disruptive students.

To help ensure grant funding and services are used to provide alternative educational opportunities for violent, abusive, or chronically disruptive students, the department should require school districts to provide documentation that the funding is used for programs for these students.

B. The department could have better handled its pilot grant program. The pilot program was never evaluated for its effectiveness or necessity. Additionally, the department did not award the grant funding on a competitive basis and the program was not handled in accordance with state regulations or addressed in the department's annual administrative manuals.

During the five fiscal years 2002 to 2006, the department paid almost $4.5 million, or about 18 percent of the total safe schools grant funding during that period, to 18 school districts for pilot programs. As noted above, the pilot grants were to help the school districts to refine their projects (develop best practices) to serve as a model project for other school districts.

1. The department never formally evaluated the program to determine whether the established program criteria were met, whether the programs funded had a positive effect on students, or whether other Missouri school districts benefited from the program. We contacted three school districts which received pilot grant funding and none could recall formally providing information to other school districts as part of their pilot program. The department decided to discontinue the program in fiscal year 2007.

   Not only did the department not evaluate the effectiveness of the its pilot program on an annual basis, the department did not perform an overall evaluation of the program's effectiveness when the program ceased. As a result, the department never developed any "best practices" to share with all school districts.

2. It is unclear why the department handled its pilot grant program differently than the regular grant program. The department did not document adequate reasons or benefits for handling the two programs differently.

   Since only certain school districts had the chance to participate in the pilot program, the department has little assurance that a variety of alternative education services in the state were considered. Also, because the department did not address the pilot grant program in its annual administrative manuals, it appears many school districts may have been unaware of the program.

   Rather than awarding the funding for the pilot grants on a competitive basis for the first year, as required by state regulations, the department requested selected school districts to apply for the pilot grants. Also, instead of funding the pilot grants for a three year period as provided by state regulations, the department funded most of the pilot grants for five years. Additionally, the department did not establish a maximum award

amount and the local grant match requirement was set at 30 percent of the total project costs, rather than decreasing each year.

According to department personnel, they selected school districts based on their experience and knowledge of the various alternative school programs administered by the school districts.

If the department had evaluated the pilot program on an annual basis, the department may have identified "best practices" to share with all school districts, may have determined the pilot program was not providing sufficient relevant information and identified needed changes, or may have decided the pilot program should be expanded or terminated.

Additionally, by not evaluating the overall effectiveness of the pilot program when it was terminated, the department missed the opportunity to identify relevant practices that might improve alternative education on a statewide basis or practices that do not work. Also, by not allowing all school districts a chance to participate in the program, the department had little assurance that a variety of alternative education services in the state were considered. At a minimum, the department should consider evaluating the overall effectiveness of its pilot program to determine if improvements in alternative education can be identified.

C. The department does not adequately review school districts' grant expenditures to determine if the expenditures are allowable and proper, or if the local match requirements and approved budget amounts are met.

The reviewing and monitoring process for grant expenditures is primarily limited to desk reviews of payment requests and year-end expenditure reports from school districts. Additionally, department personnel indicated that school districts perform self monitoring reviews of their safe schools grant program every five years in conjunction with the department's Missouri School Improvement Program (MSIP) review process. We noted the following weakness in these review processes:

1. The department does not periodically require school districts to submit expenditure documentation for either the expenditures claimed for reimbursement or the local match. Also, it is unclear that expenditure documentation for the safe schools grant program is reviewed during the department's MSIP review.

   To ensure grant expenditures are allowable, reasonable and proper, the department should consider periodically reviewing the school districts' expenditure documentation.

2. The department needs to improve its desk review of grant expenditures to ensure grant requirements are met. School districts report grant

expenditures and district match expenditures on payment request forms and final year-end expenditure reports, which are reviewed by the department prior to issuing payments. We noted the following instances where grant requirements and/or obligations were not met:

- In fiscal year 2006, 2 of 14 school districts reviewed did not report their match expenditures and there was no documentation the department ensured the match requirements were met. According to department personnel, the department provided school districts two different versions of the year-end expenditure report, and the section requiring documentation of match information was inadvertently left off of one of the forms.

- Although the minimum match requirement was met, four different school districts reported match expenditures significantly less than their approved budgets in fiscal year 2003, 2006, or 2007. The total match expenditures for these four school districts were approximately $267,000 less than budgeted expenditures. Meeting the budget expectations is important since this information is considered in the grant award process.

  According to department personnel, the department usually does not require school districts (particularly those school districts with significantly more match expenditures than the minimum required) to report expenditures that exceeded the match requirement because the department believed it would create an unnecessary record keeping burden for the school districts. However, follow-up on those that fail to meet the budgeted expenditures would appear to be justified in all cases.

- In fiscal year 2004, one school district decreased its match amount by more than allowed; however, the department did not recognize or correct the situation. Although the school district received additional funding totaling $13,777, the school district reduced its match amount by $19,435, from $20,260 to $825.

  As noted below, the department allowed school districts to reduce their local match amount because the state provided more grant funding to all school districts than originally planned at the beginning of the fiscal year. The department allowed the school districts to reduce their local match requirement by the amount of additional state funding.

To ensure school districts meet their grant requirements, the department should require that school districts report all grant expenditures and district match expenditures, and establish sufficient review procedures to

ensure that all financial requirements, such as local match requirements and budgets, are met by the school districts.

3. The department could not always locate documentation to support their monitoring of regular and pilot grants during the department's MSIP review of school districts. Also, the instructions to the MSIP review team did not clearly provide procedures to be followed to review the safe schools grant program.

   Missouri school districts receive a MSIP review once in a five-year cycle. As part of this review, the school districts complete and submit to the department a self-monitoring report in which the school districts certify whether they are compliant with various issues, such as accounting, payroll, and inventory records and requirements, annual evaluations, and eligibility. The department reviews the self-monitoring reports and determines whether a review of the safe schools grant is needed during the MSIP on-site visit.

   For the 14 school districts reviewed, only one of the applicable MSIP reports indicated the safe school grant was reviewed by the MSIP team. However for this grant, the procedures performed and any problems or weaknesses found were not documented. Thus, it was unclear exactly what was reviewed and evaluated and any conclusions made during the MSIP on-site visit. Additionally, the department could not locate the self-monitoring report for ten of these school districts. Although a self-monitoring report was located for the other four school districts, there was no documentation that the department had reviewed the report and determined whether an on-site visit was necessary.

   Department personnel indicated the self-monitoring reports could not be located because the department had either failed to request the reports from the school districts, or the records were misplaced or thrown away. Also, they indicated the MSIP report typically only provides documentation that the safe schools grant was reviewed if there was a finding that was not resolved prior to issuance of the MSIP report.

   The department needs to ensure their review of a school districts' compliance with safe school grant requirements during the MSIP reviews is adequately documented. Also, the department should document the procedures performed, any problems or weaknesses noted and the resolutions made, as applicable.

D. The department may not have always ensured that all school districts received fair and equitable treatment and were given the opportunity to participate in the program.

The department did not always follow state regulations or its administrative manuals, was not always consistent in the type of services allowed from year to year, and sometimes extended the grant periods or changed local match requirements. The department did not adequately document their reasons and rationale for these decisions. It is unclear how these arbitrary changes affected the number of school districts which may have wanted to participate in the grant program, but were not given the opportunity to participate. It appears once school districts receive grant funding, the school districts may receive preferential treatment. Significant issues noted include:

1. Certain school districts received significant grant funding from 1997 to 2007 and only about one-half of the Missouri school districts have participated in the grant program. Once a school district receives first-year grant funding, state regulations allow for subsequent funding up to two years (three years starting in fiscal year 2008).

   Of the 270 school districts awarded grants, 20 school districts have received approximately $17.7 million (approximately 25 percent of the total grant funds) and received funding for 5 to 11 years. In addition, many other school districts have also received funding longer than provided in state regulations. Overall, 79 school districts received grant funds for 7 to 11 years and 85 school districts received grant funds for 4 to 6 years.

   Also, as noted below, some school districts with previous grant awards have received preferential treatment for various reasons.

2. The department frequently changed the grant requirements including the type of grants/services allowed, grant period, and local match rate. The department did not adequately document their reasons and rationale for these changes. For example:

   - Although state regulations provide for a one-year competitive grant and two and three-year continuation grants (total of three years), the department amended its fiscal year 2008 administrative manual to allow three-year continuation grants (total of four years). According to department personnel, they believed a four-year grant will better assist school districts build the alternative education programs.

   - In fiscal years 2007 and 2008, the department limited the grant awards to intervention (alternative education) programs only. According to department personnel, this was done to provide for better consistency among programs funded.

- Except for a mega-consortium grant (see below), no new grants were awarded in fiscal years 2004 to 2006. The department limited the grants to school districts previously receiving funds in fiscal year 2003. Thus, the department essentially created four and five-year grants.

  Because the available grant funds were divided among the school districts, the amount of the grant awards exceeded the maximum allowable amount and the local match requirements were significantly less than provided in the administrative manuals.

- The department provided significant grant funding increases to the school districts in fiscal year 2004. Continuation grants initially totaled approximately $2.8 million. During the fiscal year, the department provided additional funding totaling approximately $1.6 million.

  Since the department allowed the additional funding to be considered local match, many school districts used the funds to subsidize their match requirement, rather than making program improvements.

- In fiscal years 2005 and 2006, the department funded the grants based on a school districts' prior year's funding, rather than the applicable administrative manual's guidelines.

  In fiscal year 2005, school districts were awarded 100 percent of their fiscal year 2004 award (including the grant increases). In fiscal year 2006, school districts were awarded 80 percent and 56 percent of their prior year funding for the fourth year grants, and fifth year grants, respectively. In addition, in fiscal years 2005 and 2006, the department decreased the local match requirement to only 10 percent.

  As a result, some school districts received grant amounts significantly greater than the program's guidelines. For example, two school districts received $55,000 and $19,000 in excess of the maximum award allowed in the applicable administrative manuals. Department personnel stated that one of the school districts was apparently awarded a budget increase to hire an additional teacher and the other school district's award was inadvertently calculated based on the wrong year's grant percentage.

- Some school districts received multiple types of grants during the same year and/or were awarded first-year grants again subsequent to receiving grant funds. According to department personnel, school districts receiving grant funding were allowed to reapply for

first-year grants during the second or third year of the grant period if the school districts significantly changed their program and/or services. A first-year grant is beneficial to the school districts because the award amount is higher and the local match requirement is lower than in subsequent years.

Of the 18 school districts receiving pilot grants in fiscal years 2002 to 2006, 17 also received regular safe schools grants during one or more years during this period. Also, of 14 school districts reviewed, 7 school districts received more than one type of grant and 6 school districts were awarded first year grants in years subsequent to receiving grant funds.

- Two school districts applied for funds for special projects and the department funded the projects without competitive awards because they believed the projects were noteworthy.

  One school district received approximately $405,900 during fiscal years 2002 to 2006 for a county truancy court project. The other school district received approximately $78,800 in fiscal years 2003 to 2006 for a re-entry project. Both of these school districts received regular and pilot safe schools grants one or more years in addition to these special project grants.

Department personnel indicated the department did not follow state regulations and the applicable administrative manuals because of the uncertainty in funding from the state for the safe schools grant program. They also indicated that there was a concern that new school districts would be unable to support programs funded by the grant program, if there was a significant decrease in state funding. Thus, the department simply allocated available funding to existing grants. Also the local match was reduced because the department believed many school districts were also facing budget challenges or difficulties during the years discussed.

3. A 20 school district "mega-consortium" grant was awarded without requiring a competitive process. This was in fiscal year 2006 when no other first-year grant applications were accepted. The department subsequently awarded the mega-consortium continuation grants in fiscal years 2007 and 2008, and the grant awards totaled $430,000, $426,000, and $453,500, in fiscal years 2008, 2007, and 2006, respectively.

Additionally, these grant amounts exceeded the maximum allowed for a consortium of three or more school districts, as provided in the applicable administrative manuals. The manuals provided the maximum consortium grant allowed was $300,000 in fiscal years 2008 and 2007 and $200,000 in fiscal year 2006. The payments for the mega-consortium grant represented approximately 15 percent of the total payments to all school districts in both fiscal years 2007 and 2006.

According to department personnel, this consortium was awarded more than the maximum because the grant size and scope was beyond that of any other previous consortium grants awarded.

To ensure the safe schools grant program is operating effectively and all school districts receive equitable treatment and a chance to participate in the program, the department should follow established state laws, regulations, and department guidelines. If the department believes a change is necessary and beneficial to the grant program, the reasons and rationale for the change(s) should be documented. Additionally, state regulations and department guidelines should be updated to reflect all changes to the program.

Summary and Conclusion

The department needs to improve its oversight and management of the safe schools grant program and to better identify and document the effectiveness and benefits of the program to provide relevant information to the General Assembly for the appropriation process.

The program's funding has significantly decreased over the past 11 years and the program is currently operating with approximately $3 million in funding (30 percent of original funding levels). Although it appears the department has faced challenges in administering the program because of funding reductions, the department needs to ensure the grant award procedures are fair and conducted in accordance with state laws and regulations and department policies.

To better establish accountability over the program, the department needs to 1) ensure school districts are meeting their established goals, objectives, and benchmarks, 2) ensure grant funds are used for alternative educational opportunities to students exhibiting disruptive behavior, 3) consider evaluating the lessons learned from the pilot program, 4) ensure school districts comply with grant requirements and that grant expenditures are reviewed for propriety, 5) ensure grants are awarded in accordance with established state laws and regulations and department guidelines, and 6) document reasons and rationale for changes to the program.

WE RECOMMEND the Department of Elementary and Secondary Education:

A. Require school districts each year to formally report progress in meeting their stated program goals, objectives, and benchmarks; as well as providing documentation the grant funds were used for purposes outlined in state law, regulations, and department guidelines. Policies and procedures should be established to evaluate and document whether the funds were used effectively and for the intended purposes. Also, the department should consider preparing an annual evaluation of the program as a whole to evaluate the effectiveness of the program and identify areas where improvements are needed.

B. Consider evaluating the results of the various programs funded through the pilot safe schools grant program to identify any information that could be shared with school districts statewide to improve alternative education services.

C. Require school districts to report all grant and district match expenditures and establish review procedures to help ensure that all financial requirements are met by the school districts. The department should periodically review school districts' supporting documentation for expenditures to ensure the expenditures are allowable, reasonable, and proper. In addition, the department should develop policies and procedures to document steps performed, problems or weaknesses noted, and any resolutions made regarding the evaluation of school districts' safe schools grant program(s) during the MSIP review.

D. Award safe schools grants in accordance with established state laws, regulations, and department guidelines. If the department believes a change is necessary and beneficial to the grant program, the reasons and rationale for the change(s) should be documented. Additionally, state regulations and department guidelines should be updated as needed.

AUDITEE'S RESPONSE

A. The Department partially concurs with this recommendation. The end-of-year program evaluation narrative was revised for 2006-2007 to collect anecdotal information and has been further revised for 2007-2008. Districts will be required to specifically report annual progress toward meeting their approved project objectives and describe the identification and selection process that was used to ensure funds served most in-need students based on violent, abusive, and chronically disruptive behaviors. Further, the form includes specific fields for the Department to indicate when the report was reviewed and by whom, as well as when it was received. The recommendation to prepare an annual evaluation will be taken under advisement. It should be noted that the program has not been provided state administrative funding or staffing with which to conduct a formal program evaluation.

B. The Department will take this recommendation under advisement. To date, evaluation has consisted of summaries of districts' annual end-of-year reports.

C. The Department partially concurs and has taken steps to improve monitoring efforts and ensure that each project will undergo at least one on-site monitoring visit during the project's implementation. This summer, state and federal grant program directors updated the monitoring policy, procedures, and forms. The MSIP monitoring policy stipulates that a Department team visit any district scheduled for an MSIP review – whether a full, targeted, or waivered review – one or two months prior to the review date. The team's findings are shared with the district; the findings and district follow-up actions are then presented to appropriate MSIP staff, state supervisor, and team leader if appropriate, before the MSIP review. The revised process and Safe Schools monitoring form provide more detailed focus (and technical assistance) related to fiscal and programmatic compliance and documentation. The same form is used for other Safe Schools grant monitoring visits, including those scheduled at the request of a district, because of noted programmatic or fiscal concerns, or when a district's MSIP and grant cycles do not correspond.

D. The Department will take this recommendation under advisement.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Missouri Safe Schools Act (House Bill Number 1298 and 1301), which passed in 1996, provides for alternative education grants under Section 167.335, RSMo. This section established a program for the state board of education to award grants to school districts to assist in providing alternative education services for students with disruptive behavior (violent, abusive, or chronically disruptive) which were not adequately served in the traditional classroom.

When awarding grants preference is to be given to school districts who demonstrated a need for the alternative education services and who stress: 1) a comprehensive approach to preventing problems which resulted in the need for the alternative education, 2) rigorous instruction in core studies, 3) activities designed to help the student transition back to the regular classroom, 4) activities designed to meet the needs of the individual student, and 5) collaboration with existing community-based service providers, such as school to work programs, parents-as-teacher programs, etc. to address student needs beyond those traditionally addressed by schools. In addition, school districts are allowed to submit joint applications and are encouraged to pursue regional approaches to alternative education.

The policies and procedures established by the Department of Elementary and Secondary Education (department) to administer this grant program are in the Code of State Regulation at 5 CSR 50-350.020, Safe Schools Educational Program Grants. Two types of grants are authorized; competitive first-year grants, and non-competitive second and third-year continuation grants. Applications for the grant funds may be submitted by a single school district, a two-district partnership, or a consortium of three or more districts. The school districts apply for the grant funds on an annual basis. Priority is given to continuation grants, and remaining funds, if any, are available for first-year grants. Each year the department prepares an Administrative Manual which outlines the current year's grant process.

Since the grant program was implemented in 1997, the funding for the program has decreased by almost 70 percent. From fiscal year 1997 to 2006, the state funded the grant program from a combination of General Revenue and lottery proceeds monies. For fiscal years 2008 and 2007, General Revenue monies have funded the program. The maximum provided for a grant was $100,000 for a single district, $200,000 for a two-district partnership, and $300,0000 for a three or more district consortium for fiscal years 2008 and 2007. Starting in fiscal year 2008, the department allows four-year continuation grants, and the district match is a percentage of the state funding; 30, 50, 75, and 100 percent for grant year 1, 2, 3, and 4, respectively.

Prior to fiscal year 2007, the district match was a percentage of the total program costs; 30, 50, and 75 percent for grant year 1, 2, and 3, respectively. In addition, the maximum amount of the grant award was $100,000, $50,000, and $25,000 for grant year 1, 2, and 3, respectively, for individual districts and $200,000, $100,0000, and $50,000 for grant year 1,2, 3, respectively, for a consortium.
The department has allowed the grant funds to be used for a wide range of options including:

1) Prevention: Services provided in the regular classroom (general population) related to behavioral skills and/or violence/disruption prevention (character education, conflict resolution, anger management).

2) Intervention: Pull-out services (alternative or management schools) providing academic and behavioral skills to help students return to regular classrooms.

3) Equipment: Used to help decrease discipline incidents and improve school safety.

4) Resource Officers: Personnel on-site to help decrease discipline incidents and improve schools safety.

In fiscal year 2002, the department established a pilot safe schools grant program to develop successful alternative school models for Missouri school districts to replicate. The pilot grants were awarded from fiscal year 2002 to 2006 to help previously funded school districts which the department believed showed promising results in their alternative education program. The pilot grants were to help the school district to refine their projects (develop best practices) to serve as a model project for other school district. The school districts were to help devise services and/or models that would lend validity to a successful school/program and would include items such as minimum/maximum placement, credits to graduate, alignment of curriculum with school credits or GED requirements, connections with community college or higher educations offerings, student goal setting, self-control, community service, and school climate. The department wanted to develop a comprehensive, in-depth evaluation of alternative schools' effectiveness.

For fiscal years 2008 and 2007, the department required the proposed projects to focus on intervention services. Also, starting in 2007, the department established four specific objectives for all grants in addition to the individual district's objectives. These objectives are:

1) The attendance rate of students served by the program will average 93 percent or higher.

2) The number of discipline/incident referrals for participating students will decrease by at least 50 percent.

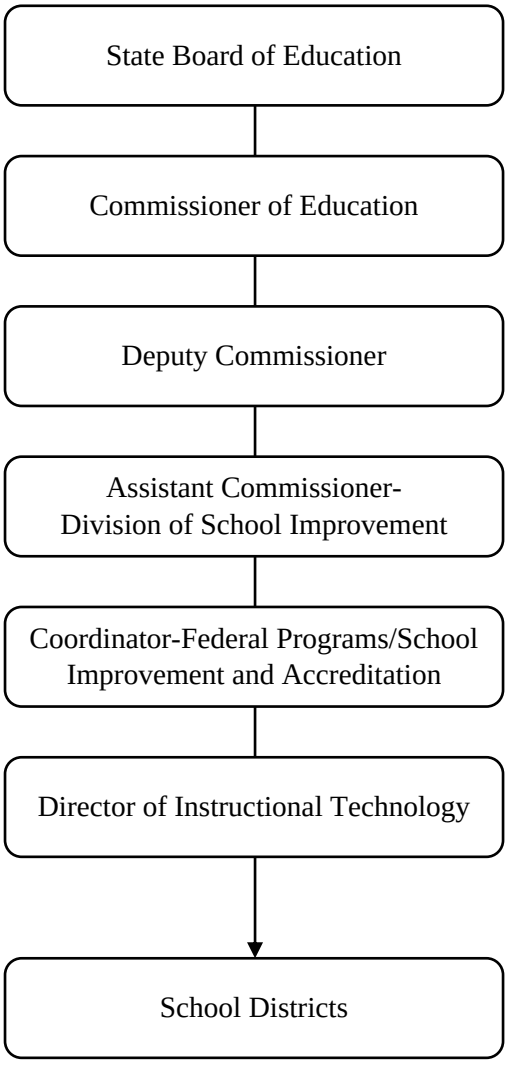
3) At least 90 percent of participating students will successfully transition out of the program by re-entering the regular classroom or exiting the program with a high school diploma or GED certificate.

4) The participating students will meet at least 80 percent of their academic plans (addressing class grades, course credits, test scores, and/or other academic achievements set forth in their individualized education plans).

The department reviews and evaluates grant applications in May each year. After the department's staff approve continuation grants, the year one grant applications are evaluated using certain criteria and points defined in the administrative manual. These applications are reviewed by educators from across the state who are selected by the department and are

tentatively approved. Final approval is dependent upon successful negotiation of the grant between the department and school district regarding budget details, objectives, and planned activities.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
FLOW CHART OF SAFE SCHOOLS GRANT FUNDS TO SCHOOL DISTRICTS



Appendix A-1

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances *	Appropriation Authority	Expenditures	Lapsed Balances *
GENERAL REVENUE FUND						
Safe Schools Program	$ 3,122,368	2,883,274	239,094	3,122,368	2,991,517	130,851
Total General Revenue Fund	$ 3,122,368	2,883,274	239,094	3,122,368	2,991,517	130,851

* The lapsed balances included the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2007	2006
General Revenue Fund	$ 93,671	93,671

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2005			2004		
	Appropriation Authority	Expenditures	Lapsed Balances *	Appropriation Authority	Expenditures	Lapsed Balances *
GENERAL REVENUE FUND						
Safe Schools Program	$ 0	0	0	200,000	52,932	147,068
Total General Revenue Fund	0	0	0	200,000	52,932	147,068
LOTTERY PROCEEDS FUND						
Safe Schools Program	4,122,368	3,981,744	140,624	4,922,368	4,311,504	610,864
Total Lottery Proceeds Fund	4,122,368	3,981,744	140,624	4,922,368	4,311,504	610,864
Total All Funds	$ 4,122,368	3,981,744	140,624	5,122,368	4,364,436	757,932

* The lapsed balances included the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2005	2004
General Revenue Fund	$ 0	6,000
Lottery Proceeds Fund	123,671	524,564
Total	$ 123,671	530,564

Appendix A-3

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2003			2002		
	Appropriation Authority	Expenditures	Lapsed Balances *	Appropriation Authority	Expenditures	Lapsed Balances *
GENERAL REVENUE FUND						
Safe Schools Program	$ 5,300,000	4,135,869	1,164,131	5,300,000	3,934,593	1,365,407
Total General Revenue Fund	5,300,000	4,135,869	1,164,131	5,300,000	3,934,593	1,365,407
LOTTERY PROCEEDS FUND						
Safe Schools Program	2,375,000	2,303,750	71,250	5,050,000	4,568,587	481,413
Total Lottery Proceeds Fund	2,375,000	2,303,750	71,250	5,050,000	4,568,587	481,413
Total All Funds	$ 7,675,000	6,439,619	1,235,381	10,350,000	8,503,180	1,846,820

* The lapsed balances included the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2003	2002
General Revenue Fund	$ 1,151,250	1,356,807
Lottery Proceeds Fund	71,250	352,500
Total	$ 1,222,500	1,709,307

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2001			2000		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Safe Schools Program	$ 5,300,000	4,889,217	410,783	5,300,000	4,871,269	428,731
Total General Revenue Fund	5,300,000	4,889,217	410,783	5,300,000	4,871,269	428,731
LOTTERY PROCEEDS FUND						
Safe Schools Program	4,000,000	3,880,000	120,000	4,000,000	3,418,284	581,716
Total Lottery Proceeds Fund	4,000,000	3,880,000	120,000	4,000,000	3,418,284	581,716
Total All Funds	$ 9,300,000	8,769,217	530,783	9,300,000	8,289,553	1,010,447

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	1999			1998		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Safe Schools Program	$ 5,300,000	5,299,997	3	5,300,000	5,210,181	89,819
Total General Revenue Fund	5,300,000	5,299,997	3	5,300,000	5,210,181	89,819
LOTTERY PROCEEDS FUND						
Safe Schools Program	4,000,000	3,369,980	630,020	4,000,000	3,268,574	731,426
Total Lottery Proceeds Fund	4,000,000	3,369,980	630,020	4,000,000	3,268,574	731,426
Total All Funds	$ 9,300,000	8,669,977	630,023	9,300,000	8,478,755	821,245

Appendix A-6

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30, 1997		
	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Safe Schools Program	$ 6,000,000	4,773,143	1,226,857
Total General Revenue Fund	6,000,000	4,773,143	1,226,857
LOTTERY PROCEEDS FUND			
Safe Schools Program	4,000,000	3,969,510	30,490
Total Lottery Proceeds Fund	4,000,000	3,969,510	30,490
Total All Funds	$ 10,000,000	8,742,653	1,257,347

Appendix B

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Travel, in-state	$ 1,958	0	0	0	878	2,104	0	3,816	2,220	1,053	2,284
Travel, out-of-state	0	0	0	0	206	0	0	793	0	0	0
Supplies	0	0	0	0	0	60	0	25	50	37	30
Professional development	0	0	0	0	335	10	315	855	0	0	0
Professional services	0	0	28	53,094	280	0	5,000	59,283	342	337	813
Office equipment	0	0	0	0	0	0	940	0	0	0	0
Miscellaneous expenses	422	0	0	0	144	598	0	85	0	23	0
Rebillable expenses	0	0	0	0	0	381	148	493	0	0	0
Program distributions *	2,880,894	2,991,517	3,981,716	4,311,342	6,437,776	8,500,027	8,762,814	8,224,203	8,667,365	8,477,305	8,739,526
Total Expenditures	$ 2,883,274	2,991,517	3,981,744	4,364,436	6,439,619	8,503,180	8,769,217	8,289,553	8,669,977	8,478,755	8,742,653

* Includes Safe Schools Grant Program payments to school districts, payments totaling $175,000 for a Character Education contract, and $7,125 for school district safety training
Also, grant payments, totaling over $429,000, subsequently refunded are included in these amounts.

Appendix C

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
Adair	Adair Co. R-I	$ 0	0	0	0	0	90,993	0	0	0	0	0	90,993
	Adair Co. R-II	0	0	0	0	9,743	18,015	38,188	0	0	0	0	65,946
	Kirksville R-III	0	0	0	0	0	15,000	30,000	48,383	0	0	0	93,383
Atchison	Rock Port R-II	0	18,794	33,560	35,702	34,554	41,135	0	20,067	29,000	0	0	212,812
	Tarkio R-I	0	44,467	55,584	59,132	66,876	0	0	0	0	0	0	226,059
Audrain	Mexico 59	93,000	0	0	0	14,213	51,254	64,344	0	21,122	40,064	63,393	347,390
Barry	Cassville R-IV	0	0	0	22,219	29,441	123,834	47,992	96,099	58,369	76,840	0	454,794
	Monett R-I	0	0	0	0	23,958	46,710	91,254	0	0	0	0	161,922
	Purdy R-II	0	0	0	0	0	0	0	0	0	0	4,000	4,000
	Shell Knob 78	0	13,960	24,929	26,520	30,605	55,070	0	0	0	0	0	151,084
	Southwest R-V	0	0	0	0	0	0	0	0	0	6,257	12,973	19,230
Barton	Lamar R-I	0	0	0	0	9,904	32,225	53,469	47,418	77,763	0	0	220,779
Benton	Warsaw R-IX	0	0	0	0	0	0	0	0	0	0	17,714	17,714
Boone	Columbia 93	0	58,456	69,973	71,028	89,041	25,000	50,000	100,000	23,689	49,148	124,996	661,331
	Hallsville R-IV	0	0	0	0	0	0	13,600	24,557	39,080	0	0	77,237
	Southern Boone Co. R-I	0	17,338	30,960	32,936	39,912	78,865	0	0	0	0	0	200,011
Buchanan	East Buchanan Co. C-1	0	0	0	0	0	0	0	69,590	122,855	85,878	73,237	351,560
	St. Joseph	94,000	51,299	83,549	88,882	82,402	57,402	47,600	74,830	140,000	124,257	148,797	993,018
Butler	Neelyville R-IV	0	0	0	0	0	26,125	62,574	65,351	0	0	0	154,050
	Poplar Bluff R-I	0	0	0	72,958	93,590	25,000	50,000	85,236	28,250	62,199	160,857	578,090
Caldwell	Hamilton R-II	0	0	0	0	0	0	18,816	43,017	49,950	0	0	111,783
	Polo R-VII	0	0	0	0	28,347	79,777	0	0	0	0	0	108,124
Callaway	Fulton 58	0	46,220	82,535	87,789	77,056	107,552	0	23,686	54,912	74,159	0	553,909
	New Bloomfield R-III	0	0	0	0	0	0	0	0	2,970	6,694	0	9,664
	North Callaway Co. R-I	0	0	0	0	0	24,510	49,020	97,969	60,800	100,000	0	332,299
	South Callaway Co. R-II	0	0	0	0	0	13,341	24,665	59,132	97,362	0	0	194,500
Camden	Camdenton R-III	0	47,124	84,149	89,444	84,102	116,353	11,812	10,310	33,861	52,996	60,940	591,091
	Climax Springs R-IV	0	0	0	0	0	0	0	0	14,152	26,525	0	40,677
	Macks Creek R-V	0	0	0	0	0	0	0	0	15,222	46,245	0	61,467
	Stoutland R-II	0	0	0	0	0	0	0	0	0	41,007	0	41,007
Cape Girardeau	Cape Girardeau 63	0	49,902	95,367	101,455	99,465	186,284	67,500	118,848	31,289	62,594	99,725	912,429
	Jackson R-II	0	26,846	47,940	51,000	50,000	100,000	0	0	0	0	0	275,786
	Oak Ridge R-VI	0	0	0	0	18,216	30,974	72,864	0	0	0	5,968	128,022
Carroll	Carrollton R-VII	91,914	0	0	0	16,797	34,529	0	0	0	0	0	143,240
Carter	East Carter Co. R-II	0	0	0	0	0	34,955	64,172	0	0	0	0	99,127
	Van Buren R-I	0	12,361	22,074	23,483	25,148	50,741	42,263	93,270	15,996	30,956	48,602	364,894
Cass	Belton 124	0	24,430	43,625	46,410	50,725	98,701	15,676	15,676	14,862	13,720	119,825	443,650
	Harrisonville R-IX	0	17,516	33,145	33,115	42,102	81,681	0	0	61,520	109,981	180,992	560,052
	Midway R-I	0	0	0	0	0	0	0	0	3,062	6,511	10,080	19,653
	Raymore-Peculiar R-II	0	0	0	0	0	0	80,000	160,000	0	0	0	240,000
Cedar	Stockton R-I	0	24,614	43,953	46,758	85,348	131,731	163,180	53,131	93,930	47,276	50,462	740,383
Chariton	Brunswick R-II	0	19,212	24,015	25,548	30,415	0	0	0	0	0	0	99,190
	Keytesville R-III	0	0	0	0	0	0	0	0	0	5,270	13,757	19,027

Appendix C

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
Christian	Nixa R-II	0	19,477	34,780	31,325	79,604	128,433	199,951	112,221	197,449	0	0	803,240
	Ozark R-VI	0	0	0	0	0	0	0	0	45,198	87,470	147,623	280,291
	Sparta R-III	0	0	0	0	0	0	0	0	0	0	24,333	24,333
Clark	Clark Co. R-I	0	0	0	19,434	18,678	0	0	10,971	27,024	48,456	9,281	133,844
Clay	Excelsior Springs 40	0	0	0	0	2,484	46,995	95,838	7,452	5,952	5,041	3,712	167,474
	Liberty 53	0	0	0	0	0	0	0	0	29,950	56,595	91,000	177,545
	North Kansas City 74	0	0	0	0	0	0	0	26,800	65,825	73,665	0	166,290
Clinton	Cameron R-I	0	23,172	40,592	40,375	81,363	132,216	37,175	139,871	121,449	164,955	55,806	836,974
	Clinton Co. R-III	0	30,978	38,722	41,194	49,039	22,627	51,592	25,764	59,902	91,000	0	410,818
	Lathrop R-II	0	0	0	0	0	0	37,702	80,496	0	0	0	118,198
Cole	Cole Co. R-I	0	0	0	0	0	0	0	0	0	17,208	24,961	42,169
	Cole Co. R-V	0	0	0	0	0	0	0	8,373	20,628	32,933	0	61,934
	Jefferson City	94,000	19,430	21,428	25,223	27,718	40,084	0	0	0	0	0	227,883
Cooper	Boonville R-I	0	0	0	0	17,943	35,886	42,231	0	0	0	0	96,060
	Otterville R-VI	36,000	0	0	0	0	0	0	0	0	0		36,000
Crawford	Crawford Co. R-II	0	0	0	0	0	0	0	0	19,838	30,287	34,288	84,413
Dade	Everton R-III	0	0	0	0	0	0	0	0	17,992	41,536	0	59,528
Dallas	Dallas Co. R-I	94,138	0	0	0	0	31,862	63,773	18,114	41,295	58,870	0	308,052
Daviess	Gallatin R-V	0	0	0	0	0	0	0	4,725	12,441	18,900	0	36,066
Dekalb	Maysville R-I	0	13,038	23,282	24,768	50,000	100,000	0	0	0	0	15,210	226,298
Dent	Dent-Phelps R-III	0	0	0	0	0	0	0	33,975	93,000	34,777	53,213	214,965
	North Wood R-IV	0	0	0	0	0	0	7,546	19,753	26,296	0	0	53,595
	Salem R-80	0	0	0	0	12,007	24,014	31,805	0	0	0	0	67,826
Douglas	Ava R-I	0	42,638	53,298	56,700	60,826	0	0	27,473	63,875	97,036	0	401,846
Dunklin	Kennett 39	0	0	0	0	0	39,038	78,077	149,488	63,007	148,151	188,955	666,716
	Malden R-I	0	0	0	0	0	0	0	0	0	0	5,642	5,642
Franklin	Lonedell R-XIV	0	0	0	0	0	0	0	0	16,787	32,484	51,013	100,284
	Meramec Valley R-III	0	0	0	0	10,633	25,131	78,743	93,592	0	47,464	64,043	319,606
	St. Clair R-XIII	90,125	0	0	0	0	0	0	0	37,198	34,935	0	162,258
	Sullivan	0	0	0	0	0	68,532	132,792	59,902	19,715	66,793	73,870	421,604
	Union R-XI	0	0	0	0	26,225	52,450	103,676	68,820	102,457	66,844	110,173	530,645
Gasconade	Gasconade Co. R-I	0	0	0	0	21,708	43,243	85,072	6,500	21,671	41,233	0	219,427
	Gasconade Co. R-II	0	0	0	0	13,582	31,333	78,832	0	0	0	0	123,747
Gentry	Stanberry R-II	0	0	0	0	0	0	0	0	0	0	3,780	3,780
Greene	Ash Grove R-IV	0	0	0	0	0	0	0	4,387	16,392	24,221	0	45,000
	Republic R-III	0	0	0	0	0	20,426	49,086	90,061	9,171	17,271	74,671	260,686
	Springfield R-XII	0	0	37,216	33,693	36,958	73,495	0	0	30,497	55,337	152,109	419,305
	Strafford R-VI	0	0	0	0	10,459	25,200	45,196	11,819	29,629	45,183	0	167,486
	Willard R-II	0	48,411	60,514	64,371	67,674	0	0	26,187	62,107	94,350	14,997	438,611
Grundy	Trenton R-IX	0	0	0	0	33,829	68,471	16,579	37,831	59,470	17,406	13,940	247,526
Harrison	North Harrison R-III	0	0	0	0	0	0	27,049	0	0	0	0	27,049
Hickory	Hermitage R-IV	0	0	0	0	24,751	49,502	99,003	0	0	0	0	173,256
	Weaubleau R-III	0	0	0	0	0	22,101	54,275	120,610	19,340	34,449	0	250,775
	Wheatland R-II	0	60,790	75,987	80,838	91,314	0	0	0	0	0	0	308,929

Appendix C

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
Howard	Fayette R-III	0	0	0	0	0	46,332	89,500	0	153,742	115,076	173,157	577,807
	New Franklin R-I	0	0	0	0	0	0	0	0	25,408	55,042	72,862	153,312
Howell	Mountain View-Birch Tree R-III	0	0	0	0	10,527	29,825	66,009	17,340	55,560	90,810	0	270,071
	West Plains R-VII	0	0	0	0	0	0	0	25,764	59,901	57,182	0	142,847
	Willow Springs R-IV	0	0	0	0	0	21,435	43,750	69,566	50,600	0	0	185,351
Iron	Arcadia Valley R-II	100,000	0	0	0	39,864	79,729	159,956	39,636	67,328	68,566	137,594	692,673
	Belleview R-III	0	0	0	0	0	0	0	0	2,867	16,338	26,660	45,865
	Iron Co. C-4	0	0	0	0	16,438	32,896	72,792	12,253	43,149	73,860	0	251,388
	South Iron Co R-I	0	0	0	0	27,000	61,723	15,546	23,933	59,291	0	0	187,493
Jackson	Allen Village Charter School	67,000	0	0	0	0	0	0	0	0	0	0	67,000
	Blue Springs R-IV	93,000	62,265	108,953	118,691	111,350	142,825	34,748	84,554	122,406	80,355	153,721	1,112,868
	Center 58	0	35,945	45,308	47,106	45,680	43,604	64,342	25,519	57,060	0	15,000	379,564
	Fort Osage R-I	0	0	0	0	0	23,051	46,102	62,895	31,102	60,191	83,805	307,146
	Grain Valley R-V	0	0	0	0	0	10,466	20,666	36,142	0	0	0	67,274
	Grandview C-4	0	26,732	47,735	50,782	54,036	107,760	12,747	12,747	12,494	12,494	14,233	351,760
	Hickman Mills C-I	0	23,375	46,540	38,321	50,465	52,087	20,526	63,250	100,000	63,694	100,000	558,258
	Independence 30	0	0	0	0	7,400	14,800	37,571	61,539	81,851	57,955	155,151	416,267
	Kansas City 33	0	22,429	40,052	35,507	35,507	35,507	0	49,823	57,926	60,255	0	337,006
	Lee's Summit R-VII	0	36,483	65,148	69,306	80,150	97,719	89,590	12,250	32,912	63,690	49,130	596,378
	Oak Grove R-VI	0	0	0	0	23,000	46,050	91,600	77,147	0	0	0	237,797
	Raytown C-2	0	34,422	61,467	65,390	54,492	84,492	45,000	100,000	32,913	63,694	133,418	675,288
Jasper	Avilla R-XIII	0	0	0	0	0	0	0	5,681	30,232	0	0	35,913
	Carl Junction R-1	0	0	0	0	0	24,780	49,575	99,151	0	0	0	173,506
	Carthage R-IX	0	0	0	0	20,663	41,326	82,444	28,313	65,270	98,036	0	336,052
	Joplin R-VIII	0	0	0	0	22,747	51,878	81,888	0	106,026	134,015	0	396,554
	Webb City R-VII	0	0	0	0	0	25,000	50,000	100,000	0	0	0	175,000
Jefferson	DeSoto 73	90,253	0	0	0	47,152	94,518	0	0	0	0	0	231,923
	Fox C-6	0	0	0	0	0	0	0	7,298	25,848	54,680	20,942	108,768
	Hillsboro R-III	0	0	0	0	0	358	1,739	4,219	2,430	7,129	18,048	33,923
	Jefferson Co. R-VII	0	0	0	0	35,725	71,450	18,599	52,809	93,260	0	0	271,843
	Northwest R-I	0	50,077	62,596	66,540	84,219	26,399	49,950	91,350	38,501	69,475	157,566	696,673
	Windsor C-1	0	0	0	0	21,943	42,065	91,000	0	8,880	13,873	26,725	204,486
Johnson	Holden R-III	0	7,417	15,106	8,334	37,777	73,424	0	0	0	0	0	142,058
	Johnson Co R-VII	0	0	0	0	0	0	0	18,757	24,825	0	11,265	54,847
	Kingsville R-I	0	0	0	0	0	0	0	0	5,890	0	0	5,890
	Knob Noster R-VIII	0	0	0	0	0	0	0	0	19,491	37,719	69,635	126,845
	Warrensburg R-VI	0	37,734	47,167	52,214	63,599	0	0	0	22,601	43,738	68,174	335,227
Knox	Knox Co. R-I	0	0	0	0	0	0	18,809	39,277	62,698	0	9,180	129,964
Laclede	Laclede Co. C-5	0	0	0	0	34,800	69,867	0	0	0	0	0	104,667
	Laclede Co. R-I	65,946	59,319	79,400	78,837	95,351	0	0	0	0	0	0	378,853
	Lebanon R-III	0	16,373	20,457	21,547	29,042	6,278	8,693	8,856	9,517	73,543	196,803	391,109
Lafayette	Concordia R-II	0	17,764	32,072	30,574	45,880	0	0	0	0	0	0	126,290
	Lexington R-V	0	42,409	74,480	86,273	78,946	127,203	0	0	56,932	109,077	172,435	747,755
	Odessa R-VII	0	0	0	0	32,400	65,198	14,352	28,565	0	0	0	140,515

Appendix C

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
Lawrence	Aurora R-VIII	0	0	0	0	0	18,763	37,525	60,540	0	23,484	41,043	181,355
	Mt. Vernon R- V	0	0	0	0	0	0	0	4,788	11,132	16,913	0	32,833
	Pierce City R-VI	0	0	0	0	0	0	6,805	26,657	41,878	0	0	75,340
Lewis	Lewis Co. C-I	0	0	0	0	18,264	36,500	73,056	20,409	47,449	72,083	0	267,761
Lincoln	Elsberry R-II	0	52,334	65,418	69,594	82,850	0	0	0	0	0	0	270,196
	Silex R-I	0	0	0	0	6,367	12,734	25,458	0	0	0	0	44,559
	Troy R-III	95,000	0	0	0	0	0	0	0	0	0	6,696	101,696
	Winfield R-IV	0	0	0	0	0	2,679	8,916	25,780	0	0	0	37,375
Linn	Brookfield R-III	0	0	0	0	0	13,250	26,332	34,906	38,681	67,560	23,900	204,629
Livingston	Chillicothe R-II	233,511	0	0	0	0	17,469	34,938	68,404	22,726	51,352	61,497	489,897
Macon	Macon Co. R-I	0	0	0	0	11,218	35,932	70,102	0	0	0	0	117,252
Madison	Fredericktown R-I	0	25,182	44,968	47,838	39,765	67,626	27,600	62,180	99,837	0	0	414,996
Maries	Maries Co. R-I	0	0	0	0	0	0	0	0	0	23,589	0	23,589
	Maries Co. R-II	0	0	0	0	0	7,250	20,500	41,052	0	0	0	68,802
Marion	Hannibal 60	0	18,770	33,517	35,656	34,958	63,085	0	0	12,895	43,845	56,611	299,337
	Palmyra R-I	0	0	0	0	6,765	31,495	62,889	12,362	21,577	45,500	0	180,588
McDonald	McDonald Co. R-I	0	0	0	0	0	25,000	50,000	94,456	0	0	0	169,456
Mercer	North Mercer Co. R-III	0	0	0	0	0	7,460	14,921	29,842	0	0	0	52,223
Miller	Eldon R-I	79,796	0	0	0	14,474	29,619	58,883	45,520	67,644	0	0	295,936
	Iberia R-V	0	0	0	0	0	0	0	16,265	31,289	17,506	20,072	85,132
	School of the Osage R-II	0	0	0	0	0	18,850	38,304	99,882	0	0	0	157,036
	St. Elizabeth R-IV	0	0	0	0	0	0	0	44,013	102,327	155,450	0	301,790
Mississippi	Charleston R-I	0	23,898	29,918	26,734	60,413	1,107	1,560	8,737	34,266	87,588	70,670	344,891
Moniteau	Moniteau Co. R-I	0	0	0	0	0	0	26,996	51,640	90,959	0	12,248	181,843
	Moniteau Co. R-VI	0	0	0	0	0	0	0	0	0	0	4,169	4,169
Monroe	Monroe City R-I	0	0	0	0	30,967	0	0	0	0	0	0	30,967
Montgomery	Montgomery Co. R-II	94,623	26,449	47,230	50,240	48,101	95,101	0	0	30,730	60,138	94,416	547,028
Morgan	Morgan Co. R-I	0	0	0	0	0	3,825	34,423	16,591	34,709	22,318	0	111,866
New Madrid	Gideon 37	0	0	0	0	7,020	16,388	28,777	0	0	0	0	52,185
	Portageville	95,000	0	0	0	0	0	0	0	7,698	38,479	36,887	178,064
Newton	Diamond R-IV	0	0	0	0	0	0	0	0	0	0	13,358	13,358
	East Newton Co. R-VI	0	0	0	0	0	0	39,550	62,347	0	0	0	101,897
	Neosho R-V	0	0	0	0	2,127	28,512	53,087	73,019	46,139	94,707	217,566	515,157
	Seneca R-V11	0	25,815	46,098	48,948	49,086	98,156	49,272	99,966	0	0	0	417,341
	Westview C-6	0	33,230	41,537	44,188	52,604	0	10,605	25,806	32,019	0	18,944	258,933
Nodaway	Maryville R-II**	426,000	453,500	0	0	0	0	18,450	41,455	62,265	0	0	1,001,670
	Northeast Nodaway Co. R-V	0	0	0	0	24,725	0	0	0	0	0	0	24,725
	West Nodaway Co. R-I	0	24,127	30,159	30,803	34,956	17,694	35,166	0	0	0	0	172,905
Oregon	Alton R-IV	0	0	0	0	0	0	11,712	32,306	41,870	0	0	85,888
	Couch R-I	0	17,912	22,390	23,819	24,732	0	0	4,953	13,040	19,810	0	126,656
Osage	Osage Co. R-I	0	0	0	0	0	3,386	0	0	0	0	9,150	12,536
	Osage Co. R-II	0	0	0	0	0	15,728	49,724	87,815	28,994	56,111	67,354	305,726
	Osage Co. R-III	0	0	0	0	0	0	100,000	0	0	0	0	100,000
Ozark	Gainesville R-V	0	0	0	0	0	0	0	49,430	0	0	0	49,430

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SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
Pemiscot	Caruthersville 18	0	11,134	19,281	21,489	25,991	50,939	20,553	57,241	89,820	30,726	73,420	400,594
Perry	Perry Co. 32	0	9,485	11,844	12,600	15,000	0	0	23,649	57,639	87,548	0	217,765
Pettis	La Monte R-IV	0	0	0	0	0	0	0	0	0	0	378	378
	Sedalia 200	0	0	0	0	4,833	9,665	14,498	64,303	145,543	209,904	23,351	472,097
	Smithton R-VI	0	0	0	0	0	0	0	0	0	0	2,048	2,048
Phelps	Phelps Co. R-III	0	0	0	0	0	0	27,966	12,218	29,003	52,274	0	121,461
	Rolla 31	0	0	0	0	0	0	0	0	32,831	63,535	153,649	250,015
	St. James R-I	0	21,300	38,036	38,120	44,776	91,924	21,867	54,698	85,886	31,275	50,274	478,156
Pike	Bowling Green R-I	0	24,002	42,584	45,185	38,578	59,672	47,278	93,692	28,844	56,012	87,941	523,788
	Louisiana R-II	0	37,302	48,073	72,934	86,825	0	0	0	0	0	0	245,134
	Pike Co. R-III	0	0	0	0	21,936	43,871	87,264	15,151	35,225	47,223	0	250,670
Platte	North Platte Co. R-I	0	0	0	0	29,150	58,300	122,895	0	0	0	0	210,345
	Park Hill	0	0	0	0	0	20,183	30,721	52,377	9,817	34,333	108,307	255,738
	Platte Co. R-III	0	34,973	43,716	46,244	65,274	0	0	0	0	0	0	190,207
Polk	Bolivar R-I	0	0	0	0	0	0	0	0	29,835	48,581	101,035	179,451
	Fair Play R-II	0	0	0	0	0	30,152	11,713	30,183	35,962	0	0	108,010
	Humansville R-IV	97,502	0	0	0	0	0	0	0	29,911	57,643	82,555	267,611
	Pleasant Hope R-VI	0	0	0	0	0	20,185	40,370	51,559	0	0	0	112,114
Pulaski	Dixon R-I	0	0	0	0	0	3,918	30,118	8,300	19,297	28,384	0	90,017
	Laquey R-V	0	0	0	0	16,807	33,613	0	0	14,844	19,707	30,940	115,911
	Richland R-IV	193,209	26,449	33,061	35,171	56,618	15,000	97,600	23,382	71,552	0	0	552,042
	Swedeborg R-III	0	0	0	0	0	44,381	0	0	0	0	0	44,381
	Waynesville R-VI	0	0	0	0	0	0	0	0	24,407	57,559	109,482	191,448
Randolph	Moberly	0	10,672	19,058	20,275	21,082	42,164	33,723	75,543	109,734	112,598	176,780	621,629
	Northeast Randolph Co R-IV	0	0	0	0	17,854	36,780	0	0	0	0	0	54,634
	Renick R-V	0	0	0	0	0	0	0	0	9,703	18,416	38,150	66,269
Ray	Lawson R-XIV	0	0	0	0	0	8,150	16,300	32,662	9,238	26,369	20,020	112,739
	Orrick R-XI	0	0	0	0	0	0	8,544	18,579	14,838	20,072	55,817	117,850
	Richmond R-XVI	0	0	0	0	0	0	9,942	39,194	32,880	51,515	19,994	153,525
Reynolds	Bunker R-III	0	0	0	0	0	30,789	54,588	0	0	0	0	85,377
	Southern Reynolds Co. R-II	57,224	39,500	49,376	52,546	64,593	33,156	84,370	53,838	96,006	0	0	530,609
Ripley	Doniphan R-I	0	0	0	0	7,574	28,202	56,425	18,179	36,449	59,965	0	206,794
	Naylor R-II	0	0	0	0	0	35,236	46,231	0	0	0	0	81,467
Saline	Marshall	0	0	0	0	3,203	6,406	62,209	126,876	207,797	33,615	74,247	514,353
	Orearville R-IV	0	0	0	0	0	0	0	0	0	0	2,348	2,348
Scott	Chaffee R-II	0	0	0	0	0	0	-1	24,103	33,717	0	0	57,819
	Scott Co. R-IV	0	0	0	0	2,084	10,090	27,443	19,289	44,844	68,126	0	171,876
	Sikeston R-6	0	86,843	108,554	115,483	137,479	99,975	199,950	67,298	106,077	110,105	261,724	1,293,488
Shannon	Winona R-III	0	0	0	0	13,543	27,086	54,172	29,922	52,842	28,314	44,457	250,336
St. Charles	Francis Howell R-III	0	44,218	55,272	45,741	62,445	30,000	45,000	98,004	32,913	63,694	96,000	573,287
	Ft. Zumwalt R-II	0	0	0	0	36,500	73,000	128,148	61,103	97,506	121,586	62,803	580,646
	Orchard Farm R-V	0	0	0	0	0	25,000	50,000	87,933	0	0	0	162,933
	St. Charles R-VI	0	26,846	47,940	51,000	50,000	100,000	0	0	0	0	30,893	306,679
	Wentzville R-IV	0	0	0	0	0	0	0	0	31,473	47,812	76,520	155,805

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
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SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
St. Francois	Central R-III	0	0	0	0	43,828	87,700	175,400	108,887	192,293	0	0	608,108
	Farmington R-VII	0	0	0	0	0	0	27,600	62,170	100,000	127,389	188,484	505,643
	North St. Francois Co. R-I	0	11,839	21,141	22,490	22,138	44,275	12,730	27,063	40,521	0	0	202,197
St. Louis City	St. Louis City	94,000	0	0	0	25,000	59,900	89,850	45,633	54,613	74,978	103,203	547,177
St. Louis Co.	Affton 101	0	0	0	0	2,927	5,855	8,782	8,782	8,719	4,727	5,475	45,267
	Brentwood	0	0	0	0	49,250	100,000	200,000	106,590	192,724	0	0	648,564
	Ferguson-Florissant R-II	36,910	42,954	73,049	172,439	173,599	225,628	48,429	102,111	0	0	0	875,119
	Hazelwood	93,000	76,049	135,802	144,470	132,421	186,937	32,622	70,193	104,620	73,225	148,704	1,198,043
	Jennings	0	0	0	0	28,479	56,958	106,825	81,524	112,248	103,046	169,291	658,371
	Kirkwood R-VII	0	0	0	0	0	0	0	0	0	46,059	58,185	104,244
	Lindbergh R-VIII	0	0	0	0	5,855	11,710	17,564	17,564	50,057	72,258	156,371	331,379
	Maplewood-Richmond Heights	97,817	24,385	43,545	46,324	45,417	90,835	17,475	38,846	56,744	48,574	36,211	546,173
	Mehlville R-IX	0	74,562	133,146	77,730	114,775	165,119	236,467	168,805	179,063	77,322	153,880	1,380,869
	Normandy	0	0	0	0	-378	0	0	0	27,560	46,748	55,969	129,899
	Parkway C-2	0	0	85,194	90,632	77,170	100,710	45,117	73,800	31,516	55,185	131,643	690,967
	Ritenour	0	51,722	92,360	0	0	0	0	0	0	0	0	144,082
	Riverview Gardens	0	26,845	47,940	51,000	50,000	44,405	0	0	28,963	63,023	89,583	401,759
	Rockwood R-VI	93,000	63,567	79,459	100,471	100,129	118,205	67,396	28,313	65,826	95,883	0	812,249
	Special School District St. Louis Co.	0	52,077	62,396	69,251	82,443	9,180	14,419	45,842	0	38,694	35,532	409,834
	University City	0	0	0	0	45,921	57,020	26,066	53,485	11,055	25,292	33,059	251,898
	Valley Park	0	41,399	52,152	55,355	54,313	8,042	16,083	30,773	10,860	19,784	25,527	314,288
	Wellston	0	0	0	0	0	20,250	49,250	94,170	0	0	0	163,670
Stoddard	Dexter R-XI	0	30,321	54,120	57,600	78,930	101,619	147,546	93,449	157,510	78,123	121,353	920,571
Stone	Blue Eye R-V	0	0	0	0	0	0	0	106,303	0	0	0	106,303
	Hurley R-I	0	0	0	0	0	0	12,582	28,109	39,927	28,700	0	109,318
Stone	Reeds Spring R-IV	0	0	0	0	18,495	36,990	154,652	6,666	148,028	0	0	364,831
Sullivan	Green City R-I	0	10,346	12,933	37,612	52,215	0	0	0	0	0	0	113,106
Taney	Bradleyville R-I	0	0	0	0	0	0	0	0	0	0	7,570	7,570
	Branson R-IV	0	24,430	43,625	42,042	42,283	80,476	0	0	13,346	30,012	44,533	320,747
	Forsyth R-III	0	62,561	78,201	79,129	88,976	22,188	45,437	82,711	0	0	0	459,203
	Hollister R-V	0	0	0	0	24,960	48,483	99,998	0	0	0	0	173,441
	Kirbyville R-VI	0	0	0	0	38,820	0	0	0	0	0	0	38,820
	Taneyville R-II	0	0	0	0	0	5,603	11,207	22,413	0	0	0	39,223
Texas	Cabool R-IV	0	0	0	0	17,319	37,475	94,590	0	0	0	0	149,384
	Houston R-I	0	0	0	0	9,917	23,788	50,169	0	0	0	100,035	183,909
	Licking R-VIII	0	8,108	10,898	10,869	24,740	76,967	0	0	0	0	0	131,582
	Plato R-V	0	12,096	16,783	17,854	46,725	17,752	35,505	71,011	0	0	0	217,726
	Summersville R-II	0	0	0	0	0	11,051	27,516	55,196	9,680	27,092	51,821	182,356
Vernon	Bronaugh R-VII	0	0	0	0	6,250	12,500	27,905	0	0	0	0	46,655
	Nevada R-V	0	0	0	0	0	46,056	92,112	141,468	128,743	194,416	6,416	609,211
	Sheldon R-VIII	0	28,931	36,164	38,472	45,576	0	0	12,598	11,125	0	5,740	178,606
Warren	Warren Co. R-III	0	0	0	0	17,454	39,467	78,933	0	21,750	41,274	58,852	257,730

Appendix C

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,											
County	School District	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Total *
Washington	Kingston K-14	0	37,901	47,376	41,925	60,000	0	53,675	22,823	45,905	79,245	0	388,850
	Potosi R-III	0	0	0	0	0	25,000	50,000	100,000	36,138	68,383	0	279,521
Wayne	Clearwater R-I	0	0	0	0	0	24,386	43,573	15,870	30,423	0	0	114,252
	Greenville R-II	0	0	0	0	0	0	0	7,652	31,823	66,178	0	105,653
Webster	Marshfield R-I	0	9,266	16,546	17,602	17,178	41,874	2,344	1,994	2,338	112,170	17,240	238,552
	Niangua R-V	0	0	0	0	0	0	7,066	10,063	17,862	0	18,197	53,188
Wright	Mountain Grove R-III	84,926	0	0	0	20,000	44,100	84,176	6,150	5,966	62,287	104,496	412,101
	Norwood R-I	0	0	0	20,400	19,207	58,729	19,594	44,390	78,380	0	0	240,700
	Total Grant Payments	$ 2,880,894	2,966,517	3,928,518	4,229,997	6,128,777	8,391,520	8,728,569	8,224,203	8,667,365	8,477,305	8,739,526	71,363,191

* Because refund records were not retained, the grant payments were not adjusted for refunds from the school districts for periods prior to fiscal year 2001. In addition, the grant payments include the payments for the Pilot Safe Schools Grants listed at Appendix D.

** In fiscal years 2007 and 2006, the mega-consortium include the following school districts: Avenue City R-IV, Craig R-III, Fairfax R-III, Jefferson C-123, King City R-I, Maryville R-II, Mound City R-II, Nodaway-Holt R-VII, North Andrew Co. R-VI, Northeast Nodaway Co. R-V, North Nodaway Co. R-VI, Pattonsburg R-II, Rock Port R-II, South Holt Co. R-I, South Nodaway Co. R-IV, Stanberry R-II, Tarkio R-I, Union Star R-II, West Nodaway Co. R-I, and Worth Co. R-III.

Appendix D

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF PILOT SAFE SCHOOLS GRANT PAYMENTS TO SCHOOL DISTRICTS

		Year Ended June 30,					
County	School District	2006	2005	2004	2003	2002	Total
Buchanan	St. Joseph	$ 36,259	64,749	68,882	57,402	57,402	284,694
Callaway	Fulton 58	22,168	39,585	42,097	34,667	31,331	169,848
Camden	Camdenton R-III	27,794	49,632	52,800	44,000	39,064	213,290
Cedar	Stockton R-I	24,614	43,953	46,758	38,965	38,965	193,255
Christian	Nixa R-II	19,477	34,780	31,325	34,688	34,836	155,106
Clinton	Cameron R-I	23,172	40,592	40,375	33,648	35,841	173,628
Jackson	Blue Springs R-IV	36,730	65,586	70,183	56,325	54,006	282,830
	Hickman Mills C-I	23,375	46,540	38,321	50,465	52,087	210,788
	Kansas City 33	22,429	40,052	35,507	35,507	35,507	169,002
	Lee's Summit R-VII	36,483	65,148	69,306	57,752	52,924	281,613
	Raytown C-2	34,422	61,467	65,390	54,492	54,492	270,263
Lafayette	Lexington R-V	20,300	35,000	42,000	35,000	35,000	167,300
Pike	Bowling Green R-I	24,002	42,584	45,185	38,578	37,550	187,899
St. Louis Co.	Hazelwood	49,203	87,862	93,470	77,892	77,892	386,319
	Mehlville R-IX	74,562	133,146	77,730	64,775	51,834	402,047
	Parkway C-2	0	85,194	90,632	74,900	74,335	325,061
	Rockwood R-VI	63,567	79,459	100,471	83,280	84,507	411,284
Stoddard	Dexter R-XI	30,321	54,120	57,600	40,540	27,443	210,024
	Total Pilot Safe Schools Grant Payments	$ 568,878	1,069,449	1,068,032	912,876	875,016	4,494,251

Appendix E

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS REVIEWED

			Year Ended June 30,					
County	School District	Grant Type	2007	2006	2005	2004	2003	Total
Boone	Columbia 93	Safe Schools Grants						
		First Year	$ 0	0	0	0	92,541	92,541
		Second Year	0	0	0	77,735	0	77,735
		Third Year	0	0	69,973	0	0	69,973
		Fourth Year	0	58,456	0	0	0	58,456
		Less Refunds	0	0	0	(6,707)	(3,500)	(10,207)
		Total Grant Payments	0	58,456	69,973	71,028	89,041	288,498
Buchanan	St. Joseph	Safe Schools Grants						
		First Year	94,000	0	0	0	0	94,000
		Pilot Safe Schools Grants	0	36,259	64,749	68,882	57,402	227,292
		Re-Entry Project Grants	0	15,040	18,800	20,000	25,000	78,840
		Total Grant Payments	94,000	51,299	83,549	88,882	82,402	400,132
Callaway	Fulton 58	Safe Schools Grants						
		Second Year	0	0	0	0	45,500	45,500
		Third Year	0	0	0	45,692	0	45,692
		Fourth Year	0	0	42,950	0	0	42,950
		Fifth Year	0	24,052	0	0	0	24,052
		Pilot Safe Schools Grants	0	22,168	39,585	42,097	35,093	138,943
		Less Refunds	0	0	0	0	(3,537)	(3,537)
		Total Grant Payments	0	46,220	82,535	87,789	77,056	293,600
Cass	Harrisonville R-IX	Safe Schools Grants						
		Second Year	0	0	0	0	42,102	42,102
		Third Year	0	0	0	33,115	0	33,115
		Fourth Year	0	0	33,145	0	0	33,145
		Fifth Year	0	17,516	0	0	0	17,516
		Total Grant Payments	0	17,516	33,145	33,115	42,102	125,878

Appendix E

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS REVIEWED

			Year Ended June 30,					
County	School District	Grant Type	2007	2006	2005	2004	2003	Total
Cole	Jefferson City	Safe Schools Grants						
		First Year	94,000	0	0	0	30,761	124,761
		Second Year	0	0	0	25,223	0	25,223
		Third Year	0	0	21,428	0	0	21,428
		Fourth Year	0	19,430	0	0	0	19,430
		Less Refunds	0	0	0	0	(3,043)	(3,043)
		Total Grant Payments	94,000	19,430	21,428	25,223	27,718	187,799
Jackson	Blue Springs R-IV	Safe Schools Grants						
		First Year	93,000	0	0	0	0	93,000
		Second Year	0	0	0	0	47,556	47,556
		Third Year	0	0	0	48,508	0	48,508
		Fourth Year	0	0	43,367	0	0	43,367
		Fifth Year	0	25,535	0	0	0	25,535
		Pilot Safe Schools Grants	0	36,730	65,586	70,183	58,502	231,001
		Resource Officer Grant	0	0	0	0	7,469	7,469
		Less Refunds	0	0	0	0	(2,177)	(2,177)
		Total Grant Payments	93,000	62,265	108,953	118,691	111,350	494,259
Lafayette	Concordia R-II	Safe Schools Grants						
		First Year	0	0	0	0	46,046	46,046
		Second Year	0	0	0	30,574	0	30,574
		Third Year	0	0	32,570	0	0	32,570
		Fourth Year	0	17,764	0	0	0	17,764
		Less Refunds	0	0	(498)	0	(166)	(664)
		Total Grant Payments	0	17,764	32,072	30,574	45,880	126,290
Lincoln	Elsberry R-II	Safe Schools Grants						
		First Year	0	0	0	0	82,850	82,850
		Second Year	0	0	0	69,594	0	69,594
		Third Year	0	0	65,418	0	0	65,418
		Fourth Year	0	52,334	0	0	0	52,334
		Total Grant Payments	0	52,334	65,418	69,594	82,850	270,196

Appendix E

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS REVIEWED

			Year Ended June 30,					
County	School District	Grant Type	2007	2006	2005	2004	2003	Total
Nodaway	Maryville R-II	Safe Schools Grants						
	(mega-consortium)	First Year	0	453,500	0	0	0	453,500
		Second Year	426,000	0	0	0	0	426,000
		Total Grant Payments	426,000	453,500	0	0	0	879,500
St. Louis Co.	Ferguson-Florissant R-II	Safe Schools Grants						
		First Year	36,910	0	0	0	0	36,910
		Second Year	0	0	0	0	93,599	93,599
		Third Year	0	0	0	93,571	0	93,571
		St. Louis County Truancy Court Grants	0	42,954	73,049	81,600	82,730	280,333
		Less Refunds	0	0	0	(2,732)	(2,730)	(5,462)
		Total Grant Payments	36,910	42,954	73,049	172,439	173,599	498,951
	Hazelwood	Safe Schools Grants						
		First Year	93,000	0	0	0	0	93,000
		Second Year	0	0	0	0	50,000	50,000
		Third Year	0	0	0	51,000	0	51,000
		Fourth Year	0	0	47,940	0	0	47,940
		Fifth Year	0	26,846	0	0	0	26,846
		Pilot Safe Schools Grants	0	49,203	87,862	93,470	77,892	308,427
		Resource Officer Grant	0	0	0	0	4,529	4,529
		Total Grant Payments	93,000	76,049	135,802	144,470	132,421	581,742
	Maplewood-Richmond Heights	Safe Schools Grants						
		First Year	97,817	0	0	0	0	97,817
		Second Year	0	0	0	0	45,417	45,417
		Third Year	0	0	0	46,324	0	46,324
		Fourth Year	0	0	43,545	0	0	43,545
		Fifth Year	0	24,385	0	0	0	24,385
		Total Grant Payments	97,817	24,385	43,545	46,324	45,417	257,488
	Mehlville R-IX	Safe Schools Grants						
		Second Year	0	0	0	0	50,000	50,000
		Pilot Safe Schools Grants	0	74,562	133,146	77,730	64,775	350,213
		Total Grant Payments	0	74,562	133,146	77,730	114,775	400,213

Appendix E

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
SAFE SCHOOLS GRANT PROGRAM
SCHEDULE OF GRANT PROGRAM PAYMENTS TO SCHOOL DISTRICTS REVIEWED

County	School District	Grant Type	Year Ended June 30, 2007	2006	2005	2004	2003	Total
	Rockwood R-VI	Safe Schools Grants						
		First Year	93,000	0	0	0	0	93,000
		Second Year	0	0	0	0	16,849	16,849
		Pilot Safe Schools Grants	0	63,567	79,459	100,471	84,531	328,028
		Less Refunds	0	0	0	0	(1,251)	(1,251)
		Total Grant Payments	93,000	63,567	79,459	100,471	100,129	436,626
	Total Grant Payments to School Districts Reviewed		$ 1,027,727	1,060,301	962,074	1,066,330	1,124,740	5,241,172

Susan Montee, CPA
Missouri State Auditor

December 2007

INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION

Insurance

Three Years Ended June 30, 2007

Report No. 2007-84

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

The following findings were included in our audit report on the Department of Insurance, Financial Institutions, and Profession Registration - Insurance.

The Department of Insurance, Financial Institutions, and Profession Registration – Insurance (DIFP-Insurance) does not adequately document all reconciliations of receipt and disbursement transactions. In addition, the DIFP-Insurance does not have adequate procedures in place to help ensure travel costs directly billed to the department were actually incurred prior to payment. Direct billed travel costs generally include commercial airfare and hotel expenses, and totaled approximately $200,000, $250,000, and $270,000 during the years ended June 30, 2007, 2006, and 2005, respectively. Also, the DIFP-Insurance does not transmit all receipts to the Department of Revenue (DOR) on a timely basis. A review of the February 2007 log noted 293 checks totaling approximately $308,000 were held an average of three days for checks that were returned to the payee and eight days for checks that were transmitted to DOR.

State laws provide the director of the DIFP with the authority to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. As of June 30, 2007, there were two Missouri chartered insurance companies in rehabilitation and eleven in liquidation. Many of these receiverships have continued for several years with seven companies in receivership for at least 10 years. For those companies involved in the liquidation process, various expenses are incurred which decrease the overall assets available at final liquidation. Total disbursements for receiverships administered by the DIFP-Insurance or its contracted vendors exceeded $11 million for the three years ended June 30, 2007. We noted the following concerns during our review of expenditures of the receiverships:

- Contracts were not maintained to support some monthly expenditures.
- Rates were paid in excess of those allowed by court order.
- Supporting documentation did not always contain proper approval.
- Receipt and disbursement records were not always complete.
- An agent of the department was able to write checks to himself for services rendered without prior approval by the department.

A similar condition was noted in our prior report.

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The department does not have adequate procedures in place to track and monitor compliance with reporting requirements for guarantee associations and self-insurers. Additionally, the department does not have procedures in place to document the review of reports received from self-insurers.

The DIFP-Insurance did not perform market conduct examinations of Health Maintenance Organizations (HMOs) as required by state law. During our audit period, 7 of 23 HMOs were not reviewed once every three years as required by state statute. In addition, adequate procedures are not in place to ensure companies are submitting required action plans to correct violations noted during examinations, or to reexamine companies who were issued fines or cure orders exceeding the tolerance ranges established by the National Association of Insurance Companies.

Missouri is one of only five states to allow insurance companies to receive tax credits for examination costs. For the tax years 2006 and 2005, examination tax credits claimed were approximately $2.1 and $1.9 million, respectively. For the tax year 2006, available credits were $13.4 million with a carryover of approximately $6.9 million. In essence, the state's General Revenue Fund is paying a significant portion of the examination costs instead of charging all costs to insurance companies as a part of doing business in Missouri. A similar condition was noted in our prior report.

The DIFP-Insurance receives a federal grant from the U.S. Department of Health and Human Services (DHHS), Centers for Medicare and Medicaid Services to contract with a not-for-profit foundation to provide insurance counseling services for senior citizens. As similarly noted in prior audits, the DIFP-Insurance does not always require the foundation to provide detailed documentation supporting amounts claimed for reimbursement under the grant agreement. Amounts paid to the foundation totaled approximately $600,000, $558,000, and $439,000 for the years ended June 30, 2007, 2006, and 2005, respectively.

State law allows the DIFP-Insurance to assess up to $1,000 for the first offense on late filings for surplus lines policies issued, and up to $2,000 for additional offenses. However, no penalties were assessed during our audit period. Due to the lack of tracking procedures, we were unable to determine the extent late filings occurred. Failure to track late filings and assess penalties could result in an increased number of surplus lines tax forms not being filed in a timely manner. A similar condition was noted in our prior report.

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DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE

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DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE

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State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Matt Blunt, Governor
and
Douglas M. Ommen, Director
Department of Insurance, Financial Institutions,
and Professional Registration
Jefferson City, MO

We have audited the accompanying Combined Statements of Receipts, Disbursements, and Changes in Cash and Investments of the Federal Missouri Department of Insurance (MDI) Fund, Insurance Dedicated Fund, Insurance Examiners Fund, and Receivership Accounts; Comparative Statement of Receipts of the General Revenue Fund, Workers Compensation Fund, and State School Moneys Fund; and Comparative Statement of Appropriations and Expenditures of the various funds related to the regulation of insurance of the Department of Insurance, Financial Institutions, and Professional Registration (DIFP-Insurance) as of and for the years ended June 30, 2007, 2006, and 2005. These financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the DIFP-Insurance as of June 30, 2007, 2006, and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Federal MDI Fund, Insurance Dedicated Fund, Insurance Examiners Fund, and Receivership Accounts; the receipts of the General Revenue Fund, Workers Compensation Fund, and State School Moneys Fund; and the appropriations and expenditures of the various funds of the DIFP-Insurance as of and for the years ended June 30, 2007, 2006, and 2005, on the bases of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 24, 2007, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the bases of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A portion of the department's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Susan Montee, CPA
State Auditor

August 24, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Keri Wright
Audit Staff:	Matthew Schulenberg
	Brian Huff
	Kimberly Shepard

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

Honorable Matt Blunt, Governor
and
Douglas M. Ommen, Director
Department of Insurance, Financial Institutions,
and Professional Registration
Jefferson City, MO

We have audited the financial statements of the various funds related to the regulation of insurance of the Department of Insurance, Financial Institutions, and Professional Registration (DIFP-Insurance) as of and for the years ended June 30, 2007, 2006, and 2005, and have issued our report thereon dated August 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the DIFP-Insurance, we considered the department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or

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detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the department's financial statements that is more than inconsequential will not be prevented or detected by the department's internal control. We consider the deficiency described as finding number 1 in the accompanying Management Advisory Report to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency referred to above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the DIFP-Insurance are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of the DIFP-Insurance to the findings identified in our audit are described in the accompanying Management Advisory Report. We did not audit the department's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of the DIFP-Insurance and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

August 24, 2007

Financial Statements

Exhibit A-1

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2007

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	Receivership Accounts	Total (Memorandum Only)
RECEIPTS					
Federal grant	$ 600,000	0	0	0	600,000
Examination fees	0	7,649,074	0	0	7,649,074
Brokers	0	0	6,026,145	0	6,026,145
Merchant licenses	0	0	1,211,091	0	1,211,091
Regulatory fees and renewals	0	0	1,425,228	0	1,425,228
Contract service fees	0	0	62,500	0	62,500
Miscellaneous fees	0	0	438,055	0	438,055
Filing fees	0	0	750,198	0	750,198
Interest	0	0	535,197	0	535,197
Premium/investment income	0	0	0	134,519	134,519
Appropriated transfers in	0	0	960	0	960
Other	0	25	66,653	0	66,678
Total Receipts	600,000	7,649,099	10,516,027	134,519	18,899,645
DISBURSEMENTS					
Personal service	0	4,857,323	4,564,652	0	9,421,975
Employee fringe benefits	0	1,696,611	1,972,573	0	3,669,184
Expense and equipment	0	1,000,177	958,682	0	1,958,859
Workers' compensation claims	0	713	2,770	0	3,483
Insurance counseling contract costs	600,000	0	200,000	0	800,000
Lease parking	0	0	8,930	0	8,930
Other refunds	0	5	35,373	0	35,378
Unemployment benefits	0	1,153	10,735	0	11,888
Cost allocation plan	0	113,694	127,388	0	241,082
Claims/distributions	0	0	0	27,150	27,150
Administration/legal fees	0	0	0	23,098	23,098
State office building rent, maintenance, and repair	0	65,287	342,900	0	408,187
Other	0	0	0	8,856	8,856
Total Disbursements	600,000	7,734,963	8,224,003	59,104	16,618,070
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(85,864)	2,292,024	75,415	2,281,575
CASH AND INVESTMENTS, JULY 1	0	1,101,457	11,126,857	2,329,238	14,557,552
CASH AND INVESTMENTS, JUNE 30	$ 0	1,015,593	13,418,881	2,404,653	16,839,127

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2006

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	Receivership Accounts	Total (Memorandum Only)
RECEIPTS					
Federal grant	$ 558,594	0	0	0	558,594
Examination fees	0	7,660,768	0	0	7,660,768
Brokers	0	0	5,989,510	0	5,989,510
Merchant licenses	0	0	1,081,396	0	1,081,396
Regulatory fees and renewals	0	0	2,451,504	0	2,451,504
Miscellaneous fees	0	0	514,125	0	514,125
Filing fees	0	0	790,125	0	790,125
Interest	0	0	347,747	0	347,747
Premium/investment income	0	0	0	108,985	108,985
Appropriated transfers in	0	3,826	0	0	3,826
Other	0	4,581	66,370	0	70,951
Total Receipts	558,594	7,669,175	11,240,777	108,985	19,577,531
DISBURSEMENTS					
Personal service	0	4,595,556	4,369,224	0	8,964,780
Employee fringe benefits	0	1,534,776	1,793,571	0	3,328,347
Expense and equipment	0	1,287,125	1,039,563	0	2,326,688
State office building rent, maintenance and repair	0	53,639	297,187	0	350,826
Workers' compensation claims	0	10,501	33,588	0	44,089
Insurance counseling contract costs	558,594	0	200,000	0	758,594
Lease parking	0	0	6,900	0	6,900
Other refunds	0	0	23,648	0	23,648
Unemployment benefits	0	0	24,750	0	24,750
Cost allocation plan	0	110,966	186,332	0	297,298
Claims/distributions	0	0	0	31,600	31,600
Administration/legal fees	0	0	0	57,917	57,917
Other	0	0	0	8,835	8,835
Total Disbursements	558,594	7,592,563	7,974,763	98,352	16,224,272
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	76,612	3,266,014	10,633	3,353,259
CASH AND INVESTMENTS, JULY 1	0	1,024,845	7,860,843	2,318,605	11,204,293
CASH AND INVESTMENTS, JUNE 30	$ 0	1,101,457	11,126,857	2,329,238	14,557,552

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2005

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	Receivership Accounts	Total (Memorandum Only)
RECEIPTS					
Federal grant	$ 439,248	0	0	0	439,248
Examination fees	0	7,828,554	0	0	7,828,554
Brokers	0	0	5,335,420	0	5,335,420
Merchant licenses	0	0	1,120,525	0	1,120,525
Regulatory fees and renewals	0	0	1,718,125	0	1,718,125
Miscellaneous fees	0	0	601,590	0	601,590
Filing fees	0	0	846,646	0	846,646
Interest	0	0	161,804	0	161,804
Premium/investment income	0	0	0	69,393	69,393
Other	0	1,210	22,753	0	23,963
Total Receipts	439,248	7,829,764	9,806,863	69,393	18,145,268
DISBURSEMENTS					
Personal service	0	4,841,499	4,597,131	0	9,438,630
Employee fringe benefits	0	1,519,151	1,774,859	0	3,294,010
Expense and equipment	0	1,301,238	993,334	0	2,294,572
State office building rent, maintenance and repair	0	36,992	366,758	0	403,750
Workers' compensation claims	0	0	48,273	0	48,273
Insurance counseling contract costs	439,248	0	200,000	0	639,248
Lease parking	0	0	8,280	0	8,280
Other refunds	0	0	34,979	0	34,979
Unemployment benefits	0	3,386	1,683	0	5,069
Cost allocation plan	0	113,873	127,276	0	241,149
Claims/distributions	0	0	0	614,328	614,328
Administration/legal fees	0	0	0	73,547	73,547
Other	0	0	0	8,639	8,639
Total Disbursements	439,248	7,816,139	8,152,573	696,514	17,104,474
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	13,625	1,654,290	(627,121)	1,040,794
CASH AND INVESTMENTS, JULY 1	0	1,011,220	6,206,553	2,945,726	10,163,499
CASH AND INVESTMENTS, JUNE 30	$ 0	1,024,845	7,860,843	2,318,605	11,204,293

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND
PROFESSIONAL REGISTRATION - INSURANCE
COMPARATIVE STATEMENT OF RECEIPTS

		Year Ended June 30,		
		2007	2006	2005
GENERAL REVENUE FUND				
Premium taxes	$	204,261,768	194,892,611	175,354,100
Surplus lines taxes		25,208,756	21,988,619	24,929,502
Total General Revenue Fund	$	229,470,524	216,881,230	200,283,602
WORKERS' COMPENSATION FUND				
Workers' compensation taxes	$	6,333,807	2,070,358	23,545,506
STATE SCHOOL MONEYS FUND				
Fines and forfeitures	$	636,617	1,310,956	1,711,248

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND
PROFESSIONAL REGISTRATION - INSURANCE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	2007			2006			2005		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Laps Balan
FEDERAL - MDI FUND									
Health Insurance Counseling	$ 600,000	600,000	0	600,000	558,594	41,406	450,000	439,248	10
Total Federal - MDI Fund	600,000	600,000	0	600,000	558,594	41,406	450,000	439,248	10
INSURANCE EXAMINERS FUND									
Personal Service	5,384,531	4,857,323	527,208	5,177,435	4,595,556	581,879	5,177,435	4,841,499	335
Expense and Equipment	1,895,189	911,748	983,441	1,895,189	1,213,435	681,754	2,051,817	1,301,238	750
IT Consolidation - Expense and Equipment	156,628	88,428	68,200	156,628	73,690	82,938	0	0	
Refunds	500	5	495	1	0	1	1	0	
Insurance - State Owned	65,287	65,287	0	0	0	0	0	0	
Unemployment Benefits	2,802	1,154	1,648	0	0	0	6,000	3,386	2
Total Insurance Examiners Fund	7,504,937	5,923,945	1,580,992	7,229,253	5,882,681	1,346,572	7,235,253	6,146,123	1,089
INSURANCE DEDICATED FUND									
IT Consolidation - Personal Service	465,644	441,988	23,656	532,388	480,427	51,961	0	0	
IT Consolidation - Expense and Equipment	467,839	390,109	77,730	379,339	377,133	2,206	0	0	
Insurance - State Owned	342,900	342,900	0	0	0	0	0	0	
Unemployment Benefits	16,242	10,735	5,507	30,000	24,750	5,250	15,000	1,684	13
Insurance Leasing	9,194	8,930	264	8,461	6,900	1,561	18,342	8,280	10
Health Insurance Counseling	200,000	200,000	0	200,000	200,000	0	200,000	200,000	
Personal Service	4,509,107	4,122,664	386,443	4,403,264	3,888,797	514,467	5,032,976	4,597,131	435
Expense and Equipment	1,049,865	568,574	481,291	1,154,265	662,430	491,835	1,422,704	993,334	429
Refunds	75,000	35,373	39,627	75,000	23,648	51,352	35,000	34,978	
Total Insurance Dedicated Fund	7,135,791	6,121,273	1,014,518	6,782,717	5,664,085	1,118,632	6,724,022	5,835,407	888
Total All Funds	$ 15,240,728	12,645,218	2,595,510	14,611,970	12,105,360	2,506,610	14,409,275	12,420,778	1,988

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND
PROFESSIONAL REGISTRATION - INSURANCE
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund related to the regulation of insurance of the Department of Insurance, Financial Institutions, and Professional Registration (DIFP-Insurance).

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Federal Missouri Department of Insurance (MDI) Fund, Insurance Dedicated Fund, Insurance Examiners Fund, and Receivership Accounts. Appropriations from these funds are expended by or for the department for restricted purposes. The Receivership Accounts are controlled entirely by the department and are not subject to appropriations.

The DIFP-Insurance takes control of the assets and operations of insurance companies ordered into rehabilitation or liquidation by the courts, commonly referred to as receiverships. At June 30, 2007, thirteen insurance companies were in rehabilitation or liquidation. Department officials or employees control the operations and assets of three of these companies, which are included in the Receivership Accounts on Exhibit A. The department has appointed special deputy receivers to control the operation and assets of five companies and has contracted with vendors in the Kansas City area to oversee the operations and assets of five companies. The special deputy receivers and vendors are not officials or employees of the department, therefore, the financial activities of these companies are not presented in the financial statements. However, the financial activities of the companies administered by vendors under contract with the DIFP-Insurance have been presented in the Statistical Section.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Receipts are presented in Exhibit B for the General Revenue Fund, Workers' Compensation Fund, and State School Moneys Fund. Receipts include monies the DIFP-Insurance collects during its normal activities and remits to the funds. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and fund balances or net assets of the related funds but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Combined Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Comparative Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Comparative Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting. Expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations.

However, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the 2-year period are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The cash basis of accounting and the budgetary basis of accounting differ from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Federal MDI Fund: The department administers a program financed wholly or partially by the federal monies maintained in the state treasury in the Federal MDI Fund. These federal monies may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize disbursement of the department's federal monies.

Insurance Examiners Fund: This fund is authorized by Sections 374.160 and 374.162, RSMo, to receive all monies paid to the state by insurance companies for the costs incurred by the department in conducting examinations, valuations, or

proceedings against such companies. Expenditures, authorized by appropriations, are to be used for the purpose of paying the compensation of insurance examiners and expenses incurred for supervision and support of the examiners. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund.

Insurance Dedicated Fund: This fund is authorized by Section 374.150, RSMo, to receive all fees due to the state under the provision of the insurance laws. Appropriations from this fund are to be used solely for payment of expenditures incurred by the department in performing the duties required by law which are not paid for by another source of funds. Any unexpended balance in this fund is perpetually maintained for the purposes of this fund unless the unencumbered balance at the close of the biennium year exceeds two times the total amount appropriated, paid, or transferred to the fund during such fiscal year.

Receivership Accounts: The DIFP-Insurance established various joint bank accounts and investments outside of the state treasury for the payment of claims and administrative expenses for insurance companies that were placed under rehabilitation or liquidation by the department. These funds are not state funds.

General Revenue Fund: The DIFP-Insurance does not receive appropriations from this fund and does not maintain a proprietary interest in the fund. Receipts collected by the department and deposited into the state's General Revenue Fund include the following:

1) Premium Taxes: In accordance with various provisions of Chapter 148, RSMo, insurance companies licensed in the state are required to pay a two percent tax on direct premiums received during the calendar year. The department certifies to the Department of Revenue the amount of premium taxes due together with the amount of quarterly installments to be paid by the insurance companies. The Department of Revenue collects the premium taxes and deposits them into the General Revenue Fund. Some premium taxes deposited into the General Revenue Fund are not available for general revenue purposes. The provisions of Chapter 148, RSMo, restrict about 50 percent of such premium taxes for distribution to the various school districts in the state.

2) Surplus Lines: In accordance with various provisions of Chapter 384, RSMo, the department collects and deposits into the General Revenue Fund a five percent tax on net premiums for high risk insurance that is underwritten by a surplus lines insurer. The department certifies to the Department of Revenue all penalties and interest due as a result of late payments. The Department of Revenue collects the penalties and interest and deposits them into the General Revenue Fund.

Workers' Compensation Fund: In accordance with Section 287.690, RSMo, on October 31 each year, the director of the Division of Workers' Compensation estimates the amount of revenue required to administer this chapter and determines the rate of tax for the following calendar year based on that estimate as well as the estimated December 31 balance of the fund. The tax, which is imposed upon all insurance companies providing workers' compensation insurance coverage and authorized self-insurers, shall not exceed two percent in lieu of all other taxes on the workers' compensation net deposits, net premiums, or net assessments. The Department of Revenue collects these taxes and deposits them into the Workers' Compensation Fund.

State School Moneys Fund: Fines and forfeitures imposed and collected by the department under the Missouri Insurance Code are deposited into the State School Moneys Fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, and deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least 1 year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; employee and retiree health care premiums; and the deferred compensation incentive amount.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the Insurance Dedicated Fund and Insurance Examiners Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

2. Cash and Investments

The balances of the Federal MDI Fund, Insurance Dedicated Fund, and Insurance Examiners Fund are pooled with other state funds and invested by the state treasurer.

The balances of the Receivership Accounts are held outside the state treasury and are not considered state funds.

3. State Office Building Rent, Maintenance, and Repair

The Office of Administration calculated the proportional share of operating costs and maintenance and repair, and renovation costs for the department's occupancy in state-owned buildings. Monthly transfers were made from the Insurance Examiners Fund and Insurance Dedicated Fund to the state's General Revenue Fund to cover each fund's share of the costs.

4. Insurance Counseling Contract Costs

The department contracted with Primaris, formerly the Missouri Patient Care Review Foundation, to provide insurance counseling services for senior citizens. This expenditure category represents the costs associated with the contract paid from the Federal MDI fund.

5. Lease Parking

The Missouri General Assembly made appropriations from the Insurance Dedicated Fund for the department's proportionate share of lease parking at the state office buildings in St. Louis and Kansas City. These appropriations are administered by the Office of Administration, Division of Facilities Management.

6. Cost Allocation Plan

The Office of Administration calculated the state's costs of services provided by the Office of Administration, Department of Revenue, State Auditor, State Treasurer, and retiree health care to be allocated to the various funds based on how the various funds create work for agencies in the pools. Transfers were made from the Insurance Examiners Fund and Insurance Dedicated Fund to the state's General Revenue Fund to cover each fund's share of the costs.

7. Securities on Deposit

Insurance companies doing business in Missouri are required to deposit securities with the department for the protection of policy holders and creditors in accordance with various provisions of Chapters 354, 376, 379, 381, and 384, RSMo. Only capital securities are required and the requirements are dependent on the type of insurance company.

Securities having a total accepted value of approximately $255 million, $261 million, and $276 million at June 30, 2007, 2006, and 2005, respectively, were on deposit with the contracted bank. The accepted value is the market value of each security at year-end. These amounts are not included in the financial statements because the department has no ownership interest in them. Missouri domiciled insurance companies sometimes maintain securities on deposit in excess of Missouri requirements to meet the depository requirements of other states in which they do business. Foreign domiciled insurance companies are frequently not required to deposit securities with the department if securities meeting Missouri requirements are on deposit with the applicable state of domicile.

8. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

Insurance Examiners Fund

	Year Ended June 30,		
	2007	2006	2005
DISBURSEMENTS PER EXHIBIT A	$ 7,734,963	7,592,563	7,816,139
Employee fringe benefits	(1,696,611)	(1,534,776)	(1,519,151)
Cost Allocation Plan	(113,694)	(110,966)	(113,873)
Workers' Compensation Claims	(713)	(10,501)	0
Rent	0	(53,639)	(36,992)
EXPENDITURES PER EXHIBIT C	$ 5,923,945	5,882,681	6,146,123

Insurance Dedicated Fund

	Year Ended June 30,		
	2007	2006	2005
DISBURSEMENTS PER EXHIBIT A	$ 8,224,003	7,974,763	8,152,573
Employee fringe benefits	(1,972,573)	(1,793,571)	(1,774,859)
Cost Allocation Plan	(127,388)	(186,332)	(127,276)
Workers' Compensation Claims	(2,770)	(33,588)	(48,273)
Rent	0	(297,187)	(366,758)
EXPENDITURES PER EXHIBIT C	$ 6,121,272	5,664,085	5,835,407

9. Prior Period Adjustment

The July 1, 2004 cash and investment balance in the Receivership Accounts was increased by $42,140 for amounts not previously reported.

Supplementary Data

Schedule

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Salaries and wages	$ 9,421,975	8,964,780	9,438,630	9,303,182	9,595,885
Travel, in-state	299,824	320,436	315,853	266,763	403,959
Travel, out-of-state	560,385	840,567	793,215	1,087,842	1,001,410
Supplies	143,581	199,583	199,936	222,291	243,260
Professional development	124,305	103,491	94,890	71,886	143,369
Communication service and supplies	146,040	149,559	188,265	215,799	227,574
Services:					
Professional	283,874	307,069	336,331	458,625	460,601
Housekeeping and janitorial	418	0	0	53	442
Maintenance and repair	112,332	148,389	87,070	103,228	85,172
Computer equipment	200,817	92,779	182,541	140,345	281,749
Motorized equipment	0	0	0	10,185	34,738
Office equipment	27,688	37,277	9,707	11,026	1,235
Other Equipment	2,687	18,699	12,703	0	0
Debt service	5,364	9,998	7,732	7,882	14,746
Real property rentals and leases	417,117	6,900	9,350	8,607	10,030
Equipment rental and leases	47,107	43,222	60,874	76,279	69,277
Miscellaneous expenses	4,437	5,619	4,385	8,965	4,731
Refunds	35,378	73,648	34,979	61,909	63,455
Program distributions	811,889	783,344	644,317	272,210	312,958
Total Expenditures	$ 12,645,218	12,105,360	12,420,778	12,327,077	12,954,591

Note: Certain classifications of expenditures changed during the five-year period, which may affect the comparability of the amounts.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report –
State Auditor's Findings

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND
PROFESSIONAL REGISTRATION - INSURANCE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the various funds related to the regulation of insurance of the Department of Insurance, Financial Institutions, and Professional Registration (DIFP-Insurance) as of and for the years ended June 30, 2007, 2006, and 2005, and have issued our report thereon dated August 24, 2007.

The following Management Advisory Report presents our findings arising from our audit of the department's financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered all-inclusive of areas needing improvement.

1. Internal Control Procedures

The DIFP-Insurance does not have adequate internal control procedures in place over the receipt and disbursement process. Our review over internal controls noted the following concerns:

A. The DIFP-Insurance does not adequately document all reconciliations of receipt and disbursement transactions. Department personnel indicated that on a monthly basis reconciliations are performed by the Support Services Section by comparing receipts and disbursement records from the department's internal transaction system to the records on the Statewide Advantage for Missouri System (SAM II). Additionally, while reconciliations are not always performed by someone independent of the receipt and disbursement process, the department indicated a supervisory review and approval of the reconciliations is performed. However, our review noted the reconciliations performed and the supervisory reviews of the reconciliations are not adequately documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Without documentation of reconciliations and supervisory reviews performed, there is no assurance that proper controls are in place to help ensure all receipts and disbursements have been properly recorded.

B. The DIFP-Insurance does not have adequate procedures in place to help ensure travel costs directly billed to the department were actually incurred prior to payment. Direct billed travel costs generally include commercial airfare and hotel expenses, and totaled approximately $200,000, $250,000, and $270,000 during the years ended June 30, 2007, 2006, and 2005, respectively.
Travel costs can be either billed directly to the department or reimbursed through the

employee's expense account. For expenses billed directly to the department, employees are not required to provide indication that the expense billed was actually incurred, such as signing off on the original bill. Department personnel indicate they verify expenses billed directly to the department by comparing invoice dates against travel dates in employee expense accounts; however, this review is not documented.

Without proper documentation of either the receipt of goods and services or the review by department personnel, there is no assurance that the direct bills received are accurate and the department is not being double billed for expenses. A similar condition was noted in our prior report.

C. The DIFP-Insurance does not transmit all receipts to the Department of Revenue (DOR) on a timely basis. Frequently, checks are held by the Support Services Section until the receipt can be properly identified by supporting documentation or notification is received from another division that the check is for the correct amount. If the check is not for the correct amount, it will be returned to the payee. However, if the check is for the correct amount, it will be transmitted to DOR and deposited. The Support Services Section records the checks being held on a "pending check log," and also records the date the check is transmitted to DOR or returned to the payee.

A review of the February 2007 log noted 293 checks totaling approximately $308,000 were held an average of three days for checks that were returned to the payee and eight days for checks that were transmitted to DOR. While the department has improved their internal policy by allowing only 10 business days as opposed to 15 business days to transmit the pending checks to DOR or return them, receipts are still not being deposited in a timely manner. Additionally, we noted 14 instances during February 2007 in which checks were held between 11 and 31 business days, exceeding department policy.

To adequately safeguard monies and reduce the risk of loss and misuse of funds, checks should be returned or transmitted to DOR on a timely basis. A similar condition was noted in our prior report.

WE RECOMMEND the DIFP-Insurance:

A. Establish procedures for documenting receipt and disbursement reconciliations. This should include documentation of any supervisory reviews and approvals.

B. Establish procedures for verifying that direct billed expenses are accurate and were actually incurred, including the documentation of such reviews.

C. Continue to reduce the number of days receipts are held prior to being transmitted to DOR for deposit.

AUDITEE'S RESPONSE

A. This recommendation has been implemented. These reviews were being conducted as part of our current procedure and a step has been added in which the financial statements are initialed and dated when the review occurs.

B. This recommendation has been implemented. Comparison of direct billed expenses to expense accounts for individuals is currently part of the review process. This review and comparison will be documented with initials and dates when the review occurs.

C. The Department will continue its efforts to reduce the number of days receipts are held prior to being transmitted to the DOR for deposit. During February 2007, the Department was implementing the financial regulation component of its new invoicing system which created temporary delays in check processing. This system has moved all invoicing functions into support services and links the invoicing with cash receipts for improved accountability and tracking. Delays occurred as the Department received checks prior to the invoices being loaded into the system. This required the checks be held until they could accurately be matched to the appropriate invoice. This system is now fully functional and future delays should not occur.

2. Receiverships

The DIFP-Insurance does not require supporting documentation to be submitted nor periodically requests supporting documentation to ensure the accuracy and completion of reports submitted by receiverships' special deputies or agents.

Sections 375.1150 to 375.1246, RSMo, provide the director of the DIFP with the authority to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. Such companies placed into receivership are under circuit court supervision with the judge appointing the DIFP director as receiver. The director may then appoint a special deputy receiver or an agent. As of June 30, 2007, there were two Missouri chartered insurance companies in rehabilitation and eleven in liquidation. Many of these receiverships have continued for several years with seven companies in receivership for at least 10 years.

For those companies involved in the liquidation process, various expenses are incurred which decrease the overall assets available at final liquidation. These expenses can include items such as special deputy receiver fees, legal fees, professional services, office expenses, payroll, and travel. Total disbursements for receiverships administered by the DIFP-Insurance or its contracted vendors exceeded $11 million for the three years ended June 30, 2007.

The DIFP-Insurance has established regulations for insurance companies in receivership which require special deputies and agents to submit annual or semi-annual reports of the

receivership's financial activity. However, the DIFP-Insurance does not perform examinations of these companies, and these companies do not have independent audits unless required by the circuit court. While most bank statements are reviewed on a monthly basis by receivership staff, supporting documentation is not periodically requested and reviewed to ensure the accuracy and completeness of the financial activity reported for the receiverships. As a result, we noted the following concerns during our review of expenditures of the receiverships administered directly by the DIFP-Insurance:

- Contracts were not maintained to support some monthly expenditures,
- Rates were paid in excess of those allowed by court order,
- Supporting documentation did not always contain proper approval,
- Receipt and disbursement records were not always complete, and
- An agent of the department was able to write checks to himself for services rendered without prior approval by the department.

In addition, we noted that reports submitted to the department for a receivership administered by a contracted vendor were not always complete and accurate.

Without proper monitoring and review of supporting documentation and absent independent audits of these companies, the department cannot ensure the accuracy and completeness of the reports submitted by the receiverships. A similar condition was noted in our prior report.

WE RECOMMEND the DIFP-Insurance establish monitoring procedures to help ensure the accuracy and completeness of receivership reports. This should include, at a minimum, the periodic review of supporting documentation.

AUDITEE'S RESPONSE

The Department has monitoring procedures in place to assure that reports submitted are accurate. The Department requires an annual financial report from each company in receivership. The Department receives copies of all bank statements from each bank account of each company. The Department approves the salaries of all employees and approves all fee invoices of professional persons rendering services to the company, as does the supervising court. Often due to physical location prior approvals are given by electronic mail or phone calls but when the invoice is received it is initialed and dated. In two instances the approver failed to initial and date the invoice but the bill tracking spreadsheet noted the approvals. The Department will increase its efforts to ensure all invoices receive the initialed approvals. DIFP acknowledges an overpayment of $33 occurred concerning one vendor above the court approved rate. This overpayment will be deducted from a pending invoice and corrected. DIFP has a contractual arrangement with an insurance agency to manage a small insolvent company. By the terms of the contract, that agent is required to pay all bills, including the management fee to the agency. This contract serves as DIFP approval to write checks to the agency for the contracted amount.

DIFP is working with the contract vendor to ensure all checks written and deposits made are recorded in a timely manner. DIFP will continue to monitor this process to ensure receipts and disbursements are recorded in a timely manner.

3. Reporting Requirements

The department does not have adequate procedures in place to track and monitor compliance with reporting requirements for guarantee associations and self-insurers. Additionally, the department does not have procedures in place to document the review of reports received from self-insurers.

A. The DIFP-Insurance does not adequately monitor the Missouri Insurance Guaranty Association (MIGA) to help ensure they are in compliance with state reporting requirements.

The MIGA provides protection, within limits, to the insured, beneficiaries, and claimants who are disadvantaged due to the insolvency of a member insurance company. The MIGA administers two guaranty associations in Missouri: the Missouri Life and Health Insurance Guaranty Association (MLHIGA) and the Missouri Property and Casualty Insurance Guaranty Association (MPCIGA). While these associations are administered by the MIGA, they have separate and distinct responsibilities under their respective statutes.

The DIFP-Insurance performs financial examinations of the MLHIGA and the MPCIGA once every five years. In addition, the MLHIGA and the MPCIGA are required to submit annual reports to the department. However, our review found that the DIFP-Insurance was not tracking or reviewing the annual reports, nor maintaining them in a central location to help ensure the companies were in compliance with state statute.

Section 375.775.9 and 376.750.1, RSMo, states that the associations shall submit to the director each year a financial report in a form approved by the director and a report of its activities during the preceding fiscal year.

Without adequate procedures in place to track the receipt and review of guaranty association annual reports, the department cannot adequately monitor and ensure the companies are in compliance with regulations.

B. The DIFP-Insurance does not adequately monitor self-insurers to help ensure they are in compliance with state reporting requirements. Additionally, when reports are received and reviewed, the department does not have procedures in place to document such reviews.

Self-insurers may be formed by three or more political subdivisions for the purpose of providing liability and all other insurance for any of the subdivisions as provided in Chapter 537, RSMo. The DIFP-Insurance performs financial examinations of each self-insurer once every five years. In addition, self-insurers are required to submit annual reports to the department as a condition of their licensing. However, our review found that the department does not have any procedures in place to track the receipt of these reports or to document its review of the reports.

Section 537.640.1, RSMo, states that annually, within thirty days before the expiration of its license, each self-insurer shall file a statement with the director giving a report of its activities for the preceding year as a condition of its license renewal.

Without procedures in place to track the receipt of these reports and to document their review, the department cannot ensure that self-insurers are in compliance with state reporting requirements before renewing self-insurer licenses.

WE RECOMMEND the DIFP-Insurance establish tracking procedures to help ensure annual financial reports are received in compliance with regulations. This should include maintaining reports received in a central location and documenting the review of such reports.

AUDITEE'S RESPONSE

This recommendation has been implemented. Current process has been enhanced to provide a check that all required reports from both guarantee associations and self-insured plans have been received. These reports have been assigned to an analyst who will document the review. Reports will be maintained in a central location.

4. Market Conduct Examinations

The DIFP-Insurance did not perform market conduct examinations of Health Maintenance Organizations (HMOs) as required by state law. In addition, the department does not have procedures in place for either tracking cure orders that require the submittal of a plan of action, or for re-examining companies who were issued fines or cure orders as a result of market conduct examinations.

The Market Conduct Section performs various field examinations of life, accident and health, property and casualty insurance companies, title companies, HMOs, health service corporations, third party administrators, and statistical reporting agencies. These examinations review for equitable treatment of Missouri policyholders and compliance with state statutes. During the three years ended June 30, 2007, a total of 112 market conduct examinations were completed.

Market conduct examinations result in the assessment of fines, the issuance of cure orders, or

the issuance of filing orders. When the examination finds errors that exceed tolerance ranges established by the National Association of Insurance Companies (NAIC) and the department believes a monetary penalty will help ensure compliance, the insurer is required to sign a settlement agreement and pay a fine. A cure order is issued when errors exceed the tolerance ranges but are not serious enough to merit fines. The cure order requires the company to correct the violations noted in the report. A filing order is issued when no violations exceed the tolerance ranges established by the NAIC. During the three years ended June 30, 2007, a total of 34 fines, 18 cure orders, and 60 filing orders were issued.

A. The DIFP-Insurance did not perform market conduct examinations of HMOs as required by state law. During our audit period, 7 of 23 HMOs were not reviewed once every three years as required by state statute. Each of these 7 HMOs had exam call dates in September and October 2006, which is when the Market Conduct Section had identified the need for the examination. However, as of June 2007, these examinations had not been scheduled or started.

According to Section 354.465, RSMo, the department may make an examination of the affairs of any HMO as often as necessary, but not less frequently than once every three years.

To help ensure compliance with state regulations and to protect policyholders, the department should establish procedures to review HMOs every three years, as required.

B. The DIFP-Insurance does not have adequate procedures in place to ensure companies are submitting required action plans or to re-examine companies who had errors exceeding the tolerance ranges established by the NAIC.

1) The department does not have procedures in place for tracking cure orders that require a plan of action to be submitted. Depending on the severity of the cure order, a company may be required to submit a plan of action that outlines how they plan to address the cure order. When a plan of action is required in conjunction with a cure order, the company is required to submit the plan within a specific timeframe; however, the department does not track the plans of action to ensure all required plans are submitted timely.

Because plans of action are not tracked, the department cannot ensure that companies are submitting the required plans within the specified timeframe, and therefore, cannot ensure cure orders are being complied with in a timely manner.

2) The department does not have adequate procedures in place for re-examining companies who were issued fines or cure orders for exceeding tolerance levels established by the NAIC.

Currently, companies are examined only when determined necessary through

the department's selection process, which considers various factors when determining the need for an exam. Such factors include high complaint indices, current trends in the market, problems found in financial examinations, and information received from other states. Re-examinations only occur at the discretion of management or when a cure order requires a plan of action be submitted. Re-examinations do not occur on a frequent basis or for all companies issued cure orders or fines.

Without re-examining companies who exceeded the NAIC tolerance range, the department cannot ensure that policyholders are protected and that previously noted deficiencies have been corrected in a timely manner.

WE RECOMMEND the DIFP Insurance:

A. Establish procedures to review HMOs as required by state law.

B.1. Establish procedures to help ensure action plans are submitted in a timely manner.

2. Establish procedures to re-examine companies that were issued fines or cure orders.

AUDITEE'S RESPONSE

A. The audit finding noted that 7 of 23 carriers had not been examined in the three year time frame as required by statute. It is important to note that these seven carriers represent less than 15% of the HMO market in terms of premium volume within the state. While the Department makes every effort to meet the mandated examination requirement, we must prioritize our examinations to focus on carriers that appear to be noncompliant and potentially harming consumers. The Department will work toward meeting the mandated examination requirement for HMOs while continuing to focus on protecting consumers first.

B.1. The Department has implemented this recommendation. While the Department did monitor the carriers that had formal written agreements, we did not have a formalized tracking system. We have added a field to our exam tracking system to assure that companies submit their required action plans in a timely manner and take action in accordance with those plans.

2. In the past few years, the Department has become more focused on the analysis of data to determine which carriers need to be examined. This is completed to assure that we only examine the carriers that appear to have noncompliance issues. While some carriers have been re-examined specifically due to noncompliance issues, we have not performed periodic

follow-up review to test for compliance. It is our position that the best use of our resources is to only re-examine carriers if our analysis reflects that a carrier has continued their noncompliant activities. When the Department conducts an examination of a carrier, we also follow up on compliance to previous findings.

5. Examination Tax Credit

The State of Missouri is one of only five states to allow insurance companies to receive tax credits for examination costs. Section 148.400, RSMo, allows all insurance companies to deduct the entire cost of examinations from premium taxes paid to the state and deposited into the state's General Revenue Fund. Additionally, this statute allows insurance companies to carry forward these credits for five years. For the tax years 2006 and 2005, examination tax credits claimed were approximately $2.1 and $1.9 million, respectively. For the tax year 2006, available credits were $13.4 million with a carryover of approximately $6.9 million. In essence, the state's General Revenue Fund is paying a significant portion of the examination costs instead of charging all costs to insurance companies as a part of doing business in Missouri.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the DIFP-Insurance review this issue and consider seeking legislation to reduce or eliminate the examination tax credit.

AUDITEE'S RESPONSE

The Department will continue to track and provide information on the examination tax credit as well as the other tax credits taken by insurance companies to the General Assembly as required under the Tax Credit Accountability Act - SB 1099. SB66(2007) once implemented, will reduce the exam tax credits taken by limiting the costs which can be billed to the company. The Department will keep the General Assembly informed of changes in redemptions as a result of SB66.

6. Federal Grant Expenditures

The DIFP-Insurance receives a federal grant from the U.S. Department of Health and Human Services (DHHS), Centers for Medicare and Medicaid Services. This grant is used to contract with a not-for-profit foundation to provide insurance counseling services for senior citizens. As similarly noted in prior audits, the DIFP-Insurance does not always require the foundation to provide detailed documentation supporting amounts claimed for reimbursement under the grant agreement. Amounts paid to the foundation totaled approximately $600,000, $558,000, and $439,000 for the years ended June 30, 2007, 2006, and 2005, respectively.

To obtain payment from DIFP-Insurance, the foundation submits monthly invoices listing the hours spent by various personnel and the hourly reimbursement rate for the applicable personnel. Also included on the invoices are other operating expenses, such as temporary employees, telephone, promotional items, postage, and travel. The DIFP-Insurance tracks these expenses to monthly performance reports and analytically reviews monthly invoices for reasonableness; however, detailed documentation is not always received from the foundation and the DIFP-Insurance does not periodically request supporting documentation to help ensure accuracy of the invoices billed.

To determine that amounts paid are reasonable and in compliance with grant requirements, the DIFP-Insurance should either establish thresholds and require supporting documentation for those expenditures above these thresholds or periodically request supporting documentation from the foundation.

WE RECOMMEND the DIFP-Insurance either establish expenditure thresholds and require supporting documentation for expenditures above these thresholds or periodically request supporting documentation from the foundation to help ensure the accuracy of the invoice line items and compliance with grant requirements.

AUDITEE'S RESPONSE

The Department will periodically request supporting documentation from the contractor for random invoice line items to test for compliance.

7. Surplus Lines

The DIFP-Insurance does not have a formal policy for tracking or assessing penalties on late filings for policies issued.

The DIFP-Insurance regulates the placement of coverage and collection of taxes on premiums for insurance policies written in the non-admitted market known as surplus lines. The non-admitted market consists of insurers that are not otherwise licensed to do business in Missouri, but are eligible to write insurance policies for coverage not served in the general commercial market. Surplus lines brokers are required to submit reports to the department as insurance policies are issued and report annually the total premiums for policies issued and remit a tax of five percent of total premiums to the DIFP-Insurance. These reports on policies issued are compared to annual reports filed by brokers to help ensure all premium taxes have been paid. The DIFP-Insurance also collects delinquent premium taxes and certifies the delinquent collection amounts to the Department of Revenue (DOR), and the DOR collects applicable interest and penalties.

Section 384.071, RSMo, allows the DIFP-Insurance to assess up to $1,000 for the first offense and up to $2,000 for additional offenses. However, no penalties were assessed during our audit period. Due to the lack of tracking procedures, we were unable to

determine the extent late filings occurred. Failure to track late filings and assess penalties could result in an increased number of surplus lines tax forms not being filed in a timely manner.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the DIFP-Insurance establish policies for tracking and assessing penalties for untimely filings of surplus lines tax forms.

AUDITEE'S RESPONSE

The Department will establish a formal guideline for assessing fines for untimely filings of surplus lines tax forms. RSMo 384.031 states "Within thirty days after the placing of any surplus lines insurance, each surplus lines licensee shall file with the director a written report....". During the 2007 legislative session, the Department proposed a bill which removed the thirty days and added quarterly filing of reports. This bill did not pass but a similar bill will be proposed during the 2008 session. If legislation is passed changing the report filing, DIFP will adjust the policies for tracking and assessing penalties accordingly.

This report is intended for the information and use of the management of the Department of Insurance, Financial Institutions, and Professional Registration and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND
PROFESSIONAL REGISTRATION - INSURANCE
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Insurance, Financial Institutions, and Professional Registration on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2004. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR.

DEPARTMENT OF INSURANCE
TWO YEARS ENDED JUNE 30, 2004

1. Examination Billings

   The department's examination billing policies may not have complied with state law, and amounts billed may not have accurately reflected actual costs incurred. In addition, billing policies did not allow the department to track the true costs of examinations.

   Recommendation:

   The Missouri Department of Insurance (MDI) review its current examination billing policies and ensure the true cost of each examination is tracked and billed. Any legal matters needing clarification should be resolved by seeking applicable legislation or legal opinions.

   Status:

   Implemented. With the passage of Senate Bill 66, effective August 2007, the department has removed the 15 percent administration fee and revised the overhead costs billed to examined insurance companies.

2. Examination Tax Credit

   The State of Missouri allowed insurance companies to receive tax credits for examination costs, by deducting the entire cost of the examination from premium taxes paid to the state and deposited into the state's General Revenue Fund. In addition, a state law passed in 2001 allowed insurance companies to carry forward these credits for five years beginning with the 2004 tax year.

   Recommendation:

   The MDI review this issue and consider seeking legislation to reduce or eliminate the examination tax credit.

   Status:

   Not implemented. See MAR finding number 5.

3. Travel Costs and Policies

A. MDI policies did not require examiners to evaluate alternative work schedules to ensure the most cost-effective schedule was selected.

B.1. Examiners booked their own flights but were not required to obtain airfare quotes. Because airfares tend to change frequently, the MDI should also consider requiring periodic updates on the airfare quotes throughout the examination.

2. Airfare could be billed directly to the MDI or reimbursed through the examiner's expense accounts and the MDI did not adequately monitor and track airfare costs. As a result, the opportunity for double billings was increased.

Recommendation:

The MDI:

A. Adopt policies which require examiners to document planned travel costs for each examination and require the least expensive travel methods to be used. Any extenuating circumstances which require use of a more expensive travel method should be fully documented and approved by management.

B.1. Require examiners to obtain more than one airfare quote and use the lowest and best rates, and require supervisory approval of airfare costs prior to incurring the related expenditure.

2. Adopt procedures to monitor all airfare costs, whether direct-billed or incurred through employee expense accounts.

Status:

A.&
B.1. Implemented.

2. Not implemented. See MAR finding number 1.

4. Receiverships

The MDI did not require insurance companies in receivership to obtain independent audits and the MDI did not perform examinations of these companies.

Recommendation:

The MDI require independent audits for all receiverships or perform examinations or other monitoring procedures to ensure the information and reports submitted by the special deputy receivers or agent are accurate.

Status:

Not implemented. See MAR finding number 2.

5. Surplus Lines

A. The department's examination policies for surplus lines brokers were not being met, and the overall policies and procedures of the surplus lines section appeared to impact the timeliness and adequacy of examinations.

B. The MDI did not bill examination costs to out-of-state surplus lines brokers.

C. The MDI did not have a formal policy for assessing fines on late filings for policies issued.

D. Receipts recorded on the MDI surplus line tax system were not reconciled to receipts recorded on the SAM II system.

Recommendations:

The MDI:

A. Review the staffing levels and duties of current surplus lines staff and ensure surplus lines examinations are conducted at least once every three years in accordance with the department policy.

B. Bill for surplus lines examinations of out-of-state brokers, as required by state law.

C. Establish policies for assessing fines for untimely filings of surplus lines tax forms.

D. Reconcile receipts recorded on the surplus lines tax system to SAM II.

Status:

A, B, &D. Implemented.

C. Not implemented. See MAR finding number 7.

6. Title Insurance Examinations

Premiums on title insurance made up less than one percent of the total insurance premiums paid in Missouri; however, approximately 10 percent of the MDI's market conduct staff were used exclusively to conduct examinations of title insurance companies.

Recommendation:

The MDI review the current title insurance examination requirements and consider seeking legislation to revise the applicable statute to better utilize MDI resources.

Status:

Implemented. With the passage of Senate Bill 66, effective August 2007, the department is no longer required to conduct examinations of title insurance companies every four years.

7. Receipts

A. Some receipts were not transmitted to the DOR for deposit on a timely basis. Support Services held some checks, pending further documentation to support check amounts. If the check was not for the correct amount, it was retuned to the payee.

B. Mail receipts were not handled in a secure location and processing of mail receipts was not adequately segregated.

Recommendation:

The MDI:

A. Reduce the number of days receipts are held prior to being transmitted to DOR for deposit.

B. Improve controls over receipt processing by eliminating, to the greatest extent possible, handling by mailroom employees, and ensure receipts are processed in a secure location.

Status:

A. Not implemented. See MAR finding number 1.

B. Implemented.

8. Federal Grant Expenditures

The MDI did not always require the not-for-profit foundation to provide detailed documentation supporting amounts claimed for reimbursement under the grant agreement. In addition, the MDI did not require an adjustment to fringe benefit charges once final fringe benefit and indirect cost rates were available to use from the Department of Health and Senior Services.

Recommendations:

The MDI should establish expenditure thresholds and require supporting documentation for expenditures above these thresholds. In addition, the contract between MDI and the foundation should be amended to include an adjustment clause once the actual fringe benefits and indirect costs have been approved.

Status:

Partially implemented. The department has included an adjustment clause for actual fringe benefits and indirect costs, however, the department has not established procedures for requiring supporting documentation for expenditures above established thresholds. See MAR finding number 6.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION – INSURANCE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Division of Insurance was created by an act of the Missouri legislature in 1869. With the enactment of the state Omnibus Reorganization Act of 1974, the agency was transferred to the Department of Consumer Affairs, Regulation and Licensing. Constitutional Amendment No. 6, passed in August 1984, changed the name of the Department of Consumer Affairs, Regulation and Licensing, to the Department of Economic Development, effective September 7, 1984. Constitutional Amendment No. 4, passed in August 1990, created a new Department of Insurance, effective July 1, 1991. Executive Order 06-04 consolidated the former Department of Insurance, the Division of Finance, the State Banking Board, the Division of Credit Unions, and the Division of Professional Registration into one department and changed the name of the department to the Missouri Department of Insurance, Financial Institutions, and Professional Registration (DIFP), effective August 28, 2006.

The DIFP-Insurance operates under the authority of Chapter 374, RSMo. The management and control of the DIFP-Insurance is vested in a director who is nominated by the governor with the advice and consent of the Senate. W. Dale Finke served as Director from February 24, 2005 until January 1, 2007. Douglas M. Ommen was appointed Director on January 2, 2007, and continues to serve in that capacity.

When the agency was organized in 1869, 51 domestic and 120 foreign insurance companies were licensed in Missouri. As of June 30, 2007, there were 228 domestic and 1,581 foreign insurance companies licensed in Missouri.

The DIFP-Insurance regulates the insurance industry in the state through enforcement of Chapters 325, 354, and 374 through 385, RSMo. The department regulates and licenses the insurance industry in the state; ensures that the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures that the insurance industry complies with the laws of the state. To fulfill these responsibilities, the department maintains a central office in Jefferson City and branch offices in St. Louis and Kansas City. As illustrated in the following organization chart, the DIFP-Insurance is organized into these functional units: Insurance Solvency and Company Regulation Division, Insurance Market Regulation Division, Consumer Affairs Division, and Resource Administration Division. The DIFP-Insurance had 200 employees on June 30, 2007.

The DIFP-Insurance is authorized to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. Such companies placed into receivership are under circuit court supervision with the judge appointing the director as receiver. The director may appoint a special deputy receiver or agent. For seven companies in receivership during the three years ended June 30, 2007, the department has contracted with vendors in the Kansas City area to act as agents for these companies. While the vendors are not considered department employees or officials, the department retains certain supervisory functions over these companies that would normally be assigned to a special deputy receiver.

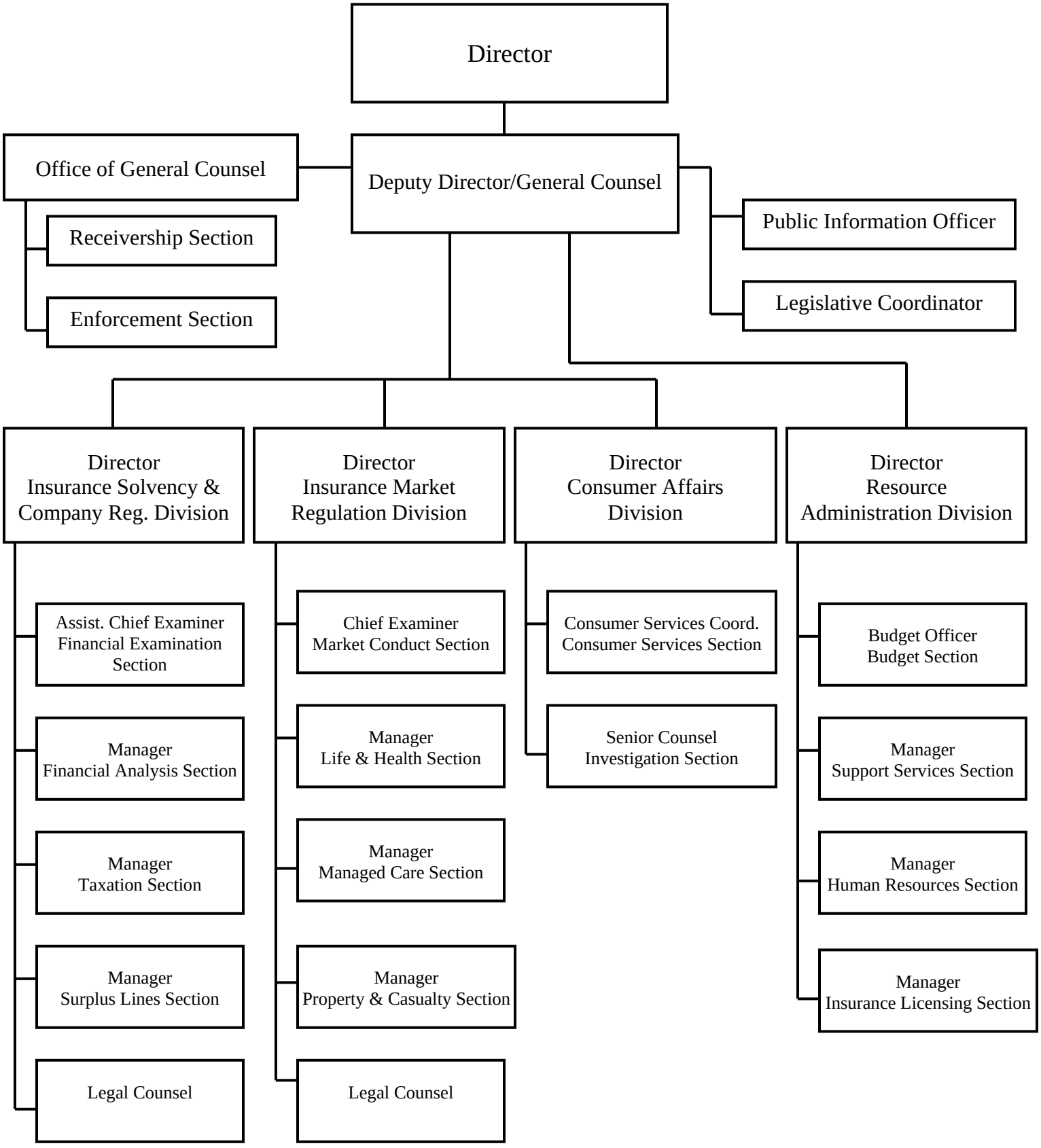
This section contains schedules showing the financial activity of these seven companies assigned to these vendors for the three years ended June 30, 2007.

The following provides a breakdown of the type of companies licensed in the state.

	As of June 30, 2007	
Type of Company	Missouri Domicile	Foreign
Assessment	2	0
FAIR Plan	1	0
Foreign Fire	0	6
Fraternal Benefit	1	31
Health Maintenance Organization	19	4
Health Services	1	0
Life	30	514
Malpractice	4	0
Missouri (Farm) Mutuals	7	0
Missouri Mutuals	94	0
Mutual Casualty	6	46
Mutual Fire	0	26
Prepaid Dental Plan	7	6
Reciprocal Inter-Insurance Exchange	4	12
Reinsurer	0	61
Risk Retention Group	0	88
Self-Insured Liability	7	0
Stock Casualty	40	677
Stock Fire	1	90
Title	4	20
Totals	228	1,581

According to the National Association of Insurance Commissioners (NAIC), for 2005, Missouri ranks fifteenth nationally in the number of companies incorporated in the state and seventeenth in the amount of premium volume written. The department's budget for fiscal year 2007 ranks twenty-fourth nationally.

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND
PROFESSIONAL REGISTRATION - INSURANCE
ORGANIZATIONAL CHART
JUNE 30, 2007



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION - INSURANCE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS FOR RECEIVERSHIPS ADMINISTERED BY KANSAS CITY-AREA VENDORS
YEAR ENDED JUNE 30, 2007

	Holland America Insurance Company	International Financial Services Life Insurance Company	Lutheran Benevolent Insurance Exchange	Mission Reinsurance Company	U.S. Physicians Insurance Mutual Company Risk Retention Group
RECEIPTS					
Premiums/investment income	$ 3,670,867	3,101,965	216,535	1,021,259	6,908
Total Receipts	3,670,867	3,101,965	216,535	1,021,259	6,908
DISBURSEMENTS					
Claims/distributions	28,958	85,128	0	0	0
Special deputy receiver and legal fees	219,809	527,127	12,196	34,220	0
Other	360,499	228,805	141,723	100,614	7,871
Total Disbursements	609,266	841,060	153,919	134,834	7,871
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,061,601	2,260,905	62,616	886,425	(963)
ACCRUAL ADJUSTMENTS	0	(2,084,292)	(420,594)	0	0
CASH AND INVESTMENTS, JULY 1	68,719,636	12,494,316	4,300,755	19,105,243	158,717
CASH AND INVESTMENTS, JUNE 30	$ 71,781,237	12,670,929	3,942,777	19,991,668	157,754

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL
REGISTRATION - INSURANCE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
FOR RECEIVERSHIPS ADMINISTERED BY KANSAS CITY-AREA VENDORS
YEAR ENDED JUNE 30, 2006

	Holland America Insurance Company	International Financial Services Life Insurance Company	Lutheran Benevolent Insurance Exchange	Mission Reinsurance Company	Professional Medical Insurance Company	Professional Mutual Insurance Company Risk Retention Group	U.S. Physicians Insurance Mutual Company Risk Retention Group
RECEIPTS							
Premiums/investment income	$ 2,865,016	183,009	690,044	2,281,910	0	0	5,457
Total Receipts	2,865,016	183,009	690,044	2,281,910	0	0	5,457
DISBURSEMENTS							
Claims/distributions	1,949,262	42,647	0	0	2,844	1,586	0
Special deputy receiver and legal fees	363,259	1,015,336	7,141	47,137	0	0	10,120
Other	265,706	33,340	271,576	67,487	0	0	10,531
Total Disbursements	2,578,227	1,091,323	278,717	114,624	2,844	1,586	20,651
RECEIPTS OVER (UNDER) DISBURSEMENTS	286,789	(908,314)	411,327	2,167,286	(2,844)	(1,586)	(15,194)
ACCRUAL ADJUSTMENTS	0	2,201,047	(1,212,479)	0	0	0	0
CASH AND INVESTMENTS, JULY 1	68,432,847	11,201,583	5,101,907	16,937,957	2,844	1,586	173,911
CASH AND INVESTMENTS, JUNE 30	$ 68,719,636	12,494,316	4,300,755	19,105,243	0	0	158,717

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL
REGISTRATION - INSURANCE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
FOR RECEIVERSHIPS ADMINISTERED BY KANSAS CITY-AREA VENDORS
YEAR ENDED JUNE 30, 2005

	Holland America Insurance Company	International Financial Services Life Insurance Company	Lutheran Benevolent Insurance Exchange	Mission Reinsurance Company	Professional Medical Insurance Company	Professional Mutual Insurance Company Risk Retention Group	U.S. Physicians Insurance Mutual Company Risk Retention Group
RECEIPTS							
Premiums/investment income	$ 2,510,294	410,694	3,618	509,375	0	994	26,124
Total Receipts	2,510,294	410,694	3,618	509,375	0	994	26,124
DISBURSEMENTS							
Claims/distributions	1,258,230	0	0	0	32,046	16,229	1,248,419
Special deputy receiver and legal fees	280,364	1,385,837	47,362	38,461	92,248	4,699	18,272
Other	220,173	39,744	51,082	134,161	150	0	39,295
Total Disbursements	1,758,767	1,425,581	98,444	172,622	124,444	20,928	1,305,986
RECEIPTS OVER (UNDER) DISBURSEMENTS	751,527	(1,014,887)	(94,826)	336,753	(124,444)	(19,934)	(1,279,862)
ACCRUAL ADJUSTMENTS	0	2,714,228	(244,676)	0	0	0	(2,985)
CASH AND INVESTMENTS, JULY 1	67,681,320	9,502,242	5,441,409	16,601,204	127,288	21,520	1,456,758
CASH AND INVESTMENTS, JUNE 30	$ 68,432,847	11,201,583	5,101,907	16,937,957	2,844	1,586	173,911

Susan Montee, CPA
Missouri State Auditor

December 2007

Pemiscot County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-83

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Pemiscot, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The financial condition of the General Revenue Fund has continued to deteriorate. The balance of the fund has decreased from $1,442 at December 31, 2003 to a negative $722,592 at December 31, 2006. In addition, the Special Road and Bridge Fund is also in poor financial condition with a negative balance of $82,455 at December 31, 2006. While receipts have increased, the county's spending has also increased. Factors contributing to the decline are protested taxes from a major taxpayer, extensive damage from a tornado, and the failure to pass two sales tax initiatives. In addition, the county has failed to adequately reduce the General Revenue Fund property tax levy for sales tax collections.

The county's budgetary practices are in need of improvement. The County Commission does not appear to be adequately monitoring and controlling county disbursements to ensure compliance with state budget laws. Several funds had budgeted deficit fund balances and several funds had actual disbursements exceed budgeted amounts. Budgets were not prepared for several funds and the budget documents contained misclassifications of interest earnings and transfers.

Pemiscot County is required by federal guidelines to prepare a Schedule of Expenditures of Federal Awards (SEFA) each year. The county does not have adequate procedures in place to track federal awards for the preparation of the schedule and the SEFA contained several errors.

The county's procedures for cash management for the Highway Planning and Construction program and for suspension and debarment for the Public Assistance grants were not adequate to ensure compliance with federal requirements. Monies were not paid out on a timely basis and the county did not ensure vendors providing services complied with federal government requirements.

The County Clerk does not maintain an account book with the County Collector and controls over property tax additions are not adequate. In addition, the County Treasurer's bond coverage was insufficient and she did not properly handle old outstanding checks. Published financial statements did not include all funds and were not published in a timely manner. Bonded debt was not included in the financial statement. County officials are not filing monthly reports of fees with the County Commission as required by law.

(over)

The Assessor did not solicit bids for a new appraisal system or secure a written agreement with the vendor. The county paid the total amount of $30,000 by May 2006 even though the system had not been installed. Milestones were not established that would have required certain conditions be met before the vendor was paid and there were no penalties for not providing the service on a timely basis. The county also did not enter into written agreements for various legal services.

The County Clerk does not maintain centralized leave records and timesheets for county employees. The county incurred a significant liability of $16,100 due to a former Road and Bridge employee not being properly compensated for all work performed. The employee requested and was paid for only 32 hours of work each week even though he recorded 40 hours on his timesheet. Upon his retirement, the county paid this and additional benefits to the employee.

Billing reports for the solid waste transfer station are not reconciled to collection reports and the accounts receivable balances. Adequate efforts have not been made to pursue the collection of delinquent accounts.

The Health Center's actual expenditures exceeded budgeted amounts during the years ended December 31, 2006 and 2005. Accounting duties were not adequately segregated and improvements were needed in the handling of receipts. A purchase was made from a company owned by a board member for medical supplies costing $1,806. Competitive bids were not solicited as required by state law. In addition, the Health Center did not solicit bids or proposals or perform other price comparisons for some other purchases.

In December 2005, the Health Center paid some employees reimbursements for attending a training session in either Scott County or Cape Girardeau County. Twelve employees were reimbursed a total of $1,050. The Health Center could not provide documentation showing the employees actually attended the training or timesheets for these employees for this time period.

The audit also included recommendations to improve records and procedures for meeting minutes, capital assets, and computer access. Additional concerns regarding controls were noted for the Probate Division, the Sheriff's Office, the Prosecuting Attorney's Office, the Associate Division, the Circuit Clerk's Office, and the Recorder of Deeds' Office.

All reports are available on our Web site: www.auditor.mo.gov

PEMISCOT COUNTY, MISSOURI

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State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pemiscot County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 13, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Pemiscot County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

September 13, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Chris Vetter
Audit Staff:	Steven Re', CPA
	Reji D. Jacob
	David M. Rothermich

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Pemiscot County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles

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such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-2 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency referred to above, finding number 06-2, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Pemiscot County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Pemiscot County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Pemsicot County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 13, 2007

Financial Statements

Exhibit A-1

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	(546,500)	3,142,089	3,318,181	(722,592)
Special Road and Bridge		140,355	1,659,875	1,882,685	(82,455)
Assessment		3,426	263,124	211,970	54,580
Johnson Grass		91,849	82,412	75,946	98,315
Drainage Districts		249,232	120,343	122,241	247,334
E-911		(4,794)	132,525	136,498	(8,767)
Law Enforcement Training		14,568	15,543	17,043	13,068
Firing Range		(4,501)	8,601	8,186	(4,086)
Prosecuting Attorney Training		8,236	2,826	0	11,062
Sheltered Workshop		68,669	165,405	120,000	114,074
Solid Waste Transfer		89,459	1,185,257	1,105,716	169,000
Federal Forfeiture		6,179	8,618	3,801	10,996
Prosecuting Attorney Bad Check		15,135	45,901	26,615	34,421
Recorder		56,651	14,014	10,998	59,667
Bootheel Drug Task Force		26,288	130,451	154,517	2,222
Juvenile Grant Program		(43,893)	125,954	104,731	(22,670)
Capital Improvement Sales Tax		279,119	686,402	574,115	391,406
Law Enforcement Sales Tax		(8,187)	343,533	302,132	33,214
Election Services		12,753	144,291	139,947	17,097
Health Center		926,184	639,096	673,253	892,027
Drug Abuse Resistance Education		12,089	61,722	12,503	61,308
Law Enforcement Restitution		93,766	156,031	79,465	170,332
Sheriff Revolving		16,394	5,098	11,007	10,485
Domestic Violence		20,325	1,728	0	22,053
MoSmart		7,537	47,595	52,221	2,911
Sheriff Civil Fees		0	36,744	2,432	34,312
Tax Maintenance		58,605	28,541	5,793	81,353
Associate Division Interest		14,463	1,794	1,809	14,448
Circuit Division Interest		3,939	333	942	3,330
Law Library		2,915	8,256	5,587	5,584
Associate Division Time Payment Fee		11,111	7,239	0	18,350
Circuit Division Time Payment Fee		292	331	30	593
Total	$	1,621,664	9,271,672	9,160,364	1,732,972

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	(376,563)	2,909,266	3,079,203	(546,500)
Special Road and Bridge		333,242	1,233,591	1,426,478	140,355
Assessment		(50,156)	293,881	240,299	3,426
Johnson Grass		84,712	84,580	77,443	91,849
Drainage Districts		248,599	127,161	126,528	249,232
E-911		1,452	136,868	143,114	(4,794)
Law Enforcement Training		26,344	26,500	38,276	14,568
Firing Range		(9,180)	13,353	8,674	(4,501)
Prosecuting Attorney Training		5,250	2,986	0	8,236
Sheltered Workshop		46,561	168,108	146,000	68,669
Solid Waste Transfer		220,231	918,472	1,049,244	89,459
Federal Forfeiture		6,163	14,384	14,368	6,179
Prosecuting Attorney Bad Check		6,846	32,046	23,757	15,135
Recorder		44,198	12,453	0	56,651
Bootheel Drug Task Force		28,041	193,286	195,039	26,288
Juvenile Grant Program		2,519	56,733	103,145	(43,893)
Capital Improvement Sales Tax		238,610	630,779	590,270	279,119
Law Enforcement Sales Tax		(2)	314,919	323,104	(8,187)
Election Services		2,712	90,188	80,147	12,753
Health Center		897,479	624,176	595,471	926,184
Drug Abuse Resistance Education		10,803	12,360	11,074	12,089
Law Enforcement Restitution		0	124,244	30,478	93,766
Sheriff Revolving		0	17,228	834	16,394
Domestic Violence		19,073	1,252	0	20,325
MoSmart		0	61,880	54,343	7,537
Tax Maintenance		45,990	22,615	10,000	58,605
Associate Division Interest		17,246	1,639	4,422	14,463
Circuit Division Interest		5,611	694	2,366	3,939
Law Library		1,607	8,080	6,772	2,915
Associate Division Time Payment Fee		6,064	6,637	1,590	11,111
Circuit Division Time Payment Fee		20	272	0	292
Total	$	1,863,472	8,140,631	8,382,439	1,621,664

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 8,647,042	9,225,178	578,136	7,892,950	7,883,730	(9,220)
DISBURSEMENTS	8,398,556	9,146,203	(747,647)	7,383,396	8,260,560	(877,164)
RECEIPTS OVER (UNDER) DISBURSEMENTS	248,486	78,975	(169,511)	509,554	(376,830)	(886,384)
CASH, JANUARY 1	1,530,339	1,530,339	0	1,757,058	1,757,058	0
CASH, DECEMBER 31	1,778,825	1,609,314	(169,511)	2,266,612	1,380,228	(886,384)
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	425,000	336,620	(88,380)	350,000	394,457	44,457
Sales taxes	625,000	685,417	60,417	605,000	629,411	24,411
Intergovernmental	1,387,389	1,140,086	(247,303)	1,359,061	1,033,237	(325,824)
Charges for services	391,227	403,491	12,264	433,439	406,031	(27,408)
Interest	0	0	0	300	0	(300)
Other	81,584	109,085	27,501	371,965	98,970	(272,995)
Transfers in	345,000	467,390	122,390	60,000	347,160	287,160
Total Receipts	3,255,200	3,142,089	(113,111)	3,179,765	2,909,266	(270,499)
DISBURSEMENTS						
County Commission	86,300	86,492	(192)	86,300	86,133	167
County Clerk	73,150	69,432	3,718	71,850	73,552	(1,702)
Elections	121,900	185,791	(63,891)	29,200	37,770	(8,570)
Buildings and grounds	259,000	316,130	(57,130)	235,500	248,851	(13,351)
Employee fringe benefit	410,400	442,909	(32,509)	402,900	395,822	7,078
County Treasurer	42,250	41,354	896	42,250	42,014	236
County Collector	91,600	103,224	(11,624)	80,200	92,608	(12,408)
Ex Officio Recorder of Deed	64,500	67,895	(3,395)	64,380	68,800	(4,420)
Circuit Clerk	12,500	6,482	6,018	12,000	7,330	4,670
Associate Circuit Court	13,000	8,030	4,970	11,000	10,963	37
Associate Circuit (Probate)	3,000	826	2,174	2,700	2,314	386
Court administration	4,700	2,540	2,160	6,100	3,625	2,475
Public Administrator	27,800	26,677	1,123	27,750	26,572	1,178
Sheriff	627,065	718,928	(91,863)	611,824	580,650	31,174
Jail	575,000	543,374	31,626	433,307	519,881	(86,574)
Prosecuting Attorney	246,955	259,383	(12,428)	206,620	225,713	(19,093)
Juvenile Officer	40,600	24,413	16,187	45,300	21,584	23,716
County Coroner	32,350	28,585	3,765	30,350	24,388	5,962
Court Reporter	1,050	1,170	(120)	1,050	1,632	(582)
Data processing	67,000	57,963	9,037	59,000	65,459	(6,459)
Federal Inmate Program	69,000	47,965	21,035	0	49,153	(49,153)
Public health and welfare service	4,500	7,515	(3,015)	3,000	4,200	(1,200)
Insurance and bonds	110,000	118,692	(8,692)	95,000	112,367	(17,367)
Tax Anticipation Note	0	0	0	90,000	171,168	(81,168)
Other	36,750	33,961	2,789	40,700	37,656	3,044
Transfers out	84,000	118,450	(34,450)	88,500	168,998	(80,498)
Total Disbursements	3,104,370	3,318,181	(213,811)	2,776,781	3,079,203	(302,422)
RECEIPTS OVER (UNDER) DISBURSEMENTS	150,830	(176,092)	(326,922)	402,984	(169,937)	(572,921)
CASH, JANUARY 1	(546,500)	(546,500)	0	(376,563)	(376,563)	0
CASH, DECEMBER 31	(395,670)	(722,592)	(326,922)	26,421	(546,500)	(572,921)

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	500,000	468,273	(31,727)	425,000	484,400	59,400
Intergovernmental	750,400	1,000,730	250,330	750,500	718,419	(32,081)
Interest	2,200	6,325	4,125	5,450	2,253	(3,197)
Demand Note	0	182,250	182,250	0	0	0
Other	13,400	2,297	(11,103)	2,800	28,519	25,719
Total Receipts	1,266,000	1,659,875	393,875	1,183,750	1,233,591	49,841
DISBURSEMENTS						
Salaries	340,000	344,771	(4,771)	340,000	313,082	26,918
Employee fringe benefit	121,000	123,700	(2,700)	114,200	116,071	(1,871)
Supplies	390,000	433,612	(43,612)	175,500	385,939	(210,439)
Insurance	25,000	27,327	(2,327)	25,000	24,810	190
Road and bridge materials	367,500	521,199	(153,699)	306,000	363,173	(57,173)
Equipment repairs	1,500	2,683	(1,183)	135,000	1,212	133,788
Rentals	0	0	0	2,000	0	2,000
Equipment purchases	50,211	251,879	(201,668)	117,567	177,389	(59,822)
Debt service	49,789	49,789	0	37,433	37,433	0
Disaster recovery	0	102,005	(102,005)	0	0	0
Other	7,750	25,720	(17,970)	30,500	7,369	23,131
Total Disbursements	1,352,750	1,882,685	(529,935)	1,283,200	1,426,478	(143,278)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(86,750)	(222,810)	(136,060)	(99,450)	(192,887)	(93,437)
CASH, JANUARY 1	140,355	140,355	0	333,242	333,242	0
CASH, DECEMBER 31	53,605	(82,455)	(136,060)	233,792	140,355	(93,437)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	166,068	185,478	19,410	173,770	168,024	(5,746)
Charges for services	165	1,104	939	0	(0)	0
Interest	435	1,541	1,106	100	431	331
Other	0	0	0	0	164	164
Transfers in	83,824	75,000	(8,824)	100,215	125,262	25,047
Total Receipts	250,493	263,124	12,631	274,085	293,881	19,796
DISBURSEMENTS						
Assessor	249,893	211,970	37,923	222,693	240,299	(17,606)
Total Disbursements	249,893	211,970	37,923	222,693	240,299	(17,606)
RECEIPTS OVER (UNDER) DISBURSEMENTS	600	51,154	50,554	51,392	53,582	2,190
CASH, JANUARY 1	3,426	3,426	0	(50,156)	(50,156)	0
CASH, DECEMBER 31	4,026	54,580	50,554	1,236	3,426	2,190

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
JOHNSON GRASS FUND						
RECEIPTS						
Property taxes	85,000	79,736	(5,264)	75,000	83,005	8,005
Interest	1,500	2,635	1,135	1,800	1,457	(343)
Other	100	41	(59)	100	118	18
Total Receipts	86,600	82,412	(4,188)	76,900	84,580	7,680
DISBURSEMENTS						
Salaries	44,515	51,962	(7,447)	44,150	43,271	879
Equipment	2,500	1,492	1,008	1,500	0	1,500
Chemicals	32,000	21,372	10,628	12,000	31,391	(19,391)
Fuels & lubricants	4,000	0	4,000	3,000	963	2,037
Other	1,750	1,120	630	1,500	1,818	(318)
Total Disbursements	84,765	75,946	8,819	62,150	77,443	(15,293)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,835	6,466	4,631	14,750	7,137	(7,613)
CASH, JANUARY 1	91,849	91,849	0	84,712	84,712	0
CASH, DECEMBER 31	93,684	98,315	4,631	99,462	91,849	(7,613)
DRAINAGE DISTRICTS FUND						
RECEIPTS						
Property taxes	170,685	114,234	(56,451)	95,348	122,226	26,878
Interest	3,575	6,109	2,534	2,065	4,935	2,870
Total Receipts	174,260	120,343	(53,917)	97,413	127,161	29,748
DISBURSEMENTS						
Salaries	105,800	118,158	(12,358)	87,350	99,942	(12,592)
Equipment repairs	31,165	4,083	27,082	20,595	26,586	(5,991)
Other	4,550	0	4,550	4,900	0	4,900
Total Disbursements	141,515	122,241	19,274	112,845	126,528	(13,683)
RECEIPTS OVER (UNDER) DISBURSEMENTS	32,745	(1,898)	(34,643)	(15,432)	633	16,065
CASH, JANUARY 1	249,232	249,232	0	248,599	248,599	0
CASH, DECEMBER 31	281,977	247,334	(34,643)	233,167	249,232	16,065
E-911 FUND						
RECEIPTS						
Charges for services	150,000	132,525	(17,475)	155,000	136,676	(18,324)
Interest	55	0	(55)	0	56	56
Other	135	0	(135)	0	136	136
Total Receipts	150,190	132,525	(17,665)	155,000	136,868	(18,132)
DISBURSEMENTS						
Salaries	139,500	122,925	16,575	118,121	133,496	(15,375)
Equipment	0	513	(513)	0	0	0
Office supplies	0	3,327	(3,327)	0	0	0
Other	9,550	9,733	(183)	10,535	9,618	917
Total Disbursements	149,050	136,498	12,552	128,656	143,114	(14,458)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,140	(3,973)	(5,113)	26,344	(6,246)	(32,590)
CASH, JANUARY 1	(4,794)	(4,794)	0	1,452	1,452	0
CASH, DECEMBER 31	(3,654)	(8,767)	(5,113)	27,796	(4,794)	(32,590)

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	4,500	5,158	658	5,000	4,442	(558)
Charges for services	14,500	9,789	(4,711)	9,000	21,743	12,743
Interest	200	596	396	300	315	15
Other	0	0	0	8,500	0	(8,500)
Total Receipts	19,200	15,543	(3,657)	22,800	26,500	3,700
DISBURSEMENTS						
Public safety	18,150	17,043	1,107	12,900	18,648	(5,748)
Transfers out	0	0	0	0	19,628	(19,628)
Total Disbursements	18,150	17,043	1,107	12,900	38,276	(25,376)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,050	(1,500)	(2,550)	9,900	(11,776)	(21,676)
CASH, JANUARY 1	14,568	14,568	0	26,344	26,344	0
CASH, DECEMBER 31	15,618	13,068	(2,550)	36,244	14,568	(21,676)
FIRING RANGE FUND						
RECEIPTS						
Intergovernmental	1,245	1,245	0	0	1,596	1,596
Charges for services	16,055	7,356	(8,699)	30,000	11,757	(18,243)
Total Receipts	17,300	8,601	(8,699)	30,000	13,353	(16,647)
DISBURSEMENTS						
Salaries	9,065	5,148	3,917	8,500	6,001	2,499
Office supplies	4,850	3,038	1,812	6,300	2,673	3,627
Total Disbursements	13,915	8,186	5,729	14,800	8,674	6,126
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,385	415	(2,970)	15,200	4,679	(10,521)
CASH, JANUARY 1	(4,501)	(4,501)	0	(9,180)	(9,180)	0
CASH, DECEMBER 31	(1,116)	(4,086)	(2,970)	6,020	(4,501)	(10,521)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	3,000	2,826	(174)	2,500	2,986	486
Total Receipts	3,000	2,826	(174)	2,500	2,986	486
DISBURSEMENTS						
Prosecuting Attorney	1,200	0	1,200	1,200	0	1,200
Total Disbursements	1,200	0	1,200	1,200	0	1,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,800	2,826	1,026	1,300	2,986	1,686
CASH, JANUARY 1	8,236	8,236	0	5,250	5,250	0
CASH, DECEMBER 31	10,036	11,062	1,026	6,550	8,236	1,686

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHELTERED WORKSHOP FUND						
RECEIPTS						
Property taxes	170,000	159,460	(10,540)	151,000	166,040	15,040
Interest	2,100	5,945	3,845	1,650	2,068	418
Total Receipts	172,100	165,405	(6,695)	152,650	168,108	15,458
DISBURSEMENTS						
Payments to Senate Bill 40 Board	120,000	120,000	0	146,000	146,000	0
Total Disbursements	120,000	120,000	0	146,000	146,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	52,100	45,405	(6,695)	6,650	22,108	15,458
CASH, JANUARY 1	68,669	68,669	0	46,561	46,561	0
CASH, DECEMBER 31	120,769	114,074	(6,695)	53,211	68,669	15,458
SOLID WASTE TRANSFER FUND						
RECEIPTS						
Charges for services	981,125	1,063,387	82,262	832,800	917,331	84,531
Intergovernmental	0	121,870	121,870	0	0	0
Interest	0	0	0	0	1,141	1,141
Total Receipts	981,125	1,185,257	204,132	832,800	918,472	85,672
DISBURSEMENTS						
Salaries	139,600	178,399	(38,799)	118,450	127,796	(9,346)
Contract services	700,000	726,197	(26,197)	525,000	669,550	(144,550)
Office expenditures	51,900	42,510	9,390	45,950	40,370	5,580
Equipment	36,500	40,941	(4,441)	20,500	188,918	(168,418)
Disaster expense	0	78,009	(78,009)	0	0	0
Insurance	14,500	15,302	(802)	0	14,362	(14,362)
Other	9,000	24,358	(15,358)	24,000	8,248	15,752
Total Disbursements	951,500	1,105,716	(154,216)	733,900	1,049,244	(315,344)
RECEIPTS OVER (UNDER) DISBURSEMENTS	29,625	79,541	49,916	98,900	(130,772)	(229,672)
CASH, JANUARY 1	89,459	89,459	0	220,231	220,231	0
CASH, DECEMBER 31	119,084	169,000	49,916	319,131	89,459	(229,672)
FEDERAL FORFEITURE FUND						
RECEIPTS						
Intergovernmental	14,000	8,130	(5,870)	1,000	14,242	13,242
Interest	140	488	348	30	142	112
Total Receipts	14,140	8,618	(5,522)	1,030	14,384	13,354
DISBURSEMENTS						
Equipment	13,500	3,801	9,699	800	14,368	(13,568)
Total Disbursements	13,500	3,801	9,699	800	14,368	(13,568)
RECEIPTS OVER (UNDER) DISBURSEMENTS	640	4,817	4,177	230	16	(214)
CASH, JANUARY 1	6,179	6,179	0	6,163	6,163	0
CASH, DECEMBER 31	6,819	10,996	4,177	6,393	6,179	(214)

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	32,000	44,512	12,512	24,000	31,732	7,732
Interest	300	1,389	1,089	150	314	164
Total Receipts	32,300	45,901	13,601	24,150	32,046	7,896
DISBURSEMENTS						
Salaries	22,300	17,089	5,211	20,710	21,598	(888)
Other	1,000	9,526	(8,526)	1,500	2,159	(659)
Total Disbursements	23,300	26,615	(3,315)	22,210	23,757	(1,547)
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,000	19,286	10,286	1,940	8,289	6,349
CASH, JANUARY 1	15,135	15,135	0	6,846	6,846	0
CASH, DECEMBER 31	24,135	34,421	10,286	8,786	15,135	6,349
RECORDER FUND						
RECEIPTS						
Charges for services	12,000	11,433	(567)	11,500	12,453	953
Interest	1,500	2,581	1,081	800	0	(800)
Total Receipts	13,500	14,014	514	12,300	12,453	153
DISBURSEMENTS						
Recorder	5,000	10,998	(5,998)	0	0	0
Total Disbursements	5,000	10,998	(5,998)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,500	3,016	(5,484)	12,300	12,453	153
CASH, JANUARY 1	56,651	56,651	0	44,198	44,198	0
CASH, DECEMBER 31	65,151	59,667	(5,484)	56,498	56,651	153
BOOTHEEL DRUG TASK FORCE FUND						
RECEIPTS						
Charges for services	190,086	130,451	(59,635)	166,341	192,442	26,101
Interest	800	0	(800)	500	844	344
Total Receipts	190,886	130,451	(60,435)	166,841	193,286	26,445
DISBURSEMENTS						
Salaries	144,096	126,286	17,810	133,119	142,757	(9,638)
Office expenditures	1,200	665	535	0	1,320	(1,320)
Equipment	26,000	19,270	6,730	10,778	26,116	(15,338)
Mileage & training	4,100	0	4,100	22,184	4,190	17,994
Other	14,690	8,296	6,394	16,640	20,656	(4,016)
Total Disbursements	190,086	154,517	35,569	182,721	195,039	(12,318)
RECEIPTS OVER (UNDER) DISBURSEMENTS	800	(24,066)	(24,866)	(15,880)	(1,753)	14,127
CASH, JANUARY 1	26,288	26,288	0	28,041	28,041	0
CASH, DECEMBER 31	27,088	2,222	(24,866)	12,161	26,288	14,127

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
JUVENILE GRANT PROGRAM FUND						
RECEIPTS						
Intergovernmental	135,000	125,954	(9,046)	100,000	56,733	(43,267)
Interest	0	0	0	200	0	(200)
Total Receipts	135,000	125,954	(9,046)	100,200	56,733	(43,467)
DISBURSEMENTS						
Salaries	94,250	97,726	(3,476)	94,500	95,884	(1,384)
Other	7,500	7,005	495	10,000	7,261	2,739
Total Disbursements	101,750	104,731	(2,981)	104,500	103,145	1,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	33,250	21,223	(12,027)	(4,300)	(46,412)	(42,112)
CASH, JANUARY 1	(43,893)	(43,893)	0	2,519	2,519	0
CASH, DECEMBER 31	(10,643)	(22,670)	(12,027)	(1,781)	(43,893)	(42,112)
CAPITAL IMPROVEMENT SALES TAX FUND						
RECEIPTS						
Sales tax	605,000	685,294	80,294	605,000	629,359	24,359
Interest	1,300	1,108	(192)	500	1,420	920
Total Receipts	606,300	686,402	80,102	605,500	630,779	25,279
DISBURSEMENTS						
Bond payment	280,000	271,840	8,160	285,000	275,000	10,000
Bond interest paymen	320,000	299,100	20,900	324,000	312,548	11,452
Other	3,000	3,175	(175)	5,500	2,722	2,778
Total Disbursements	603,000	574,115	28,885	614,500	590,270	24,230
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,300	112,287	108,987	(9,000)	40,509	49,509
CASH, JANUARY 1	279,119	279,119	0	238,610	238,610	0
CASH, DECEMBER 31	282,419	391,406	108,987	229,610	279,119	49,509
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales tax	312,500	342,653	30,153	302,000	314,684	12,684
Interest	0	880	880	100	235	135
Total Receipts	312,500	343,533	31,033	302,100	314,919	12,819
DISBURSEMENTS						
Transfers out	312,500	302,132	10,368	310,000	323,104	(13,104)
Total Disbursements	312,500	302,132	10,368	310,000	323,104	(13,104)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	41,401	41,401	(7,900)	(8,185)	(285)
CASH, JANUARY 1	(8,187)	(8,187)	0	(2)	(2)	0
CASH, DECEMBER 31	(8,187)	33,214	41,401	(7,902)	(8,187)	(285)

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	100,450	100,450	0	72,464	81,520	9,056
Charges for services	17,500	118	(17,382)	3,809	3,809	0
Interest	750	106	(644)	65	1,060	995
Other	100	167	67	20	0	(20)
Transfers in	0	43,450	43,450	3,799	3,799	0
Total Receipts	118,800	144,291	25,491	80,157	90,188	10,031
DISBURSEMENTS						
Equipment	100,000	39,497	60,503	70,000	80,147	(10,147)
Transfers out	0	100,450	(100,450)	0	0	0
Total Disbursements	100,000	139,947	(39,947)	70,000	80,147	(10,147)
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,800	4,344	(14,456)	10,157	10,041	(116)
CASH, JANUARY 1	12,753	12,753	0	2,712	2,712	0
CASH, DECEMBER 31	31,553	17,097	(14,456)	12,869	12,753	(116)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	166,013	166,013	0	160,000	166,042	6,042
Intergovernmental	398,397	403,673	5,276	362,044	402,512	40,468
Charges for services	32,418	32,531	113	31,100	31,007	(93)
Interest	34,801	34,879	78	23,835	22,891	(944)
Other	1,959	2,000	41	16,030	1,724	(14,306)
Total Receipts	633,588	639,096	5,508	593,009	624,176	31,167
DISBURSEMENTS						
Salaries and fringe benefits	494,499	498,569	(4,070)	458,735	465,354	(6,619)
Office expenditures	93,648	96,087	(2,439)	68,150	70,948	(2,798)
Equipment	18,291	14,143	4,148	11,252	6,447	4,805
Mileage & training	18,372	18,305	67	8,950	9,008	(58)
Other	44,717	46,149	(1,432)	36,453	43,714	(7,261)
Total Disbursements	669,527	673,253	(3,726)	583,540	595,471	(11,931)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(35,939)	(34,157)	1,782	9,469	28,705	19,236
CASH, JANUARY 1	926,184	926,184	0	897,479	897,479	0
CASH, DECEMBER 31	890,245	892,027	1,782	906,948	926,184	19,236

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DRUG ABUSE RESISTANCE EDUCATION FUND						
RECEIPTS						
Interest	0	1,172	1,172			
Sales of calendars	2,000	1,500	(500)			
School contributions	0	35,000	35,000			
Donations	5,000	22,250	17,250			
Other	0	1,800	1,800			
Total Receipts	7,000	61,722	54,722			
DISBURSEMENTS						
Office expenditures	7,000	6,845	155			
Salaries	0	5,658	(5,658)			
Total Disbursements	7,000	12,503	(5,503)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	49,219	49,219			
CASH, JANUARY 1	12,089	12,089	0			
CASH, DECEMBER 31	12,089	61,308	49,219			
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	100,000	151,760	51,760			
Interest	0	4,271	4,271			
Total Receipts	100,000	156,031	56,031			
DISBURSEMENTS						
Salaries	18,092	0	18,092			
Equipment	5,000	0	5,000			
Office supplies	0	14,657	(14,657)			
Transfers out	64,808	64,808	0			
Total Disbursements	87,900	79,465	8,435			
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,100	76,566	64,466			
CASH, JANUARY 1	93,766	93,766	0			
CASH, DECEMBER 31	105,866	170,332	64,466			
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for services	650	5,098	4,448			
Interest	25	0	(25)			
Other	400	0	(400)			
Total Receipts	1,075	5,098	4,023			
DISBURSEMENTS						
Supplies	500	9,836	(9,336)			
Equipment	0	1,171	(1,171)			
Total Disbursements	500	11,007	(10,507)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	575	(5,909)	(6,484)			
CASH, JANUARY 1	16,394	16,394	0			
CASH, DECEMBER 31	16,969	10,485	(6,484)			

Exhibit B

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	650	730	80			
Interest	600	998	398			
Total Receipts	1,250	1,728	478			
DISBURSEMENTS						
Domestic Violence Shelter	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,250	1,728	478			
CASH, JANUARY 1	20,325	20,325	0			
CASH, DECEMBER 31	21,575	22,053	478			
MOSMART FUND						
RECEIPTS						
Intergovernmental	36,000	45,444	9,444			
Interest	250	467	217			
Other	28,885	1,684	(27,201)			
Total Receipts	65,135	47,595	(17,540)			
DISBURSEMENTS						
Salaries	42,429	42,711	(282)			
Equipment	9,000	1,113	7,887			
Telephone	1,200	1,709	(509)			
Supplies	0	190	(190)			
Fuel	3,000	6,193	(3,193)			
Truck expenses	6,756	0	6,756			
Other	0	305	(305)			
Total Disbursements	62,385	52,221	10,164			
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,750	(4,626)	(7,376)			
CASH, JANUARY 1	7,537	7,537	0			
CASH, DECEMBER 31	10,287	2,911	(7,376)			
SHERIFF CIVIL FEES FUND						
RECEIPTS						
Charges for services	39,600	35,864	(3,736)			
Interest	500	880	380			
Total Receipts	40,100	36,744	(3,356)			
DISBURSEMENTS						
Sheriff	35,000	2,432	32,568			
Total Disbursements	35,000	2,432	32,568			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,100	34,312	29,212			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	5,100	34,312	29,212			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The Sheltered Workshop Fund is for monies held under the control of the County Treasurer. Monies held by the Senate Bill 40 Board are not presented and are audited and separately reported on by other independent auditors. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Drug Abuse Resistance Education Fund	2005
Law Enforcement Restitution Fund	2005
Sheriff Revolving Fund	2005
Domestic Violence Fund	2005
MoSmart Fund	2005

Tax Maintenance Fund	2006 and 2005
Associate Division Interest Fund	2006 and 2005
Circuit Division Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005
Associate Division Time Payment Fee Fund	2006 and 2005
Circuit Division Time Payment Fee Fund	2006 and 2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	2006 and 2005
Special Road and Bridge Fund	2006 and 2005
Assessment Fund	2005
Johnson Grass Fund	2005
Drainage Districts Fund	2005
E-911 Fund	2005
Law Enforcement Training Fund	2005
Solid Waste Transfer Fund	2006 and 2005
Federal Forfeiture Fund	2005
Prosecuting Attorney Bad Check Fund	2006 and 2005
Recorder Fund	2006
Bootheel Drug Task Force Fund	2005
Juvenile Grant Program Fund	2006
Law Enforcement Sales Tax Fund	2005
Election Services Fund	2006 and 2005
Health Center Fund	2006 and 2005
Drug Abuse Resistance Education Fund	2006
Sheriff Revolving Fund	2006

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the following funds:

Fund	Years Ended December 31,
General Revenue Fund	2006
E-911 Fund	2006
Firing Range Fund	2006
Juvenile Grant Program Fund	2006 and 2005
Law Enforcement Sales Tax Fund	2006 and 2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial

statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Enforcement Restitution Fund	2005
Sheriff Revolving Fund	2005
MoSmart Fund	2005
Sheriff Civil Fees Fund	2006
Tax Maintenance Fund	2006 and 2005
Associate Division Interest Fund	2006 and 2005
Circuit Division Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005
Associate Division Time Payment Fee Fund	2006 and 2005
Circuit Division Time Payment Fee Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Pemiscot County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2006, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the Board's custodial bank in the Board's name. Of the Health Center Board's bank balance at December 31, 2005, $1,328 was exposed to custodial credit risk because that amount was uncollateralized.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

4. Prior Period Adjustments

The Circuit Division Interest Fund's cash balance at January 1, 2005 as previously stated has been decreased by $3,261 to agree to the cash balance of the Circuit Division.

The Associate Division Time Payment Fee Fund's cash balance of $6,064 at January 1, 2005 was not previously reported but has been added.

The Circuit Division Time Payment Fee Fund's cash balance of $20 at January 1, 2005 was not previously reported but has been added.

Supplementary Schedule

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 1,705	1,378
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-7178	19,516	0
		ERS045-6178	99,827	19,237
		ERS045-5178	0	103,227
	Program Total		119,343	122,464
10.559	Summer Food Service Program for Children	ERS046-6178I	1,330	0
		ERS146-5178	0	1,750
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16	Equitable Sharing of Seized and Forfeited Propert	N/A	8,130	14,242
	Passed through:			
	State Department of Public Safety			
16.579	Edward Byrne Memorial Formula Grant Program	2004-NCD2-019	62,883	149,104
16.738	Justice Assistance Gran	2005-JAG-008	64,742	0
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Progran	2000-DDVX-0055	36,972	57,946
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Progran	N/A	992	912
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-078(40)	276,627	0
		BRO-078(41)	0	99,426
	Passed through Delta Regional Authority			
20.600	State and Community Highway Safety	MO-2052	0	105,271

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	0	75,072
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	104,125	6,447
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	74,208	77,073
93.283	Centers for Disease Control and Prevention	AOC06380124	8,964	155
	Investigations and Technical Assistanc		0	3,604
	Program Total		8,964	3,759
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	42,638	34,567
93.569	Community Services Block Gran	AOC6000234	38,356	49,980
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	AOC06380124	1,685	410
		PGA067-5178S	0	1,495
	Program Total		1,685	1,905
	Department of Social Services -			
93.667	Social Services Block Grant	N/A	5,215	0
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant	AOC06380124	4,501	0
	to the States	ERS146-5178M	26,344	28,567
	Program Total		30,845	28,567

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster	N/A	221,190	0
	Total Expenditures of Federal Award		$ 1,099,950	829,863

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

PEMISCOT COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pemiscot County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation (CFDA number 10.550) represent the estimated fair market value of food at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268) include the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Pemiscot County, Missouri

Compliance

We have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Pemiscot County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

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with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-3 through 06-4.

Internal Control Over Compliance

The management of Pemiscot County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-3 through 06-5 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. Of the significant deficiencies referred to above, we consider finding numbers 06-3 through 06-5 to be material weaknesses.

The responses of Pemiscot County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Pemiscot County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 13, 2007

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	x yes	no
• Significant deficiencies identified that are not considered to be material weaknesses?	yes	x none reported
Noncompliance material to the financial statements noted?	x yes	no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	x yes	no
• Significant deficiencies identified that are not considered to be material weaknesses?	yes	x none reported
Type of auditor's report issued on compliance for major program(s):	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	x yes	no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.579	Byrne Formula Grant Program
20.205	Highway Planning and Construction

97.036 Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1.	**Financial Condition**

The poor financial condition of the General Revenue Fund which was noted in the prior report has continued to deteriorate. In addition, the Special Road and Bridge Fund is in poor financial condition.

The following table reflects the ending cash balances of these funds over the last four years and the projected ending cash balance for 2007:

	Ending Cash Balance, Year Ended December 31,				
	2007 Projected	2006 Actual	2005 Actual	2004 Actual	2003 Actual
General Revenue Fund	$ (385,648)	(722,592)	(546,500)	(376,563)	1,442
Special Road and Bridge Fund	(91,326)	(82,455)	140,355	333,242	152,991

While receipts have generally increased, the county's spending has also increased. Spending has been greater than receipts due in part to purchasing and installing an elevator and new heating and cooling units in the county courthouse, increases in the cost of health insurance, increases in overtime paid to dispatchers in the Sheriff's department, and the addition of employees in the county jail and Prosecuting Attorney's office.

A significant factor contributing to the decline of the financial condition of the Special Road & Bridge Fund has been due to a major taxpayer in the county having protested their property taxes each of the last four years. The case is currently in circuit court and, if decided in the county's favor, the Special Road & Bridge Fund would receive approximately $118,000. The General Revenue Fund would receive approximately $81,000.

In April, 2006, Pemiscot County was hit by a major tornado causing extensive damage. The county's share of expenses was $54,570 for law enforcement, clean up, and repair to county roads. Because of the county's poor financial position, the required three percent of the General Revenue Fund for emergencies was not budgeted. Such an emergency reserve would have covered the county's share of the tornado costs. Section 50.540, RSMo, requires at least three percent of anticipated General Revenue Fund revenues be budgeted for emergency situations.

The county has attempted to pass two ¼ percent sales tax increases, one for the Law Enforcement Sales Tax Fund in November 2006 and one for the General Revenue Fund in April 2007. These proposed sales tax increases, while not approved by the voters, would have generated approximately $375,000 to $400,000 of additional revenue per year.

As noted in finding 06-2, the county's budgetary practices are in need of improvement. Disbursements have exceeded the budget in the General Revenue Fund and the Special Road and Bridge Fund for the past two years. Even though the County Commission has been aware of the declining fund balances and has been monitoring the county's financial condition through preparation and review of monthly budget reports, adequate action was not taken to improve the financial condition of the county. The County Commission indicated their current plan will give the General Revenue Fund a positive cash balance within three years by reducing disbursements $250,000 per year and decreasing all department budgets by 10 percent. The current plan to give the Road and Bridge Fund a positive cash balance within two years is to reduce disbursements for materials by 10 percent.

The county will also have to consider a reduced General Revenue Fund property tax levy. The county did not adequately roll back the General Revenue Fund property tax levy for sales taxes collected, and as a result, excess property tax revenues are projected to increase to approximately $63,500 for 2007. Section 67.505, RSMo, provides budgeted property taxes are to be reduced by voter-approved percentages of sales tax revenue. This section also provides for actual sales revenue of the preceding year that is over or under that year's estimated sales tax revenue to be adequately reflected in the subsequent year's property tax revenues roll back calculation.

Various restricted special revenue funds administered by elected officials have accumulated balances significantly in excess of historical actual disbursements. Consideration should be given to working with officials to use these monies to help fund respective official's expenses currently funded by the General Revenue Fund, within the restrictions set forth by state law.

It is essential that the County Commission address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed, contracts closely monitored, and options for maximizing revenues pursued.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund and Special Road and Bridge Fund. The County Commission should perform

long term planning and take advantage of opportunities to maximize revenues and offset costs as allowed by state law. In addition, the County Commission should ensure appropriate and accurate adjustments are made to the property tax levy in the future to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

Significant progress has been made in 2007 at reducing the deficit in the General Revenue Fund; however, the fund will still have a deficit balance at the end of 2007. The deficit is also expected to be greatly reduced in 2008.

No progress has been made at reducing the deficit in the Special Road and Bridge Fund due to various necessary purchases that had to be made. They will be able to reduce the deficit beginning in 2008.

Excess property taxes will be reduced over a three year period starting in 2008.

06-2. Budgetary Practices

The county's budgetary practices are in need of improvement. The County Commission approved deficit budgeting for several funds and actual disbursements exceeded budgeted amounts for numerous funds with no budget amendments being made. Budgets were not prepared for some county funds and transfers and interest were not correctly presented on the budget documents.

A. As noted in finding 06-1, the County Commission does not appear to be adequately monitoring and controlling county disbursements to ensure compliance with state budget laws.

The County Commission budgeted a deficit fund balance for the following funds:

	Deficit Amount Budgeted for Year Ended December 31,	
Fund	2006	2005
General Revenue	$ (395,670)	N/A
E-911	(3,654)	N/A
Firing Range	(1,116)	N/A
Juvenile Grant	(10,643)	(1,781)
Law Enforcement Sales Tax	(8,187)	(7,902)

In addition, actual disbursements exceeded the budgeted amounts in the various funds as follows:

Fund	Year Ended December 31, 2006	2005
General Revenue	$ 213,811	302,422
Special Road & Bridge	529,935	143,278
Assessment	N/A	17,606
Johnson Grass	N/A	15,293
Drainage Districts	N/A	13,683
E-911	N/A	14,458
Law Enforcement Training	N/A	25,376
Solid Waste Transfer	154,216	315,344
Federal Forfeiture	N/A	13,568
Prosecuting Attorney Bad Check	3,315	1,547
Recorder	5,998	N/A
Bootheel Drug Task Force	N/A	12,318
Juvenile Grant Program	2,981	N/A
Law Enforcement Sales Tax	N/A	13,104
Election Services	39,347	10,147
Drug Abuse Resistance Education	5,503	N/A
Sheriff Revolving	10,507	N/A

The County Commission indicated the budget is monitored by reviewing budget to actual amounts monthly; however, no budget amendments were prepared when budgeted amounts were exceeded. The County Clerk indicated that each county official also receives a monthly budget to actual report for their respective office; however, there is no documentation showing that budget meetings are taking place and county officials review their reports. The procedures in place are not sufficient to ensure actual disbursements will not exceed budgeted amounts and to prevent deficit spending.

Counties are not authorized to have deficit fund balances. Sections 50.610 and 50.740, RSMo, require balanced budgets, and Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting.
It was ruled in State ex. rel. Strong v. Cribb, 364 Mo.1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional

funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

B. Budgets were not prepared for funds totaling $123,658 and $241,436 at December 31, 2006 and 2005, respectively, including the Tax Maintenance Fund, Law Library Fund, Circuit Division Interest Fund, Circuit Division Time Payment Fee Fund, Associate Division Interest Fund, and Associate Division Time Payment Fee Fund for the years ended December 31, 2006 and 2005 and the Drug Abuse Resistance Education Fund, Domestic Violence Fund, MoSmart Fund, Law Enforcement Restitution Fund, and Sheriff Revolving Fund for the year ended December 31, 2005. While some of these funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions. The County Clerk does not perform procedures to ensure budgets are received from the other officials.

Chapter 50, RSMo, requires the preparation and filing of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission can evaluate all county financial resources more effectively.

C. The county does not have procedures in place to ensure the county's budget documents accurately present financial activities of the county. The county budget documents contained misclassifications of interest earnings and transfers.

1. The General Revenue Fund's actual transfers in were understated by approximately $165,000 and $347,000 for 2006 and 2005, respectively. Most transfers in were recorded under Intergovernmental Revenues instead of the Transfers In category.

2. Interest earned by the Solid Waste Transfer Station Fund in 2006 and 2005 was recorded under Charges for Services and interest earned by the Bootheel Drug Task Force Fund in 2006 was recorded under Intergovernmental Revenues.

Considering the problems noted, the approved budgets did not provide county citizens with reliable information about the county's finances and are a less effective management tool for the county. Adjustments for the transfers have been discussed with the county officials and made to the audited financial statements.

To be of maximum assistance to the county and to adequately inform citizens of the county's operations and financial position, budget documents need to be accurate and include proper classifications of receipts and disbursements. This is also necessary so that the county can prepare useful and accurate financial statements. A thorough

review process needs to be implemented to ensure budget documents are accurate and complete prior to approval.

Conditions similar to Part A were noted in our prior audit report.

WE RECOMMEND the County Commission:

A. Discontinue deficit budgeting and refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

B. Ensure budgets are prepared and obtained for all county funds.

C. Ensure transfers between funds and interest earnings are properly classified in the budget documents.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following responses:

A. They will discontinue deficit budgeting as soon as possible. Budget amendments have been made in 2007 and filed with the State Auditor's Office.

B&C. These will be implemented starting with the 2008 budget.

The Circuit Clerk provided the following response:

B. Budgets have been prepared for 2008 for the Circuit Division Interest Fund and Circuit Division Time Payment Fee Fund. They will be filed with the County Clerk by the end of 2007.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-3.	Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Numbers:	BRO-078 (40) and BRO-078 (41)
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Woman, Infants, and Children
Pass-Through Entity Identifying Numbers:	ERS045-5178, ERS045-6178, and ERS045-7178
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.579
Program Title:	Byrne Formula Grant Program
Pass-Through Entity Identifying Number:	2004-NCD2-019
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $336,881 and $278,148 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit*

Organizations, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were not included on the schedule. For example, in 2006 the County Clerk failed to include federal monies of $221,190 for Public Assistance Grants. In 2005, the County Clerk failed to include federal monies of $75,072 for Election Reform Payments and $57,946 for Edward Byrne Memorial Grant. In 2006 and 2005, the County Clerk also failed to include federal monies of $42,638 and $34,567, respectively, for Child Support Enforcement. In addition, most other grants were recorded at incorrect amounts. The County Clerk also failed to include the required pass-through grantor's number on several of the programs that were reported.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission and County Clerk prepare a complete and accurate schedule of expenditures of federal awards. In addition, the County Commission and County Clerk should ensure that the correct contract numbers are included on the schedule.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

This will be implemented to the best of their ability starting with the 2008 budget.

06-4.	**Cash Management**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Numbers:	BRO-078 (40) and BRO-078 (41)
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to vendors.

Of nine reimbursements reviewed, eight reimbursements totaling $336,659 were received and held for more than two business days before the related payment was made to the vendor. These reimbursements included $1,555, $9,042, $99,985, $62,206, and $8,700 held for 163, 151, 135, 74, and 46 days, respectively. The County Clerk indicated that in some instances he did not receive notification in a timely manner that project reimbursements had been deposited into the county's checking account. The County Clerk also indicated that he only issues checks twice per month with no exceptions. Both situations make it difficult to pay the funds out within two business days.

The county contracts with the Missouri Department of Transportation (MoDOT) for bridge replacement and rehabilitation under the Highway Planning and Construction Program. Section .300(c) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to, "comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs". Section XII of the MoDOT Local Public Agency Manual provides that local agencies must develop cash management procedures to ensure payment is made to the contractor/consultant within two business days of receipt of funds from MoDOT.

WE RECOMMEND the County Commission establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with MoDOT requirements.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

It is not their intention to hold monies for more than 30 days. Monies will be disbursed within 15 days, which is within the normal accounts payable cycle.

06-5.	**Suspension and Debarment Compliance**

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006
Questioned Costs:	Not Applicable

The County Commission did not ensure the vendors providing services complied with grant provisions. Program guidelines and the Common Rule require entities receiving federal awards to determine that vendors receiving amounts equal to or exceeding $25,000 and their principals are not suspended or debarred. The commission was not aware of this requirement and did not verify the standing of the vendors used. We consulted the General Service

Administration's Excluded Parties List System and determined that no vendors used were suspended or debarred.

WE RECOMMEND the County Commission establish procedures for future grants to ensure vendors are not suspended or debarred.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

The recommendation will be implemented if this grant is received in the future and vendors are required.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PEMISCOT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 13, 2007. We also have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 13, 2007.

Because the Senate Bill 40 Board, Port Authority Board, and County Hospital Board are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those,

if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Pemiscot County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pemiscot County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Procedures

The County Clerk does not maintain an account book with the County Collector and controls over property tax additions are not adequate. In addition, the County Treasurer's bond coverage is insufficient to cover school monies received and she is not properly handling old outstanding checks. The county's published financial statements did not include the financial activity for all county funds or the county's bonded debt. Also, the 2005 financial statements were not published in a timely manner. County officials are not filing monthly reports of fees with the County Commission as required by state law. Fees collected have not been disbursed to shelters for victims of domestic violence.

A. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors could go undetected.

Section 51.150 (2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

B. Controls over property tax additions are not adequate. Additions made to property taxes from August through May are initiated by the County Assessor, who assigns an assessed value and enters it into the property tax computer system. The entry generates a tax statement of the taxes due in the County Collector's office, who collects the tax. At month end, the County Collector prints a report of all property tax additions; however, the County Commission does not approve these additions. The assessment book is certified annually on May 31st. Additions made in June and July have court orders and are approved by the County Commission in July.

However, no independent and subsequent review of the actual changes made to the property tax system as compared to the approved change requests and/or court orders is performed by the County Clerk. As a result, additions, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions. The County Clerk should periodically reconcile all approved additions to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

C. The County Treasurer's bond coverage is insufficient to cover the school monies she receives. The $670,000 bond secured for the County Treasurer was approximately $96,000 less than the amount required by state law during January 2007, when she received and distributed most of the school property tax money.

Section 54.160, RSMo, requires the County Treasurer to give additional bond for school monies sufficient to secure the monies which come into the County Treasurer's hands, not to exceed one-fourth of the amount collected during the same month of the year immediately preceding her election or appointment.

D. The County Treasurer is not properly following up on old outstanding checks. At December 31, 2006, the Treasurer had 15 outstanding checks totaling $757 that were over a year old. The Treasurer will periodically stop payment on these checks and transfer the amounts into the county's Unclaimed Fees Fund. After three years, the Treasurer stated she will transfer the money into the General Revenue Fund as miscellaneous revenue. However, no transfers have been made into the General Revenue Fund for over three years. These old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, the amount should be disbursed to the state's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

E. The annual published financial statements of the county did not include the financial activity for the Tax Maintenance Fund, Law Library Fund, Circuit Division Interest Fund, Circuit Division Time Payment Fee Fund, Associate Division Interest Fund, Associate Division Time Payment Fee Fund, MoSmart Fund, Law Enforcement Restitution Fund, and Sheriff Revolving Fund. In addition, the amount of bonded

debt and other related bond information for the Justice Center bonds were not included, and the financial statement for the year ended December 31, 2005 was not published until October 26, 2006.

Section 50.800, RSMo, requires published financial statements to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. In addition, it requires the presentation of bonded debt of the county and other information related to bond activity. The statute also requires that the financial statements be published by the first Monday in March for fiscal years that end the preceding December.

For the published financial statement to adequately inform the citizens of the county's financial activity, all monies received and disbursed by the county and all other required information should be included in the level of detail required by law.

F. No county officials file monthly reports of fees collected with the County Commission. Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

G. The county has not adequately disbursed the fees collected to shelters for victims of domestic violence. As of December 31, 2006, the Domestic Violence Fund balance was $22,053. No monies were disbursed from this fund during 2005 or 2006. Section 488.445, RSMo, authorizes the county to impose certain fees on the issuance of marriage licenses and on any civil case filed in circuit court. These fees are to be used to provide financial assistance to shelters for victims of domestic violence.

Conditions similar to A and E were noted in our prior report.

WE RECOMMEND the County Commission:

A. Require the County Clerk maintain an account book with the County Collector in accordance with state law.

B. Require the County Clerk prepare all additions to the tax books and charge the County Collector with additions at the time additions are prepared. All additions should be approved by the County Commission.

C. Ensure that all county officials are adequately bonded.

D. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

E. Ensure all required financial information for all county funds is properly reported in a timely manner in the published financial statements.

F. Require county officials to prepare monthly reports of fees as required by state law.

G. Ensure Domestic Violence Fund monies are disbursed to qualifying shelters in a timely manner.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. The Collector's amounts are reconciled annually; however, monthly reconciliations are not and will not be performed.

B. All additions will be approved if the Assessor provides documentation.

C. The Treasurer's bond will be increased when necessary.

D&F. These recommendations will be implemented immediately.

E. The recommendation will be implemented with the next published financial statement.

G. No requests have been received for these funds. Disbursements will be made in a timely manner after a request has been received.

The Assessor provided the following response:

B. She will provide the Commission documentation of each addition she receives.

The Treasurer provided the following responses:

C. She will inform the Commission of the proper bond amount.

D. The recommendation will be implemented immediately.

2.	**Bidding and Contracts**

The Assessor did not solicit bids for a new appraisal system and the system has not been received although the county has already paid approximately $30,000 for it. The county did not enter into formal written contracts with two attorneys for legal services, one of which is related to a commissioner and the County Treasurer.

A. The Assessor did not solicit bids for a new appraisal system or secure a written contract with the vendor. The Assessor indicated she did not solicit bids because there are a limited number of vendors in the area that provide the service. The system has not been installed even though the vendor was paid $30,000 by May 2006, and the county has had to continue using their old system. Without a written contract, milestones were not established that would have required certain conditions

be met before the vendor was paid. In addition, without a contract there are no penalties to the vendor for not providing the system on a timely basis.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. In addition, a written contract, signed by the parties involved, should specify the services to be rendered and establish milestones that ensure services have been provided before payments are made to the vendor. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

B. The county did not enter into formal written contracts for various legal services including juvenile office legal services costing $3,100 and an attorney used to provide legal services related to the county's lawsuit regarding the funding of the Prosecuting Attorney Retirement Fund. While the attorney provided the work pro bono, the attorney is the son of a county commissioner and the County Treasurer.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Commission minutes should document approval of all agreements.

Conditions similar to B were noted in our prior report.

WE RECOMMEND the County Commission:

A. Utilize a competitive procurement process for all major purchases and maintain documentation of decisions made. Also, the County Commission should ensure that services are received before payments are made for services.

B. Enter into written contracts when appropriate and ensure that contracts contain adequate details and protections for the county.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. The recommendation will be implemented from now on.

B. Contracts will be secured when necessary.

The Assessor provided the following response:

A. Nine companies were contacted but none of them would provide bids. In the future, she will document that vendors have been contacted. The real estate portion of the new system is now in operation.

3. Personnel Issues

The County Clerk does not maintain centralized leave records for county employees or timesheets for the Sheriff's Department, Road and Bridge Department, or the Solid Waste Transfer Station. In addition, the county incurred a significant liability due to a former employee not being properly compensated for all work performed.

A. The County Clerk does not maintain centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated for county employees. Each individual office is responsible for maintaining these records. The County Clerk also does not receive time sheets from employees of the Sheriff's Department, Road and Bridge Department (see part C), or Solid Waste Transfer Station. The Sheriff's Department sends a report of time worked for all employees while the Road and Bridge Department and the Solid Waste Transfer Station verbally report the hours worked for each employee.

As of July 31, 2007, four Road and Bridge Department employees had annual leave balances in excess of the 120 hour limit established by the county. In addition, the Sheriff's office maintains their employee leave records in a manner that does not allow current leave balances to be easily attainable. When a deputy wants to use leave time, their leave balance is recalculated manually to ensure the deputy's balance is sufficient for the amount of leave being requested.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

B. The county incurred a significant liability due to a former Road and Bridge Department employee not being properly compensated for all work performed. The employee requested and was paid for only 32 hours of work each week even though he recorded 40 hours worked on his timesheet. According to county officials, this arrangement was originally made so that the employee could continue to receive his pension from a previous job. After a few years under this arrangement, the employee retired and requested to be paid for the additional 8 hours worked each week, totaling 1,744 hours or $16,100. Instead of paying this in one lump sum, the county paid it over a nine month period as if the employee was on leave and was being paid. During that time, the employee continued to receive full benefits, including the earning of vacation time, health insurance, life insurance, and retirement benefits. The employee received a $100 per month raise in January 2006 along with other county employees, which was reflected in the final two payments made to him. The county also paid the employee for 180 hours of vacation time, which is more vacation time than allowed by county policy.

   The agreement to only pay for 32 hours when 40 hours were worked is not in compliance with the federal FLSA. The county should not allow employees to be compensated for less than what is reported on employee time sheets. Compensation should correspond to the hours worked for each pay period. Additionally, the benefits provided this individual during this time were essentially duplicative of previously earned benefits and totaled $2,268 for health insurance, $77 for life insurance, and $745 in retirement benefits.

Conditions similar to A were noted in our prior report.

WE RECOMMEND the County Commission:

A. Ensure the County Clerk maintains centralized time sheets and leave records with current balances that are easily attainable for all county employees. In addition, leave balances should be periodically monitored to ensure employees do not accumulate or use more leave time than is allowed by county policy.

B. Ensure that employee compensation is in compliance with the FLSA. The County Commission should pay employees the proper compensation supported by approved timesheets.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A&B. These recommendations will be implemented immediately.

4.	**Commission Minutes and Public Records**

Minutes of closed meetings held by the County Commission are not taken unless the commission votes on a motion. In addition, the commission minutes do not always include sufficient detail of matters discussed or actions taken. Commission minutes are not signed by the County Clerk to attest to their completeness and accuracy. Also, the county does not have a formal policy regarding public access to county records.

A. The County Commission held numerous closed sessions over the past several years. Open session minutes typically will indicate that the meeting is being closed, but minutes for the closed sessions are not taken unless the commission votes on a motion. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

   The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

B. The commission minutes do not always include sufficient or correct detail of matters discussed or actions taken. A review of the commission minutes revealed that bid amounts are not always documented and one instance where bid amounts were attributed to the wrong vendors, which created the appearance that the highest bid had been accepted. Also, the minutes do not include the motion passed to accept the bid for the county's current depository bank.

   The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

C. Commission minutes are signed by the Presiding Commissioner, but not the County Clerk. The minutes should be signed by the County Clerk and then by the County Commission to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the commission meetings.

D. The county does not have a formal policy regarding public access to county records. The County Clerk indicated he charges 10 cents per page for copies of county records. A formal policy regarding access and obtaining copies of county records would establish guidelines for the county to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making county records available to the public. Section 610.026, RSMo, allows the county to charge fees for copying public records, not to exceed the county's actual cost of document search and duplication.

WE RECOMMEND the County Commission:

A. Ensure minutes are taken for all closed sessions.

B. Ensure complete and accurate minutes of the commission's meetings are maintained.

C. Ensure the commission minutes are signed by the County Clerk upon preparation and the County Commission upon approval.

D. Develop a formal policy regarding procedures to obtain public access to, or copies of, public county records.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. The recommendation has already been implemented.

B&C These recommendations will be implemented from this point forward.

D. The recommendation will be implemented.

5. Capital Assets

Property records and procedures to account for county property are not adequate. Records and monitoring procedures for county vehicles used by various departments are not sufficient.

A. Records and procedures to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. The County Clerk does maintain a listing of vehicles and Road and Bridge Department and Solid Waste Transfer Station equipment; however, this listing is primarily for insurance purposes, does not include all personal property costing $1,000 or more, and does not include all necessary information. County offices are not performing and submitting annual physical inventory reports and tags identifying property items as county property are not being assigned and affixed to items.

Section 49.093, RSMo, requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. An explanation of material changes from the previous inventory is to be attached to the department inventory reports.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Proper capital asset records should include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions and dispositions as they occur. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

B. Records and monitoring procedures for county vehicles used by various county departments are not sufficient. As of December 31, 2006, the county owned forty-seven vehicles utilized by the Road and Bridge Department, Solid Waste Transfer Station, and Sheriff's Department. The county spent over $400,000 on maintenance and fuel in both 2006 and 2005. The county does not require vehicle usage logs to be prepared for the vehicles used by the Road and Bridge Department and the Solid Waste Transfer Station. The Sheriff's Department records the odometer readings of their vehicles only when refueling. The logs do not include information on travel destinations and/or number of miles traveled each day.

County officials indicated they believe the use of the vehicles is proper. However, without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate when vehicles need to be replaced.

Vehicle usage logs should include trip information (i.e. employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

Conditions similar to A were noted in our prior report.

WE RECOMMEND the County Commission:

A. Establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk. In addition, property controls tags should be affixed to capital assets.

B. Require the preparation of usage logs for all county vehicles, and ensure proper reviews and reconciliations are performed.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. They will request the cooperation of other county officials to ensure the recommendation is implemented.

B. The recommendation will be implemented immediately.

6. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification or destruction because passwords are not periodically changed to reduce the risk of compromised passwords.

The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

The recommendation will be implemented as soon as possible.

7.	Solid Waste Transfer Station

The county operates a solid waste transfer station, which allows individuals and various entities to dispose of trash at a landfill. Trash is received and processed at the transfer station, and then shipped to a landfill for disposal. The individuals and various entities that utilize the transfer station are billed each month, with rates based on the amount of trash each customer delivers to the transfer station.

Billing reports are not reconciled to collection reports and the accounts receivable balance, giving the county no assurance that the accounts receivable balance is accurate. In addition, adequate efforts have not been made to pursue the collection of delinquent accounts. When accounts have overdue charges, transfer station employees attempt to contact the customers to request further payment and submit bills each month to the customers until the balance is paid. Customers with accounts that have been overdue longer than one month are not allowed to use the transfer station. However, other than billing the customers each month, nothing else is done to attempt to collect on the delinquent accounts. At our request, the county prepared an accounts receivable report and as of July 31, 2007, transfer station receivables totaled over $349,000, with over $118,600 (34 percent) being delinquent over 90 days.

Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. The county should put more effort into collecting on delinquent accounts. This should include establishing formal procedures for collecting on delinquent accounts such as turning delinquent accounts over to the Prosecuting Attorney and utilizing collection agencies.

WE RECOMMEND the County Commission establish formal procedures for reconciling the amounts billed to amounts collected and the accounts receivable balance and for collecting on delinquent accounts, which should include turning delinquent accounts over to the Prosecuting Attorney and utilizing collection agencies.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

They have begun reconciling billings to collections and have established payment schedules for delinquent accounts. Over $100,000 in delinquent accounts have been collected in 2007.

8. Health Center's Accounting Controls and Procedures

Actual expenditures exceeded budgeted amounts during the years ended December 31, 2006 and 2005. Accounting duties within the Health Center are not adequately segregated. The method of payment is not reconciled between receipt slips, the receipts ledger, and the deposits. Receipts are not always deposited intact and in a timely manner. In addition, bids were not solicited for some purchases, including a purchase made from a vendor owned by a board member. Invoices are not usually marked to note goods or services have been received or the invoices have been paid. Employees were reimbursed for attending a training session without submitting proper documentation. Also, physical inventories of assets are not conducted annually.

The Health Center processed approximately $639,100 and $624,200 in 2006 and 2005, respectively, for property taxes, vaccination fees, donations, birth and death certificates, and various grants.

A. Actual expenditures exceeded budgeted amounts during the years ended December 31, 2006 and 2005 by $3,725 and $11,931, respectively. Even though budget to actual reports are received monthly, the budget is not adequately monitored to prevent expenditures from exceeding budgeted amounts.

   It was ruled in State ex. rel. Strong v. Cribb, 364 Mo.1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

B. The duties of receiving, recording, and depositing receipts are not adequately segregated. The office manager collects monies, records transactions, and prepares deposits. There are no documented reviews of the office manager's work by the Health Center administrator.

   Internal controls would be improved by segregating the duties of receiving, recording and depositing monies. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the office manager's work should be performed and documented.

C. The method of payment is not reconciled between receipt slips, the receipts ledger, and the deposits. A review of the Health Center's receipt slips revealed the following concerns:

- Receipt slips are not issued for some monies received. Receipt slips are primarily only issued for payments received in person. Receipt slips are issued for payments received through the mail only if requested by the payor.

- The numerical sequence of receipt slips is not accounted for properly. Generic, prenumbered receipt slips are issued for most monies received; however, the books are not purchased or issued in numerical order. In addition, from May 1, 2006 to June 22, 2006, the receipt slips used were not prenumbered and receipt slips issued from January 1, 2005 to April 27, 2005 and from November 28, 2006 to December 31, 2006 could not be located.

After receipt slips are issued, the amount and reason for payment are recorded in a receipts ledger; however, the receipt slip numbers are not recorded in the ledger and the method of payment does not always agree between the receipt slip and the corresponding ledger entry. While the amount of each deposit is reconciled with the receipts ledger, the Health Center cannot ensure all receipts are being recorded in the receipts ledger and deposited and the composition of the deposit agrees to the composition of the receipts ledger and monies actually received.

To ensure all receipts are deposited, the Health Center should issue prenumbered receipt slips for all monies received and ensure receipt slip numbers and the method of payment are recorded in the receipts ledger and the composition of receipts recorded in the receipts ledger agrees to the composition of the deposits.

D Monies received are not always deposited intact on a timely basis. Receipt ledgers for December 1, 2005 and December 2, 2005 show that $149 and $113, respectively, were collected; however, the receipts were not deposited until December 23, 2005 and December 28, 2005, respectively. Monies received for the week beginning December 5, 2005 were deposited on December 8, 2005. In addition, a cash count performed on July 9, 2007 showed that $935 had been receipted on that day; however, a deposit was not made until three days later. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

E. The Health Center made a $1,806 purchase for medical equipment from a business owned by a board member. Competitive bids were not solicited for the equipment. In addition, the board minutes do not indicate the board member abstained from approving disbursements to his business.

Section 105.454, RSMo, prohibits financial transactions between a political subdivision and an officer serving in an executive or administrative capacity of the political subdivision that involves $500 per transaction or more than $5,000 per year unless the transaction is made by competitive bidding and the lowest bid is accepted.

F. The Health Center did not solicit bids or proposals or perform other price comparison procedures for some purchases. In addition, neither the Health Center minutes nor the disbursement records contained adequate documentation of the Health Center's efforts to compare prices (i.e., phone contacts, inquiries).

The Health Center did not advertise for vaccine purchases. The Health Center purchased $9,630 in vaccines in both 2006 and 2005. Rather, Health Center employees indicated they call vendors that handle vaccines each time a purchase is made; however, documentation of these calls and the prices obtained are not retained. Also, the Health Center disbursed $5,000 to a vendor for writing a grant. Proposals were not solicited for the grant writing services, instead the vendor was selected because the Health Center had used the vendor in the past.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Health Center has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in Health Center business. Documentation of the various proposals received, and the Health Center's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

G. Invoices are not always marked paid or otherwise canceled upon payment and typically do not indicate the goods or services were received. Canceling invoices and all other supporting documentation reduces the likelihood of duplicate payments and requiring acknowledgement of receipt of goods and/or services prior to payment will ensure the Health Center actually received all items paid for.

H. In December 2005, the Health Center had over $1,000 in unspent funds from a Pandemic Flu grant. The former administrator allowed employees to be reimbursed either $50 or $100, for expenses related to attending a training session. Employees were given $50 for attending a training session in Scott County and $100 for attending a training session in Cape Girardeau County. Twelve employees were reimbursed a total of $1,050 for expenses. However, the Health Center could not provide documentation showing that employees actually attended the sessions. In addition, the Health Center could not provide the timesheets for these employees for this time period. Also, employees that attended the training session in Scott County received $43 for mileage and $7 for lunch while employees that attended the training

session in Cape Girardeau County received $75 for mileage and $25 for lunch. While the mileage amounts are reasonable, the Health Center could not provide an explanation regarding why there was a large discrepancy between the amounts allocated for meals at each location. The lack of adequate documentation in support of training attendance and meal allowance makes it difficult for the Health Center to ensure the propriety of the payments made as reimbursement of expenses related to attending the training sessions.

I. Physical inventories of assets are not conducted annually. Although the Health Center maintains a list of property, there was no documentation of when the last physical inventory had been conducted. Annual physical inventories of Health Center assets are necessary to ensure capital asset records are accurate, identify any unrecorded additions and deletions, deter theft of assets, and identify obsolete assets.

A condition similar to B was noted in our previous report.

WE RECOMMEND the Health Center:

A. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

B. Segregate the duties of receiving, recording, and depositing receipts. If segregation of duties is not possible, at a minimum, a supervisory review of the bookkeeper's work should be performed and documented.

C. Issue prenumbered receipt slips for all monies received, record the receipt slip numbers and correct method of payment in the receipts ledger, and reconcile the composition of receipts to amounts deposited.

D. Deposit all monies intact on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

E. Refrain from paying officials for goods and/or services provided to the Health Center unless such transactions are properly bid in accordance with state law.

F. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

G. Ensure invoices and other supporting documentation are marked paid and receipt of goods and/or services is indicated.

H. Require employees to submit appropriate documentation of attendance of training and meal and travel expenses and maintain documentation explaining variances in amounts allowed for meal reimbursements.

I. Perform annual physical inventories of assets to ensure the capital asset records are accurate.

AUDITEE'S RESPONSE

The Health Center Board and Administrator provided the following response:

A. The Health Center Board will be informed when amendments are necessary.

B,C, &D. These recommendations have already been implemented.

E. They were not aware that this purchase needed to be bid because it was less than $4,500. In the future, bids will be solicited for these types of purchases.

F,G, &H. These recommendations will be implemented immediately.

I. They are currently in the process of conducting an inventory.

9. Probate Division's Accounting Controls and Procedures

Receipts are not posted to the accounting records or deposited on a timely basis and checks are not restrictively endorsed immediately upon receipt. Receipts are posted to the accounting records when a deposit is made, which is usually only one or two times per month. For example, six deposits averaging $486 were made from September through November 2006. Only one deposit, totaling $370, was made in October 2006. Receipts that were received between October 4, 2006 and November 3, 2006 were posted when the deposit was prepared on November 3, 2006. The Probate Division collected court filing fees and court costs in 2006 and 2005 of approximately $14,300 and $12,300, respectively.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be posted daily or when received into the accounting records to ensure all receipts are posted and these receipts should be deposited daily or when accumulated receipts exceed $100.

In addition, checks received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied when the checks are deposited. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Probate Division Judge ensure all receipts are posted to the accounting system in a timely manner and deposited daily or when receipts exceed $100. Checks and money orders should be restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

The Probate Division Judge provided the following response:

The recommendation has already been implemented. Deposits are now being made more frequently and checks are being restrictively endorsed immediately upon receipt.

10. Sheriff's Accounting Controls and Procedures

Prenumbered receipt slips were not issued for some monies received and monies received from the Social Security Administration were not paid to the county treasury as required by state law. Also, the monthly listing of open items is not reconciled to the cash balance for the inmate checking account and no procedures have been established to follow up on old outstanding checks written from the inmate checking account.

A. Prenumbered receipt slips were not issued for donations totaling $750 in 2006 and 2005. Without issuing prenumbered receipt slips for all monies collected, the Sheriff cannot ensure all monies collected are ultimately recorded and deposited.

B. The Sheriff receives monies from the Social Security Administration for housing qualified prisoners. These monies were deposited into the Sheriff's general checking account and spent on office supplies. For the two years ended December 31, 2006, the Sheriff received $11,000 from the Social Security Administration and spent $2,025 on office supplies. All remaining Social Security monies were eventually transmitted to the County Treasurer in December 2006. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury.

C. The Sheriff maintains a separate inmate checking account which is used to handle personal inmate monies and operate a commissary for inmates. For the years ended December 31, 2006 and 2005, receipts of this account totaled approximately $134,000 and $115,000, respectively.

The Sheriff's office uses a specialized computer program to maintain the records for this account. Inmates order various personal items from the commissary and the money is deducted from their account. Any remaining personal monies are paid to the inmate upon release. The amounts of monies received, commissary purchases made, and the available cash balance for each inmate are recorded on the computer system.

1) Monthly listings of open items (liabilities) are not reconciled to cash balances. Sheriff's office employees do not generate or utilize computer system reports to perform needed reconciliations. At our request, a report of inmate balances was generated from the commissary computer system as of

May 28, 2007, which identified liabilities of $4,316. However, the reconciled bank balance was $8,403 for an overage of $4,087.

Discrepancies between liabilities and the cash balance may also occur due to prior inmates whose balances have been removed from the open items list but whose monies were not disbursed from the inmate checking account.

Monthly reconciliations of liabilities and individual prisoner accounts to the reconciled bank balance are necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis.

2) The Sheriff has not established procedures to routinely follow up on outstanding checks. At December 31, 2006, 71 checks totaling $958 were over one year old and 23 of these checks were written for less than $1.

These old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can readily be located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

Conditions similar to C1 were noted in our prior report.

WE RECOMMEND the Sheriff:

A. Require prenumbered receipt slips be issued for all monies received.

B. Discontinue the practice of maintaining Social Security monies outside the county treasury. The monies should be turned over to the county treasury on a periodic basis.

C.1. Prepare and reconcile a listing of liabilities, including individual inmate balances, to the reconciled bank balance on a monthly basis. In addition, the Sheriff should establish procedures to ensure released inmates receive the balance of their commissary account and establish routine procedures to investigate inmate balances unclaimed for a considerable time.

2. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. The recommendation has already been implemented. Receipt slips are now issued for donations.

B. The recommendation has already been implemented.

C. Old accounts with balances will be turned over to the state's Unclaimed Property Section by January 1, 2008. Accounts will now be monitored on a periodic basis.

11. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not adequately segregated and monies are not transmitted to the County Treasurer or victims in a timely manner. Also, the numerical sequence of receipt slips is not accounted for properly. The Prosecuting Attorney's office collected court-ordered restitution and bad check related restitution and fees in 2006 and 2005 of approximately $179,000 and $162,000, respectively.

A. Accounting duties are not adequately segregated. Any of the three clerks may perform all of the duties of receiving, recording, and transmitting monies. The Prosecuting Attorney indicated he does not perform periodic reviews of the records.

Internal controls would be improved by segregating the duties of receiving and transmitting monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies for bad check fees are not transmitted to the County Treasurer in a timely manner. In addition, restitution payments are not transmitted to victims in a timely manner. Monies are normally collected each business day, but transmittals are normally made only one to four times per month. A cash count performed on July 10, 2007, showed collections dating back to June 1, 2007 and totaling approximately $15,350 in money orders, with most of these monies being held for some time.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be transmitted daily or when accumulated receipts exceed $100.

C. The numerical sequence of receipt slips is not accounted for properly. A computer program generates a prenumbered receipt slip each time a payment is entered; however, no review is performed to account for the numerical sequence of the receipt slips issued. Without accounting for prenumbered receipts slips for all monies

collected, the Prosecuting Attorney cannot ensure all monies collected are ultimately recorded and transmitted.

Conditions similar to Parts A , B, and C were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Transmit all monies daily or when accumulated receipts exceed $100.

C. Ensure the numerical sequence of receipt slips is accounted for properly.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. Someone independent of the receipting process will periodically review transmittals.

B. They will attempt to transmit receipts to the Treasurer weekly.

C. They will talk to their computer programmer to determine if receipt slip numbers can be added to their turnover reports, which would allow for the numerical sequence to be accounted for.

12. Associate Division's Accounting Controls and Procedures

Old outstanding checks are not disposed of properly. Checks that are outstanding more than six months are voided and the amounts transferred from the Associate Division's checking account into an Associate Division Interest Fund certificate of deposit. Since 2003, $4,779 in old outstanding checks has been transferred into the certificate of deposit. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If they payees cannot be located, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Associate Circuit Judge ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Associate Division Judge provided the following response:

Old outstanding checks have already been sent to the state's Unclaimed Property Section. Procedures have been adopted for future outstanding checks.

13. Circuit Clerk's Accounting Controls and Procedures

The Circuit Clerk is holding monies in her bank account on cases that have been closed for several years. For example, one case closed in 2001 totaling $2,200 and another closed in 2003 totaling $1,250 were still held by the Circuit Clerk on December 31, 2006. The Circuit Clerk indicated that the payees of the monies cannot be located. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Clerk attempt to locate the payees of monies being held in open items after the cases have been closed. If the payee cannot be located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

Regarding the funds from 2001 totaling $2,200, after a more diligent search through the court file, an attorney was located for the party the funds were intended for. Contact was made with the individual, and the funds have been paid out. The $1,250 from 2003 is currently being investigated and it is anticipated that the amount will be paid to the state's Unclaimed Property Section after all means to locate the party or their heirs have been exhausted.

14. Recorder of Deeds' Accounting Controls and Procedures

No written contracts exist between the Recorder of Deeds and three local abstract companies. In addition, the rates charged to the abstract companies for copies have not been evaluated to ensure they cover the related costs of providing services. The Recorder of Deeds indicated that verbal agreements have been in place for approximately five years whereby copies are provided to two abstract companies for $100 per month and to another abstract company for $50 per month. The Recorder of Deeds does not keep track of the number of copies provided to the abstract companies each month. The monthly rates have not been evaluated by the Recorder of Deeds and may not be sufficient for the county to cover its related costs of providing services.

Prior to entering into written agreements with the abstract companies, the Recorder of Deeds should review the reasonableness of the contractual rates and ensure the county receives fair consideration in exchange for its services. Further, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

WE RECOMMEND the Recorder of Deeds review the propriety of the rate charged to abstract companies for copies and obtain written agreements with the abstract companies.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following response:

She will work with the title searchers on a contract that will give them the privilege of making copies in the Recorder's office.

Follow-Up on Prior Audit Findings

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pemiscot County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

   Pemiscot County's General Revenue and Law Enforcement Sales Tax funds were in weak financial condition.

   Recommendation:

   The County Commission consider various alternatives of increasing receipts and/or reducing disbursements to improve the financial condition of the General Revenue and Law Enforcement Sales Tax funds. In addition, the county should budget specific disbursements from the Law Enforcement Sales Tax Fund versus transferring the monies to the General Revenue Fund.

   Status:

   Not implemented. See finding number 06-1.

2. Officials' Salaries

   A. Based on a Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling $14,800 for the two years ended December 31, 2000, should be repaid.

   B. The County Treasurer's salary was increased $10,400 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held in September 2002 approved this increase. Without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer was in accordance with state law.

   C. The Prosecuting Attorney was apparently underpaid $365 for the year ended December 31, 2000.

Recommendations:

The County Commission:

A. Review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments.

B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

C. Review the apparent underpayment of $365 to the Prosecuting Attorney.

Status:

A&B. Not implemented. Although not repeated in the current MAR, our recommendations remain as stated above.

C. Implemented. The county paid the Prosecuting Attorney an additional $365 in 2003.

3. Budgetary Practices and Financial Statements

A. Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001.

B. The county's annual published financial statements did not include the financial activity of some funds as required.

Recommendations:

The County Commission:

A. Ensure budgets for all county funds are obtained or prepared.

B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A. Not implemented. See finding number 06-2.

B. Not implemented. See MAR finding number 1.

4. County Procedures

A. The county had not established adequate procedures to monitor collateral securities and commercial insurance provided through surety bonds pledged by its depository bank, and as a result, funds were undercollateralized at various times during the audit period.

B. Not all departments were submitting time sheets and leave information to the County Clerk.

C. The County Clerk did not maintain the general fixed asset records on an up to date basis. The County Clerk did not periodically reconcile equipment purchases with additions to the fixed asset records. Property tags were not placed on all general fixed asset items.

D. The County Clerk did not maintain an account book with the County Collector.

Recommendations:

The County Commission:

A. Establish monitoring procedures to ensure the depository bank pledges adequate collateral securities at all times.

B. Require all departments to file time sheets and leave information with the County Clerk. The County Clerk should then maintain a balance of leave accumulated and taken for each employee.

C. Require complete and accurate general fixed asset records be maintained and annual inventories of fixed assets be performed. In addition, the County Commission should require property tags be affixed on all county property.

D. Require the County Clerk to maintain an account book with the County Collector in accordance with statute.

Status:

A. Implemented.

B. Not implemented. See MAR finding number 3.

C. Not implemented. See MAR finding number 5.

D. Not implemented. See MAR finding number 1.

5. County Expenditure Procedures and Practices

A. The county did not enter into formal written agreements with three of their contract laborers. In addition, the county did not require the contract laborers to submit adequate documentation of work performed prior to payment.

B. The county did not obtain a professional appraisal prior to a $5,040 purchase of land in May 2001 for the Pemiscot County Rescue Squad. In addition, the county had not obtained a written agreement with the Pemiscot County Rescue Squad stating the duties and responsibilities of both the county and the squad.

C. County employees were paid per diems of $30 per day to cover food and other incidental travel expenses. The county employees were not required to submit receipts or other documentation to support the spending of these per diem payments nor did the county include these payments on their W-2 forms.

D. The County Commission obtained a bank loan in 2001 for $160,189 to purchase three road graders. The loan was payable over a five-year period and contained no cancellation clause or other language relating the debt to the annual appropriation process. As such, this loan may have constituted long-term debt and the County Commission had no legal authority to enter into such agreements. Further, there was no evidence the county obtained a legal opinion in support of their action.

Recommendations:

The County Commission:

A. Ensure that contracts are obtained and entered into for services received. In addition, the County Commission should require adequate supporting documentation be submitted by the contract laborers and consult legal counsel regarding the appropriate employment status of the laborers.

B. Obtain professional appraisals on land it considers purchasing. In addition, the County Commission should determine the relationship between itself and the Pemiscot County Rescue Squad and establish an agreement stating the duties and responsibilities of each entity.

C. Adopt a travel policy to ensure only actual and necessary travel expenses are incurred. If the county continues to make per diem payments, the county should require receipts or other documentation to support the spending of per diems or include these payments as income on applicable W-2 forms.

D. Ensure monies are borrowed in accordance with the provisions of state law.

Status:

A. Partially implemented. The County Commission now requires adequate supporting documentation be submitted by contract laborers; however, contracts are not always obtained and entered into for services received. See MAR finding number 2.

B. Partially implemented. The County Clerk indicated the county has not considered purchasing any land since May 2001, but would obtain professional appraisals if the county considers purchasing land in the future. The county has not established a written contract with the Pemiscot County Rescue Squad. Although not repeated in the current MAR, our recommendation regarding the establishment of an agreement with the rescue squad remains as stated above.

C&D. Implemented.

6. Computer Controls

A. Passwords were not changed on a periodic basis to ensure confidentiality.

B. Backup disks of county data were not stored at an off-site location.

Recommendations:

The County Commission:

A. Ensure passwords are periodically changed and remain confidential.

B. Ensure backup disks are stored in a secure, off-site location.

Status:

A. Not implemented. See MAR finding number 6.

B. Implemented.

7. Probate Division's Accounting Controls and Procedures

Accounting and bookkeeping duties were not adequately segregated. The Division Clerk performed all of the duties of receiving, recording, depositing, and disbursing monies.

Recommendation:

The Probate Division Judge segregate accounting and bookkeeping duties to the extent possible. At a minimum, there should be documented supervisory reviews of the accounting records.

Status:

Implemented.

8. Prosecuting Attorney's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Receipt slips were not issued for some monies received. In addition, no sequential summary record (cash control) of restitution receipts and disbursements was maintained.

C. Bad check fees were not transmitted to the County Treasurer on a timely basis. In addition, money orders were not restrictively endorsed immediately upon receipt as endorsements were applied at the time of transmittal to the County Treasurer.

Recommendations:

The Prosecuting Attorney:

A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

B. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips. In addition, establish a cash control record for restitution transactions and reconcile it periodically to the case files.

C. Transmit fees to the County Treasurer daily or when accumulated receipts exceed $100. In addition, restrictively endorse money orders received immediately upon receipt.

Status:

A&C. Not implemented. See MAR finding number 11.

B. Partially implemented. Prenumbered receipt slips are issued for all monies received and a cash control record is maintained and reconciled to case files; however, the numerical sequence of receipt slips issued is not accounted for. See MAR finding number 11.

9. Public Administrator's Accounting Controls and Procedures

A. Annual settlements filed by the Public Administrator were not always complete.

B. One estate's account had four checks totaling $235, which had been outstanding since May 2001.

C. Fees charged to the estates were incorrectly calculated by the Public Administrator. During 2002, excessive fees totaling $1,449 were paid to the General Revenue Fund.

Recommendations:

The Public Administrator:

A. File complete and accurate annual settlements.

B. Determine the proper disposition of the old outstanding checks.

C. Ensure fees are accurately calculated and review prior years calculations to refund excessive fees charges to the estates. In addition, the County Commission should authorize the payment of $1,449 from the General Revenue Fund to the various estates for excessive fee charges for 2002.

Status:

A-C. Implemented. The various estates that were charged excessive fees in 2002 were repaid from the General Revenue Fund in October 2003.

10. Sheriff's Accounting Controls and Procedures

A. Civil receipts were not deposited on a timely basis. Deposits were made only once per week.

B. Bank reconciliations were not performed for the commissary (inmate) account. In addition, the account balance was not reconciled to the individual inmate account balances (open items listing).

Recommendation:

The Sheriff:

A. Deposit civil receipts daily or when accumulated receipts exceed $100.

B. Prepare bank reconciliations for the commissary (inmate) account and reconcile the cash balance to the open items listing on a monthly basis.

Status:

A. Implemented.
B. Partially implemented. Bank reconciliations for the commissary account are

prepared monthly; however, no open items listing is prepared or reconciled for this account. See MAR finding number 10.

11. Health Center's Accounting Controls and Procedures

A. Receipt slips were not issued unless requested by the payor.

B. The bank reconciliation for December 31, 2002 included fifteen checks totaling $2,650 that had been outstanding for over a year.

C. Monthly bank reconciliations were not prepared for the petty cash bank account.

Recommendations:

The Health Center:

A. Issue prenumbered receipt slips for all monies received, record the method of payment on receipt slips, and reconcile the composition of receipts to the composition of bank deposits.

B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

C. Prepare bank reconciliations for all accounts on a monthly basis.

Status:

A. Not implemented. See MAR finding number 8.

B. Not implemented. As of December 31, 2006, the Health Center had eight checks totaling $538 that had been outstanding for more than one year and has not established routine procedures to investigate the checks. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented.

12. Senate Bill 40 Board

A. In August 2002, the board approved the purchase of a mobile home costing approximately $25,000 to be placed on a lot next to the NFP. The board did not obtain or require bids for this purchase as required by state law. In addition, it was unclear as to the benefits realized by the board and the county from this purchase.

B. The board approved the purchase of a parcel of land in March 2001 costing $22,500 without obtaining an independent appraisal of the property.

Recommendation:

The Senate Bill 40 Board:

A. Carefully consider the benefits to county residents for future expenditures of this type. In addition, the board should obtain or require bids for all major purchases.

B. Ensure independent appraisals are obtained for purchases of real estate and document the selection process and/or price negotiations.

Status:

A. Implemented.

B. The Senate Bill 40 Board has not purchased any land since this recommendation was made.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PEMISCOT COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Pemiscot was named after Pemiscot, its principal bayou. Pemiscot County is a county-organized, third-class county and is part of the 34th Judicial Circuit. The county seat is Caruthersville, Missouri.

Pemiscot County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 635 miles of county roads and 81 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 24,987 in 1980 and 20,047 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 91.2	92.5	88.3	88.7	67.8	42.5
Personal property	38.3	37.5	32.9	34.1	6.8	8.1
Railroad and utilities	31.0	31.1	29.6	25.9	14.1	14.5
Total	$ 160.5	161.1	150.8	148.7	88.7	65.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Pemiscot County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .1935	.2074	.1912	.2150
Road and Bridge Fund	.2946	.2925	.2925	.2925
Health Center Fund	.1000	.1000	.1000	.1000
Senate Bill 40 Board Fund	.1000	.1000	.1000	.1000
Hospital Maintenance Fund	.3789	.3761	.3761	.3761
Johnson Grass Fund	.0500	.0500	.0500	.0500

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 48,883	53,271	45,365	45,362
General Revenue Fund	349,785	475,403	308,447	337,917
Special Road and Bridge Fund	474,597	511,920	437,446	437,872
Assessment Fund	89,595	98,092	79,882	82,623
Health Center Fund	160,785	175,253	149,272	149,615
Senate Bill 40 Board Fund	160,785	175,253	149,272	149,615
Johnson Grass Fund	80,439	87,671	74,681	74,851
Drainage Districts Fund	117,942	116,181	121,381	116,639
School districts	5,258,567	5,776,963	4,676,435	4,675,253
Hospital Maintenance Fund	604,401	651,785	557,407	557,801
Special drainage district	356,852	354,752	354,532	351,988
Tax Maintenance Fund	28,156	23,362	21,640	22,321
Special School	816,641	854,034	707,896	722,602
Cities	102,761	105,743	95,192	91,605
County Employees' Retirement	70,247	65,212	61,481	60,114
Commissions and fees:				
General Revenue Fund	147,831	152,967	130,306	144,704
Total	$ 8,868,265	9,677,860	7,970,634	8,020,883

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	88.9	87.6	86.7	87.2	%
Personal property	80.4	84.0	82.0	79.3	
Railroad and utilities	100	100	100	100	

Pemiscot County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	$ .0050	none	50	%
Capital improvements	.0050	none	None	
Law Enforcement	.0025	none	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Charles Moss, Presiding Commissioner		28,400	28,400	28,400	28,400
David Wilkerson Jr., Associate Commissioner		26,400	26,400	26,400	26,400
Wendell Hoskins, Associate Commissioner		26,400	26,400		
Mike Avis, Associate Commissioner				26,400	26,400
Larry Ray, County Clerk		40,000	40,000	40,000	40,000
Pam Strawbridge, Recorder of Deeds		40,000	40,000	40,000	40,000
Michael B. Hazel, Prosecuting Attorney (1)		96,000	96,000	96,000	96,365
Thomas D. Greenwell, Sheriff		44,000	44,000	44,000	44,000
Pat Hoskins, County Treasurer (2)		41,159	42,895	41,226	40,911
James H. Brimhall, County Coroner		12,000	12,000	12,000	12,000
Carol DeRousse Miller, Public Administrator		25,000	25,000	25,000	25,000
Keith Jean, County Collector, year ended February 28 (29),	40,000	40,000	40,000	40,000	
Donna Champion Snider, County Assessor, year ended August 31,		40,000	40,000	40,000	40,000

(1) Includes $365 in compensation in 2003 due to being underpaid by same amount in 2000.
(2) Includes fees of $1,159, $2,895, $1,226, and $911, respectively, for county drainage distributions. Commissions were higher in 2005 due to the settlement of protested taxes involving the local casino.

State-Paid Officials:					
Kelly Cagle Maners, Circuit Clerk		49,470	48,500	47,850	47,935
Byron D. Luber, Associate Circuit Judge		96,000	96,000	96,000	96,000
William Currie, Associate Circuit Judge		96,000	96,000	96,000	92,000
Sidney Chaffin, Associate Circuit Judge					4,000

Susan Montee, CPA
Missouri State Auditor

December 2007

NATURAL RESOURCES

Weatherization Assistance Program

Report no. 2007-82

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Additional Oversight Needed of the Weatherization Assistance for Low-Income Persons Program

The Department of Natural Resources (DNR) Energy Center is responsible for administering the federal Weatherization Assistance for Low-Income Persons Program (WAP) in Missouri. This audit included (1) analyzing DNR's review and follow-up procedures on subgrantee audit reports, (2) evaluating the effectiveness of DNR's on-site monitoring of subgrantee operations, and (3) evaluating DNR's overall program oversight to ensure subgrantee compliance with program requirements. We found weaknesses exist in DNR's program monitoring procedures. As a result, subgrantees have not always complied with program requirements, and program over billings have occurred.

Inadequate review and analysis of audit reports	Energy Center personnel have not always or timely followed-up with subgrantees when (1) independent CPA audits reported WAP and overall agency internal control findings, (2) audited financial information differed from DNR records, (3) audit results did not include a required schedule, or (4) audit reports had not been submitted timely. Federal Department of Energy WAP grant guidance requires states conduct a comprehensive review of each subgrantee including financial audits. Federal regulating agencies could require additional oversight and impose additional grant conditions on Missouri because of the failure by the state to comply with monitoring requirements. (See page 6)
Limited monitoring of subgrantee procedures	Energy Center personnel on-site monitoring and expenditure review need improvement because personnel (1) limited client file reviews and inspections of houses receiving improvements, which resulted in documentation deficiencies being missed, (2) have not ensured correction of problems identified in the house inspections, (3) did not conduct analysis of bidding requirements as part of the on-site visits, (4) did not review sufficient documentation to support program expenditures, and (5) did not use training and technical assistance reports to evaluate training expenditures claimed by subgrantees. (See page 9)
Cash management compliance weaknesses	Energy Center personnel have not monitored whether subgrantees complied with federal cash management requirements for interest earned on advanced funding. In addition, the Energy Center personnel advanced WAP funding to some subgrantees without considering funding needs or whether subgrantees met requirements for advances. (See page 12)

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Abbreviations

CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
DNR	Department of Natural Resources
DOE	Department of Energy
OMB	Office of Management and Budget
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
WAP	Weatherization Assistance for Low-Income Persons Program

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Doyle Childers, Director
Department of Natural Resources
Jefferson City, MO

The Department of Natural Resources (DNR) is responsible for administering the federal Weatherization Assistance for Low-Income Persons Program in Missouri. The program goals include increasing the energy efficiency of homes owned or occupied by low-income persons, reducing their energy expenditures, and improving their health and safety. DNR subgrants program funding to 17 organizations and a local government that handle local program administration. Our audit objectives included (1) analyzing DNR's review and follow-up procedures on subgrantee audit reports, (2) evaluating the effectiveness of DNR's on-site monitoring of subgrantee operations, and (3) evaluating DNR's overall program oversight to ensure subgrantee compliance with program requirements.

We found DNR personnel have inadequately reviewed and analyzed subgrantee audit reports, performed limited monitoring of subgrantee program operations and expenditures, and have not monitored subgrantees for applicable cash management requirements.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report included Jon Halwes, Kelly Davis, and Dana Wansing.

Susan Montee, CPA
State Auditor

Introduction

The Weatherization Assistance for Low-Income Persons Program (WAP)[1] is a 100 percent federally funded grant program from the U.S. Department of Energy (DOE) and is administered by the Department of Natural Resources (DNR) Energy Center. The federal Office of Management and Budget (OMB) reports the objective of the WAP is to increase the energy efficiency of homes owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety.

The Energy Center subgrants WAP funds to 16 regional Community Action Agencies,[2] 1 city government and 1 not-for-profit organization that handle local program administration. Subgrantee staff determine eligibility for WAP participation. Eligible individuals have incomes at or below 150 percent of the poverty level. Once eligible, the staff perform energy audits at the client's home to determine the necessary projects to improve the energy efficiency of the home. Weatherization projects are completed either through the use of subcontractors or with materials warehoused by the subgrantee. There is no limit to the cost to weatherize a home for an eligible client; however, the average annual cost per all homes weatherized by each subgrantee must remain under $2,826[3] for fiscal year 2007.

DNR provides guidance on grant requirements, energy and financial audit procedures, and required documentation through a WAP manual. This manual is updated periodically and DNR provides updated copies and trainings to subgrantees on additions and changes. The manual is based on applicable federal regulations,[4] and federal DOE grant guidance.

DNR is required to monitor the activities of subgrantees. DNR monitors subgrantee activities by performing annual on-site visits at the 18 subgrantees and monitoring their budgets. Site visits include a review of client files, and inspections of weatherization projects. Subgrantees are required to submit annual budgets, and meet certain earmarking requirements. The agencies must submit monthly and quarterly reports to the Energy Center detailing expenditures, homes complete, health and safety projects, and training activities. Subgrantees must also submit copies of annual independent certified public accountant (CPA) audits for review by Energy Center personnel.

[1] Catalog of Federal Domestic Assistance (CFDA) Number 81.042.

[2] Private corporations or public agencies established under the Economic Opportunity Act of 1964, which are authorized to administer funds received from federal, state, or local entities to assess, design, operate, finance, and oversee antipoverty programs.

[3] The required average annual cost per home changes each fiscal year.

[4] 10 CFR 440 and 10 CFR 600.

DNR expended WAP grant funding of $6.2 and $5.3 million in fiscal years 2006 and 2007, respectively. Table 1.1 shows total grant expenditures and amounts paid to subgrantees since fiscal year 2002.

Table 1.1: WAP Expenditures by Fiscal Year

Fiscal Year	WAP Grant Expenditures	Advances or Reimbursements to Subgrantees
2002	$5,370,963	$5,069,702
2003	5,010,936	4,737,624
2004	5,532,343	5,219,815
2005	6,038,024	5,699,440
2006	6,239,498	5,766,043
2007	5,258,125	5,032,429
Total	$33,449,889	$31,525,053

Source: SAO Statewide Single Audit reports.

Scope and Methodology

To determine the requirements of the WAP, we reviewed federal laws and regulations, the DNR WAP manual, and federal DOE grant guidance. In addition, we reviewed federal single audit requirements under OMB Circular A-133 for the WAP program. We discussed program procedures and internal controls with DNR personnel to determine if proper controls were in place to ensure compliance with federal laws and grant requirements. In addition, we discussed some grant requirements with federal WAP personnel to determine Missouri's responsibilities for monitoring subgrantee activities.

To determine if required independent CPA reports are received and reviewed, we read all reports received in fiscal year 2006 and 2007 from each subgrantee. The audits covered program activity for fiscal years ending in 2005 and 2006, respectively.[5] We identified all audit findings related to the WAP or overall internal control weaknesses.[6] We compared the findings identified to the Energy Center's requests for corrective action to determine if all findings had been addressed.

To evaluate program financial information, we compared monthly reports submitted to the Energy Center by subgrantees in fiscal years 2005 to 2007 to annual reports of subgrantee revenues and expenditures compiled by Energy Center personnel and to audited WAP financial results. We

[5] DNR had not received fiscal year 2007 audit reports as of our review.

[6] Each audit may not have included a detailed review of the WAP as allowed under OMB Circular A-133 single audit requirements.

compared differences identified to differences Energy Center personnel reported to the various subgrantees for evaluation or correction.

To evaluate the effectiveness of subgrantee monitoring procedures, we reviewed the on-site monitoring and housing inspection files for fiscal years 2006 and 2007 for weaknesses identified. We discussed corrective action procedures for these problems with Energy Center personnel.

To evaluate whether subgrantees are complying with budget and earmarking requirements, we compared monthly and cumulative expenditures in fiscal year 2007 to approved budgets. To determine how DNR monitored compliance with budgeting and earmarking requirements, we discussed procedures with key personnel and reviewed monthly notifications to subgrantees.

To evaluate how subgrantees administer WAP funds and comply with grant requirements, we conducted field visits at two subgrantees. We interviewed WAP and fiscal personnel at each agency. We discussed subgrantee procedures for determining eligibility and administering the program. We also discussed subgrantee procedures for determining amounts billed to DNR for program expenditures.

At the subgrantees, we haphazardly selected 15 weatherization projects completed in fiscal year 2007 to review. We reviewed the associated client files to determine compliance with eligibility requirements and required documentation. In addition, we reviewed each project's invoices and compared invoiced costs to project costs reported on homes complete summaries. We also haphazardly chose one month of projects for fiscal year 2007 and reviewed all project files for that month. We compared all project invoices for that month to amounts charged to the homes complete summary. In addition, we traced at least one month of grant billings to the Energy Center to supporting schedules and the subgrantee general ledger to determine if billed amounts were supported by actual expenditures.

We requested comments on a draft of our report from the Director of the Department of Natural Resources. We conducted our work between July and November 2007.

Additional Oversight Needed of the Weatherization Assistance Program

Weaknesses exist in DNR monitoring procedures of the WAP. This situation exists because Energy Center personnel have inadequately reviewed and analyzed subgrantee audit reports, performed limited monitoring of subgrantee program operations and expenditures, and have not monitored subgrantees for applicable cash management requirements. As a result, subgrantees have not always complied with program requirements, and program over billings have occurred.

Inadequate Review and Analysis of Audit Reports

Energy Center personnel have not always or timely followed-up with subgrantees when (1) independent CPA audits reported WAP and overall agency internal control findings, (2) audited financial information differed from DNR records, (3) audit results did not include a required schedule, or (4) audit reports had not been submitted timely. DOE WAP grant guidance requires states to conduct a comprehensive review of each subgrantee including financial audits. Failure, by a state, to comply with this requirement is sufficient cause to require special conditions[7] to the grant.

Energy Center personnel told us unit officials responsible for sending follow-up letters had other responsibilities and audit review had been a low priority. Energy Center personnel said weaknesses in these areas occurred because of a lack of staffing.

Subgrantee audit findings and discrepancies are not followed-up

Energy Center personnel did not always request corrective action when subgrantee audits reported WAP or overall internal control findings. Our review of audit reports submitted during fiscal years 2006 and 2007 identified four audits reporting overall internal control weaknesses and an additional two audits which made recommendations specific to the WAP. One of the six audits reported an instance of fraud and another included an instance of over billing. Energy Center personnel only requested corrective action from the subgrantees for weaknesses identified in three of the six reports.

For two of the three reports where corrective action had been requested, Energy Center personnel performed no or untimely verification procedures to ensure subgrantee staff implemented corrective action plans. In one case, no work occurred during the next on-site monitoring visit to verify internal control improvements had been implemented.

[7] Special conditions are defined in 10 CFR 600.212 and include payment on a reimbursement basis, withholding authority to proceed to the next phase until performance is acceptable, requiring additional financial reports, additional project monitoring, requiring grantee or subgrantee obtain technical or management assistance, or establishing additional prior approvals.

For the second report, Energy Center personnel did not verify corrective action taken for a reported $53,500 fraud for 2 years. DNR records show the subgrantee contacted Energy Center personnel about the fraud in September 2005 and reached an agreement to address the issues. The subgrantee agreed to have completed corrective action by November 30, 2005. Energy Center personnel performed some review of the corrective action taken in March 2006 which included review of 2 projects. Review of the remaining 56 projects did not occur until October 2007. An Energy Center official said the delay occurred because personnel responsible for the WAP quit working for the Energy Center and therefore, the issue was not addressed. The official said all audits received in fiscal year 2007 are being reviewed for possible findings and follow-up action will be taken.

Audited weatherization financial information and amounts reported to DNR are not reconciled

Energy Center personnel did not follow-up with subgrantees when audit report WAP financial information differed from DNR records. In some cases, personnel notified subgrantees that audited amounts matched, and no additional work was required when the records did not match. In addition, our review of records disclosed Energy Center personnel limited their review to comparing expenditure amounts reported and did not report differences in revenues shown, or beginning and ending fund balances. An Energy Center official stated she did not know why analysis had been limited to only expenditures amounts.

We compared Energy Center reports of subgrantee revenues and expenditures to the WAP financial results presented in the audit reports for fiscal years 2005 and 2006 and found:

- Audit report financial information for 14 of the 34[8] (41 percent) audits did not match DNR records.

- For 5 of the 14 audit reports, DNR sent letters to the subgrantees reporting amounts matched or materially matched and no additional response was necessary when there were $59,213 in unexplained revenue or expenditure differences.

- For the other nine reports, Energy Center personnel did not send a letter to the subgrantees requesting reconciliation for $116,043 in unexplained revenue or expenditure differences.

Reports did not include WAP schedule

Subgrantee audit reports did not always include the required WAP financial schedule, and Energy Center personnel did not send reports back for

[8] Two reports did not include WAP financial information to compare to DNR records.

correction. Our review of audit reports covering fiscal year 2005 and 2006 found:

- Only one subgrantee routinely used the required schedule.
- No subgrantee provided reconciliation of amounts that did not match DNR records.
- Energy Center personnel did not evaluate compliance with the schedule requirement for reports received in fiscal year 2006. As a result, personnel did not notify the subgrantees about non-compliance or return reports to them for correction.

During the exit conference Energy Center personnel told us they are in the process of drafting letters to agencies requesting corrective action for audits received in 2007 that did not comply with schedule requirements.

The WAP manual requires an audit report schedule showing program revenues and expenditures per the auditor's calculations and the amounts the subgrantee reported to DNR on monthly reports. If the two results do not agree, the auditor is to reconcile the differences. Subgrantees are considered to be in non-compliance with grant contracts if reconciliations are not performed. The WAP manual lists sanctions or penalties for agencies considered to be non-compliant, but records show none have been imposed. An Energy Center official said she did not know why sanctions or penalties for non-compliance had not been enforced. Energy Center personnel said audit reports had not been returned as required in the WAP manual because it would only result in additional audit expense for the subgrantee.

Subgrantee audit reports not always received timely

Energy Center personnel did not have a tracking process to ensure subgrantee audit reports were received timely. Our review of audit reports received during fiscal years 2006 and 2007 identified two reports not received until over a year after they were due. The WAP manual requires subgrantees to submit audits within 9 months of the end of the subgrantee fiscal year or 30 days from the date the final report is submitted.

Energy Center personnel said they did not realize reports (covering financial activity in fiscal year 2005) had not been received until submission of the fiscal year 2006 report in 2007. At that time, personnel said they requested the missing reports. Both reports disclosed errors related to financial data.

Limited Monitoring of Subgrantee Procedures and Expenditures

Energy Center personnel on-site monitoring and expenditure review need improvement because personnel (1) limited client file reviews and inspections of houses receiving improvements, which resulted in documentation deficiencies being missed, (2) have not ensured correction of problems identified in the house inspections, (3) did not conduct analysis of bidding requirements as part of the on-site visits, (4) did not review sufficient documentation to support program expenditures, and (5) did not use training and technical assistance reports to evaluate training expenditures claimed by subgrantees.

Energy Center personnel performed limited reviews of subgrantee operations and projects

Energy Center personnel limit reviews to 3 client files and 3 or 4 housing inspections during annual on-site monitoring visits. Annual WAP projects for subgrantees range from 13 to 290. DNR officials said additional reviews were not performed because of limited staff. Two Energy Center personnel conducted on-site monitoring visits in fiscal year 2007. An Energy Center official said personnel limit client file review time to 3 hours at each subgrantee during these visits. During 12 hour visits to 2 subgrantees, 2 SAO auditors reviewed 30 client files using the same checklist used by Energy Center personnel. SAO auditors also reviewed an additional 34 files to ensure project invoices matched amounts charged to the program.

Sound business practice suggests the number of files and projects to be reviewed should to be based on the risk of noncompliance for each subgrantee. Energy Center personnel said they could review additional files and homes for agencies considered to be higher risk. In addition, DOE WAP grant guidance states the results of annual monitoring should be considered during subsequent year planning of subgrantee oversight.

On-site reviews failed to identify errors

Two examples illustrate Energy Center personnel's failure to identify problems during on-site visits:

- Energy Center personnel provide each subgrantee the list of files they wish to review 1 or 2 weeks in advance. Our review of client files at one subgrantee found all files requested in advance (15) had all the required documentation while 92 percent of the files selected while on-site had incomplete documentation. Energy Center personnel did not identify file documentation problems in either their May 2006 or April 2007 on-site monitoring reports for the subgrantee. A subgrantee official told us his staff added or completed required documentation for the 15 files immediately prior to our visit. Energy Center officials had been unaware subgrantees corrected problems in files given advance notice when we notified them of our results.

- Energy Center personnel did not find errors during two on-site monitoring visits conducted in April 2006 and March 2007 at a subgrantee that later reported billing irregularities. A separate review of the subgrantee by DNR internal audit personnel in June 2007 covering the same review period found client files missing and the billing problems.

Housing inspections identify errors but no assurance repairs made

Housing inspection procedures have not ensured deficiencies identified are corrected. For fiscal years 2006 and 2007, 81 of 133 (61 percent) projects inspected required some type of repair or correction. Deficiencies can range from water heater blankets not trimmed to wiring not meeting code requirements. Energy Center personnel said they request notification by subgrantee staff that corrections had been completed in cases which required repair work. However, personnel performed no additional follow-up inspections or obtained other documentation to substantiate the additional work had been completed. An Energy Center official said staffing limitations prevented more follow-up on corrections made.

Bidding compliance not reviewed

Energy Center on-site monitoring did not include analysis of bidding requirements. Subgrantees are required by the WAP manual to obtain bids for furnace purchases, as well as purchases over $3,000. An Energy Center official did not know why procedures failed to include the analysis.

Our review of bidding documentation for furnace purchases at two subgrantees found staff at one subgrantee no longer obtained bids and staff at the other subgrantee occasionally chose a higher bid without documenting the reason. Energy Center personnel had been unaware of these bidding problems when we notified them of our results.

DNR is not requesting, receiving, or reviewing supporting documentation of payments made to subgrantees

Energy Center personnel did not request or receive supporting documentation for expenditures billed to the program or review a sample of the documentation during on-site visits. An Energy Center staff person said she assumed all expenditures submitted are allowable. Energy Center personnel only receive monthly reports of homes complete, health and safety project work performed, a statement of the amount expended for each budget category, and quarterly reports detailing subgrantee staff training.

DNR internal audit personnel found billing discrepancies when they reviewed supporting expenditure documentation at one subgrantee. During the review in June 2007, they compared a sample of general ledger amounts related to program operations to amounts requested from DNR and found $9,799 in overstated billings. Subgrantee staff could not explain the

differences. Federal regulations[9] require WAP financial management systems exercise effective control and accountability and accounting records be supported by source documentation.

Adjustments made to monthly financial data without documentation of reason

Energy Center personnel occasionally changed the monthly billing amounts reported by subgrantees when entering data into the WAP database without documenting the reason or obtaining documentation from the subgrantee supporting the change. We found adjustments by Energy Center personnel to expenditure data were made to agree DNR database records to incorrect fund balances reported by the subgrantee. Energy Center personnel said they would only alter amounts if subgrantee staff called about a change. However, personnel did not maintain documentation of these calls or requests in subgrantee files.

Reports of training received but not used to verify training expenditures

Energy Center personnel did not use training and technical assistance reports to evaluate claimed expenditures. To document the activities related to the expenditures of training and technical assistance funds, subgrantees submit quarterly reports of staff training activities. Energy Center personnel said they only read the reports and do not compare them with training expenditures claimed to evaluate accuracy and completeness.

We compared training and technical assistance reports submitted for fiscal years 2005 to 2007 to subgrantee reports of monthly expenditures and found:

- One subgrantee charged training expenditures of $523 in fiscal year 2005. However, the subgrantee did not report training on any of the four quarterly training reports submitted that fiscal year.

- At least one quarterly report was missing from Energy Center training report files for six different subgrantees. Energy Center personnel said they did not know why some reports would be missing unless the reports had been misfiled. The subgrantees claimed training expenditures of $4,397 for the periods of the missing reports.

- Personnel at one subgrantee included dates and training costs on submitted reports. This procedure allowed claims to be easily traced to claimed expenditures.

[9] 10 CFR 600.121(b)(3) and 10 CFR 600.121(b)(7).

Cash Management Compliance Weaknesses

Energy Center personnel have not monitored whether subgrantees complied with federal cash management requirements for interest earned on advanced funding. Energy Center officials said they were not aware of the cash management requirements and did not require agencies to report or comply with these requirements. Federal regulations[10] require recipients of advanced federal grant funding to place those funds in interest bearing accounts, unless (1) the recipient receives less than $120,000 annually in all federal funding, (2) expected interest would be less than $250, or (3) the required minimum balance is too high to be feasible. The regulations also require entities to annually remit interest earned on advances in excess of $250 to the federal government. The federal regulations also state all requirements of the cash management regulations shall apply to recipients that make payments to subgrantees. WAP personnel at one subgrantee told us the agency had not remitted interest earned. An Energy Center official said the department did not know if applicable agencies complied with the cash management requirements.

Advances made without consideration of need

The Energy Center personnel advanced WAP funding to some subgrantees without considering funding needs or whether subgrantees met requirements for advances. The Energy Center advanced WAP funding to 10 subgrantees in fiscal year 2007 totaling $385,626. Our review of monthly revenue and expenditure reports for fiscal years 2005 to 2007 shows the Energy Center personnel advanced grant funds to 14 agencies that had carryover balances from the previous year. Personnel advanced $38,765 to one subgrantee that had a carryover fund balance in excess of $90,000. Energy Center officials said any subgrantee requesting advances received an advance regardless if the agency had a carryover balance. Federal regulations[11] state cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient.

Energy center personnel have also not determined whether subgrantees have policies and procedures in place to properly manage advance payments and ensure they minimize time elapsing between receipt and disbursement in compliance with federal regulations. An energy center official said unit personnel have not looked at this issue and did not know whether they had that responsibility. Federal regulations[12] state recipients will be paid in advance provided they maintain or demonstrate the willingness to maintain (1) written procedures that minimize the time elapsing between the transfer

[10] 10 CFR 600.122.
[11] 10 CFR 600.122(b)(2).
[12] 10 CFR 600.122(b)(1).

of funds and disbursement by the recipient and (2) financial management systems that meet the standards for fund control and accountability.

Conclusions

Energy Center personnel have not adequately reviewed subgrantee audit reports and have not always required corrective action for program or internal control weaknesses identified. As a result, control weaknesses have been allowed to continue without correction. Obtaining prompt corrective action for problems identified is necessary to ensure compliance with program requirements and ensure grant funding has been and will be appropriately used by subgrantees.

Energy Center personnel have not always followed up with subgrantees when audit reports had financial results differing from DNR records or enforced a WAP manual requirement that the audit results be presented on a required schedule. As a result, personnel have less assurance program reimbursements are correct. Reviewing revenue and expenditure amounts reported in subgrantee audits, and requesting reconciliation of amounts differing from DNR records would help ensure program payments are appropriate and supported by actual expenditures. In addition, requiring agencies to submit audits with the required schedule would expedite Energy Center personnel analysis of the reports. Subgrantees have no incentives to meet audit schedule requirements if penalties or sanctions are not imposed for non-compliance.

Energy Center personnel do not have a tracking process to ensure subgrantees submit audit reports timely. As a result, the unit received two subgrantee audits over a year after they were due and financial problems noted in the reports did not get addressed timely. A tracking system would ensure personnel know about the failure to submit reports timely.

Energy Center personnel perform limited on-site reviews of subgrantee procedures which have failed to identify program weaknesses. The limited number of files and projects reviewed in the visits and advance notice of which files will be reviewed limit the personnel's ability to find problems. Evaluating subgrantee program compliance by reviewing a sample of client files and projects based on a risk assessment of the each subgrantee would provide more assurance expenditures are allowable and compliance requirements met. Some files need to be selected without providing the subgrantee advance notice.

Procedures used do not ensure deficiencies identified during house inspections are corrected. Testing a sample of homes needing repairs or obtaining some other documentation of the corrections would provide more assurance. The lack of analysis of bidding compliance during on-site visits

has resulted in Energy Center personnel being unaware of at least one subgrantee which no longer obtained bids on required purchases.

Energy Center personnel had not received or reviewed supporting documentation for reimbursed subgrantee expenditures. Reviewing supporting documentation for expenditures submitted to DNR periodically or when conducting on-site visits would help ensure subgrantee expenditures are allowable. If Energy Center personnel had reviewed supporting documentation the over billings problem reported by one subgrantee in 2007 may have been identified and corrected sooner.

Having all subgrantees provide specific training details on training and technical assistance reports would allow this information to be more easily matched to expenditure documentation.

Energy Center personnel occasionally changed the monthly billing amounts reported by subgrantees when entering data into the WAP database without documenting the reason or obtaining documentation from the subgrantee supporting the change. Without documentation it is not clear why the changes occurred or if they were necessary.

Subgrantee compliance with cash management requirements has not been addressed or monitored and advances are provided without consideration of need. As a result, interest income may not have been returned to the federal government by subgrantees as required in federal regulations and unnecessary advances may have been made.

Collectively, the monitoring weaknesses prevent federal oversight agencies from having assurance WAP funding provided to Missouri have been spent appropriately. As a result, the state may have to return grant funding to the federal government and may have special conditions imposed by federal oversight agencies for future grant awards.

Recommendations

We recommend the Director of the Department of Natural Resources:

2.1 Request and obtain timely corrective action for audit findings related to the WAP and overall subgrantee internal control and billing weaknesses.

2.2 Improve analysis of the audit reports by:

- Ensuring differences between audited WAP financial information and DNR records are reconciled by the auditor or subgrantee staff and those reconciliations are reviewed by Energy Center personnel.

- Evaluating other financial information besides expenditures such as revenues, and beginning and ending fund balances.

- Ensuring financial information is submitted on the required schedule and sending audits back that do not meet reporting requirements.

2.3 Enforce penalties for subgrantees that are non-compliant with grant reporting requirements.

2.4 Establish procedures to ensure audit reports are received within federal compliance requirements.

2.5 Establish on-site monitoring procedures that include:

- Reviewing a sample of weatherization client files and homes to inspect annually based on a risk assessment of each subgrantee.

- Selecting at least some client files for review while on-site.

- Performing follow-up procedures on projects requiring repairs or corrections including requesting additional information or performing additional inspection work on a sample of projects.

- Evaluating bidding compliance.

2.6 Develop procedures to review on a sample basis supporting documentation for subgrantee expenditures. Review can be done as part of on-site monitoring visits.

2.7 Obtain documentation from subgrantees supporting changes made to submitted financial data.

2.8 Require agencies to include dates of and dollar amounts charged for training, meetings, and conferences on training and technical assistance quarterly reports. Use this information to verify training and technical assistance expenditures claimed by the subgrantees.

2.9 Develop procedures to ensure compliance with federal cash management rules that include:

- Ensuring the subgrantees have established policies and procedures to manage advanced funding in compliance with federal regulations including distribution of interest earned.

- Limiting advance funding to subgrantees.

Agency Comments

2.1 The Department of Natural Resources (DNR), earlier in calendar year 2007, performed an internal review of the Weatherization Assistance Program. In the internal audit, DNR recognized the importance of obtaining timely corrective action from subgrantees whose independent audits identified findings or internal control and billing weaknesses. Thus, based on the recommendations in the DNR internal audit, staff has completed a thorough review of the annual audits most recently due to the department from subgrantees (fiscal year 2006 or fiscal year 2007 depending upon the subgrantee's fiscal year). Department responses regarding discrepancies and findings have been sent to all subgrantees. Corrected audits, reconciliations and corrective action plans for audit findings and weaknesses are due from the subgrantees to the department in a timely manner and no later than January 21, 2008. Internal procedures have been adopted that ensure DNR staff are tracking due dates for subgrantee submission of annual audits, fully evaluating audits for findings and weaknesses, requesting corrective action plans in a timely manner, ensuring timely subgrantee submission of corrective action plans, and implementing sanctions for subgrantee failure to submit and implement adequate corrective action plans.

2.2 DNR concurs. The Department of Natural Resources (DNR), earlier in calendar year 2007, performed an internal review of the Weatherization Assistance Program. In the internal audit, DNR recognized the importance of ensuring thorough evaluation of financial information contained in subgrantee audits, ensuring that differences between audited financial information and DNR records are reconciled by the subgrantee's auditor, and ensuring that financial information is submitted on required schedules. Thus, DNR staff has completed a thorough review of the annual audits most recently due to the department from subgrantees (fiscal year 2006 or fiscal year 2007 depending upon the subgrantee's fiscal year). DNR has communicated in writing with 15 subgrantees to inform them that the audits have not been accepted and to require that differences between audited Weatherization Assistance Program financial information and DNR records be reconciled or that required schedules be supplied to the department or that corrective action plans be submitted to the department for audit-identified findings and weaknesses. Corrected audits, reconciliation and corrective action plans are due from the subgrantees to the department no later than January 21, 2008.

2.3 DNR concurs and will enforce penalties as allowed by federal laws and regulations.

2.4 The department has developed new procedures and adopted the use of an Annual Statewide Single Audit Report Tracking for Subgrantees form, and specific staff has been assigned the responsibility of maintaining the tracking sheet for each subgrantee. In addition, internal procedures have been adopted that require the grant manager to ensure that the audit includes a detailed review of the Weatherization Assistance Program, the required financial schedule, and the required reconciliation schedule. Internal procedures require the grant manager to perform an independent reconciliation of the audit's financial schedule and reconciliation schedule with the monthly, quarterly and annual reports submitted by the subgrantee. This issue was addressed in DNR's internal review of the program.

2.5 The department has completed a risk assessment of all subgrantees based on numerous factors including the existence of findings or fiscal discrepancies in the annual audit, variances in budgeted versus actual expenditures, carry forward amounts, timeliness of monthly reporting, production rates, and technical monitoring findings. The risk assessment will guide review and revision of existing monitoring protocols. The department has implemented a procedure in which staff members select an adequate sample of client files to be reviewed while on-site at the subgrantee's offices. In fiscal year 2008, the duties of two existing staff members already have been re-directed to focus on increased technical monitoring of subgrantees, and these staff members have begun technical monitoring of weatherized homes. The focusing of additional personnel on technical monitoring will allow follow-up, on-site inspection of a sample of projects requiring repair or corrections. DNR concurs with the recommendation to evaluate subgrantees' bidding compliance. These issues were addressed in DNR's internal review of the program.

2.6 This issue was addressed in DNR's internal review of the program. Department staff regularly has reviewed a static number of four files, including supporting documentation, for subgrantee expenditures during on-site monitoring visits for many years. DNR is developing and testing new protocols to determine the appropriate size of samples to review based upon the risk assessment the department has performed on each subgrantee.

2.7 DNR concurs. DNR has adopted a policy in which we will not accept revised financial information without backup documentation. This issue was addressed in DNR's internal audit.

2.8 DNR concurs. We have implemented a policy that requires the subgrantees' quarterly training reports to provide details about the dates of training-related events, dollar amounts expended, and information about the content of the training. This information will be used to verify training and technical assistance expenditures reported by the subgrantees in their monthly reports.

2.9 DNR agrees with the recommendation to ensure that subgrantees have policies and procedures to manage advance funding in compliance with federal regulations. In September 2007, the department revised its procedure regarding advance funding for weatherization subgrantees. Advance funding was limited to one month's funding. In addition, before any advance funding was approved, subgrantees were required to submit detailed justification for a request for advance funding, including the names and addresses of homes the agency planned to weatherize in the period for which advance funding was requested, the date upon which weatherization work was scheduled to begin, the estimated cost of completing the weatherization work on each home, and the terms of payment if subcontractors were to be used to accomplish the weatherization work. The new policy also states that any cash balance will be deducted from the amount of advance funding approved, and no monthly reimbursements will be approved for a subgrantee until advance funding has been depleted. During our on-site monitoring visits to subgrantees, DNR staff will monitor the existence of subgrantee policies and procedures to guide compliance with federal cash management rules. This issue was addressed in DNR's internal audit.

Susan Montee, CPA
Missouri State Auditor

December 2007

TRANSPORTATION

Roadeos Follow-up

Report no. 2007-81

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Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Roadeos Again Prove to be Ineffective and Should be Discontinued

MoDOT's Winter Skills Roadeo (roadeo) is a series of events in which participants engage in various activities, including competitive events involving the driving or handling of state road equipment. MoDOT held roadeos until 2001 when the department discontinued them to evaluate their effectiveness. However, MoDOT re-instituted the roadeo in 2007 without formally evaluating the effectiveness of the training program. In addition, according to MoDOT officials, the roadeo will continue in future years even though MoDOT did not solicit feedback from participants about the effectiveness of the training program.

Each participant spent about six hours traveling to and one hour participating in district-wide roadeo events, including about 10 minutes actually operating equipment. Our analysis of the 2007 roadeos indicates although improvements were made, MoDOT should again discontinue the roadeos.

Most respondents say roadeos were not effective training and do not boost morale

Most participants responding to our survey considered the roadeos to be ineffective training for maintenance workers. In addition, 190 respondents added comments saying the roadeo was a waste of time and/or money. Respondents also said the roadeos did not boost employee morale. (See page 7)

Feedback not provided to or solicited from participants

Participants have not received performance feedback to determine areas where improvements are needed nor has management determined how these individuals will be provided additional training. One respondent said "Instead of taking the people who finished the poorest and showing those people some attention to make them better operators, we take the best ones, give them another "day off"….Meanwhile, those with low scores who are usually the new employees, simply get to go back to work and have to learn on the go." (See page 11)

MoDOT also did not solicit formal feedback from the participants about the effectiveness of the roadeo. Best practices suggest feedback be requested at the end of a training course to evaluate whether the program (1) meets the established objectives (2) is valuable or (3) requires improvements. (See page 11)

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Abbreviations

MoDOT	Missouri Department of Transportation
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Pete K. Rahn, Director
Department of Transportation
Jefferson City, MO

This report is a follow-up of our 2001 report titled *Roadeos* (Report No. 2001-110), and related issues. We assessed the status of our recommendation to the Missouri Department of Transportation (MoDOT) to discontinue the Roadeo program. As part of this audit, we again assessed the benefits and associated costs of the current Winter Skills Roadeo Events (roadeo) to determine whether these activities are justified.

MoDOT discontinued the roadeo in 2001 to evaluate the effectiveness of the roadeo. However, MoDOT re-instituted the roadeo in 2007 without formally evaluating the effectiveness of the training program. In addition, according to MoDOT officials, the roadeo will continue in future years even though MoDOT did not solicit feedback from most participants about the effectiveness of the roadeo.

Our analysis indicates although improvements were made to the 2007 roadeo, MoDOT should again discontinue the roadeos. Participants responding to our survey considered the roadeos to be ineffective training for maintenance workers. Respondents also said the roadeos did not boost employee morale.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were John Luetkemeyer, Amanda Locke, Edward Morgan and Josh Bryant.

Susan Montee, CPA
State Auditor

Introduction

Background

The Missouri Department of Transportation (MoDOT) is responsible for developing, building, and maintaining the existing roads and bridges of the state highway system. The department's maintenance division is the operating unit of MoDOT responsible for removing snow from these roads and bridges during the winter months. MoDOT estimates the division spends an average of about $30 million annually to remove snow and ice from the state's roadways.

During our previous review of the roadeos,[1] we concluded the program was not necessary to accomplish training for staff and recommended MoDOT discontinue the program. However, in 2007, MoDOT re-instituted the Winter Skills Roadeo to (1) increase safety of the public and MoDOT's employees, (2) refresh skills and improve the snow removal operations, and (3) increase efficiency of the workforce. Each of the ten MoDOT districts held a district roadeo between April and September 2007 with the top two district winners advancing to a state competition held in Sedalia in October 2007. Each district competition, except district two, was held in a central location within the district. Based on our inquiry with other state transportation officials or staff, we identified the number of roadeos held in each state for the last 5 years:

- Tennessee – five roadeos
- Arkansas – five roadeos
- Nebraska – five roadeos
- Kentucky – two roadeos beginning in 2006
- Oklahoma – two roadeos held in one district beginning in 2006
- Iowa – two roadeos ending in 2005
- Kansas– no roadeos
- Illinois – no roadeos

Description of Roadeos

MoDOT roadeos are a series of events in which participants engage in various activities, including competitive events involving the driving or handling of state road equipment. MoDOT required all maintenance employees in grades six through ten with the following titles (1) Maintenance Worker, (2) Intermediate Maintenance Worker, (3) Senior Maintenance Worker, and (4) Maintenance Crew Leader to participate in the district roadeo. The participation of other department personnel responsible for removing snow was left to the discretion of each district.

The district-wide roadeo participants are required to complete the following events (1) written exam, (2) pre-trip inspections, (3) snow plow truck course

[1] *Roadeos*, SAO, October 26, 2001 (Report No. 2001-110).

	event, and (4) loader course event. Each event or each stage of an event is graded by the judges or supervisors from each district and an overall score is calculated. Participants at the state event are required to compete in the snow plow truck and loader competitions. The various events are further described below.
Written exam	A non-timed written exam consisting of a combination of 25 multiple choice and true/false questions was completed by the participants. To ensure the exam questions and answers were not shared, MoDOT created four separate versions of the exam. Tests were given at random, so participants could receive any of the four versions. Training material was not allowed to be used during the written exam.
Pre-trip inspections	Pre-trip inspections of both the loader and snow plow truck were each required to be completed within 10 minutes. Each participant was provided a list of 30 possible defects. Participants inspected both the loader and snow plow truck to identify five safety or mechanical defects present on each vehicle. A MoDOT official said pre-trip vehicle inspections are to be performed by vehicle operators every morning before a vehicle is used, as required by the operator's Commercial Driver's License.
Snow plow truck course event	The snow plow truck course event was required to be completed within approximately 4 minutes, depending on the district. Participants were required to complete ten simulations of a real life scenario, including (1) entering the vehicle safely using appropriate handles and fastening the seat belt, (2) driving forward and backward through a serpentine or a series of barrels representing fixed objects, (3) demonstrating straight line control by driving between 10 tennis balls on either side of the vehicle's wheel without hitting any, (4) plowing by a mailbox on the vehicle's passenger side while knocking down a telspar simulating snow, (5) backing into an alley dock to simulate loading the spreader, (6) plowing by a mailbox on the vehicle's driver side while knocking down a telspar simulating snow, (7) turning right to simulate turning in a tight radius, (8) driving around a stalled car, (9) changing the snow plow position to simulate plowing by a shoulder, and (10) plowing between objects with a diminishing clearance to simulate narrow bridge cleaning.
Loader course event	The loader course event was required to be completed within approximately 4 minutes, depending on the district. Participants were required to complete eight simulations of a real life scenario, including (1) entering the vehicle safely and fastening the seat belt, (2) driving forward and backward through a serpentine or a series of barrels representing fixed objects, (3) demonstrating straight line control by driving between 10 tennis balls on either side of the vehicle's wheel without hitting any, (4) simulating loading

salt from the salt bay by moving a piece of timber, (5) simulating unloading salt from the loader by lifting the loader shovel above a cross bar, (6) moving a pallet without touching a post, (7) turning right to simulate turning in a tight radius, and (8) driving between a series of cones staggered at different angles while turning the loader without hitting any cone.

Estimated roadeo costs

Table 1.1 shows the estimate of the costs incurred for the 2007 events as provided by MoDOT officials.

Table 1.1: Estimated Costs of the Roadeo

Type of Cost	District Competition Costs	State Competition Costs	Total Estimated Costs
Personal Service	$ 770,414	17,725	788,139
Equipment	76,241	2,003	78,244
Hats[1]	20,552	0	20,552
Awards[2]	895	159	1,054
Food	32,780	520	33,300
Expense Accounts	0	1,978	1,978
Miscellaneous	3,000	0	3,000
Total	$ 903,882	22,385	926,267

[1] All participants were provided a high visibility hat designed specifically for the 2007 MoDOT roadeo. MoDOT officials said the hats can be used on the job.
[2] The top two winners of the district competitions were awarded a high visibility jacket. MoDOT officials said the jackets can be used on the job. The winner of the state competition was awarded a $40 gift certificate and a trophy and the runner up was awarded a $20 gift certificate and a plaque. District 4 awarded three employees an "Above and Beyond" award totaling approximately $5 each for their hard work and dedication to the roadeo.
Source: MoDOT

The costs related to administrative time incurred to research, develop, implement and administer the program, time for participants that did not complete all events in the roadeo, personnel overtime and respective office supply expenses were not included in the estimate.

Scope and Methodology

To gain an understanding of the Winter Skills Roadeo Events (roadeos), we observed the District 5 (Sedalia) event in September 2007, interviewed maintenance division and other appropriate MoDOT staff at both the headquarters and district levels and reviewed available records related to the activities and costs of district and state roadeo events held during calendar year 2007. We requested MoDOT estimate the costs of the events because MoDOT did not accumulate complete cost information.

To determine whether the roadeos are an effective training event, we prepared a survey to send to participants. After MoDOT officials reviewed the survey, we sent surveys on October 10, 2007 to the 2,482 MoDOT

employees who participated in the roadeo. We compiled responses from 677 of the 2,482 (27 percent) participants that completed and returned surveys by November 26, 2007 (See Appendix I).

To evaluate Missouri's roadeo in comparison to other states, we contacted 8 surrounding states transportation officials and/or staff (Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee) to determine their roadeo processes and procedures.

We requested comments on a draft of our report from the Director of the Department of Transportation. We conducted our work between September and November 2007.

Roadeos Again Prove to be Ineffective and Should be Discontinued

MoDOT discontinued the roadeo in 2001 to evaluate the effectiveness of the roadeo. However, MoDOT re-instituted the Winter Skills Roadeo Events (roadeo) in 2007 without formally evaluating the effectiveness of the training program. In addition, according to MoDOT officials, the roadeo will continue in future years even though MoDOT did not solicit feedback from most participants about the effectiveness of the roadeo.

Our analysis indicates although improvements were made to the 2007 roadeo, MoDOT should again discontinue the roadeos. Participants responding to our survey considered the roadeos to be ineffective training for maintenance workers. Approximately 190 respondents added comments saying the roadeo was a waste of time and/or money. Respondents also said the roadeos did not boost employee morale.

Roadeos Re-instituted Without Formal Analysis

In response to our prior report recommendation in October 2001, MoDOT stated the roadeos were suspended as a cost savings measure, to evaluate the effectiveness of the program, and to formally set and document guidelines. However, MoDOT re-instituted the 2007 roadeos without a formal analysis of the program's effectiveness. A MoDOT official said the MoDOT Director suggested the maintenance division consider re-implementing the roadeos and the division focused efforts on improving the roadeos. MoDOT officials also stated the roadeos will be conducted annually in the future.

MoDOT made efforts to improve roadeos

After deciding to re-implement the roadeo, MoDOT officials took steps to improve aspects of the roadeo including (1) requiring most maintenance employees to participate in the training, (2) discontinuing participation in national and regional events, (3) conducting several events simultaneously to reduce employee time, (4) eliminating most awards, (5) reducing the total miscellaneous costs, (6) discontinuing the ineffective back hoe event, and (7) requiring participants to execute more detailed driving skills in the snow plow truck and loader courses.

Most Respondents Consider Roadeos to be Ineffective Training

The roadeos are not an effective use of resources. Fifty-three percent of the participants responding to our survey did not believe roadeos are an effective way to train maintenance workers for snow and ice removal, while only 31 percent thought the roadeos to be effective training. Additionally, only 29 percent of the respondents agreed the roadeo should continue in its present format. Approximately 190 (27 percent) respondents added comments saying the roadeo was a waste of time and/or taxpayers' money. Many participants indicated the roadeo costs could have been used more effectively by maintaining or improving state roads and highways.

Snow plow truck and loader competitions received lowest ratings

Survey results indicated the snow plow truck and loader course competition events were ineffective. Fifty-three percent and 52 percent of the respondents believed the snow plow truck and the loader competitions to not be effective while only 31 percent and 32 percent, respectively, believed those competitions to be effective. The following are some of the respondents' comments to explain why the snow plow truck and loader competitions were ineffective:

- Approximately 90 respondents were concerned because the course events were timed and did not consider safety. According to MoDOT training information, maintenance operators are instructed to operate equipment at a safe speed.

- Approximately 50 respondents said the roadeo focused on the competition rather than ensuring employees were adequately trained.

- Some participants were allowed to practice before driving the competitive course.

- Driver's did not receive training on how to operate the equipment at the roadeo. Each maintenance shed maintains different types of equipment and the drivers may not be familiar with the equipment used at the roadeo.

- Employees who have been responsible for plowing snow for many years said the training was not effective. Approximately 50 respondents said the roadeo should be primarily for new employees. Some respondents also said the competition was "humiliating and belittling" to certain operators, especially ones that do not operate the loader or snow plow trucks regularly.

- The courses covered a limited range of activities for a snow plow truck operator. For example, in a snow storm an operator may be required to plow highway interchanges, bridges, and railroad tracks, or install the snow plow.

- Some respondents expressed concern that additional training specific to MoDOT's GL-400 salt spreader was not provided. According to MoDOT training material, the salt spreader is one of MoDOT's newer tools to assist in spreading salt on the roads and highways. The GL-400 controller regulates the salt application rate based on the vehicle's ground speed.

Written exam also considered ineffective

Survey results indicated the written exam was ineffective. Only 33 percent of the respondents agreed, while 43 percent disagreed, the written exam is an effective training event. The following are some of the respondents' comments to explain why the written exam was ineffective:

- A written exam does not provide the same knowledge as hands on experience.

- The written exam was not administered consistently. Some participants were able to use the course handbook during the exam, others worked as a group to complete the exam, and some were able to take the exam home.

We observed some participants using the course handbook to complete the exam during the district 5 observation.

Some questions were not well developed

Some questions on the written exam were not adequately developed. Some of the questions were obvious, some were not questions relevant to an operator's duties, some had more than one correct answer, and many of the answers were bolded in the course manual. The following are examples of questions that were poorly developed:

1. While driving, looking ahead for hazards is important for safety; what are two main things to look for?
   A. Traffic
   B. Road conditions
   C. Scenery
   D. A and B

2. When performing a pre-trip inspection, why is it necessary to put the vehicle key in your pocket?
   A. So you don't lose the key
   B. To ensure you get to drive that truck for the day
   C. Safety – To keep someone from moving the vehicle while inspecting it
   D. To make sure you have the right key

3. October 15th is a good target date to do-
   A. Plow snow
   B. Post storm assessment
   C. Pre-season preparations
   D. Take a day off

4. When refueling, it is ok to leave the truck running during cold weather.
   A. True
   B. False

5. When in a busy congested area with a loader it is best to take it slow and easy and to:
   A. Disregard all equipment and traffic
   B. Honk your horn a lot
   C. Flash your work lights
   D. Maintain a safe distance from other machines

Pre-trip inspections are effective

Survey results indicated the pre-trip inspections were effective. Only 32 percent and 34 percent of the respondents disagreed, while 52 percent and 48 percent agreed, the snow plow truck and the loader pre-inspections, respectively, were an effective training event. One of the respondents indicated "I didn't realize how easy it is to overlook defects" and another indicated it was a good reminder that pre-trip inspections are to occur.

Respondents say training at local maintenance areas would be better

The majority of respondents told us performing training exercises at local maintenance areas would be better than holding district-wide roadeos. Sixty percent of the respondents agreed (versus only 20 percent that disagreed). The following are some of the respondents comments to explain why the district-wide roadeo was ineffective:

- Training at a local maintenance shed provides more one on one time with an instructor than a district-wide event.

- Local maintenance area training would allow an operator to train using the equipment being used during the snow storm.

Based on our analysis, each participant spent approximately an hour actually participating in the five events, and only about 10 minutes actually operating equipment. The rest of the MoDOT's estimated six hours (4 hours participating in the roadeo and 2 hours for estimated travel time) per participant was spent waiting for their turn at the various events. According to MoDOT officials, participants also benefited from watching and conversations with other participants while waiting their turn. Additionally, the winners of the each district were estimated to have spent 16 hours and incurred lodging at the state-wide roadeo for participation in two events where each participant again spent about 10 minutes competing in either the snow plow truck or loader course.

More respondents say roadeos do not boost employee morale

Survey results indicate the roadeo was not effective in boosting employee morale. Only 28 percent agreed, while 49 percent disagreed, the roadeo competition helps boost employee morale. The following are some of the respondents comments to explain why the district-wide roadeo was ineffective:

Approximately 20 of the respondents said the roadeo made the participants nervous as they were required to compete against co-workers, perform in front of higher level supervisors, or because some participants do not test well. Some respondents indicated this impacted participant's performance.

- Adequate communication about the purpose of the roadeo may not have been performed. Rumors regarding employment termination and/or effects on future promotions for those who did not pass the roadeo were cited. Some also mentioned the scores being tracked in MoDOT's Accountability and Performance System that is used to plan and review an employee's expectations and performance. A MoDOT official said the system was only required to be used to indicate the employee had completed the roadeo training. This official said the objective of the roadeo was not for the participant's scores to be entered into the system nor were officials aware of any of the participant's scores being entered into the system by the districts. Another official said management is not aware of any disciplinary action being taken against any roadeo participant.

- "Who wants to hear I am better than you"

Feedback Not Provided to Participants

All participants have not received performance feedback to determine areas where improvements are needed nor has management determined how these individuals will be provided additional training. Some survey respondents were concerned because they had not been provided feedback to determine how well they performed or areas needing improvement. One respondent said "Instead of taking the people who finished the poorest and showing those people some attention to make them better operators, we take the best ones, give them another "day off"….Meanwhile, those with low scores who are usually the new employees, simply get to go back to work and have to learn on the go."

A MoDOT official has performed analysis of some of the participant's scores to determine (1) participants with scores less than 70 percent and (2) most common questions or obstacles missed by participants. However, the official said the analysis has not been completed due to timing and another official said the additional training to be provided has not been determined since the analysis is not complete.

Feedback not solicited from participants

Only District 2 solicited formal feedback from the participants about the effectiveness of the roadeo. Best practices suggest feedback be requested at the end of a training course to evaluate whether the program (1) meets the established objectives (2) is valuable or (3) requires improvements. A MoDOT official said feedback was not requested from the participants because the current training evaluation form is being revised.

Conclusions

MoDOT discontinued the roadeo in 2001 to evaluate the effectiveness of the roadeo. However, MoDOT re-instituted the roadeo in 2007 without evaluating the effectiveness of the training program. In addition, according to MoDOT officials, the roadeo will continue in future years even though MoDOT did not solicit feedback from participants about the effectiveness of the 2007 roadeo.

Our analysis indicates although improvements were made to the 2007 roadeo, MoDOT should again discontinue the roadeos. Participants responding to our survey considered the roadeos to be ineffective training for maintenance workers. Respondents also said the roadeos did not boost employee morale.

Recommendations

We recommend the Director of the Department of Transportation:

2.1 Discontinue the roadeos.

2.2 Determine whether training related to pre-trip inspections should continue at local maintenance areas.

Agency Comments

The purpose of the Winter Skills Roadeo is to ensure that MoDOT's winter operations staff possess the knowledge and skills necessary to perform snow removal tasks safely, effectively, and efficiently.

The Winter Skills Roadeo training program benefits the department and the citizens of Missouri by providing a knowledge and skills based training program for the department's winter operations staff. MoDOT invests nearly $30 million dollars annually removing snow and ice from Missouri's roadways. For that investment MoDOT wants to ensure that its work force is properly trained and prepared to remove snow and ice each winter.

In 2004-05 the MoDOT Director conducted employee visits around the state. A reoccurring question had to do with the possibility of reinstating the Roadeos. After discussing the 2001 SAO report and MoDOT's decision to discontinue the Roadeo with executive leadership, MoDOT made the decision to reinstitute the Roadeo. A Statewide Winter Skills Roadeo Team

was convened and led by MoDOT's Maintenance and Training offices to develop guidelines and plans to improve MoDOT's Roadeos.

The Statewide Winter Skills Roadeo Team was comprised of individuals from each of MoDOT's ten (10) districts and personnel from MoDOT's central office including: Risk Management, Audits and Investigations, Human Resources, and Maintenance.

The Winter Skills Roadeo Team incorporated several key findings from the 2001 SAO Roadeo report into the implementation plan. These findings include:

(1) Require training for the department's snow operations staff,
(2) Maximize training time by holding employee training activities simultaneously,
(3) Improve the effectiveness of training by designing events that simulate actual conditions, and
(4) Reduce costs by eliminating participation in national events.

Benefits of a Winter Skills Roadeo are difficult to quantify due to many variables such as changes in weather and severity of winter seasons. However, a reduction in department costs is expected to result from a well-trained workforce. Benefits anticipated from the training include improved snow removal operations as well as a reduction in winter storm related accidents and personal injuries.

In summary, MoDOT plans to hold a Winter Skills Roadeo training annually to prepare its staff for winter operations. MoDOT will review the SAO report and incorporate appropriate findings into future Roadeo planning. Winter operations is a significant investment of Missouri taxpayer funds. MoDOT is committed to ensuring staff are highly skilled, knowledgeable, and able to operate equipment safely while providing best value for every dollar spent and ensuring a safe transportation system.

Survey Results

Table I.1 represents the responses received from 677 of the 2,482 (27 percent) participants that completed and returned the surveys.

Table I.1: Survey Results (Number of Responses)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The written test is an effective training event and will help me perform ice and snow removal in a better and safer manner.	44	178	161	169	119
The roadeo inspection of the snow plow truck is an effective training event and will help me detect equipment defects before I begin plowing snow this winter.	103	244	111	124	90
The roadeo inspection of the loader is an effective training event and will help me detect equipment defects before I begin loading trucks this winter.	91	233	122	136	89
The snow plow truck competition is an effective training event and will enable me to better operate the snow plow truck this winter.	65	141	108	192	163
The loader competition is an effective training event and will enable me to better operate the loader this winter.	65	147	107	192	156
Overall, the winter skills roadeo competitions are an effective way to train maintenance workers for snow and ice removal.	66	142	103	180	175
A district-wide roadeo event is a better way to provide training to maintenance workers than performing training exercises at local maintenance areas.	44	90	131	186	218
The winter skills roadeo competitions help boosts employee morale.	68	119	151	125	205
The winter skills roadeo competitions should continue in its present format in future years.	73	119	137	107	229

Note: Certain respondents did not provide a response to one or more questions on the survey.

Source: Returned participant surveys.

Susan Montee, CPA
Missouri State Auditor

December 2007

City Utilities of Springfield, Missouri

Report No. 2007-80

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

The following findings were included in our audit report on City Utilities of Springfield, Missouri.

City Utilities (CU) customers may be paying too much for some utility services as a result of subsidization of non-utility activities of the city, subsidization of other utility departments from electric revenues, questionable spending, and granting public funds in possible violation of the Missouri Constitution. The Electric Department continues to have a significant increase in operating income each year, and CU has not complied with its own rate policy standards, which requires an outside consulting firm to review rates and report the findings to the board at least every five years. Rates for utility services should be set to cover the costs of producing and delivering services, and utility services should not generate profits to fund (through subsidization) other services provided by the city or other utility departments or provide the opportunity for CU to spend monies unnecessarily.

CU has provided several millions of dollars to the city for various projects over the past few years. As a result, CU's customers are being required to subsidize the cost of some city services through the payment of their utility bills. Also, some utility departments need continued financial support from the electric department to cover their cost of operations. The electric department provided funding totaling over $6.3 million during the year ended September 30, 2006 to the transit department, gas department, and SpringNet® to cover the cost of operations.

Numerous disbursements and contributions of services totaling at least $259,000 do not appear to be a prudent, reasonable, or necessary use of utility funds and some may violate the Missouri Constitution. Some unnecessary spending included a 2006 Family Day Picnic held to show appreciation for the employees and their families with costs totaling over $19,000. Monies were spent for catering, decorations, and party supplies. Numerous other examples of unnecessary spending were noted in the report. Safety and service awards valued at over $52,000 have been given to employees, which do not appear to be prudent, reasonable, or a necessary use of utility funds, and CU paid employees $26,050 in finder's fees for identifying and reporting illegal use of utility services. Such identification would appear to be part of their regular job duties. Further, CU contracted with various entities to provide funding totaling at least $321,000 without ensuring all contractual requirements were met or requiring adequate documentation of how those monies were used.

CU suffered a financial loss of more than $2.7 million during the 2007 natural gas hedging season, and the financial information presented to the Board of Public Utilities regarding the loss was incomplete. In addition, documentation of the effect of a policy

(over)

change that significantly increases CU's possible liability in the natural gas hedging market was not presented to the board. CU uses natural gas hedging as a financial tool to help reduce the risk of increasing natural gas prices. CU buys natural gas options at a specified market price to be exercised during the peak heating season. If the market price rises above the option price paid, CU can exercise the option and recognize a financial gain; however, if market price decreases below the option price paid, the utility suffers a financial loss.

CU did not prepare a cost benefit study before entering into a contract with The Energy Authority (TEA) in 1998, has not adequately documented their continued investment on an annual basis, and has not taken full advantage of every opportunity to provide oversight to TEA operations. TEA is a nonprofit corporation, and CU has a 7.14 percent ownership interest. CU has a current investment in TEA of more than $2.4 million and has guaranteed more than $9.6 million in cash reserves to TEA as of September 30, 2006. CU also paid an initial membership fee of $867,360 in 2000 to become an owner, and additional costs totaling over $4.7 million to trade energy were incurred by the utility from 2001 through 2006.

SpringNet® is a division of CU, which offers telecommunication services. SpringNet® has failed to comply with several provisions of a Public Service Commission (PSC) order regarding the necessity to operate without continued financial assistance from the rest of the utility, and has failed to comply with state law which limits term agreements on telecommunications services to five years. CU's internal auditor had noted this same issue. SpringNet® has not followed the terms of its service contracts with customers regarding delinquent accounts and has developed more lenient practices. CU has spent over $6 million on SpringNet® Underground, which provides computer operations hosting services within a local underground mine, without performing preliminary feasibility studies and developing a formal ongoing business plan for this activity.

CU uses alliances, standing purchase orders, and blanket orders as purchasing tools for significant expenditures without the use of annual competitive bidding for supplies. For example, CU spent over $6.1 million during 2006 in four alliances to purchase supplies. These alliances allow the utility to purchase items that are only bid in the first year of the alliance and extended for up to four years without annual competitive bidding.

Proposals were not always solicited for legal services, a contract for legal services was approved without any review of the compensation to be paid, and legal contract renewals were sometimes signed by law firms several days after the effective date of the contract.

Meals and food purchased with procurement cards appear excessive, and CU lacks a comprehensive food policy. CU spent approximately $80,000 in 2006 for meals and food provided during employee meetings, training sessions, retirement receptions, employee recognition events, board meetings, public marketing events, and other external meetings. Numerous procurement card expenditures did not appear to be a prudent and necessary use of public funds including a barbeque grill, toy store gift cards, mint tins, and dishes, glassware, and flatware used by the board and general management for meals.

CU paid approximately $342,000 for corporate and individual membership dues. Several employees were reimbursed for the same civic organization memberships, and several employees were reimbursed for multiple individual memberships. Additionally, numerous employee reimbursements

for expenses did not appear to be a prudent or necessary use of public funds.

CU provides incentives to some developers that are not addressed in the utility's extension policy. CU did not always enter into written contracts for developer reimbursements, did not require the developer to submit documentation of actual costs incurred to support reimbursements made, did not inspect and audit the developer's records in accordance with CU's extension policy, and some reimbursements were not calculated in accordance with policy. CU paid over $1.35 million in reimbursements and incentives to developers during the year ended September 30, 2006. Reimbursements are based on a written extension policy and occur when CU reimburses costs to developers who install electric, gas or water service to newly developed areas.

CU did not perform or update cost benefit studies to evaluate the necessity for some marketing and communication services, print shop services, or the onsite health clinic. CU's marketing and communication costs totaled over $1.1 million. Several print shop projects including commemorative picture books of the 2007 ice storm (given to the employees) and commemorative books of the 50th anniversary of James River Power Station and water system did not appear to be a prudent or necessary use of resources.

CU used varying market standards to establish a salary plan for its General Manager and Associate General Managers resulting in significantly higher salaries for these positions. Salaries for these positions were paid according to a different marketing standard than other employees and ranged from $124,359 to $326,484. Additionally, the General Manager's contract provides for a severance package valued at over $517,000.

Several controls and procedures over cash handling at the main office, TecHouse, and with door-to-door collectors are in need of improvement. CU collected approximately $366.8 million in utility payments during the year ended September 30, 2006.

The pumps at the Stockton Lake Pumping Station failed in 2005 and 2006, and CU has not fully implemented the recommendations made by a consultant regarding the pump station failures.

While CU has a tree trimming management policy, the utility has not developed procedures to measure its performance of this policy. Various utility industry publications have indicated the lack of tree trimming and brush removal is the number one cause of controllable power outages.

Also included in the report are recommendations related to bidding and purchasing policies, utility system controls and procedures, transit department, fleet management and vehicle allowances, and closed meeting minutes and accounting procedures.

All reports are available on our Web site: www.auditor.mo.gov

CITY UTILITIES OF SPRINGFIELD, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Members of the Board
of City Utilities of Springfield
and
the Honorable Mayor and
Members of the City Council of the
City of Springfield, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Springfield, Missouri. City Utilities of Springfield (CU), a component unit of the city, engaged KPMG, LLP, Certified Public Accountants (CPAs), to audit its financial statements for the year ended September 30, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of City Utilities of Springfield included, but was not necessarily limited to, the year ended September 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of City Utilities of Springfield, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by September 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from CU's management and was not subjected to the procedures applied in the audit of CU.

The accompanying Management Advisory Report presents our findings arising from our audit of City Utilities of Springfield.

Additional reports, No. 2007-30, *Thirty-First Judicial Circuit, City of Springfield, Missouri, Municipal Division*, and No. 2007-74, *City of Springfield, Missouri*, were issued in August and December 2007, respectively.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY UTILITIES OF SPRINGFIELD, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Utility Rates

Utility rates charged to customers may not be set at a level consistent with the costs of providing the related services. City Utility (CU) customers may be paying too much for some utility services as a result of activities discussed throughout this report including: subsidization of non-utility activities of the city; subsidization of some CU departments from the revenue of others; questionable spending; and granting public funds in possible violation of the Missouri Constitution. The following table shows operating income (loss) by department for the last several years:

Department	Year ended September 30, 2006	2005	2004	2003	2002
Electric	$ 25,386,712	19,623,089	14,037,013	8,990,409	238,991
Gas	(678,508)	(726,090)	(1,392,390)	8,370	(809,353)
Water	2,164,851	4,038,865	1,998,042	1,652,104	1,537,243
Telecommunications(1)	204,117	(490,282)	(587,654)	550,173	313,748
Transit	(4,209,118)	(4,026,364)	(3,536,211)	(3,476,898)	(3,230,037)

(1) Includes internal telephone services, trunked radio system, SpringNet® and SpringNet® Underground.

As this table indicates, the electric department continues to have a significant increase in operating income each year. Additionally, the water department has had small increases in operating income each year, while some other departments consistently incur an operating loss. The customer base of the departments varies, and some customers are charged more for electric utilities which has offset the cost of some other services which they may not receive. Subsidization is discussed more in detail at MAR number 2.

The chart below illustrates how rates for the electric, gas, and water departments have changed over the last several years:

Department	Year ended September 30, 2006	2005	2004	2003	2002
Electric per thousand residential kilowatt hours	$ 71.40	66.80	61.70	61.70	58.35
Gas per sixteen therms	19.15	23.34	19.70	16.96	16.61
Water per thousand cubic feet	23.55	22.85	22.15	21.50	20.90

According to the city charter, it is the responsibility of the Board of Public Utilities to set rates to be charged for services, subject to the approval of the City Council. Electric and gas rates are based on basic charges and are adjusted periodically through out the year for fuel costs to the utility. While electric has had three percent base rate increases in 2006 and 2003 and gas has had a two percent base rate increase in 2006, rates have continued to change annually because of the adjustments for fuel costs. The base rate for water service has steadily increased each year from 2002 to 2006. In addition, bus fares have remained the same since 1998.

CU regularly cites public rate studies to demonstrate that their rates are low compared to other utilities nationwide; however, CU has not complied with its own rate policy standards which state that an outside consulting firm should review rates and report their findings to the board at least every five years. An outside evaluation was last performed and reported to the board in August 2001. CU has scheduled an outside evaluation to be performed during the year ending September 30, 2008. CU personnel indicated that their utility rates are low in part because of decisions made in the 1950's to 1970's to build low cost coal power stations to generate power that are now paid for. While CU has internally reviewed and adjusted electric, gas, and water rates, it is essential that the utility perform a comprehensive review of all rates to ensure they are set at a level consistent with the costs of providing of each specific utility service.

Utility revenues should only be used to fund the operations of the related utility services. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs). In addition, these utility services should not generate profits to fund (through subsidization) other services provided by the city or other utility departments or provide the opportunity for CU to spend monies unnecessarily.

WE RECOMMEND the Board of Public Utilities ensure utility rates are set to generate revenues as necessary to produce and deliver the related service.

AUDITEE'S RESPONSE

The Board of Public Utilities actively reviews CU services and associated costs. CU consistently has one of the lowest rates in the state and nation, which does not happen by accident. Management works to provide reliable, affordable and responsible services that add to the quality of life in Springfield. The CU rates, with the exception of transit fares, are designed to yield the revenue necessary to provide the level of services required by utility customers. Actual revenues, however, are subject to weather, customer growth, and, in the case of off-system electric sales, the availability of excess electricity and market conditions.

Since electric, natural gas, and water utilities sales volumes are weather dependent and significant variances occur in weather patterns in CU service area, it is impossible in any given year to generate the exact revenues required to produce and deliver a given service. Expenditure patterns also change, which makes identification of exact revenue requirements

impossible for any given year. The rating agencies have viewed CU very favorably in creating a Rate Stabilization Fund to accommodate these year-to-year changes.

During the annual budget and five-year outlook process, analysis is performed to assure that each utility service is projected to fund its respective burdens over time. For example, revenues generated for each utility service must be adequate to cover operating and maintenance expenses, capital replacement and expansion, and debt service. In addition, electric and natural gas utilities must also generate adequate income to fund the transit shortfall. It is through this process that a determination is made for 1) timing of increases and, 2) percentage of increases necessary for funding a shortfall within a given commodity.

The Board will continue to adopt and set utility rates that are designed to generate appropriate revenues.

2. Utility Revenues Used for Subsidization

CU has provided several millions of dollars to the city for various projects over the past few years. As a result, CU's customers are being required to subsidize the cost of some city services through the payment of their utility bills. Also, some utility departments need continued financial support from the electric department to cover their cost of operations. The electric department provided funding totaling over $6.3 million during the year ended September 30, 2006 to the transit department, gas department, and SpringNet® to cover the cost of operations.

A. CU has provided financial support (subsidies) to the city worth millions of dollars, and as discussed in MAR number 1, the utility needs to consider the impact of these subsidies on customer utility rates, especially electric rates. CU provides these subsidies at the request of the City Council. Some examples of financial support provided to the city are as follows:

- CU has agreed to share certain revenues with the city in excess of Payment in Lieu of Taxes (PILOT) established by the city charter. CU paid $1,240,550 to the city during the year ended September 30, 2006 for (PILOT) on water revenues. These payments are not required by the city charter, but are based on a resolution passed in October 1998 by CU to pay the city 4 percent of water revenues. Water services were not provided by CU at the time the city charter was established. CU paid the city PILOT amounts for electric, gas, and transit totaling $11,238,428 and provided utility services totaling $7,678,430 during the year ended September 30, 2006 which are required by city charter.

- CU entered into an agreement with the city in July 2002 to provide an annual discount of $645,000 for telecommunication services. Telecommunication services were not provided by CU at the time the city charter was established.

- CU sold land to the city in November 2005 for $265,000 less than market value. The land is located near the Blackman water treatment facility and will be used by the city to build a fire station.

- CU entered into two 25 year leases of land to the Springfield-Greene County Park Board at no cost to the city, one in June 2006 and another in December 2006. The land in the first lease is located near Springfield Lake, is used for a park, and according to CU is valued at approximately $1.47 million. The other land is located near the Blackman water treatment facility, will be used for a future park and a family recreation center, and according to CU is valued at approximately $1.2 million. The leased land was purchased by CU as buffer land for CU's facilities. CU indicated they do not incur maintenance costs for these properties due to these lease agreements.

- CU has agreed to share equally future revenues from the Landfill Gas to Energy Project located at the city's landfill with the city. The revenues from this project during the city's fiscal year ended June 30, 2006 totaled approximately $994,000. In addition, CU will be required to pay a 3% PILOT on these revenues to the city based upon the city's charter. CU also agreed to repay the city's costs to construct the Gas Collection and Condensate System (GCCTS) component of the project (approximately $1.5 million); however, the city will retain ownership of all assets associated with the GCCTS.

- CU agreed to provide $275,000 in funding to the city in April 2004 to convert traffic signal lamps owned by the city to more energy efficient lamps. According to CU personnel, this will reduce future free services provided to the city.

- CU provided $1 million in funding for a city water feature at Jordan Valley Park from September 2000 through August 2001.

While many of these items provide benefit to city residents, it is questionable whether the city and CU should fund these services from utility revenues. Customer utility payments represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize other city operations from these monies.

B. Some departments need continued financial support from the electric department to cover their cost of operations. The electric department subsidizes other utility departments as follows:

- The transit department does not generate sufficient revenues to cover the costs of operations. Revenues generated from bus fares and advertising covered only 10 percent of total operating expenses for the year ended

September 30, 2006. Electric department revenues provided approximately $4.2 million to operate the transit department.

The city charter requires CU to operate and fund the public transit system. CU has operated the public transit system for the City of Springfield since 1945, when it was common for utilities to operate the public transit system because the system consisted of mostly electric streetcars, and it was convenient for electric companies to operate the streetcars. As transportation has evolved and moved to bus transportation, most cities have abandoned the utility owned transit system in favor of a transit authority operated by an independent board. According to CU personnel, CU is the only municipality in the United States which operates a public transit system.

The transit department has historically operated at a loss and has been subsidized by other utility departments. In addition, federal funding of this system is expected to decline significantly in 2008 and in future years because of the department's ineligibility to receive funding due in part to the growth of the city. CU has also made tentative plans to build another transit facility and expand the transit bus storage building that will accommodate larger buses which may require additional subsidies by electric funds.

CU needs to continue to closely monitor the ongoing financial condition of the transit department and work with the city to consider alternative funding sources. If CU and the city desire to continue the current level of services, they should consider methods of increasing revenues or reducing costs.

- The gas department relies upon electric department revenues to subsidize its operations. For the year ended September 30, 2006, the gas department had an operating loss of $678,508, which had to be offset by revenues of the electric department.

- SpringNet® relies upon electric department revenues to subsidize its operations. SpringNet® provides telecommunication services and operates an underground data storage known as the SpringNet® Underground. Electric department revenues provided approximately $1.5 million to operate SpringNet® during the year ended September 30, 2006. (See MAR number 7 for other concerns related to SpringNet®)

Revenues of the electric department represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize the transit and gas departments, and SpringNet® and SpringNet® Underground from these monies.

As a result of these situations, utility rates may be set higher than necessary to provide the related service (as noted in MAR number 1) and CU's electric customers are being required to subsidize the costs of other city services and these departments through the payment of their utility bills.

WE RECOMMEND the Board of Public Utilities closely monitor the ongoing financial condition of each department, and limit expenditures from utility funds (electric, gas, and water) to only those which are necessary to operate those specific utilities. In addition, work with the city to consider alternative funding sources for the transit system.

AUDITEE'S RESPONSE

The Board manages CU as a community utility and asset, providing utilities and services to add to the quality of life in the Springfield area. The Board of Public Utilities closely monitors cash and services provided to the City of Springfield to ensure CU is in line with contributions provided by other public utilities. The Board and management balance fiscal responsibility with the community's desire for an effective public transit system. In addition, the Board and City Council have addressed the need for additional revenues for the transit system.

The Board will continue to monitor the financial condition of each utility department and the level of cash and services provided to the city.

3. Expenditures

Numerous disbursements or contribution of services totaling at least $259,000 were made that do not appear to be a prudent, reasonable, or necessary use of utility funds and some may violate the Missouri Constitution. CU contracted with various entities to provide funding totaling at least $321,000 without ensuring all contractual requirements were met or requiring adequate documentation of how those monies were used. Also, procedures have not been established to ensure operating costs of the trunked radio system are properly allocated. CU does not have adequate controls and procedures over the usage of its cellular telephones, and does not follow a consistent policy for hiring executives.

A. Some disbursements or contributions of services did not appear to be prudent, reasonable, or a necessary use of utility funds. Some of these disbursements or contributions of services may also violate the Missouri Constitution. Examples of some of these are as follows:

Name	Amount	Purpose
Downtown Community Improvement District	$ 89,091	Capital and annual operating expenditures for wireless internet service provided to downtown area
American Public Gas Association	40,000	Research and development
Springfield Business Development Corporation (SBDC) and Springfield Chamber of Commerce	21,064	Five year pledge in the Partnership for Prosperity Program, legislative and annual meetings, meals, and other sponsorships
Springfield Public Schools Foundation	19,297	Science institute, partners in education, teacher appreciation banquet, and students go to work
Urban District Alliance	16,000	Festival of Lights-annual contribution and institutional sponsorship
Central High School	6,500	Annual donation
Battlefield Mall's Safe Halloween	3,750	Annual media and mall signage costs
Hawthorne Foundation	3,200	Funding of private foundation promoting state economic development and for dinner costs
Rotary Rock'n Ribs	3,100	Shuttle bus service
Leadership Springfield	2,500	Purchased "space" on the *Springfield on Board* game (similar to the board game *Monopoly*)
Home Builders Association	2,220	Home shows, banner, golf hole, and bowling sponsorships
Wonders of Wildlife	1,725	Poster contest and clean water tour
Springfield Police Department	922	Traffic control for Kitchen 5K run and safety fair participation
Unite of Southwest Missouri	550	Multicultural festival
Missouri Chamber of Commerce	540	High school business symposium
Big Brother/Big Sisters	500	Sports Hall of Fame banquet
Midtown Neighborhood Association	500	Sponsorship
Ozark Trails Council Boy Scouts of America	500	Distinguished citizen award ceremony for City Councilman
United Way Local Campaign	492	Meeting costs
Springfield Contractors Association	450	Golf hole and meeting sponsorship
American Red Cross, Junior Achievement of the Ozarks, Ozarks Literacy Council, The Kitchen, Salute to Construction, Downtown Springfield Association, Coalition for a Better Tomorrow, and Ozarks Science and Engineering Fair	1,580	Bowl-a thon annual contribution, high school transitions program, bottled water provided for the 5K run, awards banquets, parade and golf hole sponsorships, and fundraising breakfast

In addition, employees are allowed to work for charitable causes during their normal working hours. For example, over 50 employees were excused from their normal duties to participate in the United Way Day of Caring. Based on the wages paid to the participating employees, the utility estimated this event alone cost approximately $12,373. The utility excused employees from their normal duties to participate in several other similar events.

The utility is very active in supporting various community events. Our review was limited and the items discussed above may not be an exclusive listing of all similar activities.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, association, or corporations except as provided in the constitution. Without a written contract that clearly indicates the benefit to CU, these uses could be in violation of the constitution. In addition, some of these expenditures were to organizations and/or charities associated with some CU employees or board members. CU has not established procedures to determine whether these payments and contributions are appropriate. When utility funds are paid to organizations and/or charities they are affiliated with there is an appearance of a conflict of interest.

Disbursements for employees and vendors were as follows:

- A 2006 family day picnic was held to show appreciation for the employees and their families. For this event CU spent $8,178 for catering, $7,245 for party supplies such as a temporary tattoo parlor and an inflatable slide similar to those used by traveling carnivals, $2,103 on ice cream and beverages, and $1,924 for decorations. Our review of this event was limited and the items discussed above may not be an exclusive listing of the total cost.

  The 2007 family day picnic schedule included entertainment such as children's carnival games, bucket truck rides, linemen demonstrations, a digital scavenger hunt, a home-made salsa contest, a local band, a pie walk, and bingo games.

- CU spent $3,125 annually for a suite at the Springfield Cardinal's baseball stadium.

- Flowers and monetary contributions were purchased by CU totaling $2,992. CU has a policy that allows flowers or other monetary contributions to be made for employees and retirees in the event of an illness or death.

- Dedication ceremony supplies such as a tent, chairs, food, and plaque for the Noble Hill Landfill Renewable Energy Center costing $1,891 were purchased by CU.

- CU spent $725 for a "Thank You" lunch for employees of the purchasing and inventory departments.

- Other questionable items were noted and more examples will be discussed in MAR numbers 4, 10, and 11.

These expenditures do not appear necessary or essential to the operation of the utility. The utility has a fiduciary duty to ensure funds are expended in a manner that provides the greatest benefit to the utility. It is unclear what, if any, benefit these expenditures provided.

B. CU contracts with various entities to provide funding without ensuring all contract requirements are met or requiring adequate documentation of how those monies were used. For example,

- CU contracts with the SBDC, an economic development subsidiary of the Springfield Area Chamber of Commerce, for economic development and advertising services for $165,000 annually.

The SBDC only provides an annual report detailing the general accomplishments of the SBDC and their audited financial statements, while the contract requires SBDC to provide semiannual reports to the General Manager dealing with promoting: the benefits of low cost utility services, retention and expansion of existing quality business, and benefits of Springfield as a location for quality businesses.

- CU contracted with the Watershed Committee of the Ozarks to provide funding for community water education and water quality studies for $156,000 during the year ended September 30, 2006. Funding was provided without requiring this entity to provide documentation to support how those monies were used. CU pays 60 percent of the Watershed Committee of the Ozarks operating budget while the city and county pay 20 percent each.

CU should ensure the SBDC provides all information required in the contract. In addition, to ensure the proper use of utility funds, CU should establish formal procedures to monitor the use of these monies and require detailed information (such as detailed financial reports, invoices for specific activities, audits, etc.) from the Watershed Committee of the Ozarks to document how these funds are used.

C. Procedures have not been established to ensure operating costs of the trunked radio system are properly allocated based upon usage of each entity. CU in conjunction with the City of Springfield and Greene County implemented a trunked radio system in 2000 to provide improved law enforcement and public safety communications among various agencies and departments, including emergency and non-emergency communications. The original contract did not provide for costs to be shared based upon usage, and the following chart illustrates the current level of usage and proportionate share of the costs for the year ended September 30, 2006.

	Current Subscriber Units	Proportionate Share of Costs
CU	450	$ 495,000
City of Springfield	1,000	495,000
Greene County	1,500	590,000

CU tracks the operating cost of the system and any additional capital costs incurred and bills the city and county quarterly. In addition, CU has entered into an agreement with Missouri State University (MSU) to provide use of the system at no cost to the university from June 15, 2005 until August 2008. The allocation of operating costs does not appear reasonable based upon the level of subscriber units (usage) and MSU's use of the system at no cost. Finally, the utility does not receive any administrative fees for tracking the costs and billing the various entities for the use of the system.

Usage of the trunked radio system should be reviewed and costs allocated in a more proportionate manner. In addition, CU should consider tracking and billing the administrative costs incurred.

D. CU needs to improve its controls and procedures over the usage of its cellular telephones. The utility uses three separate carriers and paid $77,467 for the year ended September 30, 2006 for providing cellular phones to approximately 205 employees. While CU has procedures to review cellular telephone usage monthly, these review procedures were not always adequate.

Many employees incurred costs for calls that were not covered by their cellular telephone service agreement including charges for additional minutes, roaming, directory assistance, and text messaging. For example, a SpringNet® employee incurred $304 for roaming charges one month. In another example, a meter reader incurred $94 for additional minutes in one month. Although some changes were made to the plans subsequent to our review, several employees continued to incur considerable additional monthly costs.

To ensure the efficient and effective use of cellular telephones, CU should routinely monitor cellular phone usage patterns and ensure the most cost-effective plan is being used.

E. CU does not follow a consistent policy for hiring executives. CU hired and paid an outside recruiting firm $49,793 between September 2005 and January 2006 to advertise, evaluate, and conduct preliminary interviews of candidates for the Associate General Manager-Chief Operating Officer position. Three of the eight candidates that were selected for the final interviews were internal CU employees, and CU subsequently hired two of these internal employees to fill the position (after separating the duties and creating two associate general manager positions).

In other instances where executives were hired, CU advertised nationally or conducted only internal interviews. CU does not consistently use a recruiting firm to hire executives, and it is unclear why a recruitment firm was used in this situation.

WE RECOMMEND the Board of Public Utilities:

A. Ensure disbursements are necessary and prudent uses of public funds, and provide a benefit to the utility and do not violate the state constitution. In addition, avoid the appearance of a conflict of interest.

B. Improve the control and accountability over the use of utility funds spent by other organizations.

C. Review usage of the trunked radio system and allocate operating costs in a more proportionate manner, and documentation supporting the methods of allocation of

the trunked radio system should be retained. The utility should also consider tracking and billing the administrative costs related to the system.

D. Revise current controls, policies, and procedures regarding cellular telephones to include a thorough review process and to adapt to new technology.

E. Develop consistent procedures for hiring executives.

AUDITEE'S RESPONSE

A. The Board and management contend that all expenditures of the utility are legal and necessary. To allege expenditures "may" or "could" be in violation of the constitution is a serious accusation that should be substantiated or removed from a public report. To make such an allegation without substance or evidence casts unfounded doubt on legitimate business activities. The Board will direct legal counsel to review future expenditures like those noted in the State Auditor's report to ensure legality.

B. The Board and Management will continue both formal and informal review of various organizations funded by utility expenditures to assure the appropriate benefit levels are maintained.

C. The Board believes the trunked radio system is a perfect example of how county and city agencies have worked together to improve the safety of all citizens in the Springfield area. Systems such as the trunked radio system are only achievable due to the cooperation among various parties. CU considered the benefits received from the partnership and negotiated an agreement accordingly. The terms of the agreement will continue to be followed in tracking costs and billing partners appropriately.

D. CU continuously reviews the various options for providing employees with cellular telephones to do their jobs. Internal Auditing performs periodic audits and reviews of the billings.

E. CU will review the established policies and clarify all recruitment procedures, including those for hiring executive staff.

4. Employee Awards and Payroll Policies

Over $52,000 of safety and years of service awards have been given to employees, which do not appear to be prudent, reasonable, or a necessary use of utility funds. In addition, CU paid employees $26,050 in finder's fees for identifying and reporting illegal use of utility services, which would appear to be part of their regular job duties. CU policy also does not require employees to disclose and obtain approval for outside employment and business activities.

A. CU purchased safety awards totaling $25,647 during the two years ending September 30, 2007. Annually, the utility gives safety awards for every five years (from five years to forty years) based upon employees who have reached safety milestones by not experiencing a lost-time injury. The awards include: executive pen and pencil sets, pewter belt buckles, marble bookends, windbreaker jackets, clocks, collegiate style gold and silver rings, weather stations, and pocket watches. Some of these safety awards have significant values. For example, the collegiate style gold ring, pocket watch, and wall clock are purchased for $475, $240, and $205 each. In addition, safety awards are presented to all utility employees regardless of the duties assigned. For example, safety awards are given to human resource and purchasing employees.

In addition, CU purchased years of service awards totaling $26,964 during the two years ending September 30, 2007. Lapel pins with blue sapphires, rubies, emeralds, and diamonds are given for every five years of service (from five to thirty-five years of service).

These expenditures do not appear necessary or essential to the operation of the utility. The utility has a fiduciary duty to ensure funds are expended in a manner that provides the greatest benefit to the utility. It also appears questionable why some utility employees such as clerical or administrative should receive safety awards.

B. CU pays employees, such as meter readers and field technicians, a $25 finder's fee for identifying and reporting illegal use of utility services. CU paid employees $26,050 in these fees during the two years ending September 30, 2007. Identifying and reporting illegal use of utility services would appear to be part of these employee's regular job duties, and the payment of such fees should be reconsidered.

C. CU does not effectively monitor outside employment and business activities of employees. While CU policy addresses outside employment and business activities of employees, the policy does not require employees to disclose and obtain approval for outside employment and business activities.

To effectively monitor outside employment and business activities, CU's policy needs to be revised to include requirements to disclose and obtain approval for outside employment and business activities.

WE RECOMMEND the Board of Public Utilities:

A. Ensure disbursements are necessary and prudent uses of public funds.

B. Reconsider the practice of paying finders fee to employees.

C. Require employees to disclose and obtain approval of outside employment and business activities.

AUDITEE'S RESPONSE

A. The Board supports management's efforts to encourage a safe workplace. Since it is well documented that safety awareness results in fewer work-related accidents and in turn, fewer customer dollars spent on workers' compensation costs, and because employees in all types of jobs incur job related injuries, City Utilities' safety program includes recognition for all employees who have excellent safety performance.

Similarly, the Board supports management's efforts to recognize the value of employees' service. The service award program helps reduce turnover costs to CU and saves our customers money, as this program assists CU in motivating, recognizing, and retaining its most valuable resource – its employees.

B. Paying a union employee a finder's fee for finding and reporting illegal services was negotiated with the International Brotherhood of Electrical Workers (IBEW). This is a common practice in the industry to detect fraud and eliminate theft of services.

C. Although no violations were cited by the State Auditors, CU will consider modifying the current policy regarding outside employment.

5. Natural Gas Hedging

CU suffered a financial loss of more than $2.7 million during the 2007 hedging season, and the financial information presented to the Board of Public Utilities regarding the loss was incomplete. In addition, documentation of the effect of a policy change which significantly increases CU's possible liability in the hedging market was not presented to the board. Formal procedures for the buying and selling of natural gas options have not been established, and employees with access to natural gas market analysis are not required to submit personal disclosure statements to document that they are not personally taking the same or opposing positions as CU in the natural gas financial market. Also, minutes are not always maintained and have not been signed for some of the Natural Gas Options Committee meetings.

CU uses natural gas hedging as a financial tool to help reduce the risk of increasing natural gas prices during the peak heating season, December through March. CU buys natural gas options at a specified price per dekatherm (the unit of measure for purchasing natural gas) based upon decisions made by the Natural Gas Options Committee. If the market price rises above the price per dekatherm paid for the option, the utility can exercise the option and recognize a financial gain and therefore, keep natural gas rates lower. However, if the market prices decrease below the price per dekatherm paid for these options, the utility suffers a financial loss. The utility started hedging natural gas in the 2003 season. The annual gain or (loss) from hedging activities since 2003 are as follows:

Hedging Season		Gain or (Loss)
2003	$	665,489
2004		333,192
2005		58,935
2006		($758,402)
2007		($2,725,468)

A. Improvements are needed in how hedging activity is presented to the board. CU suffered a financial loss of more than $2.7 million during the 2007 hedging season, and the financial information presented to the Board of Public Utilities regarding this loss was incomplete. A former Associate General Manager presented a report of the 2007 natural gas hedging season to the board in February of 2007 with the following information:

Funds Invested	$ 2,789,266
Quantity Hedged	2,600,000 dekatherms
Proceeds	$ 63,798

The hedging activities are presented to the board as "insurance" on pricing. The report did not indicate that the "proceeds" only represented monies received from the few options that were exercised (sold), and did not clearly indicate that CU suffered a financial loss of $2,725,468 (the difference between the "funds invested" and "proceeds". This loss was a result of the utility allowing the remaining options purchased to expire because the natural gas market prices fell below the option price. The Associate General Manager told the board at the meeting that CU "spent about $2.7 million net" during the season. Given the significant financial loss, complete information regarding the loss should have been presented to the board.

In addition, in July 2006 the Natural Gas Options Committee requested a policy change to increase the maximum net annual exposure for hedging transactions from $1 million to $4 million. There was no evidence to indicate the board was informed of what the effect of a possible loss of $4 million due to natural gas hedging would have on natural gas rates.

Complete and detailed financial information regarding natural gas hedging transactions and policy changes is essential to the Board of Public Utilities to make informed decisions while managing the resources of the utility.

B. While a general policy regarding natural gas activity has been established, formal procedures for the buying and selling of natural gas options by the Natural Gas Options Committee have not been established. To ensure natural gas hedging activity is properly handled and accounted for, formal written procedures regarding the buying and selling of natural gas options should be established and documented.

C. While CU policy states that employees with access to analysis tools and information acquired by CU shall be prohibited from taking the same or opposing positions as CU in the natural gas financial market, CU does not require these employees to file a personal disclosure statement of this type of market activity. Requiring these employees to submit an annual personal disclosure statement would allow CU to monitor policy compliance.

D. Minutes are not always maintained and have not been signed for some of the Natural Gas Options Committee meetings (including those in which option purchases were approved). Minutes serve as the only official permanent record of decisions made by the committee. Minutes should be prepared and approved for all committee meetings.

WE RECOMMEND the Board of Public Utilities:

A. Require complete and detailed financial information regarding natural gas hedging transactions and policy changes to be presented to the board.

B. Establish and document formal procedures for the buying and selling of natural gas options.

C. Require all employees with access to market analysis to submit an annual personal disclosure statement.

D. Ensure minutes are prepared and approved for all committee meetings.

AUDITEE'S RESPONSE

A. The Board has been fully informed of the natural gas hedging transactions on a continuous basis. Reports to the Board included financial statement footnotes which completely described purchase prices, market values, sales prices, and increases / decreases to natural gas expenses. Presentations were made monthly to the Board, and these presentations all included updates on present market values and expenses associated with this program. The TEA Natural Gas Financial Transactions Policy approved by the Board of Public Utilities states that the intent of these financial transactions is to provide protection against upward natural gas price movements for customers, as well as afford them the opportunity to participate in the benefits of market price declines. The policy also states, "It is fully understood that under certain market conditions, financial hedging programs will have net costs to CU and customers – not unlike the analogy of the cost of insurance coverage." These options have provided the desired protection from potential higher prices.

As recommended by the State Auditors, CU management will take every opportunity to continue to improve the information provided describing natural gas hedging transactions through monthly financial statements and Board presentations. Any

necessary policy changes will continue to be fully explained to the Board when requesting approval.

B. The Natural Gas Options Committee will verify there is sufficient documentation of current procedures.

C. The Board will consider the need for modification to the current policy.

D. The Natural Gas Options Committee will continue to prepare minutes for meetings involving option purchase decisions.

6. The Energy Authority (TEA)

CU did not prepare a cost benefit study before entering into a contract with TEA in 1998 for energy trading and risk management services. In addition, CU has not adequately documented their continued investment in TEA on an annual basis. While CU's ownership affords them the ability to audit the books, records, and accounts of TEA, CU has only participated in one audit in the past seven years and additional monitoring procedures of TEA activities have not been established.

In 1997, the Federal Energy Regulatory Commission started allowing municipal utilities to sell excess electricity in the wholesale energy marketplace. In response to this new regulation, CU established the Restructuring and Competition Task Force (RCTF) to evaluate potential electric marketing and trading alliances. The RCTF met with 15 firms in 1997 and 1998 to establish such an alliance, and subsequently entered into a contract with TEA in September of 1998. Under this original agreement, CU paid a monthly fee and a percentage of the amounts billed to all TEA participants in exchange for TEA's marketing and trading services of the utility's excess electricity.

TEA is a nonprofit corporation organized and operated under the Georgia Nonprofit Corporation Code. It maintains its headquarters in Jacksonville, Florida, with two additional offices in Bellevue and Vancouver, Washington. TEA was organized in 1997 to enhance the use of its owners' electric generating assets in the wholesale electric power market, optimize power purchases from the wholesale market for its owners, create economies of scale and reduced operating costs with respect to energy trading and marketing, and to assist owners with managing risks in the wholesale energy marketplace. TEA serves public power utilities across the United States with a variety of services. Thirty-nine public power utilities across the nation are TEA participants and only six of the public power utilities are owners (CU has a 7.14 percent ownership interest).

In February of 2000, the Board of Public Utilities granted the General Manager the authority to establish ownership in TEA. In May of 2000, the Chief Financial Officer (CFO) reported that sufficient funds were available in the 2000 annual operating budget to invest in TEA, and therefore CU did not obtain additional approval from the

Springfield City Council. At this time, the CFO prepared a limited analysis of ownership in TEA. This study estimated an initial outlay of cash, and it also compared the expected annual return on their investment (given in equity only) to the amount of fees paid to TEA prior to becoming an owner.

CU has a current investment in TEA of more than $2.4 million and has guaranteed more than $9.6 million in cash reserves to TEA as of September 30, 2006. CU also paid an initial membership fee of $867,360 in 2000 to become an owner and additional costs to trade energy were incurred by the utility annually as follows:

Year ended September 30,	Amount
2001	$ 472,312
2002	785,662
2003	1,050,975
2004	710,173
2005	740,113
2006	1,013,220

In 2005, CU compared the costs to trade energy by being an owner to the fees that would have been charged to participants, but a detailed cost benefit study tracking the full cost of CU's relationship with TEA has not been performed.

Considering the extent of CU's investment in TEA, a detailed cost benefit study of its relationship with TEA should be performed and continually updated to facilitate the decision-making process and to provide assurances that the investment in TEA is in the best interests of the utility. The utility should take full advantage of the benefit of ownership and regularly audit and monitor the financial records of TEA.

WE RECOMMEND the Board of Public Utilities ensure a detailed cost benefit study is performed and continually updated and that full advantage is taken of every opportunity to provide oversight of TEA operations.

AUDITEE'S RESPONSE

The Board cites TEA as a great example of where City Utilities management has outsourced services requiring specialized expertise in order to lower costs and risk for our customers. Further, the utility exercises ongoing and appropriate oversight of TEA and its work. Since TEA's inception, CU management has and continues to play an important oversight role at both the TEA Board and committee levels. CU sought membership in TEA to furnish our customers with cost-effective services from an organization positioned with national market knowledge. Benefits from investment in such an organization do not equate with a "return" that would be earned from an investment in a stock or bond. One must also look at the accomplishments of the organization over time in context with the rest of the market. During the time CU has utilized TEA's services, the energy markets have experienced widespread volatility in prices, market manipulation, the rise and fall of many marketing organizations (ENRON, Dynegy), utility

companies in and out of the market (many of which lost millions of dollars), a natural gas generator boom and bust, transmission deficits, a major blackout affecting millions of Americans, and major new environmental regulations. During that same time, CU through its affiliation with TEA has always provided reliable power, has never defaulted on any third party purchases or sales, and has maintained low customer prices (both regionally and nationally).

7. SpringNet ® Compliance and Controls

SpringNet® has failed to comply with several provisions of a Public Service Commission (PSC) order regarding the necessity to operate without continued financial assistance from the utility, and has failed to comply with state law which limits term agreements on telecommunications services to five years. SpringNet® has not followed the terms of its service contracts with customers regarding delinquent accounts and has developed more lenient practices. In addition, failure to establish policies requiring security deposits and to perform routine credit checks on prospective customers exposes CU and SpringNet® to unnecessary financial risk. CU has spent over $6 million on SpringNet® Underground without performing preliminary feasibility studies and developing a formal ongoing business plan for this activity.

SpringNet® is a division of CU which offers telecommunication services and also provides computer operations hosting services within a local underground mine as SpringNet® UnderGround. CU was authorized to enter the telecommunications market by order of the Public Service Commission (PSC) in July 1997. Prior to this order, CU provided internal telecommunications services to the utility and the city. CU's Telecommunications department and SpringNet® continue to provide internal services. For the year ended September 30, 2006, SpringNet® had operating revenues of approximately $6.2 million.

A. SpringNet® has failed to comply with several provisions of the PSC order related to telecommunications services. For example:

- SpringNet® does not generate sufficient revenues to cover expenses and required subsidization from other CU operations of approximately $1.5 million during the year ended September 30, 2006 (subsidization was discussed in more detail in MAR number 2). This is specifically prohibited by PSC order.

- SpringNet® has relied upon other utility operations to obtain financing for capital investments and this is not allowed by PSC order. CU entered a master lease agreement with a local bank for the Public and Water Utilities, which included receipt of $1.2 million in financing proceeds in October 2006 for SpringNet®. This financing was backed by resources of the entire utility and not just those of SpringNet®.

- SpringNet® does not operate as a stand-alone entity as required by PSC order. CU's internal auditors recommended in September 2004 that SpringNet®'s cash position should be monitored separately to ensure compliance with the PSC order; however, this recommendation had not been implemented as of March 2007. Upon our request, cash funding reports were prepared by SpringNet®; however, these reports were not accurate. For example, the $1.2 million financing proceeds discussed above were inaccurately reported in the three month period ending March 31, 2006 instead of October 2006 when the funds were actually received. This inaccuracy caused their financial position to appear more positive than it actually was for the year ended September 30, 2006.

- SpringNet® has failed to comply with the provision of the PSC order that requires the utility to operate its telecommunications services within a two-mile area surrounding the utility's electric service area. SpringNet® provides internet type services to clients outside of the allowable boundaries. For example, services are provided to a hospital in Osceola, Missouri, and to companies in Poplar Bluff, Missouri and Springdale, Arkansas, which are significant distances outside of CU's service area.

CU and SpringNet® should ensure compliance with provisions of the PSC order. Also, cash funding reports prepared by SpringNet® should accurately reflect the financial position, and internal audit recommendations should be implemented.

B. SpringNet® has failed to comply with Section 392.200, RSMo, which limits term agreements on telecommunications services to five years. For example, in October 2006, SpringNet® entered into a ten year contract with an out of state client to provide underground data storage services. An audit report issued by CU's internal auditors in September 2004, recommended that SpringNet® comply with the five year contract limitation; however, this audit recommendation was not implemented.

C. SpringNet® has not enforced the terms of its service contracts with customers regarding delinquent accounts and instead has developed more lenient collection practices. For example, service contracts indicate that invoices not paid within ten days will be charged a late penalty; however, SpringNet® personnel indicated the late payment charge is not applied until the bill is over 90 days delinquent. SpringNet® has not developed policies requiring customer security deposits similar to what is required from other utility customers, and routine credit checks are not performed for prospective customers prior to entering into contracts for services.

SpringNet® should enforce the delinquent account contract provisions. Failure to follow contract terms on late payment charges, as well as, failure to establish policies requiring security deposits and to perform routine credit checks on prospective customers exposes CU and SpingNet® to unnecessary financial risk.

D. CU did not perform an adequate feasibility study or develop an adequate business plan on SpringNet® Underground before entering this market. SpringNet® Underground continues to expand despite their inability to generate sufficient revenues to cover costs related to this venture. CU entered into a lease agreement in April 2002 with a local Springfield company for space in a privately owned underground facility for ten years at $18,598 per month or approximately $2.2 million. CU amended the original lease agreement twelve times between April 2002 and March 2007 and spent an additional $4.4 million in construction costs at the privately owned underground facility, for the use of SpringNet® Underground. Most of the $4.4 million spent on construction will remain the property of the lessor when the agreement expires. SpringNet® Underground continues to rely on other utility services to fund operations.

Good business practice requires a reasonable formal analysis of future plans, anticipated revenues, and projected expenditures to be performed and updated to support the board's continued decision making process. Given the current financial position of SpringNet® it is important that decisions made do not place this activity in a position requiring continued subsidization from the rest of the utility.

WE RECOMMEND the Board of Public Utilities:

A. Ensure compliance with the PSC order and ensure adequate monitoring of cash funding position is performed to demonstrate compliance.

B. Ensure compliance with state law regarding length of contracts.

C. Ensure contract terms for handling of delinquent customer accounts are followed. Develop policies regarding security deposits, and establish procedures to routinely perform credit checks on prospective customers.

D. In the future, ensure a formal analysis of future plans, anticipated revenues, and projected expenditures is performed and updated, and closely monitor SpringNet® Underground's financial condition.

AUDITEE'S RESPONSE

A. City Utilities has discussed the State Auditor's statements with the PSC. According to the PSC, it has no evidence of a failure to comply. CU will continue to monitor SpringNet's cash funding position and will move toward tracking the funding position of the services that are regulated by the PSC. SpringNet did complete its financing under the CU master lease; however, the $1.2 million financing for SpringNet was backed entirely by telecommunications assets owned by SpringNet. CU voluntarily requested the PSC certification prior to Missouri Law that also allows CU to offer telecommunications services and will continue to monitor compliance with the certificate requirements.

B. CU complies with all applicable laws. In fact, underground data storage services are not considered a telecommunications service under Missouri law, therefore the contract for these services would not be subject to the 5-year limitation. Since this service is not one for which a PSC certificate applies, CU will continue to follow applicable Missouri law.

C. There is a procedure for checking utility credit history when establishing a new SpringNet customer; however, SpringNet will consider the benefit of performing credit checks beyond the verification of utility payment history in selected cases.

D. As evident in SpringNet's 2001, 2003, and current business plan updating efforts, good business practices are being followed. SpringNet has a history of analysis and planning. An independent review was conducted to structure and assist Telecommunications' unbundling from the Utility in 1998. The first business plan was prepared in 2001 and the plan was updated in 2003. Internal Audit conducted a business audit in August 2004 and Internal Audit hired a security consultant to conduct a network security audit in September 2004. SpringNet meets with the Risk Oversight Committee on a quarterly basis to review the financial impact of new contracts, and SpringNet is currently working on updates to the business plan for 2008 and will ensure that future updates are on a more consistent basis as recommended by the State Auditors.

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AUDITOR'S COMMENT

A. CU has no documentation from the PSC to support the claim that they are in compliance with these provisions of the PSC order.

B. Since underground data storage services are provided through CU's telecommunication's division, SpringNet®, it is unclear why CU does not comply with Section 392.200 RSMo.

8. Bidding and Purchasing Policies

CU uses alliances, standing purchase orders, and blanket orders as purchasing tools for significant expenditures without the use of annual competitive bidding. In addition, CU did not obtain bids through public advertising for several large projects and purchases. Also, the utility issues purchase orders and contracts interchangeably, but no formal policy has been established to provide employees guidance on these.

CU purchasing policies and procedures require competitive bidding to be completed for all purchases in excess of $2,000. CU expended over $260 million in operating expenses during the year ended September 30, 2006.

A. CU uses alliances, standing purchase orders, and blanket orders as purchasing tools without the use of annual competitive bidding for supplies. CU has not established written policies or procedures for the establishment and monitoring of such purchasing tools. We noted the following examples:

- CU participates in four alliances to purchase supplies. These alliances allow the utility to purchase items that are bid in first year of the alliance and extended for up to four years with pricing increases based on national price indexes which are reviewed annually. For example, underground electric supplies were originally bid in December 2001 and the alliance was extended each year without rebidding until May 31, 2007. The types of products purchased with these alliances and the approximate amounts paid during the year ended September 30, 2006 are as follows:

Underground electric supplies	$ 1,900,000
Overhead electric supplies	1,700,000
Utility line transformers	1,500,000
Water Line Supplies	1,000,000

- When the utility purchased a natural gas monitoring system, they entered into a standing purchase agreement with the vendor to provide replacement parts at five percent below the manufacturer's list price. This standing purchase agreement began in 1994 and will not expire until the equipment is no longer used. CU has not solicited bids for these items since 1994, and it appears competitive bidding should have been considered. CU has expended approximately $76,000 with this vendor during the year ended September 30, 2006.

Given the use of these purchasing tools and the magnitude of these types of expenditures, annual competitive bidding should be considered. Bidding procedures for major purchases provide a framework for the economical management of utility resources and help assure the utility that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in utility business. Written policies and procedures for establishing, approving, and monitoring all purchase tools are necessary to provide guidance, and avoid misunderstandings.

B. CU's bidding policy does not address obtaining bids through public advertising. Employees are allowed to use their judgment as to whether or not to publicly advertise for a particular project or purchase. Advertising was not completed for the following:

- The construction of the Propane to Air Peak Shaving Plant totaling $6,221,333.
- Purchase of a coal loader costing $656,100.
- Purchase of a substation transformer totaling $554,330.
- Purchase of radio software totaling $143,400.

While CU did solicit bids from select vendors on the above expenditures, CU did not publicly advertise to help assure itself that it received the lowest and best price on the expenditures. Considering the extent of these expenditures, it appears that advertising for bids would have been a good business practice.

Including advertising requirements in the formal bidding procedures would provide a framework for economical management of CU resources and help ensure the utility receives fair value by contracting with the lowest and best bidders. Public advertising requirements would also help ensure all parties are given equal opportunity to participate in the utility's business.

C. The utility issues purchase orders and contracts interchangeably, and no formal policy has been established to guide employees on whether to use a purchase order or a contract. Purchase orders used by CU are not signed by all parties involved. During our review of expenditures, we found the following large purchases were made using purchase orders when contracts may have been more appropriate. These items include:

Part for a turbine	$8,259,063
Construction of the Landfill Gas to Energy Plant	3,619,812
Rental of water pumps	1,251,810
Voltage equipment for power plant	980,362
Transformer for substation	554,330

The items purchased above were special order items that were manufactured to fit CU's needs. As a good management practice, the utility should establish guidelines on whether to use a purchase order or a contract. Written agreements, signed by both parties, should specify the services to be rendered, the manner and amount of compensation, and the time period for which the agreement remains in effect. Such agreements would lessen the opportunity for misunderstandings between the parties involved. In addition, Section 432.070 requires local government contracts to be in writing.

D. Several contracts and purchase orders were significantly increased in amount and term of service through change orders, and bids or proposals were not solicited for any of the change orders. Examples include:

- The original contract for the construction of the Propane to Air Peak Shaving Plant totaled $5,266,928. CU spent more than $1 million additionally as a result of five change orders related to the project. Most of the construction change orders were for ground preparation work such as grading that had not been included in the scope of the original project for some reason.

- The original contract for the remodeling of the transit and fleet maintenance building totaled $726,349. CU spent an additional $136,238 as a result of five change orders for the remodeling project. Change orders were incurred to add security cameras and other modifications to the design plans.

- Numerous change orders were issued to extend the term of the contract for health insurance administration. CU solicited bids for this service in 1999 and used the selected provider until January 2006.

CU's purchasing policy allows for change orders for making minor changes without taking additional bids, but it appears consideration should have be given to rebidding some of the major changes discussed above.

Change orders are normally used to make adjustments for minor problems that are unknown when projects and purchases are originally bid. They should not be used to make significant changes to existing contracts. If the scope of a project changes substantially, consideration should be given to rebidding those parts of the project. CU also used change orders for professional services as discussed in MAR number 9.

WE RECOMMEND the Board of Public Utilities:

A. Develop written policies and procedures for establishing, approving, and monitoring all purchasing tools. This should include a provision that provides for annual competitive bidding of all utility purchases.

B. Develop a comprehensive bidding policy which addresses public advertising.

C. Establish guidelines on whether to use a purchase order or a contract, and enter into written contracts for services which clearly outline the responsibilities of both parties for all current and future arrangements.

D. Ensure adequate planning is performed to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable projects.

AUDITEE'S RESPONSE

A. All utility purchases are competitively bid, unless they are specifically exempted by policy. City Utilities has extensive written policies and procedural tools for competitive bidding of materials, equipment, and services. CU policy recognizes the value of bidding multiple years at the same time.

B. *CU procedures follow the city charter which states, " . . . there shall be given ample opportunity for competitive bidding . . .". Written internal procedures include and allow for several methods of public advertising. Vendors for solicitations of materials, equipment, and services are typically selected from the thousands of vendors on file with CU who have requested to bid on materials, equipment, and services. Additionally, competitive bid documents are publicly advertised in the public lobby of the CU Purchasing Department. When appropriate for the purchase, public advertising is also placed in local and regional newspaper publications and plan rooms. Plan rooms are clearing houses which notify potential local, regional, and national bidders of current bidding opportunities. One such plan room is operated by the Springfield Contractors Association.*

CU does not consider it to be necessary to advertise in newspapers when the product is unique or when the marketplace has limited bidders known to operations, purchasing, consultants and others, and it is felt that advertising in local and regional newspapers would not generate any additional bidders.

C. *CU contracts and purchase orders are all written, "formal" legal contracts and comply with all statutes according to our Legal Counsel. All contracts for services are written legal documents and outline the responsibilities of both parties.*

The decision of what format a contract takes is dependent upon the complexity of the item or service being purchased, the number and type of regulations and requirements that must be followed (e.g., environmental, insurance, federal), necessary attachments such as plans and drawings, special conditions of the work, and special capital projects (e.g. Southwest 2). All of these items and criteria are discussed between the requestor and the Buyer with reviews and input from Purchasing Management, Legal, Risk Management, Environmental, Safety and other departments as needed. As recommended by the State Auditors, CU management will consider developing guidelines to be used in determining whether a purchase order or contract is applicable.

D. *When a change to an existing contract is determined to be necessary, and that change is substantial or outside the original scope of the project and the situation is appropriate to bid, consideration is given to bid that change.*

On major construction projects, such as the two mentioned in the State Auditor's report, it is typically the project manager/engineer's responsibility to determine if a change will affect the continuity or timeline of the project, whether it is within the original scope of the project, and whether re-bidding would adversely affect the project.

9. Professional Services

CU needs to improve its process of procuring and monitoring some of its professional services. Proposals were not always solicited for legal services, a contract for legal service was approved without any review of the compensation to be paid, legal contract

renewals were sometimes signed by law firms several days after the effective date of the contract, and documentation was not always adequate to support amounts paid for legal, consulting, and lobbyist services. Change orders were regularly used to avoid the professional selection process, and CU pays annual "relationship fees" to two bond credit rating firms used for utility bond issuances, which presents an appearance of a conflict of interest.

CU has established procedures and policies to select professionals on the basis of qualifications and competence for specific types of services. The utility's professional selection policy requires the general manager to select three or more utility employees for the professional selection committee. For major projects, the general manager will request one or more board members to serve on the committee. The selection committee will select an appropriate number of persons or firms capable of performing the required services and make a recommendation to the general manager. If the general manager approves the award to the chosen professional, a contract is executed and the purchasing department will issue a purchase order to that person or firm. The policy requires the professional selection process to be repeated every two years for blanket contracts.

A. Improvements are needed over legal fees paid by the utility. In addition, to having three attorneys on staff, the utility spent over $522,000 during the year ended September 30, 2006 for outside legal counsel.

- The utility did not always solicit proposals for legal services in accordance with their policy and has used six different law firms routinely for several years.

- Contracting procedures with the primary law firm used by the utility need improvement. Each year the utility will send the law firm a letter representing the contract. The letter asks the law firm to sign and return the letter (which does not include compensation to be paid to the firm) and to submit the names, titles, and rates of the employees that will be working on CU matters. This information is subsequently provided by the law firm. Given this situation, CU agrees to continue the contractual relationship without any review of the compensation to be paid to this firm.

- Legal contract renewals were sometimes signed by law firms several days after the effective date of the contract. For example, a contract covering the period of June 1, 2005 through May 31, 2006 was signed by a law firm on July 20, 2005 or fifty days after the contractual period had begun. All contracts should be finalized and signed by all parties involved before the effective date of the contract.

- The invoices submitted by some firms did not always provide documentation related to the expenses being billed to the utility. For

example, supporting documentation for mileage and meals was not always provided by the law firms.

- One of CU's law firms contracted with an outside consultant on CU's behalf to serve as an expert witness in a lawsuit regarding an air permit for the Southwest II Power Plant. The utility paid a 10 percent markup fee to the law firm on expenses billed by the consultant. A thorough review of the invoices was apparently not performed as CU's General Counsel indicated he was not aware of the markup.

While professional services, such as attorneys, consultants and engineers may not be subject to the standard bidding procedures, the utility should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the utility from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the utility to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. The utility should ensure complete written contracts are prepared, adequate supporting documentation is provided, and all invoices are thoroughly reviewed prior to payment.

B. Change orders were regularly used to change the scope of work, to increase contract amounts, or to extend contracts beyond the two year period allowed by the professional selection policy. Examples include:

- A consultant was hired to perform a power supply study to determine CU's need to generate more power for $200,000. A change order was later issued to this same vendor for $500,000 to perform a second power study to determine how additional power could be generated.

- An opinion research consultant was selected through the utility's professional selection process in 2003 to perform various surveys. In 2005, the research contract was extended another year through use of a change order. This consultant was paid $95,170 during the year ended September 30, 2006.

Change orders are normally used to make adjustments for minor problems that are unknown when projects are originally bid. They should not be used to make significant changes to existing contracts or to avoid CU's professional selection process. When change orders materially change the amount of the original contract, scope, or extend the length of the contract continuously, the utility should re-select the professional services to ensure the utility receives the best price for the services.

C. Payments totaling approximately $110,374 were made to CU's five different lobbyists during the year ended September 30, 2006. The contracts require each

lobbyist to promote utility interests and advise the utility on legislative, executive, and administrative matters at the state and national level. Concerns with these payments include:

- The contract with each lobbyist does not require documentation to support the specific services being provided, and invoices submitted by the lobbyists did not adequately detail the work performed. For example, contract terms with a lobbyist required the utility to pay a $4,629 monthly retainer for up to 50 hours of work plus any expenses incurred. The invoices submitted did not include the number of hours worked by the individual and did not include a description of the services provided.

- The contract with each lobbyist specifies that the lobbyist will not enter into other agreements that would present a conflict of interest, but does not require the lobbyist to disclose or to obtain written permission from the utility prior to performing any lobbying activities for other entities.

- Several of CU's memberships to organizations such as Springfield Area Chamber of Commerce, Missouri Chamber of Commerce, American Public Power Association, Transmission Access Policy Study, American Public Gas Association, and the Missouri Public Utility Alliance, provide lobbyist services as a benefit to membership. The participation in such memberships is discussed in more detail in MAR number 11. The utility needs to evaluate all of the resources devoted to lobbying activities to evaluate the necessity of such payments.

Detailed documentation of services provided is necessary to evaluate the reasonableness of payments for services rendered. Procedures should be developed to monitor lobbyist activities.

D. CU paid an annual $25,000 "relationship fee" to one bond credit rating firm used for utility bond issuances and $4,000 to another bond credit rating firm. CU pays these annual "relationship fees" whether or not they will be issuing bonds or will need the services of the credit rating firms. CU personnel indicated these fees were routine; however, similar fees were not paid by the city, and CU does not pay these fees to other bond credit rating firms. These payments present an appearance of a conflict of interest. Credit ratings are an important factor in the interest rate a bond issuer is offered for their bonds. The credit ratings involve a judgment about the future risk potential of the bond. It is the general expectation of credit rating agencies and bond issuers alike that credit ratings will help to reduce the interest rates applied to bond issues.

The utility has a fiduciary duty and should avoid situations that represent the appearance of conflicts of interest.

WE RECOMMEND the Board of Public Utilities:

A. Solicit proposals for legal services to the extent practical. In addition, complete written contracts should be prepared (including ensuring all contracts are signed before the effective date of the contract), and adequate supporting documentation should be received for all charges.

B. Take steps to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable services.

C. Require detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms, and develop procedures to monitor lobbyist activities.

D. Avoid payments that present the appearance of conflicts of interest.

AUDITEE'S RESPONSE

A. Hourly rates for outside legal services are reviewed annually. Invoices received for legal services are consistent with industry practice. Major law firms, along with CU, have concerns about conflicts of interest. By maintaining relationships with a select group of law firms, CU is able to ensure competitive rates, retain quality outside counsel, and minimize the risk of conflicts of interest.

B. CU has policies and procedures in place to ensure effective purchasing and contracting processes according to the city charter and state law. When a significant change to an existing contract is determined, and that change is outside the scope of the original project and the situation is appropriate to bid, CU will bid that change. However, when those conditions do not exist, CU will do a change order according to policy. CU will consider modifications to the current policies to provide more specific guidance for employees as recommended by the State Auditors.

C. CU closely monitors its lobbyists' activities, including monthly and annual reviews. Lobbyists file monthly reports with the Missouri Ethics Commission. This reporting includes a general description of legislation proposed and any action taken by the Executive Branch of government, as well as a list of clients represented and assurance that interests of these clients do not conflict. CU will continue to closely monitor its lobbyists' activities.

D. The payment of an annual fee to rating agencies is not a conflict of interest and is consistent with industry practice. Services and benefits received for this fee include surveillance of bond market ratings, discount pricing on new bond issuances, access to credit agency public power analysts, on-going correspondence with analysts to discuss industry outlooks, discussion of specific issues related to CU credit market activity, and public finance power research reports.

10. Procurement Card Expenditures

Meals and food purchased with procurement cards appear excessive. CU lacks a comprehensive food policy, meals were provided at a private association meeting, and adequate documentation of food expenditures was not always retained. In addition, numerous other procurement card expenditures did not appear to be a prudent or necessary use of public funds. Cardholder use has not been adequately analyzed leaving CU with unnecessary liability. Some cardholders were circumventing purchase limits by splitting purchases, and other cardholder transaction limits were exceeded. Various CU procurement card policies and procedures were not followed, and reward points from a local hunting and sporting goods store were given to an employee for personal use.

CU has approximately 100 procurement cards that are issued to various employees of the utility. The procurement card is an official VISA credit card which is designed to provide a more convenient procurement method than the purchase order system. The individual cards have individual transaction limits of $500 to $2,000 and monthly cycle limits of $500 to $20,000. During the year ended September 30, 2006, procurement card purchases totaled approximately $1.2 million.

A. Meals and food purchased with procurement cards appear excessive. CU spent approximately $80,000 in calendar year 2006 for meals and food provided during employee meetings, training sessions, retirement receptions, employee recognition events, board meetings, public marketing events, and other external meetings. A food request form documenting the purpose of the event is prepared by an employee, approved by their supervisor, and normally given to the facilities management staff assistant for purchase. Concerns noted with procurement card activity include:

- CU has not established a comprehensive food policy or regulations regarding utility provided food.

- Meals purchased were sometimes excessive. For example, meals such as lobster and lobster bisque were purchased by two SpringNet® employees for a marketing meeting with four employees of a prospective customer. The average cost per meal was $60.

- Meals were provided at a Springfield Contractor's Association Meeting totaling $1,670. The reason to use CU funds to provide meals at a private association meeting was not documented.

- CU did not always include a list of attendees or general information that stated who was served, and did not always document the business purpose when purchasing food.

- Food request forms were not always signed by the requestor or their supervisor.

While it is sometimes necessary to incur food expenditures related to employee training, such costs should be kept to a minimum. In addition, it appears that some meetings and events may be scheduled around meal times, resulting in additional food expenses. A policy limiting food expenditures for employee training sessions and meetings and providing price guidelines would likely result in significant savings to CU. It also does not appear necessary to pay external business association food costs from CU funds. Adequate documentation of food purchases including a list of attendees and/or general information that stated who was served should be provided to substantiate food costs. Food request forms should be signed by the requestor and their supervisor to document proper approval of food purchases.

Considering the extent of utility-provided food expenditures, it appears CU should develop comprehensive policies regarding food purchases in an effort to control and reduce expenditures in this area.

B. Of 45 procurement card expenditures reviewed, 25 did not appear to be prudent and necessary uses of public funds.

- A barbeque grill at a cost of $1,382 used for safety meetings at the Southwest Power Plant.

- Toy store gift cards totaling $1,070 given to children of CU employees for contests. Other instances were noted where gift cards were purchased and documentation of the recipient was not maintained.

- Coffee mugs totaling $1,047 given to prospective telecommunications customers.

- Tins of mints totaling $808 given to attendees of a legislative lobbying event.

- Skeet ball and inflatable games totaling $695 used at the employee family day event. Additional items such as finger puppets, games, and decorations were purchased for family day totaling $248. Additional expenditures relating to family day are noted at MAR number 3.

- Deli trays and other gifts totaling $635 given to select commercial customers at Christmas.

- Dinner dishes, glasses, and flatware totaling $622 used by the board and general management during dinner meetings.

- Christmas cards from the General Manager totaling $559 given to board members, organizations, and select CU customers.

- Tablecloths and centerpieces totaling $520 for a Springfield Contractor's Association meeting.

These expenditures do not appear to be a prudent and necessary use of public funds. The Board of Public Utilities should ensure public funds are spent only on items which are necessary and beneficial to the utility. City residents have placed a fiduciary trust in their public officials to spend utility revenues in a prudent and necessary manner.

C. Cardholder use has not been adequately analyzed leaving CU with potential unnecessary liability. During the year ended September 30, 2006, CU had issued approximately 100 procurement cards to employees. Although employees can be held accountable for purchasing personal or unauthorized items using CU's procurement card, the utility is ultimately liable for all purchases made on these cards. We found some cardholder accounts had not been used, and some cardholder account limits were excessive based upon their past use. Sound business practices dictate CU personnel review procurement card usage to evaluate each employee's continued need for a card and excessive procurement card limits.

D. Cardholders were circumventing purchase limits by splitting purchases, and cardholder transaction limits were exceeded. While monthly procurement card statements of each cardholder are normally reviewed by the cardholder, cardholder's supervisor, and the procurement card committee, some cardholder's transaction limits were exceeded.

Some cardholders exceeded card transaction limits by splitting purchases to the same merchant on the same day. Two instances involved the same cardholder, whose single transaction limit was $2,000, but by splitting purchases to the same merchant, on the same day for automotive parts, the cardholder succeeded in exceeding purchase limits by $921 and $775.

Other instances were found where employees charged amounts in excess of their approved card transaction limits of $500. A formal review of employee card transaction limits filed with VISA was not performed by CU. As a result, the credit card company has provided these cardholder's greater transaction limits than those approved by the procurement card committee.

To ensure established procurement card spending transaction limits are followed, monthly statements should be reviewed more thoroughly by supervisors and the procurement card committee. In addition, a formal review of employee card transaction limits filed with VISA should be performed.

E. Various CU procurement card policies and procedures were not followed. For example:

- Purchases were returned to the vendor on two occasions, and supporting documentation for the reason of the return was not maintained as required by CU policy. The procurement card policy manual states "documentation should be kept explaining each credit received for returns or exchanges."

- Chemicals were purchased in violation of procurement card policies. The procurement card policy specifically states that chemicals and hazardous materials can not be purchased with procurement cards. CU's purchase order system provides greater control over these types of purchases.

- A supervisor provided her procurement card number to the department secretary to allow her to make purchases. The procurement card policy states the only person allowed use of the card is the employee to whom the card is issued.

Cardholder supervisors and the procurement card committee should more closely review procurement card transactions to ensure compliance with CU policy.

F. Reward points received through the use of procurement cards at a local hunting and sporting goods store were given to an employee for personal use. The utility should establish procedures with vendors to ensure any reward points are remitted directly to CU.

WE RECOMMEND the Board of Public Utilities:

A. Develop comprehensive policies regarding utility-provided food purchases. These policies should establish more specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements for these expenditures. In addition, CU should be more vigilant in its review of such expenditures to ensure public funds are used properly and efficiently.

B. Ensure all disbursements of utility funds are a necessary and prudent use of public funds.

C. Review procurement card limits for reasonableness and adjust employees' transactions limits based on their past procurement activities and their need to perform assigned duties.

D. Ensure procurement card statements are more thoroughly reviewed to ensure transaction limits are not exceeded. In addition, a review of employee procurement card transaction limits filed with VISA should be performed to prevent purchases from exceeding approved limits.

E. Ensure procurement card policies are followed.

F. Develop procedures to ensure all reward points are remitted to CU.

AUDITEE'S RESPONSE

A. Through the Board of Public Utilities, CU management has established procedures and protocol to manage procurement card use. Less than ten of the cardholders have the ability to purchase food. All transactions are reviewed monthly, as they have been since the inception of the program.

B. Every month the procurement cardholder prepares a reconciliation of purchases during the month. These reconciliations are reviewed and approved by at least one member of management. Additionally, the Procurement Card Committee reviews all transactions monthly. CU will continue to actively monitor procurement card transactions to ensure prudent and necessary purchases.

C. Some cards are held for emergency use and, therefore, may have higher card limits than their purchasing activity would appear to dictate. The contract negotiated with the issuing bank eliminates CU's liability for fraudulent purchases and therefore CU is not accepting excessive liability.

D. The Procurement Card Committee monitors transactions monthly and addresses transaction limit issues with the cardholders when they occur. In addition, CU has already implemented a control to verify the transaction limits implemented by the bank.

E. The majority of items noted in the State Auditor's report were discovered by CU prior to the state audit and were addressed immediately upon discovery. The Procurement Card Administrator meets with the Procurement Card Committee every month to review all purchase card transactions. Card transactions are reviewed to ensure compliance with policies and procedures. When situations are encountered that do not follow policy, appropriate steps are taken and are documented. Based upon the State Auditor's report, the procurement card manual will be changed to delete additional documentation requirements for returns.

F. This was changed in the July, 2007 revision of the Procurement Card Policies and Procedures manual, with the addition of a statement to prohibit employees from earning these points.

11. Memberships and Employee Reimbursements

CU paid approximately $342,000 for corporate and individual membership dues and should consider the necessity and related benefits received. Several employees were reimbursed for the same civic organization memberships, and several employees were reimbursed for multiple individual memberships. Numerous employee reimbursements

did not appear to be a prudent or necessary use of public funds, more stringent guidelines to address dollar limits for meal reimbursements or meal per diems need to be established, and travel policies were not always followed.

A. CU needs to consider the necessity and benefits received from corporate and individual membership dues. CU paid corporate and individual membership dues totaling approximately $294,500 and $47,500 during the year ended September 30, 2006, respectively. For example, corporate memberships to organizations such as the Chamber of Commerce, Better Business Bureau, Downtown Springfield Association, and Springfield Apartment and Housing Association may not provide a necessary benefit to the utility. In addition, CU spends significant amounts on some corporate memberships to support lobbying efforts. These are in addition to the direct payments to the lobbyist discussed in MAR number 9. Several employees were reimbursed for civic organization memberships such as the Rotary Club and Kiwanis Club.

   Several employees were reimbursed for multiple individual memberships. CU's policy allows reimbursement for one professional organization annually, and reimbursement for additional memberships can be approved by management. We noted 31 individuals had more than one membership reimbursed during the year ended September 30, 2006. For example, three directors/managers were reimbursed for five to seven memberships.

   While a certain level of corporate and individual membership may be beneficial, CU should assess the importance compared to other critical needs of the utility.

B. Numerous employee reimbursements did not appear to be a prudent or necessary use of public funds. CU should consider revising their employee reimbursement and travel policies to establish more stringent guidelines to address dollar limits for meal reimbursements or meal per diems. While CU's meal reimbursement policy states that "it is still the employee's responsibility to use good judgment and common sense in the selection of where and what meal choices to make when eating out," excessive meal costs were still incurred. These expenditures included:

   - The General Manager treated representatives of the three major credit rating firms to dinner while they were in town to rate the Southwest II Power Plant bonds. The General Manager was reimbursed $1,252 for providing dinners at a private dining club and at a Springfield Cardinals baseball game. (CU's suite as discussed in MAR number 3 was used) Most of the individuals attending these functions were CU board members or employees and only a few were from the rating firms.

   - Food was provided at Christmas parties for the customer service and meter reading employees totaling approximately $450 annually.

- Food purchases totaling approximately $324 were reimbursed to an employee for taking the Citizen's Advisory Committee members to a Springfield Cardinals baseball game. This committee advises CU on the public's perception of the utility.

- A supervisor was reimbursed $186 for food provided to teachers of a local public elementary school and their spouses at a Springfield Cardinals baseball game. This employee made several similar expenditures on her CU procurement card, and it is unclear why this was handled through employee reimbursement procedures.

- A congratulatory lunch costing approximately $119 rewarding three door-to-door collectors for collecting over $1 million in delinquent accounts. Eight CU managers also attended.

- "Goody Cart" snacks for customer service employees costing approximately $3,400 annually.

Numerous other examples of expenditures that appeared unnecessary were noted. These expenditures do not appear to be a prudent use of utility resources. CU should ensure funds are spent only on items which are necessary to meet the critical needs of the utility. Establishing meal limits or per diems allow for stronger controls over public funds.

C. Improvements are needed with CU travel policies. The employee reimbursement policy states the following when making travel arrangements: "In order to obtain the best rates on airfare, rental cars and hotels, the use of on-line travel websites is encouraged." However, the policy does not require a comparison to determine the most economical mode of transportation or lodging. We noted several employees use online services for making travel arrangements; however, many employees use the same local travel agency. Payments to this travel agency totaled approximately $69,000 during the year ended September 30, 2006.

Without a comparison of the expected costs, the utility has no assurance the most economical transportation or lodging is being utilized.

WE RECOMMEND the Board of Public Utilities:

A. Determine if participation in various organizations provides a direct benefit to the utility. Also, if employee participation in such organizations is not business-related and does not benefit the utility, such reimbursements should be discontinued.

B. Ensure all expenditures are a necessary and prudent use of public funds. Also, consider revisions to the current employee reimbursement policy to include meal cost limits or a reasonable per diem when purchasing business related meals.

C. Ensure travel policies are followed.

AUDITEE'S RESPONSE

A. As a locally owned utility, the Board and Management support employee involvement in organizations that improve employee skills and the quality of life in the community. Prior to any expenditure for membership in an organization, a review is made through a two-step approval process, which takes into consideration the value of the participation to the employee's job responsibilities, as well as to the customers and community City Utilities (CU) serves. As an essential component to business and economic development in this community, as a major employer, and as an important corporate citizen, CU must not only be involved but actively participate in a number of organizations.

B. CU's current employee reimbursement policy provides for reimbursement of business-related meals, provided these are reasonable meal expenses. This policy also gives CU the right not to pay for any part of meals determined to be unreasonable. This policy is fair to both our employees and customers. Additionally, there are typically a minimum of three levels of management review of these reimbursement forms.

C. CU's current policy which encourages employees to use online travel websites and personal credit cards to make travel arrangements does provide for a lower cost than going through Purchasing and using various vendors. CU will continue to review travel related costs and policies to determine the best way to contain these costs. Training is provided on a regular basis to ensure that administrative employees, who assist others in completing required travel documentation, understand all internal travel policies and forms.

12. Developer Reimbursements and Incentives

In an effort to promote extensions of CU's system in areas where the utility has competition in providing utility service, CU provides incentives to some developers that are not addressed in the utility's extension policy. CU incurred unnecessary costs totaling $21,500 related to a developer extension that could have potentially been avoided. In addition, CU did not always enter into written contracts for developer reimbursements, did not require the developer to submit documentation of actual costs incurred to support reimbursements made, and did not inspect and audit the developer's records in accordance with CU's extension policy. Some reimbursements were not calculated in accordance with policy, and the policy does not address the partial payment of developer reimbursements.

CU paid over $1.35 million in reimbursements and incentives to developers during the year ended September 30, 2006. Reimbursements are based on a written extension policy and occur when CU reimburses costs to developers who install electric, gas or water service to newly developed areas. Incentives payments are additional payments to developers that are not addressed in the utility's extension policy. CU's TecHouse staff

oversees reimbursement and incentive payments and assists developers with residential, industrial, or commercial construction projects. Services provided by the TecHouse include service connections and fees, engineering design, utility cost estimates, subdivision designs, plat reviews, street lighting requests, security lighting requests, and fire hydrant meter requests.

A. CU provided incentive payments to some developers totaling approximately $127,500 during the year ended September 30, 2006 that were not addressed in CU's extension policy. For example, a developer was paid incentives totaling $41,654 for the cost of electrical lines and rock that were not reimbursable by CU's extension policy. CU provides these incentives in an effort to promote extensions of CU's system in areas where the utility has competition in providing utility service. The manager of developer services is responsible for negotiating these incentives with the developer. The level of approval required is dependent upon the total value of the project extension.

   To ensure equitable treatment of all developers, CU should ensure extension policies are followed and develop polices for incentives. In addition, it appears questionable whether CU should be negotiating and providing developer incentives in an effort to compete with private utility companies.

B. CU does not have a policy to reimburse developers for fiber optic conduit extensions; however, the utility reimbursed a developer a total of $21,500 to extend fiber optic conduit to a newly developed area of northwest Springfield in 2006. This extension was completed in anticipation of securing a large SpringNet® service contract with a nationally recognized cellular phone service provider that was building a call center in the area. While SpringNet® had started negotiations with the company, no agreement was made with the prospective customer before the extension was installed and reimbursement was made to the developer by CU. Ultimately, the customer decided to use a different vendor. This extension of fiber optic conduit remains unused and the costs incurred appear unnecessary. See additional recommendations regarding SpringNet® at MAR number 7. CU should adequately plan and develop a policy for extensions of the fiber optic conduit.

C. CU did not always enter into written contracts for developer reimbursements as required by CU's extension policy. For example, CU has not entered into a written agreement with the developer of an upscale residential community for developer reimbursements of more than $699,000 paid between 1999 and 2007 for system extensions. In addition, incentive payments of more than $214,000 were provided to this developer to cover the costs of rock, electrical lines, and decorative street lighting which was not addressed by CU's extension policy. Usually, staff at the TecHouse work with developers on system extension and then execute written contracts to clarify CU's responsibility; however, a written contract was never executed with this developer.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of reimbursement to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

D. CU does not have adequate procedures in place to review developer reimbursement costs for accuracy. While contracts with developers require disclosure of actual costs incurred, CU does not require the developer to submit this information. In addition, while the reimbursement contracts allow CU to inspect and audit the developer's records such procedures are not performed.

Without proper review of developer costs, CU cannot determine whether the developer reimbursements are reasonable and proper.

E. Not all reimbursements were calculated in accordance with CU's extension policy. For example, while most reimbursements are based on the length of the extension, we noted a reimbursement was based on a percentage of the developers cost to install the extension. An effort should be made to handle these reimbursements in a consistent manner and to follow established extension policies to ensure equitable treatment of all developers.

F. CU's policy on developer reimbursements does not address partial payments for system extensions that are still in progress. For example, we noted a developer was reimbursed $32,973 in May 2006 before the work was completed. A memo prepared by CU documenting the request for the partial payment indicated that the developer did not have the funds in his budget to pay the subcontractor. The remaining $27,020 was reimbursed to the developer after the work was completed. Generally, CU reimburses the developer after all work is completed and ownership of the extensions can be transferred to the utility.

To ensure equitable treatment of all developers, CU should develop a policy for handling partial payments on system extensions.

WE RECOMMEND the Board of Public Utilities:

A. Ensure extension policies are followed and developed for incentives.

B. Develop a policy for handling extensions of the fiber optic conduit.

C. Enter into formal written contracts which specify the services to be provided and the amount of reimbursement. These contracts should adequately detail the rights and duties of all parties to the respective contracts.

D. Consider implementing procedures to periodically review developer costs for accuracy.

E. Handle all reimbursements in a consistent manner.

F. Develop a policy for handling partial reimbursements on system extensions.

AUDITEE'S RESPONSE

A. The extension policy enables CU to compete for the right to serve new customers inside its defined territory in accordance with the city charter and state law.

Developer reimbursements are the agreements CU makes with developers to reimburse them for the costs to install the utility facilities. CU then takes possession of these facilities. Therefore the reimbursement to the developer for a predetermined cost is in payment for what becomes CU property, as directed by the CU extension policy.

CU will consider developing a written policy regarding developer incentives as recommended by the State Auditors.

B. CU will consider a policy for extension of conduit that can be used for extending the fiber optic system as recommended by the State Auditors. The actual fiber optics system is not extended until a customer contract is signed.

C. The Board approved extension policy since 1999 requires all developer reimbursement contracts to specify the services to be provided and the amount of reimbursement. A "Charges and Estimated Reimbursement to Developer" form is prepared before the execution of each contract detailing the reimbursements based on design units. At the end of the contract a "Reimbursement to Developer" form that adjusts the reimbursements based upon finalized as-built units is prepared. In the example cited by the State Auditor, CU did not enter into written contracts with this developer; however, the agreement was initiated prior to the adoption of an extension policy requiring a written agreement.

D. The current CU extension policy requires the developer to provide CU with the actual bids from contractors for utility extensions upon request. CU reviews this data to establish an average cost for utility extensions that is reflected in the extension policy, which is revised and updated every two years. Therefore, a process is already in place to continually review developer costs.

E. Since formal policy inception, developer reimbursements have been handled in accordance with the board-approved extension policy for the applicable period.

F. CU does not reimburse for any work that is not installed. CU will review the extension policy regarding the issue of partial payments.

AUDITOR'S COMMENT

C. CU continues to provide reimbursements to this developer and thus a written agreement would seem appropriate.

D. CU should review documentation of the developer's actual cost as required by contracts.

E. Not all reimbursements were calculated in accordance with CU's extension policy.

13. Cost Benefit Studies

CU did not perform or update cost benefit studies to evaluate the necessity for some marketing and communication services, print shop services, and for the onsite health clinic. Cost benefit studies were not performed or updated in the following areas:

- Marketing and communication costs totaled over $1.1 million during the year ended September 30, 2006, of which approximately $560,000 was for salaries paid to eight employees and $155,100 was to an outside advertising agency. Another local company that provides electric, gas, and water services and has more electric customers than CU indicated marketing and related salary expenditures for their company totaled $298,000 (during 2005 which was the most current information available). In addition to annual marketing and communication costs, CU maintains and operates its own recording studio with assets CU has listed at over $537,000 based on historical cost. CU personnel estimated the annual cost to operate this totals between $6,000 and $8,000 (operating costs would be included in the $1.1 million marketing and communication costs above). The recording studio is used for other purposes than advertising such as recording various meetings and training materials.

  The marketing and communications department manages daily contact with residential and business customers through advertising, media relations, marketing information, community relations, one-on-one contact with large industrial customers, and development of commercial and business programs. CU needs to evaluate the costs and benefits of marketing and communication related activities.

- The utility spent approximately $300,000 to operate the print shop during the year ended September 30, 2006. CU maintains a separate building and printing equipment, and employs five individuals to print various items such as business cards, bill inserts, and other special projects. Several print shop projects did not appear to be a prudent or necessary use of resources, and the cost of each print project is not tracked. For example:

  - A commemorative picture book of the 2007 ice storm costing approximately $5,300 was given to employees.

- Commemorative books of the 50th anniversary of James River Power Station (including DVD) and CU's water system costing approximately $4,900 and $4,500, respectively, was given to employees and available for the public.

The cost of these projects was calculated by CU at our request. These expenditures do not appear necessary or essential to the operation of the utility. The utility has a fiduciary duty to ensure funds are expended in a manner that provides the greatest benefit to the utility. In addition, project costs should be tracked to help evaluate the cost effectiveness and necessity of print shop projects.

- CU performed a cost benefit study of a possible in-house medical clinic in June 2005 prior to entering into a one year contract for these services in August 2005; however, the preliminary cost benefit study was not updated to aid the utility in determining the cost effectiveness of operating the in-house medical clinic and in deciding to extend the contract agreement another year. CU expended $236,577 in physician charges and medical supplies during the year ended September 30, 2006 to operate the in-house clinic. An additional $80,010 in remodeling costs was spent to establish the clinic location. The clinic is open approximately 20 hours each week, and in-house medical services are provided to CU employees, dependents, and retirees.

Given the extent of expenditures in these areas, it is essential that formal cost benefit studies be performed and updated periodically to evaluate the necessity of these services and ensure utility funds are being spent in a cost effective manner.

WE RECOMMEND the Board of Public Utilities perform cost benefit studies and review advertising and print shop costs to ensure they provide a benefit to the utility. The utility should track the cost of each print shop project, and the preliminary cost benefit study of the in-house medical clinic should be updated periodically.

AUDITEE'S RESPONSE

As a multi-service utility providing essential services in a large community, the Board and management of the utility recognize the value of an effective public communications program. CU management will continue to evaluate communications projects on their merits and ensure costs continue to be recorded in a manner that provides the ability for effective tracking and analysis.

Regarding the on-site medical clinic, CU is currently analyzing the financial data for the first two years of clinic operations and will update the cost-benefit analysis and report the results to management.

14. Compensation

CU used varying market standards to establish a salary plan for its General Manager and Associate General Managers. Salaries for these seven positions were paid according to a different market standard than other CU employees and ranged from $124,359 to $326,484 for the year ended September 30, 2006. The General Manager's contract has not been updated for a new salary plan which became effective in January 2005 and provides for a severance package valued at over $517,000. It is unclear whether the General Manager's service on a hospital and bank board is within the scope of his duties, and he is personally compensated by the bank board.

CU contracted with a professional consulting firm to perform an analysis of executive salaries and benefits after local news media coverage, in 2003, which criticized CU's benefits as too lucrative. The consulting firm has subsequently been used to conduct salary studies for non-executive and non-union employees. Union salaries are based on negotiations with the applicable union. CU adopted a new salary plan effective January 2005 to simplify its pay structure and to bring its salaries more in line with the labor market. As of January 2007, CU had 23 employees whose salaries were frozen until such time as they fall within the appropriate pay range for their position. During our review of these studies and the related employment contracts, we identified the following concerns:

A. CU has not consistently applied standards of the salary studies to all employee salaries, and as a result, higher salaries were paid to the Associate General Managers and the General Manager.

While CU chose to use the "Base 50th" category of the comprehensive study for its standard to set CU non-executive employee salaries, it used the Market Average Total Cash Compensation (TCC) as its standard to set salaries of its six Associate General Managers. The TCC standard includes bonuses paid to executives of the other utilities included in the study. CU's Human Resources Director indicated this is done because CU wanted the Associate General Manager's salaries to be comparable to those of executives at other utilities who receive bonuses as part of their compensation. In addition, two of the Associate General Manager's salaries have been frozen based on the TCC standard.

CU used a different category (than was used for its Associate General Managers or non executive employees) as it's standard for setting the salary of the General Manager. CU used the "Base Average Combined Market" standard for this position. CU's Human Resources Director indicated this is the standard that has been historically used by CU to set the General Manager's salary in comparison with what the outside consultants refer to as the "general industry and other utilities" labor market. The dollar amount for this standard is over $53,000 more than the standard being used for the Associate General Managers and is over $85,000 more than the standard being used for CU's non executive employees.

The General Manager's salary for the year ended September 30, 2006 was $326,484 (excluding his vehicle allowance).

Since non-executive employees of other utilities also receive bonuses, CU is applying a salary standard to the advantage of the Associate General Managers. CU is also applying a salary standard to the advantage of the General Manager.

Paying higher salaries to the CU Associate General Managers and General Manager based on varying market standards does not appear to be a prudent use of public monies.

B. CU's employment contract with the General Manager has not been updated for the salary plan that was adopted in January 2005, and provides a severance package which may be excessive. The General Manager's employment contract provides a severance package in an amount equal to 18 months of salary and benefits if he is terminated without cause. The value of the General Manager's severance package was approximately $517,000 as of July 2007. In comparison, the city manager's contract only provides for four months of salary and benefits upon termination.

The employment contract with the General Manager should be updated to include the correct salary grade. Termination clauses are common in employment contracts and if used properly can help provide adequate protection to the utility in the event of nonperformance. The board should consider the necessity of including these excessive severance payments in future employment contracts.

C. The General Manager serves on the boards of a local hospital and a local bank on CU time and is personally compensated by the bank for his service. This compensation is not reported to CU. The amount of compensation was requested during our audit; however, the General Manager declined to provide it. The General Manager is involved with numerous civic and professional organizations. Such involvement is encouraged by the board as is documented in a resolution appointing him to this position. The resolution states that involvement in civic groups in Springfield, and professional utility organizations and associations elsewhere, are within the scope of his duties; however, it is not clear that this would include his service on the hospital and bank boards.

WE RECOMMEND the Board of Public Utilities:

A. Apply a consistent and equitable standard to salary determination and ensure salaries paid represent a prudent use of public monies.

B. Ensure the contract with the General Manager is updated to include the correct salary grade, and consider the necessity of including severance payments in future employment contracts.

C. Review the General Manager's involvement with these boards.

AUDITEE'S RESPONSE

A. The current Board approved policy clearly states the appropriate comparisons to be made with regard to General Manager, Associate General Managers, and all other nonunion compensation. The Board will review the survey benchmarks used for the executive positions during the next comprehensive salary and benefits survey scheduled for the fall of 2008.

B. In order to attract and retain the caliber of employee the Board requires to fill the General Manager (GM) position, it is necessary to compete nationally. The current employment contract between the GM and the Board is valid and binding on each party. The contract has, in effect, been modified by increases in compensation which are a matter of written record, although not incorporated in a new employment contract. Legally, that is not necessary.

The GM terms of employment, including a severance package, are within the authority and discretion assigned to the Board. The severance package is a common and necessary component of the compensation package for the GM position of a large public power utility.

C. The General Manager will continue to obtain guidance from the Chairman of the Board as to the benefit and appropriateness of each board/committee that he serves as a member. He will also continue to report to the Board on an annual basis information regarding his participation on various community boards.

15. Cash Handling and Control Procedures

Controls and procedures over cash handling at the main office, TecHouse, and with door-to-door collectors are in need of improvement.

CU collects utility payments at several cashier stations in the lobby of the main office, through the mail and night depository, at collections sites located in local banks and grocery stores, electronically, and through door-to-door collections. CU collected approximately $366.8 million in utility payments during the year ended September 30, 2006. CU also collects monies for applications for utility service connections or extensions at the TecHouse.

A. CU does not adequately account for some monies received by mail room employees. The mail room employees process most utility receipts through a check processing machine and any monies that do not match the utility statements are taken to a senior customer service representative (senior CSR) working in the vault for processing. Cash received in the mail is transmitted to a senior CSR and then transmitted to a cashier in the main lobby for processing.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies received in the mail room should be recorded when initially received to ensure the amounts are properly handled.

B. Controls over receipts could be improved by limiting access to cash received in the night depository. Currently, a security guard retrieves monies (cash and checks) from the night depository and transmits the monies to a senior CSR who transmits the monies to the mail room processing employees. Mail room processing employees process the checks received through a check processing machine; however, cash receipts are transmitted to senior CSR's working in the vault (one of these senior CSR's is responsible for receiving the monies from the security guard earlier in the day). The cash receipts are then transmitted to a cashier in the main lobby for processing.

To improve internal controls, access to cash receipts received through the night depository should be limited.

C. Receipt numbers assigned by the electronic accounting system used to process utility receipts in the main lobby are not tracked or otherwise accounted for by the utility. While cashiers and senior CSRs ensure transaction numbers restart each day, no one reviews the receipt numbers assigned to account for their numerical sequence. To adequately account for all utility receipts, the numerical sequence of receipt numbers assigned should be accounted for properly.

D. The security of the password system used by the utility to process utility receipts is dependent upon users properly exiting the system. Each cashier has a confidential password for their assigned workstations; however, workstations are not always shut down by the cashier when they leave for lunch. If the lobby gets busy, one of the senior CSRs will process utility receipts at the "open" cashier's workstations. As a result, there is less assurance utility receipts are handled and accounted for properly. In addition, senior CSRs have an assigned workstation.

E. CU prepares a daily worksheet showing overages and shortages at each cashier's workstation and reviews significant shortages; however, the utility does not document its review or reasons for the shortages. For example, we conducted a cash count of all workstations on May 15, 2007 and a shortage of $80 was identified at one of the workstations. The utility did not document its review of the shortage or possible reasons why the shortage occurred. CU should document its review of shortages and document possible reasons why shortages occur to adequately account for all utility receipts.

F. CU allows employees to cash personal checks from daily cash receipts, and during our cash count, we noted a customer's tax refund check was cashed. Cashing employee personal checks or customer's third-party-checks from daily cash receipts reduces the accountability for monies received. In addition, receipts

for utility payments should be deposited intact so that the composition of deposits can be reconciled to the composition of receipts.

G. Controls and procedures over monies collected at the TecHouse need improvement. CU collects monies for applications for utility service connections or extensions at the TecHouse. Applications are sequentially numbered by the utility's electronic job order tracking system. The TecHouse collected approximately $3.3 million during the year ended September 30, 2006. The following concerns were identified relating to TecHouse receipts:

- Receipt slips issued by the TecHouse are not prenumbered. To properly account for all receipts and ensure they are properly deposited, prenumbered receipt slips should be issued for all monies received.

- The method of payment (i.e., cash, check, or money order) is not always recorded on the receipt slips. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt slip and the composition of receipts should be reconciled to the composition of bank deposits.

- The numerical sequence of applications is not reconciled to monies received and deposited. To ensure fees for applications are properly collected, recorded, and deposited, the numerical sequence of applications should be accounted for and reconciled with amounts recorded and deposited.

- Application fees are waived by the TecHouse staff without approval of the General Manager or his representative as required by CU policy. CU should ensure all application fee waivers are approved in accordance with utility policy.

- Monies received by the TecHouse Monday through Thursday are not deposited in a timely manner. TecHouse monies are picked up by a courier and delivered to the main CU office to a senior CSR Monday through Thursday. These monies are held until the following day to be deposited. On Friday monies are taken directly to the bank by the courier. In addition, the senior CSR does not reconcile monies received from the TecHouse to the deposit thus it is unclear why these monies are not deposited daily. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timelier basis Monday through Thursday.

H. Controls and procedures over door-to-door collections need improvement. CU has two door-to-door collectors who collect and perform disconnects on delinquent utility accounts. The collectors prepare a monthly report of activity which documents the total collections, the number of bills collected, the number

of cutoffs, reminders, and promises to pay for each day of the month. Some delinquent customers are required to pay their utilities in cash; therefore, the door-to-door collectors often collect large amounts of cash. The collectors typically drop off monies collected and the related receipt slips each evening in the night depository (see part B. above). The door-to-door collectors collected approximately $1.3 million during the year ended September 30, 2006. The following concerns were identified relating to door-to-door collections:

- Receipt slips issued by the door-to-door collectors are not prenumbered. To properly account for all receipts and ensure they are properly deposited, prenumbered receipt slips should be issued for all monies received.

- There is no written policy on the minimum amount a customer must pay to avoid being disconnected from utility services. Door-to-door collectors are given discretion as to how much the customer must pay to avoid cutoff of utility services. Formal policies should be established to provide the door-to-door collectors guidance on delinquent amounts to be collected in order to avoid cutoff of utility service.

- Monthly activity reports are not reconciled to amounts collected and deposited. To ensure door-to-door delinquent collections are properly collected, recorded, and deposited, the monthly activity reports should be reconciled with amounts recorded and deposited.

- Monies received by door-to-door collectors are transmitted to several employees before being recorded in the customer's account. For example, on August 22, 2007, one of the collectors received over $7,000 and due to the large amount of cash received, the collector transmitted his collections to a senior CSR during the day rather than carrying around a large amount of cash in his vehicle. This senior CSR transmitted the monies to the senior CSRs that work in the vault who then transmitted the monies to a cashier in the main lobby to be processed. Similar concerns were noted above with access to cash collected in the night depository. To improve internal controls, access to cash receipts received by door-to-door collectors should be limited.

I. Nine local banks and grocery stores act as collection sites for CU, allowing customers to drop off utility payments. These collections sites received utility payments totaling approximately $5.4 million during the year ended September 30, 2006. CU does not have written contracts with three of the collection sites. In addition, CU has not established documented controls and procedures to guide the nine collection sites in handling utility payments. For example, CU reported a deposit in transit from one collection site on the September 30, 2006 bank reconciliation; however, the collection site did not deposit these funds until October 13, 2006.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, CU should document established controls and procedures related to collection sites to provide guidance regarding collecting and depositing utility funds, and monitor compliance with established controls and procedures.

J. Controls over utility petty cash funds need improvement. The utility has ten petty cash funds totaling $2,700 which are maintained at various locations throughout the utility. Another petty cash fund handled by the main office totaling $4,000 is used to replenish these funds and make purchases for the main office. The following concerns were noted related to these petty cash funds:

- The balance of the petty cash fund maintained at the main office appears excessive. Reimbursements to this petty cash fund did not exceed $1,386 and totaled only $15,628 during the period October 2006 through July 2007. Lowering the main office petty cash balance would reduce the amount of cash held and the risk of loss or misuse. The petty cash needs of the main office should be evaluated and the balance set at a reasonable amount.

- Documentation of petty cash expenditures made from the other ten funds is not reviewed by the senior CSR responsible for replenishing those funds from the main office petty cash fund. While a log of petty cash fund activity is submitted to the senior CSR, actual documentation including invoices of petty cash expenditures is not reviewed prior to replenishment. The accounts payable department reviews the invoices for the ten funds before replenishing the main office petty cash fund. To ensure accountability of petty cash funds and prevent misuse of funds, documentation of petty cash expenditures, including invoices, should be reviewed by the senior CSR prior to replenishment of the other ten petty cash funds.

WE RECOMMEND the Board of Public Utilities:

A. Ensure all monies received in the mail room are properly recorded.

B. Limit access to cash received through the night depository.

C. Ensure the numerical sequence of receipts slips is accounted for properly.

D. Ensure workstations are properly exited by cashiers when leaving for lunch.

E. Ensure the review of shortages and possible reasons why shortages occur is adequately documented.

F. Discontinue the practice of cashing personal checks for employees and third party checks from customers, and deposit utility receipts intact.

G. Ensure prenumbered receipt slips are issued for all monies received at the TecHouse, the method of payment is recorded on each receipt slip, and the composition of receipts is reconciled to the composition of deposits. Also, ensure the numerical sequence of applications is accounted for properly, and reconcile applications issued to amounts deposited. In addition, application fee waivers should be approved in accordance with utility policy, and monies should be deposited daily.

H. Ensure prenumbered receipt slips are issued for all monies received by the door-to-door collectors, establish formal policies regarding delinquent amounts to be collected in order to avoid disconnection of utility service, reconcile monthly activity reports with amounts recorded and deposited, and limit access to door-to-door collections.

I. Enter into written agreements with all collection sites and also document established controls and procedures over their collection of utility payments.

J. Implement stronger controls over petty cash funds including reviewing the main office petty cash balance to ensure the fund balance is not excessive, and requiring the senior CSR responsible for the main office petty cash fund to obtain and review supporting documentation for petty cash fund expenditures prior to replenishment of other funds.

AUDITEE'S RESPONSE

A. All monies received by City Utilities are accounted for and properly recorded. Additionally, the State Auditor brought no discrepancies to our attention. Effective October 1, 2007, a log of all cash received is maintained by the remittance processing personnel.

B. Effective October 1, 2007, the security guard has been instructed to deliver the night depository envelopes directly to the remittance processing personnel.

C. CU utilizes a software package to control the numerical sequencing of receipts. Sequence numbers will be verified periodically to ensure the software is operating as intended.

D. CU recognized this issue during system testing in 2000 and established compensating controls prior to implementation in 2001. This is a software limitation that CU is actively monitoring for upgrade enhancements to address. Until then, this rarely encountered situation is monitored through additional controls.

E. At least two senior customer services staff review the cash and daily work in an effort to locate possible reasons for any difference in the cashier drawers. For the year ended September 2007, cash overages totaled $1185 and cash shortages totaled $1533 for a net shortage of only $348 on total receipts of over $445 million, including those taken at the cashier windows.

F. Effective October 15, 2007, Policy #2.39 was issued that states customer services representatives will no longer cash employee checks – personal or third party.

G. CU is completing efforts on redesigning the customer receipts issued to incorporate pre-numbering and method of payment. The courier has also been instructed to deposit funds directly with the bank daily. CU will evaluate the current waiver policy and adjust if deemed appropriate.

H. CU is reviewing controls in this area and will recommend changes as needed. State audit report recommendations will be considered during this evaluation.

I. There are currently two remaining collection sites without signed agreements. These sites have been contacted and agreements are in process. The standard collection site agreement already contains language regarding timely deposits. Procedures have been implemented to track deposits and address any issues encountered related to untimely deposits.

J. Current controls ensure that petty cash funds are properly handled and expenditures are accounted for in the financial records. Approval of the replenishment form and a review of the attached invoices are the responsibility of the petty cash custodian's department manager, prior to replenishment of funds. Upon receiving an approved replenishment form, the senior customer services representative verifies the approval of the form prior to replenishing the fund and forwards the replenishment form with all attached receipts to accounts payable for an additional detailed review of the receipts for accuracy and appropriateness. Any errors detected in accounts payable are corrected directly through the custodian's petty cash fund.

16. Utility System Controls and Procedures

Policies and procedures for adjustments, write offs of uncollectible accounts, and customer deposits need improvement. The duties of billing and adjusting large customer accounts have not been adequately segregated.

A. No formal written policies and procedures have been established regarding utility account adjustments. For example, policies and procedures have not been established to discourage employees responsible for collecting and adjusting customer accounts from handling utility accounts of relatives or accounts where the potential for a conflict of interest exists. Over one million adjustments were made during the year ended September 30, 2006. While some adjustments are

automatically handled by the computer system, many are processed by cashiers and senior CSRs.

Policies should include dollar limits on adjustments made without prior supervisory approval and monitoring of patterns of adjustments made by cashiers. Written policies and procedures should be established to provide cashiers with guidance and limit the risk of improper adjustments.

While supervisors review a report of adjustments made by employees daily, this review is not adequately documented. Rather than initialing and dating the report to document that they have reviewed and approved all adjustments by employees whom they supervise, supervisors are only required to cross out their initials which are manually added to the first page of the report. All supervisory reviews of adjustments should be adequately documented.

B. The utility does not have a written policy for the write off of uncollectible accounts receivables. Currently, the electronic accounting system generates a query based upon when the fourth delinquent notice is sent to each customer or when the customer's account is approximately 90 days delinquent. Two customer service representatives initiate the write off process. Write offs are reviewed with adjustments as noted in Part A. All write offs are turned over to a collection agency. During the year ended September 2006, the utility wrote off accounts receivable of approximately $1.8 million.

A written policy related to write-off procedures is necessary to ensure consistency and establish adequate internal controls over accounts receivable. A write off policy should include which accounts and how often accounts should be written off, which accounts should be turned over to the collection agency, and the approval procedures for the write off of accounts.

C. The duties of billing and adjusting large customer accounts have not been adequately segregated. The Director of Pricing receives usage information from the power quality department and enters it into the Complex Billing System which allows the director to enter generic customer information that affects the customer's billing. The Customer Information System (CIS), an electronic system, generates a bill for the customer based upon the Complex Billing System. In addition, adjustments are made to customer accounts in this system by a Rates Analyst, who is supervised by the Director of Pricing, and reviewed by the same director. CU collected over $59 million from large customer accounts during the year ended September 30, 2006.

Someone independent of the Complex Billing System should review billings and adjustments of large customer accounts to safeguard against possible loss or misuse of funds.

D. While the utility has a general policy regarding customer deposits, the policy does not specifically indicate the amount required for residential customers, or procedures for refunding deposits prior to termination of service. In addition, the policy does not provide any guidance on waiving customer deposits.

Currently, CU collects a $100 deposit for new residential customers and $150 deposit for a returning residential customer with a bad payment history. In addition, non-residential customers are normally only charged two and one-half times the highest bill for one billing period. Also, if residential customers and non-residential customers have not had their service disconnected for non-payment for approximately 12 and 24 months, respectively, the deposit is refunded. Customer deposits are often waived, and documentation of the reasons for the waiver is not always retained. As of August 31, 2007, the utility was holding deposits totaling $3.7 million.

The utility's policy states that before metered service is connected, it may require its customers to provide evidence satisfactory to itself that all bills for service rendered or to be rendered will be paid promptly; or in lieu thereof, the utility may require the customer to maintain with the utility a cash deposit or security as determined by the General Manager, with the deposit amount on non-residential customers not to exceed three times the highest bill for one billing period for each service or an equivalent amount as estimated by the utility. In addition, the policy indicates such deposits shall be refunded at the termination of service after all charges that may be due and payable by the customer have been paid, or at such earlier times as determined by the General Manager.

A more detailed written deposit policy related to customer deposits is necessary to establish adequate internal controls over deposits and ensure customers are treated in an equitable manner. In addition, to ensure proper accountability over customer deposits, reasons for waiving customer deposits should be documented and reviewed.

E. CU is not adequately monitoring non-cash customer deposits, and the listing of these deposits is not accurate. For example, we noted several deposits included on the listing had expired. A manager of customer services indicated the listing had not been properly updated. CU policy indicates other security (such as bonds and letters of credit) in lieu of cash deposits may be accepted as approved by the General Manager. CU should establish procedures to ensure non-cash customer deposits are accounted for properly and the deposit listing is accurate.

WE RECOMMEND the Board of Public Utilities:

A. Establish formal written policies for adjustments made to utility accounts. These written policies should provide cashiers with guidance and limit the risk of improper adjustments. In addition, all supervisory reviews of adjustments should be adequately documented.

B. Develop written policies for the write-off of uncollectible accounts.

C. Require someone independent of the Complex Billing System to review billings and adjustments of large customer accounts.

D. Establish a more detailed policy for the handling of customer deposits. In addition, documentation should be maintained and reviewed for customer deposit waivers.

E. Ensure non-cash customer deposits are adequately monitored and related records are accurate.

AUDITEE'S RESPONSE

A. Written procedures are given to each CSR during the extensive training process. Adjustment reports have been consistently monitored through various levels of review within customer services, in addition to a review in the finance department. Documentation of these reviews has been changed and is now sufficient. Customer services will also work with internal auditing to explore additional possibilities of monitoring long-term patterns of adjustments utilizing audit software.

B. The majority of the write-off process is automated within the system to safeguard against fraud or misuse of funds. Procedure specifications are delineated in the automated process to remove the judgmental aspect. Additionally, write-offs appear as a separate adjustment code in the adjustments report noted above, that is reviewed by customer services and finance. The effectiveness of current write-off procedures is confirmed by the fact that, historically, CU's write-offs as a percentage of revenue consistently run below industry average. Additional procedures are being written to provide to CSR's during training.

C. Duties are appropriately segregated within the pricing department to prevent one person from adjusting and confirming the adjustment for billing on the same account. Additionally, the monthly journal entries from this area are reviewed and approved by a manager in finance. Furthermore, the customer bills and related adjustments are billed through the Customer Information System utilized for normal customer billings, so the adjustments appear on the adjustments detail report reviewed by both customer services and finance.

D. CU's policy provides general guidance related to deposits, however, detailed procedures are provided to CSR's during the initial training sessions. These procedures cover deposits and the release of deposits. Additionally, released deposits appear as an adjustment and are captured on the adjustments report discussed previously and reviewed by supervisors in customer services and finance. Customer deposits are intended to reduce the risk of non-payment to CU, and vary, dependent on customer payment history and ability to pay for services.

E. Non-cash customer deposits have been updated and will be routinely monitored for expiring documents.

17. Transit Department

The transit department's cash handling procedures need improvement. Duties are not adequately segregated, and improvements are needed with the handling of cash collected on the buses. In addition, deposits are not made on a timely basis, the composition of monies received is not reconciled to the composition of monies deposited, and checks are not always endorsed upon receipt.

CU has operated the public transit system for the City of Springfield since 1945. Currently, the transit system has 14 fixed day routes and three night routes, encompassing approximately 175 miles. In addition to these fixed routes, CU offers a paratransit service that provides rides to passengers who require additional resources to facilitate their bus travel.

Customers place cash or a bus pass in the fare box upon entering the bus. The fare box system tracks the amounts received and this information is uploaded nightly and made available to administrative staff at the main transit office. Once a week, the cash and bus passes are removed from the fare box and cash is deposited. Bus passes can be purchased in advance at the main terminal or at various designated locations. Receipts from bus fares and advertising totaling $721,000 were collected during the year ended September 30, 2006.

A. Cash handling and reconciling duties are not adequately segregated in the transit department. For example, the duties of receiving, recording, depositing, and reconciling monies received from designated pass vendors are completed by the office administrator. This individual also handles cash from the fare boxes and is responsible for reconciling amounts deposited to bus fare receipt reports.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies received from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review and reconciliations of the recorded receipts to amounts deposited.

B. Some essential accounting and reconciliation procedures were not established or performed by the transit department.

   1. Improvements are needed in the handling of cash that is placed in bus fare boxes by customers. Monies from the bus fare boxes are removed and placed in money bags without being counted or otherwise accounted for

on a weekly basis. Each of these money bags is sealed with a numerical tag to identify the bag for the armored car service; however, these tags are not used in numerical order or controlled in any other way. Also, while the bags of cash are stored in the transit department's vault, several employees have access to this area.

In addition, no procedure exists to ensure that all fare boxes have been removed from the buses before a deposit is made. As a result, frequent overages and shortages are found when comparing the bus receipt reports (a report that shows the information the bus driver has recorded of each passenger type that boarded) to the amounts deposited. For example, none of the five bus reports we reviewed reconciled to amounts deposited with the largest difference totaling $294. Also, transit personnel indicated the difference could be as much as $800 each week.

The transit department does not track the differences on a perpetual basis and does not have formal written policies to guide employees on allowable overage or shortage amounts.

2. Monies received are not deposited in a timely manner. Monies received from the bus fare boxes are removed once a week and held in an outdoor vault overnight until transit employees place the money into bags for deposit. Weekly deposits reviewed ranged between $8,163 and $19,481.

   In addition, monies collected at the main office for bus passes are not deposited timely. For example, a cash count of main office receipts totaling $2,111 performed on January 29, 2007 identified monies on hand dating back to January 22, 2007.

3. Prenumbered receipt slips are not issued, and receipt slips are only issued upon request for monies received from vendors that purchase bus passes in bulk. In addition, the method of payment is not always noted on the receipt slips.

4. Although the method of payment is tracked by the cash register system used at the main transit office where daily and bulk bus passes are sold, personnel do not reconcile the method of payments received to the composition of the deposit to ensure receipts are deposited intact.

5. Checks are not always restrictively endorsed.

To adequately safeguard receipts and reduce risk of loss or misuse of funds, improvements are needed in the handling of cash, monies should be deposited in a timely manner, prenumbered receipt slips should be issued, composition should be recorded and reconciled to deposits, and checks should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Board of Public Utilities:

A. Properly segregate duties between available employees and/or establish a documented periodic review of receipts by an independent person.

B. Develop procedures to improve the handling of cash that is placed in bus fare boxes by customers, deposit receipts in a timely manner, track overages and shortages perpetually, and reconcile the composition of receipts to the composition of each deposit. Also, ensure checks and money orders are endorsed immediately upon receipt.

AUDITEE'S RESPONSE

A. Transit receipts are handled in a controlled process that involves a segregation of duties and oversight of cash handling. While the existing segregation of duties seems adequate, internal auditing will review again to consider if cost effective improvements can be made.

B. Due to an increase in transit revenue, transit staff will be depositing both the farebox receipts and bus pass sales twice weekly, instead of once a week as is the current practice. CU will ensure that checks and money orders are endorsed immediately upon receipt.

18. Fleet Management and Vehicle Allowances

Fuel usage is not reconciled to fuel purchased and on hand, and usage logs are not maintained for utility owned vehicles. CU allows 47 utility owned vehicles to be taken home daily by utility employees with many of these employees living outside city limits. CU has no documentation to show how vehicle allowance amounts paid to the General Manager, four Associate General Managers, and a director are reasonable compared to actual expenses incurred.

A. Fuel usage reports generated from the utility's automated fuel system are not reconciled to fuel purchases. In addition, usage logs are not maintained for any utility owned vehicles. The utility spent more than $1.8 million to purchase approximately 805,900 gallons of unleaded gasoline and diesel fuel for all departments including transit during the year ended September 30, 2006.

Fleet management uses an automated fueling system to track fuel usage. Each time a vehicle is fueled, the system documents the vehicle's identification number, the current date and time, the current odometer or hour meter reading and amount and type of fuel dispensed. Reports generated from this system are not reconciled to purchases.

To ensure the reasonableness of fuel expenditures, CU should reconcile fuel usage reports to fuel purchased and on hand. Failure to account for fuel usage could result in theft or misuse. In addition, usage logs are necessary to document the appropriate use of vehicles and to also support fuel purchases. The logs should include the date, driver, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles.

B. CU did not document the justification and approval of take home vehicles as required by utility policy. CU allows 47 utility owned vehicles to be taken home by utility employees, 25 are allowed to be taken home daily and 22 are allowed to be taken home when the assigned driver is on call.

The policy manual states that all full time take home vehicles must be justified on an annual basis and approved by the driver's department manager. This justification is to be maintained by the fleet management department. CU should ensure documentation of justification and approval of take home vehicles in accordance with policy.

In addition, over half of all take home vehicles are driven beyond the city limits of Springfield. For example, one employee commutes 79 miles round trip daily from outside city limits. Allowing utility employees living outside the city to take their vehicles home, may result in additional and unnecessary costs to the utility.

An internal audit report completed on January 12, 2006 showed many vehicles are being taken home daily without necessity or justification. According to the audit, CU could save approximately $60,000 annually if the unnecessary take home vehicles were eliminated. CU responded to the internal audit that as the current drivers of these take home vehicles retired or changed positions, they would not offer the benefit to the position's replacement.

C. CU has no documentation to show vehicle allowance amounts are reasonable compared to actual expenses incurred. CU pays a vehicle allowance of $659 monthly to the General Manager, four Associate General Managers, and to a director, who use personal vehicles to conduct utility business. Using the utility's current mileage reimbursement rate of $0.445 the monthly allowance paid to these employees represents approximately 1,481 miles per month. Additionally, it is questionable that all of these city employees should be paid the same vehicle allowance amount based upon the differing job duties and travel requirements. CU should review the reasonableness of the mileage allowances paid and set the allowances to reasonably reflect the actual expenses incurred by the employees.

WE RECOMMEND the Board of Public Utilities:

A. Ensure a documented periodic reconciliation of fuel purchased to amounts used is performed, and investigate any significant discrepancies. In addition, ensure usage logs are maintained for all utility vehicles.

B. Ensure documentation of justification and approval of take home vehicles is maintained in accordance with utility policy. In addition, review the cost effectiveness of allowing employees to take utility owned vehicles home.

C. Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable employees.

AUDITEE'S RESPONSE

A. Controls currently in place to monitor fuel usage are sufficient and effective. Fuel usage logs are reviewed for reasonableness and accuracy by fleet management personnel. Unusual usage is investigated and corrected if necessary. Individual usage logs by vehicle would be cumbersome and time consuming, incurring significant additional costs. However, as recommended by the State Auditors, CU will consider a more detailed reconciliation regarding fuel totals.

B. "Take home" use of vehicles for other than emergency first responders, has declined in the past two years and will continue to do so through attrition. The ability to respond quickly to emergency situations is deemed extremely important in the utility industry. The value of emergency personnel reporting directly to the emergency site with all equipment necessary to shut off utilities is not measurable when the safety of the public is at issue.

C. The vehicle allowance is intended not only for daily driving between various CU locations, but also for any driving on behalf of CU business. This would include trips within driving distance for education, off-site meetings, and legislative issues. The allowance amount is reviewed periodically for reasonableness.

19. Stockton Lake Pump Failure and Preventative Maintenance

The pumps at the Stockton Lake Pumping Station failed in 2005 and 2006, and CU has not fully implemented the recommendations made by a consultant regarding the pump station failures. Formal preventative maintenance plans for CU's telecommunications system, and SpringNet® have not been established to monitor and identify repair or replacement needs which may prevent or limit future system failures.

All three water pumps at the Stockton Lake Pumping Station failed between August 2005 and March 2006. One pump failed due to lightning damage, another due to overheating caused by a blocked water intake line, and the third failed due to problems with the pump's electrical system. CU incurred costs exceeding $1.9 million between April 2006 and April 2007 relating to the pump failures. These costs included the following:

Item	Amount
Temporary pump rental	$ 1,251,810
Pump repair	258,283
Remove/reinstall pumps	216,309
Security during pump rental	127,492
Consultant study	120,357

A. CU has not fully implemented all of the recommendations made by the consultant to help prevent future pump failures at the Stockton Lake Pumping Station. The consultant was paid over $120,000 to study the system failure.

The consultant issued a report in March 2007 containing 13 recommendations to prevent repeating such an event. Some of these recommendations included having preventative maintenance performed every 5 years, establishing an improved documentation of the monthly monitoring to minimize untimely failures, providing a manually cleaned basket strainer in the intake lines, limiting the maximum flow through any one pump to less than 7,000 gallons per minute, and modifying the control system to display the flow rate and pressure data of the Stockton Intake Pump Station at the Fulbright Water Treatment Plant.

To prevent future system failures, CU should consider fully implementing the consultant's recommendations.

B. While formal preventative maintenance plans have been established for CU's electric, natural gas, and water systems, they have not been established for the telecommunications, and SpringNet® systems. Maintenance plans should be developed to monitor and identify repair or replacement needs which may prevent or limit future system failures. In addition, formal maintenance plans would serve as a useful management tool and provide greater input into the overall budgeting process. These plans also provide a means to continually and more effectively monitor each system and evaluate the progress made in the repair, maintenance, and improvement of these systems throughout the year.

WE RECOMMEND the Board of Public Utilities:

A. Take adequate steps to prevent future pump failures and consider fully implementing the recommendations of the consultant's report.

B. Ensure formal preventative maintenance plans are established to prevent or limit future system failures and to provide greater input into the overall budgeting process.

AUDITEE'S RESPONSE

A. All consultant recommendations are complete or are in progress. The Stockton Lake Pump Station has provided over 25 billion gallons of water to Springfield over the last 10 years and was able to meet source capacity needs.

B. CU mirrors the telecommunications, broadband, and data center industries regarding its maintenance approach and plans. CU will evaluate the necessity to document the current maintenance procedures.

20. Tree and Brush Maintenance

Various utility industry publications have indicated that the lack of tree trimming and brush removal is the number one cause of controllable power outages. Expenditures incurred for tree trimming and brush removal totaled over $1 million and $5.5 million during the year ended September 30, 2006 and period October 1, 2006 through April 24, 2007, respectively. Expenditures increased significantly due to the ice storm that hit CU's service area in January 2007 leaving 75,000 of 106,000 CU customers without power.

Subsequent to the ice storm, the utility conducted a survey and performed an internal study of their performance during the ice storm. Survey results indicated 86 percent of CU customers were in favor of a more aggressive tree trimming program in the CU service area, and the internal study of CU's performance recommended the following improvements relating to tree trimming:

- Maintain or increase public education on planting trees in the right place.
- Consider increasing the minimum trimming distances from electric lines.
- Consider a separate budget item for customer requested trimming service.
- Consider a minimum accepted trimming cycle for CU.

In addition, CU contracts with companies to provide tree trimming and brush removal services, and while a cost benefit study was performed in 2001 to determine whether it was more cost effective to perform tree trimming and brush removal in-house or to outsource, it has not been periodically updated. Also, while CU has a tree trimming management policy, the utility has not developed procedures to measure its performance of this policy. CU's policy indicates trees and shrubs around distribution lines may be trimmed to obtain safe and responsible clearance of not less than 6 feet. Tree limbs which overhang wires shall be removed. Trees growing under distribution lines, which are completely within right-of-way, may be removed if they are of a specie which will interfere with the lines and limbs can not be cut.

To balance safety and electric system reliability and the aesthetic and environmental concerns of customers, CU should take steps to be more proactive in trimming trees, and implement ice storm recommendations in a timely manner. In addition to safety concerns and outage prevention, tree trimming and brush removal is necessary to reduce unexpected costs to the utility (as experienced during the ice storm). The Public Service Commission is in the process of increasing the minimum trimming distance around power lines. An updated formal cost benefit analysis of the costs related to tree trimming would better support the utility's decision-making process, and the utility should establish performance measurement procedures related to tree trimming policies.

WE RECOMMEND the Board of Public Utilities should take a more proactive approach to tree management and implement ice storm recommendations in a timely manner. In addition, periodically update the cost benefit study to ensure the utility is making the most economical decision, and establish performance measurement procedures related to tree trimming policies.

AUDITEE'S RESPONSE

CU is implementing the recommendations of the Disaster Response Action Committee and CU's formal review including:

1. *Increasing the annual tree trimming budget to $2.5 million throughout the five year plan.*

2. *Moving from a "worst – first" system to a cycle based trimming program.*

3. *Increasing the public education campaign.*

4. *Seeking public input regarding changes to the tree trimming policy, including trimming clearances.*

21. Closed Meeting Minutes and Accounting Procedures

Board minutes did not always publicly disclose the final disposition of applicable matters discussed in closed session, and the board did not document how discussing a pay raise for the General Manager complied with state law. Controls and procedures over pole attachments and inventory duties need improvement.

A. The Board of Public Utilities held six closed meetings during the year ended September 30, 2006. The open meeting minutes did not always publicly disclose the final disposition of applicable matters discussed in closed session. The board generally holds the closed session meetings at the end of an open session meeting and does not reconvene in open session to disclose required matters. Section 610.021, RSMo, of the Sunshine Law requires certain matters discussed in closed meetings be made public upon final disposition.

In addition, the board did not document how discussing a $24,795 pay raise for the General Manager complied with state law. To ensure compliance with the provisions of the Sunshine Law, it would be prudent to discuss pay raises in open session.

B. CU does not track all utility pole attachments provided to other electric and telecommunications companies. One company is allowed to attach lines to CU's utility poles, and in turn, the utility is allowed to attach to their poles. While the utility believes there is an even exchange of pole usage, the utility has not tracked the number of attachments used by each party. CU should track the number of pole attachments by each party to ensure the exchange is equitable. CU collected over $259,478 from other pole attachment agreements during the year ended September 30, 2006.

C. Inventory duties are not properly segregated. Storeroom employees responsible for ordering, receiving, and recording inventory are also involved in conducting the physical inventories. To ensure the integrity of perpetual inventory records, physical inventories should be performed by individuals who are independent of custodial and record-keeping functions.

WE RECOMMEND the Board of Public Utilities:

A. Ensure minutes publicly disclose the final disposition of applicable matters discussed in closed session. In addition, the board should ensure closed meetings are conducted according to state law.

B. Track the relative number of pole attachments to ensure the exchange is equitable.

C. Ensure physical inventory counts are performed by individuals who are independent of the custodial and record-keeping functions.

AUDITEE'S RESPONSE

A. City Utilities will continue to follow the requirements of the Sunshine Law regarding minutes of both open and closed meeting decisions.

B. A utility services contractor hired to assess CU's poles completed their field assessment, including an inventory of pole attachments, in September 2007. This assessment provides the information necessary to ensure that the exchanges with other utilities are equitable.

C. CU considers current inventory controls to be efficient and effective. Physical counts are completed by materials management staff; however, these are blind counts, meaning the person performing the count has no knowledge of the expected units when counting. Additionally, once the counts are entered into the system, the variance report is sent directly to the supervisor for variance analysis and determination of any recounts needed. The supervisors who make the adjustments to the inventory are not doing the

physical counts of inventory. Reports of the cycle counts are sent to management and internal auditing, who review the adjustments made and investigate the reasons.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY UTILITIES OF SPRINGFIELD, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

City Utilities of Springfield (CU) is a component unit of the City of Springfield, Missouri, and is responsible for the generation, transmission, and distribution of electric power; the acquisition, transportation, and distribution of natural gas; the acquisition, treatment, and distribution of water; and the operation of the bus transportation system. Telecommunications services are provided internally and as an external business unit operated under the SpringNet® trademark.

The CU service territory covers approximately 320 square miles, which includes all of the City of Springfield, portions of Greene County, and a part of northern Christian County. At September 30, 2006, CU served approximately 105,000 electric, 82,000 natural gas, and 79,000 water customers in the Springfield metropolitan area. City Utilities employed approximately 966 employees at September 30, 2006 of which 589 were union employees.

City Utilities is a publicly-owned utility, governed by an eleven-member Board of Public Utilities, nine who are customers inside the city limits and two outside. Board members are appointed by the City Council for three-year terms and serve without compensation. The Board normally meets on the last Thursday of each month. The Board makes policy decisions for CU and appoints the General Manager, who is the Chief Executive Officer. Members of the board and the positions held during the year ended September 30, 2006 were:

Utility Board	Dates of Service During the Year Ended September 30, 2006
Ronald Reynaud, Chairman	October 2005-September 2006
Virginia Fry, Vice Chairman	October 2005-September 2006
Phil Wannenmacher, Secretary	October 2005-September 2006
Mark McNay, Assistant Secretary	December 2005-September 2006
Dan Manna, Assistant Secretary	October 2005-November 2005
Geoffrey Butler (1)	October 2005-September 2006
Thomas Finnie (2)	September 2006
Fred Marty	October 2005-March 2006
Lisa Officer	December 2005-September 2006
Susan Kirkman	October 2005-November 2005
Patrick Platter	December 2005-September 2006
Larry Pennel	October 2005-November 2005
Ronald Ponds (3)	October 2005-September 2006
Debbie Shantz (4)	October 2005-September 2006
Don Thomson	October 2005-September 2006

(1) Geoffrey Butler was replaced by Mike Chiles in February 2007.
(2) Position remained vacant from April until September 2006.
(3) Ronald Ponds was replaced by David Jones in February 2007.

(4) Debbie Shantz was replaced by Todd Parnell in February 2007. Todd Parnell resigned in August 2007 and the position remains vacant.

The utility's other principal officials during the year ended September 30, 2006, are identified below. The compensation of these officials is established by the Board of Public Utilities.

Other Officials	Dates of Service During the Year Ended September 30, 2006	Compensation Paid for the Year Ended September 30, 2006
John Twitty, General Manager (2)	October 2005-September 2006	$ 334,395
Associate General Managers :		
Andy Dalton, General Counsel (2)	October 2005-September 2006	211,019
Bill Burks, Chief Operating Officer (1),(2)	October 2005-January 2006	276,491
Scott Miller, Electric Supply (2)	October 2005-September 2006	194,251
Wade Stinson, Operations (2)	October 2005-September 2006	197,048
Karl Plumpe, Economic Development (2)	October 2005-September 2006	180,449
Jim Shuler, Chief Financial Officer	October 2005-September 2006	153,806
Robin House, Administration	October 2005-September 2006	150,814
Brenda Putman, Chief Internal Auditor	October 2005-September 2006	124,359
Directors:		
David Fraley, Environmental Affairs	October 2005-September 2006	127,568
Kyle McClure, Public Policy/ Government Relations	October 2005-September 2006	89,8778
Janet Hudson, Treasury	October 2005-September 2006	129,749
Jack Hadsall, Risk & Security Management	October 2005-September 2006	140,213
Ray Ross, Pricing	October 2005-September 2006	124,694
Max Ellis, Financial Technology	October 2005-September 2006	117,281
Cheryl Hamlin, Benchmarking/Utility Information	October 2005-September 2006	102,907
Mark Viguet, Marketing/ Communications	October 2005-September 2006	130,737
Melissa Turner, Human Resources	October 2005-September 2006	122,686
Amy Austin, Customer Services	October 2005-September 2006	115,879
Kathleen Fritts, Information Technology	October 2005-September 2006	144,974

Kenneth Reasoner, Operations Analysis	October 2005-September 2006	103,084
Mike Moore, Telecom	October 2005-September 2006	143,470
Todd Murren, SpringNet®	October 2005-September 2006	139,731
Gary Gibson, Distribution (2)	October 2005-September 2006	134,470
James Bingham, Management Services	October 2005-September 2006	160,434
Carol Cruise, Transit	October 2005-September 2006	116,220
Cara Shaefer, Energy Management/ Conservation	October 2005-September 2006	74,475
Bryan Feemster, Power Station	October 2005-September 2006	121,975

(1) Bill Burks retired, and CU separated his job duties and created two associate general manager positions which were filled by Scott Miller and Wade Stinson. This salary amount includes a payout of benefits at retirement for vacation and sick leave of $166,153.

(2) Includes a car allowance of $659.25 per month ($7,911 total) for October 2005 to September 2006.

Historical Operating Statistics of the City Utilities of Springfield are noted below:

		Year Ending September 30, 2006	2005
Sales			
Electric-thousand kilowatt hours		3,813,932	3,745,066
Natural Gas-dekatherms		11,760,255	11,974,091
Water-thousand gallons		10,031,354	9,992,904
Revenue Bus Passengers Carried		1,708,824	1,470,356
Number of Customers			
Electric		104,853	102,353
Natural Gas		81,610	80,489
Water		78,943	77,521
Residential Customer Data (average per customer)			
Electric:			
Annual Electric Bill	$	746.28	660.10
Kilowatt Hours Used		11,227	11,000
Revenue per Kilowatt Hour	$	.0665	.0600
Natural Gas:			
Annual Natural Gas Bill	$	826.47	694.96
Dekatherms Used		67	75
Revenue per Dekatherm	$	12.34	9.27

Water:			
Annual Water Bill	$	253.84	247.58
Thousand Gallons Used		72	72
Revenue per Thousand Gallons	$	3.53	3.44
Miscellaneous Statistics:			
Maximum Hourly Peak Demand (electric)-megawats		801	760
Maximum Day Purchase (natural gas)-dekatherms		102,221	106,518
Maximum Day Pumpage (water)-thousand gallons		51,570	51,791
Total Annual Pumpage (water)-thousand gallons		12,276	12,259
Electric Line-miles		1,951	1,924
Natural Gas Main-miles		1,280	1,266
Water Main-miles		1,154	1,143
Number of Fire Hydrants		7,526	7,413
Number of Streetlights		19,371	19,087

Susan Montee, CPA
Missouri State Auditor

December 2007

Warren County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-79

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Warren, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Monies totaling $214,286 for the Election Reform Payments Grants were not disbursed within 30 days in accordance with the grant application. The County indicated they had received the money early from the Secretary of State's office but waited to make the disbursement until after all equipment was received.

Budgets prepared for some county funds contained unreasonable estimates. Budgets were not prepared for some funds, and not all funds were included in the published financial statements. Procedures for procurement of major purchases need improvement and contracts were not entered into for some services. Procedures and records to account for county property need improvement. Also, meeting minutes did not always include sufficient detail of matters discussed and decisions made in closed sessions are not always disclosed in open session.

The County Treasurer's bond was insufficient and receipts for the Planning and Zoning Board and the Health Department are not always transmitted to the County Treasurer on a timely basis.

Accounting and bookkeeping duties for the Sheriff's office have not been adequately segregated. Prenumbered receipt slips are not issued for some monies received, and the method of payment is not always indicated for some receipts. Monthly listings of open items are not reconciled to cash balances for the Inmate Account, and the preparation of bank reconciliations was not documented.

Senate Bill 40 Board receipts are not always deposited and posted to accounting records in a timely manner. Actual financial activity presented in their budgets was inaccurate and inconsistent with amounts recorded in the cash receipts journal.

The audit also suggested changes in the handling of some receipts for the County Treasurer and Prosecuting Attorney.

All reports are available on our Web site: www.auditor.mo.gov

WARREN COUNTY, MISSOURI

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State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Warren County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Warren County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 6, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Warren County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

September 6, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	David Gregg
Audit Staff:	Denise Huddleston
	Katie Twiehaus
	Kelly Nguyen

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Warren County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Warren County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Warren County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 6, 2007

Financial Statements

Exhibit A-1

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	2,131,752	3,100,031	2,877,518	2,354,265
Special Road and Bridge		953,572	2,252,788	2,267,327	939,033
Assessment		125,109	463,371	464,308	124,172
Law Enforcement		114,426	2,678,436	2,717,567	75,295
Officer's Training		4,711	20,047	16,451	8,307
Prosecuting Attorney Training		23,141	3,544	0	26,685
Capital Improvement		4,447,825	1,560,065	807,430	5,200,460
Prosecuting Attorney Delinquent Tax		10,048	13,867	6,623	17,292
Prosecuting Attorney Bad Check		46,514	20,264	30,101	36,677
Recorder's User Fees		102,031	30,689	72,876	59,844
Sheriff's Civil Fees		21,558	36,786	51,513	6,831
Road and Bridge Capital		530,224	126,476	11,082	645,618
Prosecuting Attorney Forfeiture		6,484	312	788	6,008
Election Services		14,897	2,622	2,519	15,000
Recorder Technology		56,917	15,685	64,371	8,231
Sheriff's Forfeiture		1,259	62	0	1,321
Tax Maintenance		77,880	55,822	6,436	127,266
Sheriff's Revolving		6,466	3,628	8,997	1,097
County Clerk HAVA		2,976	124,182	107,089	20,069
Federal Grant		1	5,364	5,364	1
Law Library		23,977	17,594	14,032	27,539
Time Payment Fee		3,451	2,935	0	6,386
DARE		7,390	1,020	1,000	7,410
Senate Bill 40 Board		269,610	686,507	623,255	332,862
Circuit Clerk Interest		43,846	43,234	15,492	71,588
Domestic Violence		2,964	3,485	2,964	3,485
Drug Court		1,828	2,010	2,422	1,416
Local Emergency Preparedness Committee		0	15,233	2,477	12,756
Vending		0	437	37	400
Associate Circuit Division Interest		23,149	0	23,149	0
Juvenile Assessment		3,183	174	0	3,357
Division II Computer		1,711	0	1,711	0
Total	$	9,058,900	11,286,670	10,204,899	10,140,671

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,951,252	3,020,043	2,839,543	2,131,752
Special Road and Bridge		820,788	1,545,244	1,412,460	953,572
Assessment		67,075	418,606	360,572	125,109
Law Enforcement		46,670	2,694,551	2,626,795	114,426
Officer's Training		2,393	16,978	14,660	4,711
Prosecuting Attorney Training		19,147	3,994	0	23,141
Capital Improvement		3,273,272	1,436,105	261,552	4,447,825
Prosecuting Attorney Delinquent Tax		10,489	3,939	4,380	10,048
Prosecuting Attorney Bad Check		48,214	19,295	20,995	46,514
Recorder's User Fees		109,160	30,138	37,267	102,031
Sheriff's Civil Fees		14,347	43,864	36,653	21,558
Road and Bridge Capital		468,478	113,781	52,035	530,224
Prosecuting Attorney Forfeiture		8,057	227	1,800	6,484
Election Services		12,862	4,090	2,055	14,897
Recorder Technology		40,738	16,179	0	56,917
Sheriff's Forfeiture		1,217	42	0	1,259
Tax Maintenance		76,963	48,049	47,132	77,880
Sheriff's Revolving		4,473	1,993	0	6,466
County Clerk HAVA		0	101,581	98,605	2,976
Federal Grant		0	16,097	16,096	1
Law Library		21,491	16,319	13,833	23,977
Time Payment Fee		1,277	2,174	0	3,451
DARE		7,407	983	1,000	7,390
Senate Bill 40 Board		187,680	611,635	529,705	269,610
Circuit Clerk Interest		45,530	4,388	6,072	43,846
Domestic Violence		2,627	2,964	2,627	2,964
Drug Court		1,325	1,844	1,341	1,828
Associate Circuit Division Interest		17,378	6,611	840	23,149
Juvenile Assessment		0	3,183	0	3,183
Division II Computer		1,811	0	100	1,711
Total	$	7,262,121	10,184,897	8,388,118	9,058,900

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 11,848,141	11,286,496	(561,645)	10,631,441	10,181,714	(449,727)
DISBURSEMENTS	16,618,351	10,180,039	6,438,312	11,911,538	8,388,018	3,523,520
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,770,210)	1,106,457	5,876,667	(1,280,097)	1,793,696	3,073,793
CASH, JANUARY 1	8,935,662	9,030,857	95,195	7,260,395	7,260,310	(85)
CASH, DECEMBER 31	4,165,452	10,137,314	5,971,862	5,980,298	9,054,006	3,073,708
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	444,500	428,996	(15,504)	349,750	372,221	22,471
Sales taxes	1,395,000	1,333,904	(61,096)	1,225,000	1,312,275	87,275
Intergovernmental	178,140	177,789	(351)	237,830	219,055	(18,775)
Charges for services	946,300	926,048	(20,252)	910,600	913,671	3,071
Interest	80,000	127,037	47,037	26,000	69,155	43,155
Other	174,300	106,257	(68,043)	146,200	133,666	(12,534)
Total Receipts	3,218,240	3,100,031	(118,209)	2,895,380	3,020,043	124,663
DISBURSEMENTS						
County Commission	120,271	112,778	7,493	119,948	113,628	6,320
County Clerk	164,210	156,293	7,917	160,507	149,119	11,388
Elections	144,420	79,748	64,672	87,160	49,004	38,156
Buildings and grounds	635,190	342,033	293,157	538,000	416,286	121,714
County Treasurer	42,148	41,539	609	41,977	41,515	462
County Collector	237,338	202,265	35,073	200,437	188,914	11,523
Ex Officio Recorder of Deed	105,420	96,768	8,652	101,992	96,375	5,617
Circuit Clerk	51,609	43,768	7,841	27,045	22,957	4,088
Associate Circuit (Probate)	3,100	3,394	(294)	27,773	20,405	7,368
Court administration	65,000	11,610	53,390	65,000	8,211	56,789
Public Administrator	28,851	23,306	5,545	28,740	23,680	5,060
Prosecuting Attorney	363,460	349,208	14,252	355,618	338,038	17,580
Juvenile Officer	124,964	117,885	7,079	124,964	91,439	33,525
County Coroner	25,397	22,949	2,448	24,732	23,510	1,222
Surveyor	5,680	5,555	125	5,549	4,401	1,148
Sanitation Officer	72,620	67,959	4,661	70,625	65,879	4,746
Emergency Manager	72,982	44,215	28,767	132,535	104,775	27,760
Court Reporter	5,300	2,514	2,786	5,500	1,108	4,392
Circuit Judge	29,450	8,147	21,303	30,530	16,874	13,656
Planning and Zoning	110,750	66,575	44,175	105,764	63,881	41,883
Child Support Enforcement	38,462	36,839	1,623	35,967	31,391	4,576
Victim Advocate	38,082	34,572	3,510	37,058	32,799	4,259
Public health and welfare service	185,185	176,712	8,473	179,487	162,060	17,427
Administration	537,559	397,195	140,364	558,068	354,294	203,774
Transfers out	470,691	433,691	37,000	529,000	419,000	110,000
Emergency Fund	200,000	0	200,000	200,000	0	200,000
Total Disbursements	3,878,139	2,877,518	1,000,621	3,793,976	2,839,543	954,433
RECEIPTS OVER (UNDER) DISBURSEMENTS	(659,899)	222,513	882,412	(898,596)	180,500	1,079,096
CASH, JANUARY 1	2,131,752	2,131,752	0	1,951,252	1,951,252	0
CASH, DECEMBER 31	1,471,853	2,354,265	882,412	1,052,656	2,131,752	1,079,096

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	735,300	765,579	30,279	704,600	700,319	(4,281)
Intergovernmental	1,365,849	1,274,200	(91,649)	1,363,641	780,073	(583,568)
Interest	40,000	62,811	22,811	5,000	39,743	34,743
Other	145,000	150,198	5,198	24,000	25,109	1,109
Total Receipts	2,286,149	2,252,788	(33,361)	2,097,241	1,545,244	(551,997)
DISBURSEMENTS						
Salaries and employee fringe benefit	393,540	359,789	33,751	393,540	344,405	49,135
Supplies	10,000	7,025	2,975	10,000	8,271	1,729
Insurance	35,000	28,718	6,282	30,000	26,992	3,008
Road and bridge materials	341,000	355,121	(14,121)	410,500	331,517	78,983
Equipment repairs	47,000	50,344	(3,344)	45,000	45,884	(884)
Non reimbursed construction	65,000	15,710	49,290	0	3,000	(3,000)
Equipment purchases	300,000	291,144	8,856	125,000	12,124	112,876
Hired machinery	15,000	558	14,442	15,000	8,304	6,696
Road oil and asphalt maintenance	145,000	81,311	63,689	100,000	101,436	(1,436)
Gravel	325,000	322,460	2,540	285,000	284,620	380
New bridges	600,000	490,992	109,008	600,000	12,219	587,781
Dust abatement	25,000	22,975	2,025	16,000	24,770	(8,770)
Gasoline and oil	100,000	94,974	5,026	19,600	72,670	(53,070)
Real estate purchases	20,000	0	20,000	60,000	0	60,000
Workers compensation	25,000	26,628	(1,628)	20,000	18,306	1,694
Other	20,500	19,578	922	21,000	17,942	3,058
Transfer out	100,000	100,000	0	100,000	100,000	0
Total Disbursements	2,567,040	2,267,327	299,713	2,250,640	1,412,460	838,180
RECEIPTS OVER (UNDER) DISBURSEMENTS	(280,891)	(14,539)	266,352	(153,399)	132,784	286,183
CASH, JANUARY 1	953,572	953,572	0	820,788	820,788	0
CASH, DECEMBER 31	672,681	939,033	266,352	667,389	953,572	286,183
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	407,606	443,357	35,751	385,266	403,213	17,947
Interest	4,800	11,259	6,459	1,100	5,405	4,305
Other	9,500	8,755	(745)	10,000	9,988	(12)
Transfers in	37,000	0	(37,000)	0	0	0
Total Receipts	458,906	463,371	4,465	396,366	418,606	22,240
DISBURSEMENTS						
Assessor	583,208	464,308	118,900	409,175	360,572	48,603
Total Disbursements	583,208	464,308	118,900	409,175	360,572	48,603
RECEIPTS OVER (UNDER) DISBURSEMENTS	(124,302)	(937)	123,365	(12,809)	58,034	70,843
CASH, JANUARY 1	125,109	125,109	0	67,075	67,075	0
CASH, DECEMBER 31	807	124,172	123,365	54,266	125,109	70,843

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT FUND						
RECEIPTS						
Sales taxes	1,395,000	1,333,917	(61,083)	1,225,000	1,312,271	87,271
Intergovernmental	319,768	344,638	24,870	303,537	356,398	52,861
Charges for services	651,175	474,955	(176,220)	476,375	538,871	62,496
Interest	3,000	10,026	7,026	1,000	3,420	2,420
Other	48,000	95,900	47,900	76,150	64,591	(11,559)
Transfers in	419,000	419,000	0	529,000	419,000	(110,000)
Total Receipts	2,835,943	2,678,436	(157,507)	2,611,062	2,694,551	83,489
DISBURSEMENTS						
Sheriff	1,761,748	1,638,043	123,705	1,518,587	1,444,254	74,333
Jail	1,187,890	1,079,524	108,366	1,134,179	1,182,541	(48,362)
Total Disbursements	2,949,638	2,717,567	232,071	2,652,766	2,626,795	25,971
RECEIPTS OVER (UNDER) DISBURSEMENTS	(113,695)	(39,131)	74,564	(41,704)	67,756	109,460
CASH, JANUARY 1	114,426	114,426	0	46,670	46,670	0
CASH, DECEMBER 31	731	75,295	74,564	4,966	114,426	109,460
OFFICER'S TRAINING FUND						
RECEIPTS						
Charges for services	13,690	16,626	2,936	14,611	15,583	972
Interest	100	247	147	60	156	96
Other	500	3,174	2,674	0	1,239	1,239
Total Receipts	14,290	20,047	5,757	14,671	16,978	2,307
DISBURSEMENTS						
Sheriff	19,000	16,451	2,549	17,000	14,660	2,340
Total Disbursements	19,000	16,451	2,549	17,000	14,660	2,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,710)	3,596	8,306	(2,329)	2,318	4,647
CASH, JANUARY 1	4,711	4,711	0	2,393	2,393	0
CASH, DECEMBER 31	1	8,307	8,306	64	4,711	4,647
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	3,200	2,349	(851)	2,300	2,674	374
Interest	675	1,195	520	200	670	470
Other	0	0	0	0	650	650
Total Receipts	3,875	3,544	(331)	2,500	3,994	1,494
DISBURSEMENTS						
Prosecuting Attorney	7,500	0	7,500	7,500	0	7,500
Total Disbursements	7,500	0	7,500	7,500	0	7,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,625)	3,544	7,169	(5,000)	3,994	8,994
CASH, JANUARY 1	23,141	23,141	0	19,147	19,147	0
CASH, DECEMBER 31	19,516	26,685	7,169	14,147	23,141	8,994

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CAPITAL IMPROVEMENT FUND						
RECEIPTS						
Sales taxes	1,395,000	1,333,904	(61,096)	1,225,000	1,312,274	87,274
Interest	100,000	226,161	126,161	40,000	123,831	83,831
Total Receipts	1,495,000	1,560,065	65,065	1,265,000	1,436,105	171,105
DISBURSEMENTS						
Equipment	50,000	0	50,000	50,000	0	50,000
Bond principal and interest payment	4,282,600	807,430	3,475,170	778,890	261,552	517,338
Capital construction	25,000	0	25,000	25,000	0	25,000
Total Disbursements	4,357,600	807,430	3,550,170	853,890	261,552	592,338
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,862,600)	752,635	3,615,235	411,110	1,174,553	763,443
CASH, JANUARY 1	4,447,825	4,447,825	0	3,273,272	3,273,272	0
CASH, DECEMBER 31	1,585,225	5,200,460	3,615,235	3,684,382	4,447,825	763,443
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	3,600	13,110	9,510	3,000	3,614	614
Interest	325	757	432	150	325	175
Total Receipts	3,925	13,867	9,942	3,150	3,939	789
DISBURSEMENTS						
Prosecuting Attorney	8,500	6,623	1,877	8,500	4,380	4,120
Total Disbursements	8,500	6,623	1,877	8,500	4,380	4,120
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,575)	7,244	11,819	(5,350)	(441)	4,909
CASH, JANUARY 1	10,048	10,048	0	10,489	10,489	0
CASH, DECEMBER 31	5,473	17,292	11,819	5,139	10,048	4,909
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	19,000	18,414	(586)	19,000	17,786	(1,214)
Interest	1,500	1,850	350	530	1,509	979
Total Receipts	20,500	20,264	(236)	19,530	19,295	(235)
DISBURSEMENTS						
Prosecuting Attorney	41,382	30,101	11,281	40,947	20,995	19,952
Total Disbursements	41,382	30,101	11,281	40,947	20,995	19,952
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,882)	(9,837)	11,045	(21,417)	(1,700)	19,717
CASH, JANUARY 1	46,514	46,514	0	48,214	48,214	0
CASH, DECEMBER 31	25,632	36,677	11,045	26,797	46,514	19,717

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S USER FEES FUND						
RECEIPTS						
Charges for services	28,000	26,653	(1,347)	25,000	27,274	2,274
Interest	2,500	3,898	1,398	1,150	2,864	1,714
Other	0	138	138	0	0	0
Total Receipts	30,500	30,689	189	26,150	30,138	3,988
DISBURSEMENTS						
Ex Officio Recorder of Deed	125,000	72,876	52,124	120,000	37,267	82,733
Total Disbursements	125,000	72,876	52,124	120,000	37,267	82,733
RECEIPTS OVER (UNDER) DISBURSEMENTS	(94,500)	(42,187)	52,313	(93,850)	(7,129)	86,721
CASH, JANUARY 1	102,031	102,031	0	109,160	109,160	0
CASH, DECEMBER 31	7,531	59,844	52,313	15,310	102,031	86,721
SHERIFF'S CIVIL FEES FUND						
RECEIPTS						
Charges for services	40,343	35,921	(4,422)	37,510	43,008	5,498
Interest	100	865	765	100	650	550
Other	0	0	0	0	206	206
Total Receipts	40,443	36,786	(3,657)	37,610	43,864	6,254
DISBURSEMENTS						
Sheriff	62,000	51,513	10,487	40,000	36,653	3,347
Total Disbursements	62,000	51,513	10,487	40,000	36,653	3,347
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,557)	(14,727)	6,830	(2,390)	7,211	9,601
CASH, JANUARY 1	21,558	21,558	0	14,347	14,347	0
CASH, DECEMBER 31	1	6,831	6,830	11,957	21,558	9,601
ROAD AND BRIDGE CAPITAL FUND						
RECEIPTS						
Interest	20,400	26,476	6,076	6,300	13,781	7,481
Transfers in	100,000	100,000	0	100,000	100,000	0
Total Receipts	120,400	126,476	6,076	106,300	113,781	7,481
DISBURSEMENTS						
Real estate purchases	200,000	6,475	193,525	200,000	0	200,000
Capital construction	425,000	4,607	420,393	265,000	52,035	212,965
Total Disbursements	625,000	11,082	613,918	465,000	52,035	412,965
RECEIPTS OVER (UNDER) DISBURSEMENTS	(504,600)	115,394	619,994	(358,700)	61,746	420,446
CASH, JANUARY 1	530,224	530,224	0	468,478	468,478	0
CASH, DECEMBER 31	25,624	645,618	619,994	109,778	530,224	420,446

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY FORFEITURE FUND						
RECEIPTS						
Charges for services	1,000	0	(1,000)	1,000	0	(1,000)
Interest	225	312	87	80	227	147
Total Receipts	1,225	312	(913)	1,080	227	(853)
DISBURSEMENTS						
Prosecuting Attorney	3,500	788	2,712	5,000	1,800	3,200
Total Disbursements	3,500	788	2,712	5,000	1,800	3,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,275)	(476)	1,799	(3,920)	(1,573)	2,347
CASH, JANUARY 1	6,484	6,484	0	8,057	8,057	0
CASH, DECEMBER 31	4,209	6,008	1,799	4,137	6,484	2,347
ELECTION SERVICES FUND						
RECEIPTS						
Charges for services	2,000	1,917	(83)	1,400	3,608	2,208
Interest	470	705	235	160	482	322
Total Receipts	2,470	2,622	152	1,560	4,090	2,530
DISBURSEMENTS						
Office supplies	4,000	164	3,836	3,000	0	3,000
Equipment	4,000	2,230	1,770	4,000	2,019	1,981
Other	4,000	125	3,875	3,000	36	2,964
Total Disbursements	12,000	2,519	9,481	10,000	2,055	7,945
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,530)	103	9,633	(8,440)	2,035	10,475
CASH, JANUARY 1	14,897	14,897	0	12,862	12,862	0
CASH, DECEMBER 31	5,367	15,000	9,633	4,422	14,897	10,475
RECORDER TECHNOLOGY FUND						
RECEIPTS						
Charges for services	14,500	13,689	(811)	14,000	14,599	599
Interest	1,400	1,996	596	350	1,580	1,230
Total Receipts	15,900	15,685	(215)	14,350	16,179	1,829
DISBURSEMENTS						
Ex Officio Recorder of Deed	70,000	64,371	5,629	50,000	0	50,000
Total Disbursements	70,000	64,371	5,629	50,000	0	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(54,100)	(48,686)	5,414	(35,650)	16,179	51,829
CASH, JANUARY 1	56,917	56,917	0	40,738	40,738	0
CASH, DECEMBER 31	2,817	8,231	5,414	5,088	56,917	51,829

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S FORFEITURE FUND						
RECEIPTS						
Charges for services	8,720	0	(8,720)	9,000	0	(9,000)
Interest	25	62	37	22	42	20
Total Receipts	8,745	62	(8,683)	9,022	42	(8,980)
DISBURSEMENTS						
Equipment	10,000	0	10,000	10,000	0	10,000
Total Disbursements	10,000	0	10,000	10,000	0	10,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,255)	62	1,317	(978)	42	1,020
CASH, JANUARY 1	1,259	1,259	0	1,217	1,217	0
CASH, DECEMBER 31	4	1,321	1,317	239	1,259	1,020
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	46,000	50,511	4,511	50,000	45,067	(4,933)
Interest	2,000	5,311	3,311	700	2,982	2,282
Total Receipts	48,000	55,822	7,822	50,700	48,049	(2,651)
DISBURSEMENTS						
County Collector	114,000	6,436	107,564	90,000	47,132	42,868
Total Disbursements	114,000	6,436	107,564	90,000	47,132	42,868
RECEIPTS OVER (UNDER) DISBURSEMENTS	(66,000)	49,386	115,386	(39,300)	917	40,217
CASH, JANUARY 1	77,880	77,880	0	76,963	76,963	0
CASH, DECEMBER 31	11,880	127,266	115,386	37,663	77,880	40,217
SHERIFF'S REVOLVING FUND						
RECEIPTS						
Charges for services	1,475	3,361	1,886	1,980	1,810	(170)
Interest	25	267	242	20	183	163
Total Receipts	1,500	3,628	2,128	2,000	1,993	(7)
DISBURSEMENTS						
Sheriff	7,942	8,997	(1,055)	6,472	0	6,472
Total Disbursements	7,942	8,997	(1,055)	6,472	0	6,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,442)	(5,369)	1,073	(4,472)	1,993	6,465
CASH, JANUARY 1	6,466	6,466	0	4,473	4,473	0
CASH, DECEMBER 31	24	1,097	1,073	1	6,466	6,465

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COUNTY CLERK HAVA FUND						
RECEIPTS						
Intergovernmental	123,134	120,950	(2,184)	104,224	99,697	(4,527)
Interest	150	3,232	3,082	1,320	1,884	564
Total Receipts	123,284	124,182	898	105,544	101,581	(3,963)
DISBURSEMENTS						
Office supplies	300	0	300	660	0	660
Equipment	123,134	105,323	17,811	104,224	98,235	5,989
Other	300	1,766	(1,466)	660	370	290
Total Disbursements	123,734	107,089	16,645	105,544	98,605	6,939
RECEIPTS OVER (UNDER) DISBURSEMENTS	(450)	17,093	17,543	0	2,976	2,976
CASH, JANUARY 1	2,976	2,976	0	0	0	0
CASH, DECEMBER 31	2,526	20,069	17,543	0	2,976	2,976
FEDERAL GRANT FUND						
RECEIPTS						
Intergovernmental	363,904	5,364	(358,540)	380,000	16,097	(363,903)
Total Receipts	363,904	5,364	(358,540)	380,000	16,097	(363,903)
DISBURSEMENTS						
Construction	335,000	0	335,000	335,000	0	335,000
Professional services	13,400	3,400	10,000	25,000	11,600	13,400
Other	15,504	1,964	13,540	20,000	4,496	15,504
Total Disbursements	363,904	5,364	358,540	380,000	16,096	363,904
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	1	1
CASH, JANUARY 1	1	1	0	0	0	0
CASH, DECEMBER 31	1	1	0	0	1	1
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	16,000	16,376	376	15,000	15,617	617
Interest	0	1,218	1,218	0	702	702
Total Receipts	16,000	17,594	1,594	15,000	16,319	1,319
DISBURSEMENTS						
Law Library	18,000	14,032	3,968	18,000	13,833	4,167
Total Disbursements	18,000	14,032	3,968	18,000	13,833	4,167
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	3,562	5,562	(3,000)	2,486	5,486
CASH, JANUARY 1	23,895	23,977	82	21,491	21,491	0
CASH, DECEMBER 31	21,895	27,539	5,644	18,491	23,977	5,486

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TIME PAYMENT FEE FUND						
RECEIPTS						
Charges for services	2,000	2,704	704	1,200	2,105	905
Interest	0	231	231	0	69	69
Total Receipts	2,000	2,935	935	1,200	2,174	974
DISBURSEMENTS						
Circuit Clerk	4,000	0	4,000	0	0	0
Total Disbursements	4,000	0	4,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	2,935	4,935	1,200	2,174	974
CASH, JANUARY 1	3,301	3,451	150	1,275	1,277	2
CASH, DECEMBER 31	1,301	6,386	5,085	2,475	3,451	976
DARE FUND						
RECEIPTS						
Donations	8,000	0	(8,000)	1,000	100	(900)
Interest	0	1,020	1,020	0	883	883
Total Receipts	8,000	1,020	(6,980)	1,000	983	(17)
DISBURSEMENTS						
Scholarships	8,000	1,000	7,000	2,000	1,000	1,000
Total Disbursements	8,000	1,000	7,000	2,000	1,000	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	20	20	(1,000)	(17)	983
CASH, JANUARY 1	0	7,390	7,390	7,407	7,407	0
CASH, DECEMBER 31	0	7,410	7,410	6,407	7,390	983
SENATE BILL 40 BOARD FUND						
RECEIPTS						
Property taxes	682,542	682,284	(258)	566,525	609,529	43,004
Interest	1,600	4,223	2,623	1,000	2,106	1,106
Total Receipts	684,142	686,507	2,365	567,525	611,635	44,110
DISBURSEMENTS						
Programs	621,500	623,255	(1,755)	539,725	529,705	10,020
Total Disbursements	621,500	623,255	(1,755)	539,725	529,705	10,020
RECEIPTS OVER (UNDER) DISBURSEMENTS	62,642	63,252	610	27,800	81,930	54,130
CASH, JANUARY 1	183,168	269,610	86,442	187,891	187,680	(211)
CASH, DECEMBER 31	245,810	332,862	87,052	215,691	269,610	53,919
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	22,100	20,085	(2,015)	1,500	4,388	2,888
Transfers in	0	23,149	23,149	0	0	0
Total Receipts	22,100	43,234	21,134	1,500	4,388	2,888
DISBURSEMENTS						
Circuit Clerk	30,000	15,492	14,508	25,000	6,072	18,928
Total Disbursements	30,000	15,492	14,508	25,000	6,072	18,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,900)	27,742	35,642	(23,500)	(1,684)	21,816
CASH, JANUARY 1	43,432	43,846	414	45,455	45,530	75
CASH, DECEMBER 31	35,532	71,588	36,056	21,955	43,846	21,891

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	3,200	3,485	285	2,500	2,964	464
Total Receipts	3,200	3,485	285	2,500	2,964	464
DISBURSEMENTS						
Health and welfare	2,964	2,964	0	2,627	2,627	0
Total Disbursements	2,964	2,964	0	2,627	2,627	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	236	521	285	(127)	337	464
CASH, JANUARY 1	2,964	2,964	0	2,627	2,627	0
CASH, DECEMBER 31	3,200	3,485	285	2,500	2,964	464
DRUG COURT FUND						
RECEIPTS						
Charges for services	1,300	2,010	710	2,500	1,844	(656)
Total Receipts	1,300	2,010	710	2,500	1,844	(656)
DISBURSEMENTS						
Incentives	0	0	0	1,000	1,341	(341)
Other	0	2,422	(2,422)	2,776	0	2,776
Total Disbursements	0	2,422	(2,422)	3,776	1,341	2,435
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,300	(412)	(1,712)	(1,276)	503	1,779
CASH, JANUARY 1	1,111	1,828	717	1,276	1,325	49
CASH, DECEMBER 31	2,411	1,416	(995)	0	1,828	1,828
LOCAL EMERGENCY PREPAREDNESS COMMITTEE FUND						
RECEIPTS						
Intergovernmental	4,200	0	(4,200)			
Interest	0	542	542			
Transfers in	13,500	14,691	1,191			
Total Receipts	17,700	15,233	(2,467)			
DISBURSEMENTS						
Office supplies	400	113	287			
Equipment	700	915	(215)			
Training and mileage	2,500	829	1,671			
Other	700	620	80			
Total Disbursements	4,300	2,477	1,823			
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,400	12,756	(644)			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	13,400	12,756	(644)			

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
VENDING FUND						
RECEIPTS						
Interest	0	8	8			
Other	500	429	(71)			
Total Receipts	500	437	(63)			
DISBURSEMENTS						
Other	500	37	463			
Total Disbursements	500	37	463			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	400	400			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	400	400			
ASSOCIATE CIRCUIT DIVISION INTEREST FUND						
RECEIPTS						
Interest				1,000	6,611	5,611
Total Receipts				1,000	6,611	5,611
DISBURSEMENTS						
Associate Circuit Judge				4,000	840	3,160
Total Disbursements				4,000	840	3,160
RECEIPTS OVER (UNDER) DISBURSEMENTS				(3,000)	5,771	8,771
CASH, JANUARY 1				17,378	17,378	0
CASH, DECEMBER 31				14,378	23,149	8,771

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Juvenile Assessment Fund	2006 and 2005
Division II Computer Fund	2006 and 2005
Associate Circuit Division Interest Fund	2006

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Sheriff's Revolving Fund	2006
Senate Bill 40 Board Fund	2006
Drug Court Fund	2006

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Domestic Violence Fund	2006 and 2005
Juvenile Assessment Fund	2006 and 2005
Division II Computer Fund	2006 and 2005
Senate Bill 40 Board Fund	2006
Law Library Fund	2005
DARE Fund	2005
Drug Court Fund	2005

In addition, the county's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Circuit Clerk Interest Fund and the Associate Circuit Division Interest Fund, and for the year ended December 31, 2006, did not disclose disbursement detail by vendor for the Law Library Fund and the Drug Court Fund.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Warren County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and the Senate Bill 40 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The Sheriff’s Forfeiture Fund's and the Federal Grant Fund's cash balances at January 1, 2005, as previously stated have been decreased by $5,668 and $8,881, respectively, to reflect the cash balances shown in the county's records.

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

Fund	Balance
Time Payment Fee Fund	$ 1,277
Division II Computer Fund	1,811

As of January 1, 2005, the Turning Point CDBG Fund is known as the Federal Grant Fund.

Supplementary Schedule

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 0	564
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Economic Development -			
14.228	Community Development Block Grants/State' Program	2004PF33	3,400	16,096
		99ME01	1,964	17,040
	Program Total		5,364	33,136
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety			
16.575	Crime Victim Assistance	2003-VOCA-0080	0	21,899
		2004-VOCA-0080	23,610	4,315
		2005-VOCA-0082	4,448	0
	Program Total		28,058	26,214
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2005-LBGJ-099	8,968	0
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Progran	2000DDVX0055	0	42,705
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	SD2003-16	0	1,034
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-109(10)	209,332	6,519
		BRO-109(11)	168,162	3,256
		BRO-109(12)	15,300	0
	Program Total		392,794	9,775

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEP2005	1,240	1,240
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	68	0
	Office of Secretary of State			
39.011	Election Reform Payments	HAVA2002FED	108,498	110,865
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	1,823	6,622
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	219001	21,370	20,457
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	43600395804	8,987	3,733
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	27,271	35,574
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	ODP 2004 CTY/CNTY	0	59,976
97.042	Emergency Management Performance Grant	EMPG2006	18,070	18,422
	Total Expenditures of Federal Awards	$	622,511	370,317

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

WARREN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Warren County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Warren County, Missouri

Compliance

We have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Warren County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed an

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instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

Internal Control Over Compliance

The management of Warren County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We consider the significant deficiency referred to above, finding number 06-1, to be a material weakness.

The response of Warren County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of Warren County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 6, 2007

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weakness identified?	__x__ yes	_____ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction
39.011	Election Reform Payments

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Election Reform Payments Grant

Federal Grantor:	General Services Administration
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Numbers:	39.011
Program Title:	Election Reform Payments
Pass-Through Entity Identifying Number:	HAVA2002FED
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

Monies received were not always disbursed within 30 days as agreed upon in the grant application submitted to the Secretary of State's office. Monies totaling $15,000, $78,336, and $120,950 were received on December 28, 2004, January 24, 2005, and March 8, 2006, respectively, with $131,250 and $103,500 being disbursed on February 14, 2005 and August 31, 2006, respectively. County funds paid for the additional costs between what was received from the Secretary of State's office and what was disbursed. In addition, approximately $3,300 in interest was earned due to not disbursing monies timely.

The County Clerk should comply with the requirements of the Secretary of State's office regarding disbursing monies within 30 days after being received in order to minimize the time elapsing between the transfer of funds from the state to the county and the disbursement of those funds from the county to the vendors.

WE RECOMMEND the County Commission ensure monies are disbursed within 30 days after being received.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated:

The monies were received from the Secretary of State's office. However, we had not received all of the equipment yet. Thus, we waited to make the disbursement until all of the equipment was received.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WARREN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

WARREN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

WARREN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 6, 2007. We also have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 6, 2007.

Because the Emergency Services Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These MAR findings resulted from our audit of the financial statements of Warren County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Warren County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Budgetary Practices

Budgets prepared for some county funds contained unreasonable estimates, budgets filed by the Circuit Clerk were incomplete, budgets were not prepared for some funds, and some funds were not included in the published financial statements.

A. Budgets prepared for some county funds contained unreasonable estimates. The approved budget documents for the General Revenue Fund, Special Road and Bridge Fund, Assessment, Fund, Law Enforcement Fund, Capital Improvement Fund and the Road and Bridge Capital Fund did not adequately project the anticipated financial position for the years ended December 31, 2006 and 2005. The following are estimated cash balances as compared to actual ending cash balances of the six funds at December 31, 2006 and 2005:

	Cash Balance – December 31, 2006	
	Estimated Per Budget	Actual
General Revenue Fund	$1,471,853	$2,354,265
Special Road and Bridge Fund	672,681	939,033
Assessment Fund	807	124,172
Law Enforcement Fund	731	75,295
Capital Improvement Fund	1,585,225	5,200,460
Road and Bridge Capital Fund	25,624	645,618

	Cash Balance – December 31, 2005	
	Estimated Per Budget	Actual
General Revenue Fund	$1,052,656	$2,131,752
Special Road and Bridge Fund	667,389	953,572
Assessment Fund	54,266	125,109
Law Enforcement Fund	4,966	114,426
Capital Improvement Fund	3,684,382	4,447,825
Road and Bridge Capital Fund	109,778	530,224

These significant differences resulted mainly from overestimating disbursements. For the Road & Bridge Capital Fund, approximately $200,000 for real estate purchases and $425,000 and $265,000 for capital construction for the years ending December 31, 2006 and 2005, respectively were budgeted. However, only minimal disbursements were made from this fund and there was no evidence historical information was used in preparing the budget estimates. In the Capital Improvement Fund for the year ending December 31, 2006, the county budgeted to pay off the bond principal and interest payments but subsequently decided to wait another year. The county has budgeted significantly more for some of the General Revenue Fund categories than has historically been spent, in an attempt to allow for possible, but not specifically identified, contingencies. The Special Road and Bridge Fund is due to a combination of overestimating equipment purchases and bridge construction expenses, which were due to not receiving federal grants as budgeted. The Assessment Fund is due to overestimating employee salaries, mapping and maintenance, and underestimating state reimbursements. The Law Enforcement Fund is due to a combination of overestimating fees to house prisoners and underestimating employee salaries, expenses for housing prisoners, transfers in, and sales taxes.

Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies. While it appears the County Commission's intent is to keep sufficient reserves in these funds; the current budgets do not effectively inform county residents of this intent. Such intent would be more properly communicated to county residents through a formal reserve of the fund balance.

The practice of overestimating expenditures results in an inaccurate statement of the County's financial position. The practice of routinely budgeting to spend significantly more resources than truly intended decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

B. The budgets filed by the Circuit Clerk for 2007, 2006, and 2005 were incomplete as the Circuit Clerk Interest Fund, Law Library Fund, and the Time Payment Fee Fund did not include the actual or budgeted amounts for the previous two years. In addition, budgets were not prepared for the Division II Computer Fund and the Juvenile Assessment Fund and financial information for these funds were not presented to the County Clerk for inclusion in the county's budget or in the county's published financial statements. The County Clerk does not have procedures in place to ensure that budgets are received and to ensure financial information is received for publishing in the financial statements for all funds.

Chapter 50, RSMo, requires preparation of an annual budget for all funds to present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include

the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message.

A condition similar to A was noted in our prior report.

WE RECOMMEND the County Commission:

A. Prepare reasonable estimates of disbursements so that projected reserves are more properly presented in the annual budgets. If the County Commission desires to build up reserves for future specific need, this information should be communicated through the budget message.

B. And the Circuit Clerk prepare budgets as required by state law by including actual and budgeted amounts for the two previous years and ensure financial information is included in the published financial statements.

AUDITEE'S RESPONSE

The County Commission indicated:

A. We will budget more reasonably. For a couple of funds, we did budget for some expenditures that ended up not happening but at the time of preparing the budget, that is what we planned to do. For any reserves that are being built up, the reserves will be explained in the budget message. We do tend to be conservative on receipts and may be high on disbursements but we will try to do a better job.

B. We will try to ensure all funds are budgeted and budgeted completely, and ensure all funds are included in the published financial statements.

The Circuit Clerk indicated:

B. Actual and budgeted amounts will be presented for previous years on the budgets. We will work on getting a budget for the Juvenile Assessment Fund and will also provide financial information to the County Clerk for inclusion in the published financial statements. A budget or published financial statement does not appear necessary for the Division II Computer Fund as it is no longer active.

2. Expenditures

Procedures regarding the procurement of major purchases need improvement, and contracts were not entered into for some services.

A. While a review of County Commission minutes and bid files indicated numerous items are bid, bids were not always solicited, or bid documentation was not always retained for various purchases as discussed below. In addition, neither the County

Commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

Concerns related to the following purchases were noted:

Item or Service	Cost
Sheriff's radios and equipment	$ 35,031
Copier/Plotter	11,697
Inmate uniforms	6,838
Sheriff's uniforms	4,959
Elevator maintenance	4,636

The county indicated the Sheriff's radios and equipment, inmate uniforms, Sheriff's uniforms, and elevator maintenance were only available through one source, but this was not documented. Additionally, based on the sheriff equipment purchased, a search of the internet identified other potential vendors.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. Contracts were not entered into for some services when appropriate. For example, during 2006 and 2005, payments were made for a commercial real estate appraiser costing $27,750 and cleaning services costing $29,803 without benefit of written agreements.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county.

AUDITEE'S RESPONSE

The County Commission indicated:

A. We will do a better job of bidding purchases and documenting when bidding was not done due to a sole source provider, and we will also maintain documentation of decisions made.

B. We now have a contract with our current cleaning services vendor and will look into getting a contract for the real estate appraiser, and we will try to ensure contracts are obtained when applicable.

3. Capital Assets

Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Although the County Clerk does maintain capital asset listings for each office, they are not complete and procedures have not been established to ensure their accuracy. Each official is supposed to do an annual physical inventory of their assets, and submit the listing to the County Clerk for updating of the master listing. Our review of the capital asset records indicated the following areas where improvements are needed:

- Physical inventories are not conducted annually. The last county-wide physical inventory was apparently conducted in 2005. However, the County Clerk did not receive the results of the physical inventory from the Sheriff's department as the last physical inventory conducted by the Sheriff's department was in 1990.

- The County Clerk's master capital asset listing does not always include all information applicable to the item. Information such as serial numbers, acquisition/disposition dates, and purchase price or value is not always recorded.

- Physical inventory reports received were not accurate or complete. We noted that the Assessor's Office purchased a copier/plotter for $11,697 and the Health Department purchased two computers costing $1,170 each that were not included on the physical inventory report.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions.

AUDITEE'S RESPONSE

The County Commission indicated:

We will give this our best shot to try to ensure all capital assets are properly accounted for. We will consider establishing a written policy. We will continue to stress to the other officials the importance of this information and may consider requiring this as part of the budget process.

4. County Commission Meeting Minutes

Meeting minutes did not always include sufficient detail of matters discussed or the reasons behind actions taken in both open and closed sessions, and decisions made in closed sessions are not disclosed in open session.

A. Meeting minutes did not always include sufficient detail of matters discussed or the reasons behind actions taken in both open and closed sessions. For example, the minutes of November 21, 2005 recorded that a motion passed to accept a bid for custodial services that was not the lowest bid. A record of votes was taken for this action; however, the minutes did not include information such as the bid specifications or the reason why the lowest bid was not accepted. In addition, there was a discussion during a closed meeting that indicated information from a previous

meeting, however, such earlier information was not documented in those prior closed minutes.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

B. Decisions made and votes taken in closed sessions are not subsequently disclosed in open sessions as required. Decisions regarding various contracts are not disclosed in open sessions as required by the Sunshine Law, Chapter 610, RSMo.

WE RECOMMEND the County Commission:

A. Ensure complete and accurate minutes of the commission's meetings are maintained; including, but not limited to, a record of any votes taken, and other information required by state law.

B. Ensure decisions made in closed session are properly reported in the open minutes when required.

AUDITEE'S RESPONSE

The County Commission indicated:

A. The minutes are fairly detailed but we can still improve by documenting information in the minutes better.

B. We will discuss with our attorney about what needs to be reported in open sessions of discussions held or decisions made in closed sessions. We will try to do what is required by state law.

5. County Treasurer's Accounting Controls and Procedures

Procedures related to voiding receipt slips are in need of improvement, and the County Treasurer's bond was insufficient to cover school monies received.

A. Procedures related to voiding receipts slips are in need of improvement. Computer generated receipts slips are issued for monies received. The County Treasurer can void a receipt slip, make changes to that receipt slip (for example, change the amount received), and then reissue that receipt slip. Original copies of voided receipts slips

or a list of changes made to receipt slips are not retained. Thus, there is no documentation to know which receipt slips have been changed and what was changed and no documentation to know how often this occurs although the Treasurer indicated at least monthly.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, controls need to be in place so receipt slips could only be issued once and copies of voided receipt slips should be properly defaced and maintained. Safeguards should be put in place that will not allow a receipt slip to be reissued after being voided.

B. The County Treasurer's bond coverage was insufficient to cover school monies received. The County Treasurer calculated the amount of the bond needed at approximately $3,350,000. However, only a $2,500,000 bond was obtained which was approximately $850,000 less than the amount required by state law during January 2007.

Section 54.160, RSMo, requires the County Treasurer to give additional bond for school monies sufficient to secure the monies which come into the County Treasurer's hands, not to exceed one-fourth of the amount collected during the same month of the year immediately preceding his election or appointment.

WE RECOMMEND the County Treasurer:

A. Discontinue the practice of reissuing receipt slips after the receipt slips have been voided and copies of voided receipt slips should be retained. In addition, safeguards should be put in place that will not allow a receipt slip to be reissued after being voided.

B. And the County Commission ensure that the County Treasurer is adequately bonded.

AUDITEE'S RESPONSE

The County Treasurer indicated:

A. I will keep copies of any voided receipt slips so that documentation of any voided and corrected receipt slips is maintained for receipt slips that have already been given to the payor. For receipt slips that are corrected before they leave my office and have not yet been given to the payor, I do not believe it is necessary to keep those copies.

B. This has been reviewed and bond coverage has been increased to $4,000,000 and this bond should be adequate.

The County Commission indicated:

B. The bond was reviewed and an increase in the bond has been obtained so that the County Treasurer is properly bonded.

6. County Accounting Controls and Procedures

Receipts for the Planning and Zoning Board and the Health Department are not always transmitted to the County Treasurer on a timely basis.

- Receipts for the Planning and Zoning Board are not always transmitted to the County Treasurer on a timely basis. For example, for the months of December 2006 and 2005, transmittals were made once a week and averaged approximately $2,500 and $2,900, respectively. In addition, receipts received are not posted to the accounting records until the transmittal is prepared. Receipts are received for zoning permits, septic inspections, food services permits, sewage permits, etc. and totaled approximately $96,500 and $114,100 for the years ended December 31, 2006 and 2005, respectively. Of these amounts, cash received was estimated to be approximately 30 percent.

- Receipts for the Health Department are not always transmitted to the County Treasurer on a timely basis. For example, for the month of December 2006, transmittals were made once a week and averaged approximately $1,100. Receipts are received for vital records, immunizations, state programs, and donations, etc. and totaled approximately $107,100 and $112,300 for the years ended December 31, 2006 and 2005, respectively. Of these amounts, cash received was estimated to be approximately 10 percent.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be posted to the accounting records and transmitted on a timely basis.

WE RECOMMEND the County Commission ensures the Planning and Zoning Board require receipts be posted to the accounting records when received and also ensure monies received by the Planning and Zoning Board and the Health Department are transmitted to the County Treasurer on a timely basis.

AUDITEE'S RESPONSE

The County Commission indicated:

We will discuss this with the Planning and Zoning Board and the Health Department so that monies are transmitted more frequently.

7. Sheriff's Accounting Controls and Procedures

Accounting and bookkeeping duties have not been adequately segregated. Prenumbered receipt slips are not issued for some monies received on the Civil Account, and the method of payment is not always indicated for the General Account receipts. Monthly listings of open items are not reconciled to cash balances for the Inmate Account, and bank reconciliations were not documented for the General and Civil bank accounts.

The Sheriff's department receives monies for civil and criminal process fees, gun permits, board bills, phone commissions, bonds, and other miscellaneous receipts. The Sheriff's department also maintains a separate bank account and software system to handle personal inmate monies and operates a commissary for inmates. The Sheriff's department handled receipts of approximately $807,400 and $511,200 during the years ending December 31, 2006 and 2005 respectively.

A. Accounting and bookkeeping duties have not been adequately segregated. One clerk collects monies, records transactions, prepares deposits, prepares checks, and prepares bank reconciliations. The Sheriff indicated he reviews the monthly receipt and disbursement reports and documents this review with his signature stamp. However, the clerk also indicated she has access to the signature stamp.

   Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Prenumbered receipt slips are not issued for some monies received on the Civil Account as receipts slips are generally only written when cash is received. In addition, the method of payment (cash, checks, or money orders) was not always indicated for the General Account receipts. Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the Sheriff cannot ensure all monies collected are ultimately recorded and deposited.

   To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment, the receipt slip numbers should be accounted for, and the composition should be reconciled to the bank deposits.

C. Monthly listings of open items (liabilities) are not reconciled to cash balances for the Inmate Account. During a comparison of open items and cash balances, cash exceeded the open items listing by $3,008 at December 31, 2006.

Monthly reconciliations of liabilities and cash balances are necessary to ensure sufficient cash is available for the payment of all liabilities, the bank account is in agreement with the accounting records, and errors are detected and corrected on a timely basis. Any unidentified differences should be investigated and resolved.

D. Bank reconciliations were not documented for the General and Civil bank accounts for the two years ending December 31, 2006. Timely completion and documentation of bank reconciliations is necessary to ensure all monies are accounted for properly, accounting records are correct, and to identify errors on a timely basis. Both of these accounts had more than $2,300 in the bank.

A condition similar to C was noted in our prior report.

WE RECOMMEND the Sheriff:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Require prenumbered receipt slips be issued for all monies received. In addition, ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.

C. Reconcile open items to the reconciled cash balance on a monthly basis. Differences should be investigated and resolved.

D. Ensure bank reconciliations are performed monthly.

AUDITEE'S RESPONSE

The Sheriff indicated:

A. Cross training is conducted for all financial accounts (General, Civil, and Inmate) designated. As suggested this task has been implemented as of August 2007. All financial accounts are periodically reviewed by me. In addition, we are considering having the bank reconciliations performed by someone other than the person responsible for that account.

B. Prenumbered receipt slips are currently utilized by the Inmate and General accounts. As suggested, this task for issuing prenumbered receipt slips for the Civil account has been re-enforced as of November 19, 2007. The General account receipt slips will be reviewed to ensure the method of payment is marked.

C. The Inmate account is reconciled on a monthly basis. The program for the Inmate account is designed to keep track of monies received, billings, and negative balances on fees that are owed by inmates when they are booked. We will attempt to perform this reconciliation.

D. The General and Civil accounts have been reconciled on a monthly basis. As suggested, this task has been implemented as of August 2007, as the documentation of the reconciliation is being printed and attached to the bank statement.

8. Prosecuting Attorney's Accounting Controls and Procedures

The composition (cash, money orders, and cashiers checks) of receipts is not reconciled to the composition of deposits and adequate supporting documentation is not maintained for cash refunds. Payments are accepted for bad checks and court-ordered restitution and recorded in the computer system. Occasionally refunds are made in cash for overpayments however, documentation is not maintained to support these refunds. For example, a deposit reviewed indicated the composition did not agree by $140. A receipt indicated $65 was received, however, the deposit slip indicated a $205 money order was deposited. Additional information received from the bank verified that a $205 money order was deposited. Per the Prosecuting Attorney's office, $140 in cash was refunded, however, there was no documentation to support the refund.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily and all disbursements should be made in the form of a check. Cash refunds should not be made and refunds by check should have adequate supporting documentation. In addition, the composition of receipts should be reconciled to the composition of deposits to ensure all monies received are properly recorded and deposited.

WE RECOMMEND the Prosecuting Attorney should discontinue the practice of making cash refunds for overpayments and reconcile the composition of receipts to the composition of deposits. In addition, documentation should be retained of any investigations of differences noted.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

This was a one-time instance. Also, the computer program will now allow us to issue refunds by check should this situation arise again. However, we do not expect this to happen again.

9. Senate Bill 40 Board's Accounting Controls and Procedures

Receipts are not always deposited and posted to accounting records in a timely manner, and actual financial activity presented in the budgets was inaccurate and inconsistent with amounts recorded in the cash receipts journal.

A. Receipts are not always deposited and posted to accounting records in a timely manner. Receipts are normally deposited once or twice a month. For example, two receipts from December 16, 2005, totaling $77,034 were not deposited until January 3, 2006. Another instance was noted where a $7,786 receipt from December 29, 2005 was not deposited until January 30, 2006. In addition, receipts are not posted to the accounting records until the deposit is prepared. Failure to deposit timely results in lost interest income. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be posted to accounting records and deposited intact in a timely manner.

B. Actual financial activity presented in the budgets for the years ending December 31, 2006 and 2005 was inaccurate and inconsistent with amounts recorded in the cash receipts journal. Actual receipts were overstated by $86,177 and understated by $9,208 because payments received were not posted timely in the accounting records as indicated in part A above for the years ending December 31, 2006 and 2005, respectively.

To be of maximum assistance to the Senate Bill 40 Board and to adequately inform the public, the budget should accurately reflect the financial activity of the Senate Bill 40 Board. In addition, accurate information is essential to provide reasonable estimates of anticipated receipts and disbursements so that the board may utilize the budget as a management planning tool and as a control over expenditures. Further, Chapter 50, RSMo, requires the preparation of annual budgets to present a complete financial plan for the ensuing year.

A condition similar to B was noted in our prior report.

WE RECOMMEND the Senate Bill 40 Board:

A. Require receipts be posted to the accounting records when received and ensure monies are deposited in a timely manner.

B. Ensure the budget document presents accurate and complete financial information.

AUDITEE'S RESPONSE

The Senate Bill 40 Administrator indicated:

A. We will deposit and record receipts on a more timely basis.

B. Budgets will be accurate and complete. We realize what we were doing that caused the misstatements and this will be corrected so that budgets are accurate.

Follow-Up on Prior Audit Findings

WARREN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Warren County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Controls and Procedures

Some federal grants received on behalf of the county were not maintained in a bank account controlled by the County Treasurer. In addition, a budget was not prepared for these funds and they were not included in the county's published financial statement.

Recommendation:

The County Commission ensure all county funds are held in the custody of the County Treasurer and disbursed through the county's expenditure system, complete and accurate budgets are prepared or obtained for all county funds, and financial information for all county funds is properly reported in the annual published financial statements.

Status:

Partially implemented. The County Treasurer opened an account to deposit federal grants into and now has control of these monies. The county did not prepare complete and accurate budgets for all county funds and financial statements are not published for all county funds. See MAR finding number 1.

2. Budgetary Practices

The approved budget documents for the General Revenue Fund, Capital Improvement Fund and the Road and Bridge Capital Fund did not adequately project the anticipated financial position.

Recommendation:

The County Commission prepare reasonable estimates of disbursements so that projected reserves are more properly presented in the annual budgets. If the County Commission desires to build up reserves for future specific need, this information should be communicated through the budget message.

Status:

Not implemented. See MAR finding number 1.

3. General Fixed Assets and Procedures

The county had not established a written policy related to handling and accounting for general fixed assets. In addition, physical inventories were not conducted annually, a summary of changes in general fixed assets reconciling beginning balance, additions, and deletions was not prepared, and the master fixed asset listing did not always include all information applicable to the item.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Status:

Not implemented. See MAR finding number 3.

4. Associate Circuit Division's Accounting Controls and Procedures

A. Receipts were not posted to accounting records or deposited on a timely basis. In addition, checks and money orders received were not restrictively endorsed immediately upon receipt.

B. Accounting duties were not specifically defined to an individual thus, duties were not adequately segregated.

Recommendations:

The Associate Division:

A. Ensure all receipts are posted to the accounting records in a timely manner and deposited daily or when receipts exceed $100. In addition, ensure all checks and money orders are restrictively endorsed immediately upon receipt.

B. Adequately segregate accounting duties by defining the duties of employees or ensure periodic supervisory reviews are performed and documented.

Status:

No longer applicable as on January 1, 2006 the Associate Circuit Division was combined with the Circuit Clerk’s office.

5. Circuit Clerk's Accounting Controls and Procedures

Formal procedures had not been established to ensure all accrued costs were adequately identified and pursued. In addition, summary records were not maintained of accrued cost balances and total accrued costs were not periodically determined.

Recommendation:

The Circuit Clerk maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

Status:

Implemented.

6. Sheriff's Controls and Procedures

A. The county did not have written agreements with political subdivisions for housing prisoners.

B. Monies received were not receipted in a timely manner. In addition, checks and money orders were not restrictively endorsed immediately upon receipt.

C. Monthly bank reconciliations were not performed and the monthly listing of prisoner account balances (open items) was not being reconciled to the book balance.

Recommendations:

The Sheriff:

A. And the County Commission enter into written agreements for the boarding of prisoners.

B. Ensure monies are receipted and checks and money orders are restrictively endorsed immediately upon receipt.

C Ensure bank reconciliations are prepared on a monthly basis. In addition, the book balance should be reconciled to the open items listing.

Status:

A. Partially implemented. An agreement was entered into with the federal government regarding boarding of prisoners and the majority of monies received are from the federal government. Agreements have not been entered into with other political subdivisions for housing prisoners. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. Checks and money orders are restrictively endorsed. However, all monies received are not receipted. See MAR finding number 7.

C. Partially implemented. Bank reconciliations are prepared monthly for the Inmate account; however, the book balance is not reconciled to the open items. Bank reconciliations are not documented for the General and Civil accounts. See MAR finding number 7.

7. Senate Bill 40 Board's Controls and Procedures

A. Collateral securities were not pledged by the Senate Bill 40 Board's depositary bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

B. Regular board meeting minutes did not document specific reasons for closing the meeting and some matters discussed did not appear to be in compliance with state law.

C. Annual budgets were not complete and accurate.

Recommendations:

The Senate Bill 40 Board of Directors:

A. Ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

B. Ensure closed meetings are conducted in accordance with state law. In addition, the Board should ensure all final disposition of applicable matters discussed in closed session are recorded in the open meeting minutes.

C. Prepare a complete and accurate budget document.

Status:

A. Implemented.

B. There was no evidence that any closed meetings were held during the audit period.

C. Not implemented. See MAR finding number 9.

STATISTICAL SECTION

History, Organization, and
Statistical Information

WARREN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Warren was named after Joseph Warren, a Revolutionary War Patriot. Warren County is a county-organized, third-class county and is part of the 12th Judicial Circuit. The county seat is Warrenton.

Warren County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 300 miles of county roads and 77 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 14,900 in 1980 and 24,525 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 341.6	317.0	271.8	260.3	97.6	34.8
Personal property	84.8	80.6	73.4	74.9	14.2	8.4
Railroad and utilities	29.3	29.2	28.0	28.4	21.6	7.0
Total	$ 455.7	426.8	373.2	363.6	133.4	50.2

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Warren County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ 0.0754	0.0936	0.0873	0.1035
Special Road and Bridge Fund	0.1715	0.1715	0.1784	0.1776
Senate Bill 40 Board Fund	0.1600	0.1600	0.1600	0.1600

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 139,998	131,763	118,608	109,493
General Revenue Fund	390,638	449,238	374,313	395,439
Special Road and Bridge Fund	805,063	760,750	709,881	653,456
Assessment Fund	300,271	283,250	258,480	189,306
Senate Bill 40 Board Fund	719,971	675,874	603,777	553,035
School districts	17,734,594	16,456,054	14,655,399	13,007,155
Library district	481,309	454,321	423,611	390,429
Ambulance district	1,487,778	1,403,115	1,305,879	1,199,760
Fire protection district	1,865,528	1,753,108	1,627,587	1,487,969
Levee districts	41,576	64,878	64,039	52,858
Hospital	31,414	31,292	29,206	30,577
Junior College	260,707	248,980	219,110	225,870
Cities	933,697	806,328	419,367	383,356
County Clerk	364	414	446	403
County Employees' Retirement	141,482	135,646	131,378	107,926
Tax Maintenance Fund	50,936	48,818	49,165	38,805
Other	3,364	5,648	4,367	2,338
Commissions and fees:				
General Revenue Fund	413,877	386,437	345,019	306,036
Total	$ 25,802,567	24,095,914	21,339,632	19,134,211

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	94.4	94.3	94.3	92.2	%
Personal property	88.8	90.6	91.9	86.2	
Railroad and utilities	100.0	98.7	100.0	99.3	

Warren County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	$ .0050	None	50	%
Capital improvements	.0050	2009	None	
Emergency services	.0050	None	None	
Law enforcement services	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Fred G. Vahle, Presiding Commissioner		31,700	31,700	31,700	31,700
Arden Engelage, Associate Commissioner		29,700	29,700	29,700	29,700
Jim Logan, Associate Commissioner		29,700	29,700		
Ken McLaughlin, Associate Commissioner				29,700	29,700
Barbara Daly, County Clerk		45,000	45,000	45,000	45,000
Michael S. Wright, Prosecuting Attorney		96,000	96,000	96,000	96,000
Kevin Harrison, Sheriff		50,000	51,452		
Michael Baker, Sheriff				50,600	50,600
Gene Cornell, County Treasurer		33,300	33,300	33,300	33,300
Roger R. Mauzy Sr., County Coroner		16,000	16,000	16,000	16,000
Floyd Owenby, Public Administrator		20,000	20,000	20,000	20,000
Linda K. Stude, County Collector, year ended February 28 (29),	45,000	45,000	45,000	45,000	
Wendy Nordwald, County Assessor (1), year ended August 31,		41,610			
Alan Dreyer, County Assessor (2), year ended August 31,		3,955	45,441	45,642	26,610
Michael Sutherland, County Assessor, year ended August 31,					15,740
Robert L. Lewis, County Surveyor (3)		20,404	17,004	16,138	7,466

(1) Includes $688 compensation received from the state.
(2) Includes $688, $765, and $866 annual compensation received from the state in 2005, 2004, and 2003, respectively.
(3) Compensation on a fee basis.

State-Paid Officials:					
Jerri Jordan, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	47,300
Wesley C. Dalton, Associate Circuit Judge		96,000	96,000	96,000	96,000

The County entered into a lease agreement with the Warren County Missouri Public Facilities Authority, a not-for-profit corporation on January 1, 1995. The terms of the agreement called for the corporation to issue bonds to be used to construct the Warren County Justice Center and for the bank to lease the justice center back to the county for payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund from sales tax revenue. The term bonds portion of the original issue was refinanced in December 1998. The bonds are scheduled to be paid off in 2010. The remaining principal and interest due on the bonds at December 31, 2006, was $3,871,659.

Susan Montee, CPA
Missouri State Auditor

December 2007

Seventh Judicial Circuit

City of Smithville, Missouri Municipal Division

Report No. 2007-78

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

An audit was conducted by our office of the Seventh Judicial Circuit, city of Smithville, Missouri Municipal Division.

Receipts totaling at least $29,921 were received by the city of Smithville Municipal Division during the period May 2006 through February 2007, but were not deposited.

The former Court Clerk was hired in May 2006 and terminated on February 27, 2007. The former clerk was charged with three felony counts of stealing on May 7, 2007, after it was discovered by the current Court Clerk that some bond monies received were missing. According to a probable cause statement, the former clerk admitted to stealing between $12,000 and $16,000. She pleaded not guilty on May 9, 2007.

For the period of May 2006 to February 2007, we compared amounts receipted into the city's receipt system by the court to amounts deposited into the court's fines and costs bank account. Checks from the court's bond bank account, totaling $16,121, were deposited into the court's fines and costs account but were not recorded in the city's receipt system. These unrecorded bond checks were included in deposits to the court's fines and costs account, and recorded cash collections of fines and costs, totaling at least $19,980, were not deposited, and apparently were misappropriated. It also appears that recorded fine and cost amounts were altered after receipt slips were issued which allowed additional cash to be withheld from deposits. In addition, cash bonds totaling at least $9,941 were received and not deposited and apparently were misappropriated.

In addition to the missing monies, the current Court Clerk has been unable to locate many court documents, including case files, court dockets, deposit reports, monthly disbursement reports, and bank reconciliations.

Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Clerk's work, allowed these misappropriations to go undetected.

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SEVENTH JUDICIAL CIRCUIT
CITY OF SMITHVILLE, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
Smithville, Missouri

We have audited certain operations of the city of Smithville Municipal Division of the Seventh Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the period November 1, 2006 to April 30, 2007, and the year ended October 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts and attempt to determine the amount of misappropriated funds.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Smithville Municipal Division of the Seventh Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie A. Orlowski

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF SMITHVILLE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	**Missing Funds**

Receipts totaling at least $29,921 were received by the city of Smithville Municipal Division during the period May 2006 through February 2007, but were not deposited.

The former Court Clerk was hired in May 2006 and terminated on February 27, 2007. The former clerk was charged with three felony counts of stealing on May 7, 2007, after it was discovered by the current Court Clerk that some bond monies received were missing. According to a probable cause statement, the former clerk admitted to stealing between $12,000 and $16,000. She plead not guilty on May 9, 2007.

For the period of May 2006 to February 2007, we compared amounts receipted into the city's receipt system by the court to amounts deposited into the court's fines and costs bank account. Checks from the court's bond bank account, totaling $16,121, were deposited into the court's fines and costs account but were not recorded in the city's receipt system. These unrecorded bond checks were included in deposits to the court's fines and costs account and recorded fines and costs cash receipts, totaling at least $19,980, were not deposited, and apparently were misappropriated. It also appears that recorded fine and cost amounts were altered after receipt slips were issued for several checks received during this period, which also allowed cash to be withheld from deposits. In addition, cash bonds totaling at least $9,941 were received by the Court Clerk and not deposited and apparently were misappropriated.

In addition to the missing monies, the current Court Clerk has been unable to locate many court documents including the following: case files, court dockets, deposit reports, monthly disbursement reports, and bank reconciliations.

Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Clerk's work, as discussed in the remainder of the Management Advisory Report (MAR), allowed these misappropriations to go undetected.

WE RECOMMEND the city of Smithville Municipal Division, along with the city, work with law enforcement officials regarding criminal prosecution, including restitution of the missing funds, and attempt to locate or recover the missing court records and documents.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Administrator responded:

We agree and will fully cooperate with law enforcement officials to get this matter resolved.

2.	**Receipt Procedures**

A. Receipt slips were not issued for some monies received, some receipt amounts were changed after the receipt slip was issued, and the numerical sequence of receipt slips issued prior to March 2007 could not be accounted for. In addition, the composition of receipt slips issued is not compared to the composition of deposits.

Receipt slips are not issued when checks are written from the court's bond bank account and deposited to the court's fines and costs account. Furthermore, controls within the receipting system allowed some receipt amounts to be altered in the receipt system after issuance. These alterations made it appear that a lesser amount was received. The court uses the Incode system for processing payments, but the former clerk did not issue receipt slips from the Incode system, but rather used the city's receipt system that is shared by various other departments within the city. Because of the various users of the city's receipt system, it was not possible to account for the numerical sequence of receipt slips issued for payments made to the court. Payments would be manually posted to the court's Incode system by the former clerk after being receipted through the city's receipt system. The deposit report prepared from the city's receipt system typically did not agree to the amount deposited, which went undetected due to the lack of supervisory review over the Court Clerk's functions.

We obtained the deposit detail from the bank for deposits made during December 2006 by the former clerk and determined that three checks from the court's bond account, totaling $4,561, were not receipted but were included in deposits. This allowed recorded cash receipts, totaling $2,682, to be misappropriated. The difference of $1,879 was caused by not depositing other recorded checks, but instead holding them to substitute into subsequent deposits and depositing more money in the bank than was recorded. Deposits made in December 2006 exceeded recorded receipts for that period by approximately $650. The composition of deposits did not agree to the deposit reports for any deposits made in December 2006, and the total amount deposited did not agree to the total amount received for 3 of the 4 deposits made that month. These discrepancies were not identified by any court or city personnel.

To adequately account for all monies received, receipt slips should be issued for all monies received, and the composition of receipt slips should be reconciled to

the composition of deposits. In addition, the numerical sequence of receipt slips should be accounted for periodically.

B. Receipts were not deposited intact on a timely basis, and deposit slips did not include sufficient detail to indicate the individual receipts making up each deposit.

The deposit frequency for fines and court costs significantly decreased in June 2006. Prior to that time, an average of 22 deposits were made each month to the fines and costs account, and these deposits averaged approximately $1,200. Between May 2006 and February 2007, the average number of deposits decreased to approximately 8 per month, and the average deposit amount increased to over $2,900. From September 2006 to February 2007, there were only four deposits made to the bond account, averaging approximately $2,800, with no deposits to the bond account in November 2006 and February 2007.

Additionally, it appears that beginning in June 2006, there was often a 10 to 14 day time lag between the receipt and deposit of funds. For example, the deposit report for a deposit made on November 15, 2006, showed the receipts were posted on November 1, 2006, and the deposit made December 5, 2006, showed the receipts were posted on November 13-15, 2006. Based on our review of deposit information provided by the bank for deposits made in December 2006, the checks included in the deposits did not always agree to the checks recorded on the deposit report prepared from the receipt database.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily.

C.1. Fines and court costs received were not distributed to the city or state, as applicable, in a timely manner, and for at least one month it appears no amounts were distributed. Failure to pay out fines and costs collected to the appropriate parties deprives the city and state of revenue due them. Section 479.080, RSMo, states that all fines and court costs shall be paid to and deposited monthly into the city treasury. State law also requires certain court costs be distributed to the applicable state agencies on a monthly basis.

2. Interest income earned related to various court bank accounts was not turned over to the city. Instead, it is retained in the municipal division's bank accounts and used to order new checks and replenish petty cash. Accumulated interest should be periodically turned over to the city treasurer for deposit in the city's general account. All court operating expenses should be approved by the board of alderman and paid by the city.

WE RECOMMEND the city of Smithville Municipal Division:

A. Issue receipt slips for all monies received and periodically account for their numerical sequence. In addition, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

B. Deposit receipts intact daily or when accumulated receipts exceed $100, and ensure deposit slips include sufficient detail to indicate the individual receipts making up the deposit.

C.1. Ensure fines and court costs are transmitted to the appropriate parties at least monthly as required by state law.

2. Interest income should be periodically turned over to the city treasurer for deposit in the city's general account, and all costs related to court operations should be paid by the city.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

A&B. These recommendations have been implemented.

C.1. We agree and have implemented the recommendation.

2. The city and court have complied with this recommendation.

3. Internal Controls and Records

A. The duties of receiving, recording, depositing, and disbursing court receipts were not adequately segregated, and the work of the Court Clerk was not adequately reviewed.

The Court Clerk performed all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provided any supervision or review of the work performed by the Court Clerk until March 2007. At that time, procedures were changed due to the discovery of the missing funds discussed in MAR finding number 1 earlier in this report. The City Clerk now compares the receipt slips issued to deposited amounts and documents these reviews, but her reviews of bank statements and bank reconciliations are not documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited and an independent review of bank statements and reconciliations. Any unusual items or discrepancies should be investigated and resolved promptly.

B.1. Formal bank reconciliations were either not prepared on a timely basis or were not prepared and reconciled to the cash control. Furthermore, these reconciliations included reconciling items which did not represent actual transactions.

Between May 2006 and February 2007, we noted some instances when bank reconciliations were never performed, and many instances when bank reconciliations were not performed timely. Also, the March and April 2007 bank statements were not reconciled until June 2007.

Bank reconciliations for most court accounts contained outstanding checks and deposits which did not represent actual transactions, making the reconciliation process meaningless. Between May 2006 and April 2007, some deposits were posted to the cash control that were not deposited and disbursements were recorded but no check was issued. In addition, there were receipts and disbursements that cleared the bank that were not posted to the cash control. As a result of these errors, as of April 30, 2007, the cash balance on the cash control for the bond account was overstated by $5,792; the cash control balance for the credit card account was overstated by $1,425; and the cash control balance for the fines and costs account was understated by $12,157. Because of the errors and misrepresentations related to these accounts, two new accounts have been opened and efforts have been made to improve the recordkeeping and reconciliation processes.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with the bank account and to detect errors on a timely basis.

2. Monthly listings of open items (liabilities) were not prepared and reconciled to the available cash balances for five court accounts, including the old and new bond accounts, old and new fines and costs accounts, and a credit card payments account.

Monthly listings of open items should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities. An attempt needs to be made to identify these balances, disburse the balances to the appropriate parties, and close the accounts.

3. The court does not account for the numerical sequence of checks. Checks were not always issued in numerical order and voided checks were not always recorded in the cash control records. In addition, not all voided checks are mutilated and maintained.

   To ensure all checks are accounted for properly, the numerical sequence of all checks should be accounted for and all checks should be issued in numerical order and entered into the computer system, including voided checks. In addition, all voided checks should be mutilated and retained.

C. Some cases are not reported on the court docket. In addition, the Municipal Judge does not sign the court dockets. The Court Clerk disposes of violation bureau (VB) cases on the date the monies are received. As a result, these cases fail to appear on the court docket for the judge's review. Furthermore, the court bailiff takes notes during court for the judge and signs the court docket on the judge's behalf.

   Section 479.070, RSMo, requires the proceeding for every case commenced before the court to be entered on the docket, along with the ultimate disposition of the case. To ensure the proper disposition of all cases has been entered in the court records, the judge should sign the dockets after reviewing to ensure their propriety.

WE RECOMMEND the city of Smithville Municipal Division:

A. Establish a documented periodic review of municipal division records by an independent person.

B.1 Prepare monthly bank reconciliations in a timely manner and correct errors in the cash control to allow the accounts to reconcile to the bank balance.

2. Prepare monthly open items listings and reconcile these listings to monies held in trust. In addition, the court should attempt to identify the balances remaining in the old bond account, old fine account, and credit card account and distribute amounts to the appropriate parties.

3. Account for the numerical sequence of checks issued and ensure voided checks are properly mutilated and retained.

C. Include all cases on the court docket as required by state law. Furthermore, the Municipal Judge should review all court dockets for propriety and sign the dockets.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

A. The court complied by creating an independent review and sign off by the City Administrator or City Clerk.

B.1. This recommendation has been implemented.

2. The court has complied.

3. The court has implemented this recommendation.

C. The Municipal Judge will review and sign all court dockets as recommended.

4. Bond and Ticket Accountability

A. The bond log maintained by the police department is not complete and accurate, and a reconciliation of bonds received to bonds deposited is not performed. The bond log does not include bond monies received from other political subdivisions nor does it include the disposition of the bonds, including the date the bond was disposed, refunded, or transmitted to the city. Neither the police department nor the Court Clerk accounted for the numerical sequence of the bond forms nor was there an independent reconciliation of bonds collected by the police department to the bonds deposited by the Court Clerk. Bond payments are collected by the police department, recorded on a prenumbered bond form and posted to the bond log, and placed in a lock box for the Court Clerk.

By failing to reconcile amounts recorded in the bond log to deposits in the bond account, numerous cash bonds were not deposited and were apparently stolen, as discussed earlier in this report. Numerous bonds posted in the log had incomplete data, did not agree to the actual bond form, or could not be traced to a deposit in the bond account. In addition, voided bond forms were not properly accounted for and retained.

To improve accountability over bonds received by the court and to help in the preparation of the bond open items list, all bonds received should be accurately recorded in the bond log and the bond log should document the date the bond is deposited, and the ultimate disposition of each bond. In addition, the numerical sequence of bond forms should be accounted for and voided bond forms should be recorded on the bond log and all copies of the defaced bonds should be retained. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, an independent reconciliation of bonds collected by the police department to the bonds deposited by the Court Clerk should be performed.

B. Neither the police department nor the municipal division had adequate procedures to account for the numerical sequence of traffic tickets. The court assigns each sequence of traffic tickets a number and tracks the sequence assigned to each officer. The Incode system is capable of tracking the numerical sequence of tickets entered into the system, but this control was disabled when the former clerk failed to enter the entire ticket number into the system when posting them. As a result, the status report prepared by the Incode system indicated all tickets assigned as missing.

Without a proper accounting of the numerical sequence of traffic tickets, the municipal division cannot be assured that all tickets are properly submitted to the court for processing.

WE RECOMMEND the city of Smithville Municipal Division:

A. Accurately post all bonds received, as well as the ultimate disposition of each bond, to the court's bond log and account for the numerical sequence of all bond forms issued. Voided bond forms should be recorded on the bond log and all copies of the defaced bonds should be retained. In addition, an independent reconciliation of bonds collected by the police department to the bonds deposited by the Court Clerk should be performed.

B. Work with the police department to ensure the numerical sequence of all traffic tickets issued can be accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

A. We agree. A new form for bond posting has been implemented that requires a police officers' signature. Bond tracking will be much more efficient with the implementation of the new court accounting software.

B. This recommendation has been implemented by establishing a review of traffic ticket sequences with the police department.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SEVENTH JUDICIAL CIRCUIT
CITY OF SMITHVILLE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Smithville Municipal Division is within the Seventh Judicial Circuit, which consists of Clay County. The Honorable Michael J. Maloney serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	J. Michael Murphy
Court Clerk	Jeanette Chastain *
City Clerk	Judy Clough
City Administrator	Gerry A. Vernon

* Hired in March 2007 to replace Donna Hamilton, who served as Court Clerk from May 2006 to February 2007. Jeanette Chastain also served as Court Clerk prior to April 2006.

Financial and Caseload Information

	Year Ended October 31,	Period Ended April 30,
	2006	2007
Receipts	$354,652	$130, 794
Number of cases filed	4,178	1,339

Susan Montee, CPA
Missouri State Auditor

December 2007

Thirteenth Judicial Circuit

City of Auxvasse, Missouri Municipal Division

Report No. 2007-77

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Auxvasse, Missouri Municipal Division.

The city of Auxvasse Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The former City Clerk/Court Clerk commingled court monies with city funds. Receipts totaling at least $1,500 were recorded in the city's water, sewer, and trash billing system for January 2006 but were not recorded on the city's cash receipt ledger and deposited. In addition, some monies were deposited to the wrong account and other monies were not properly recorded and deposited. The amount of cash included with some court deposits was less than the recorded cash collections on the court's receipt records. Some city receipts were not recorded, but were deposited and apparently substituted for recorded court receipts. The former City Clerk/Court Clerk was terminated in September 2006. Commingling city and court funds, not depositing intact and timely, the lack of an independent review of the City Clerk/Court Clerk's work, and other internal control weaknesses allowed some misappropriations to occur and not be detected.

Duties are not adequately segregated. Also, a ledger or listing of bonds received and disbursed is not maintained, and a listing of open items is not prepared periodically and reconciled to the book balance. A control ledger showing the total amounts owed by defendants is not maintained.

The schedule of fines and court costs to be collected did not include all applicable offenses and included incorrect information for seat belt violations. In addition, some Crime Victim's Compensation and Peace Officer Standards and Training Commission fees are not turned over to the state monthly. Finally, Judicial Education Fund monies are not accounted for properly.

The Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets. Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the Municipal Division and the Police Department cannot be assured that all tickets assigned and issued are properly submitted to the division for processing.

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THIRTEENTH JUDICIAL CIRCUIT
CITY OF AUXVASSE, MISSOURI
MUNICIPAL DIVISION

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HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION 12-13

STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Municipal Judge
Auxvasse, Missouri

We have audited certain operations of the city of Auxvasse Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

4. Investigate irregularities noted regarding cash receipts and deposits.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions.

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However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by November 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Auxvasse Municipal Division of the Thirteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Heather Stiles, CPA
	Liang Xu

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTEENTH JUDICIAL CIRCUIT
CITY OF AUXVASSE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Missing Funds

Receipts totaling at least $1,500 were recorded in the city's water, sewer, and trash billing system for January 2006 but were not recorded on the city's cash receipt ledger and deposited. In addition, some monies were deposited to the wrong account and other monies were not properly recorded and deposited.

The former City Clerk/Court Clerk commingled court monies with city funds. Because the division's receipts were commingled with city funds and several discrepancies were discovered between the division's receipt records and the monies deposited, we reviewed other city accounts to determine if court receipts were properly deposited. During our review, we noted the following concerns:

- Court monies were commingled with city funds and deposited together; as a result, receipts were not deposited intact. The city maintains several accounts including the General Fund account and the Combined Waterworks and Sewage System account. Court receipts should have been deposited to the General Fund account. However, because collections related to court transactions and other city operations were commingled, court monies were frequently deposited into the Combined Waterworks and Sewage System account. Therefore, in an attempt to account for all court collections, we reviewed additional deposits of city funds to the various accounts.
- The amount of cash included with some court deposits was less than the recorded cash collections on the court's receipt records. This was apparently the result of some other city related collections being included in the actual deposit and some recorded court cash collections not being deposited as indicated. The ultimate disposition of this cash that was not deposited could not be determined.

- Some city receipts were not recorded, but were deposited and apparently substituted for recorded court receipts. For example, the October 26, 2005 deposit slip indicated $1,742 in court receipts and $124 for trash collection. However, information received from the bank indicated the deposit actually included $513 of water, sewer, and trash collections, a check for $600 from the sale of a dump truck that was not recorded in the city's receipt records, and $753 of court receipts. Only $558 of the undeposited court receipts of $989 ($1,742 less $753) was found to have been included in later deposits.

- Court receipts were recorded in the "one-write" receipting system and the total per the "one-write" record agreed to the total noted on the deposit slip. However,

information received from the bank regarding the October 26, 2005 deposit indicated checks and money orders totaling $431 recorded as received by the court were not included in this or any later deposits that we reviewed.

- Some receipts were recorded to the city's water, sewer, and trash billing system, but were not deposited. For example, the billing system indicated that at least $1,500 was paid for January 2006 water, sewer, and trash billings but it appears these monies were not recorded on the city's receipt ledger and were not included in the amounts deposited. We did not audit or review all city functions and collections; as a result, the extent that city collections may have been recorded but not deposited was not determined.

The former City Clerk/Court Clerk was terminated in September 2006. During September 2006, the city hired a part-time City Clerk and a part-time Deputy City Clerk/Court Clerk.

Commingling city and court funds, not depositing intact and timely, the lack of an independent review of the City Clerk/Court Clerk's work, and other internal control weaknesses allowed these misappropriations to occur and not be detected. After the former City Clerk/Court Clerk was terminated, court monies are no longer commingled with city monies and deposits are made more timely. However, other controls and procedures are still in need of improvement, as discussed in the remainder of this Management Advisory Report.

WE RECOMMEND the city of Auxvasse further investigate the financial records of the city to determine the extent of missing funds and work with law enforcement officials in an attempt to recover these missing funds and to pursue criminal prosecution if necessary. In addition, the city should ensure employees continue to follow the improved practices that have been established.

AUDITEE'S RESPONSE

The City Supervisor provided the following response:

The City Council will meet to discuss this matter. The city will investigate a few more months with city personnel. They will then determine to what extent further investigation and prosecution is needed.

2. Accounting Controls and Procedures

Controls over the recording of various city revenues are poor and have allowed some apparent misappropriations to go undetected. Duties are not adequately segregated. A ledger or listing of bonds received and disbursed is not maintained, and a listing of open items is not prepared periodically and reconciled to the book balance. A control ledger showing the total amounts owed by defendants is not maintained.

A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions. The former Court Clerk performed all the duties related to the collection, depositing, and recording of fines and court costs received. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provided any supervision or review of the work performed by the Court Clerk. After the prior Court Clerk was terminated, the city hired two part-time employees. Currently, one employee collects receipts, records receipts on the manual receipt ledger, and prepares and makes the deposits, while the other employee enters the receipts into the financial computer system records. While this allows more segregation of duties than before, the collecting, depositing, and some recording functions are still performed by the same person with no independent review.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

B. Bond monies received by the court are deposited into the city's general account. Separate records of the bonds deposited, disbursed, and held in the general account were not maintained prior to May 2007. The records initiated in May 2007 only included bonds received from October 2006 to May 2007. The listing does not include a running balance that can be reconciled to the city's accounting records. In addition, bonds disbursed were not removed from the listing, making it appear more bond money was being held than was actually in the account.

A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. In addition, the bond ledger should be reconciled to the bonds held in trust to ensure all transactions involving bonds have been properly handled.

C. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time. Prior to May 2007, no system was in place to track the amounts owed the court. After May 2007, two separate ledgers have been maintained. These two ledgers show the amounts due, payments made, and the balance for each defendant who owes money to the municipal division. Payments received are recorded on a payment sheet maintained in each individual case file. In addition, a separate payment sheet is maintained in a master file that includes copies of payment sheets for all monies owed to the court. These two separate ledgers could lead to confusion or payments being posted incorrectly and do not allow the court to maintain a running balance of amounts owed.

A comprehensive control ledger showing the total amounts owed by defendants may help to ease the administrative burden of maintaining two separate ledgers and would allow the municipal division to properly monitor the amounts due and ensure deferred payments are processed correctly.

WE RECOMMEND the city of Auxvasse Municipal Division:

A. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies noted should be investigated promptly.

B. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. In addition, the division should prepare and maintain monthly listings of open items to document the reconciliation of these listings to monies held in trust.

C. Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.

AUDITEE'S RESPONSE

The Municipal Judge, the City Supervisor, and the Court Clerk provided the following responses:

A. The City Supervisor will perform a documented review of the amount and composition of deposits and will deposit the monies.

B. The Court Clerk has implemented this recommendation.

C. Payments will be recorded on the comprehensive control ledger and documented in each case file for the judge's information.

3. Fines, Court Costs, and Fees

The schedule of fines and court costs to be collected did not include all applicable offenses and included incorrect information for seat belt violations. In addition, some Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly. Finally, Judicial Education Fund monies are not accounted for properly.

A. The posted schedule for the violation bureau (VB) indicates court costs and a $15 fine will be assessed for each seat belt violation. Section 307.178.5, RSMo, states a fine not to exceed $10 may be imposed and no court costs shall be imposed on any person for a seat belt law violation.

B. The posted schedule of fines and court costs to be collected at the VB does not include all applicable offenses which can be paid at the VB. The division's fee schedule did not contain a fine for violating the ordinance of animal running at large. The court should take appropriate action to ensure all applicable offenses to be paid at the VB are included on the schedule.

Section 479.050, RSMo, states that a VB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the VB by court order, to designate a VB Clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the VB.

C. CVC and POSTC fees are assessed and collected by the division for violations of municipal ordinances in accordance with state law; however, some of these fees are not properly remitted to the state. The fees collected on bonds that are ordered to be distributed are not remitted to the state. Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly.

D. The division collects an additional $1 per case for the Judicial Education Fund. Section 479.260.1, RSMo, allows judicial education fees to be assessed in lieu of other court costs and deposited into a fund to be used for judicial education and training of the Municipal Judge, Court Administrator, or Court Clerk. Judicial education fees collected by the court are deposited into city funds and not accounted for separately. Without a proper accounting of the judicial education fees collected, it cannot be determined whether the monies have been expended only for the purposes allowed by state law.

WE RECOMMEND the city of Auxvasse Municipal Division:

A. Assess fines and court costs in accordance with state law.

B. Ensure the VB schedule includes the amount of fines and court costs for every offense which can be paid at the VB.

C. Ensure CVC and POSTC fees are remitted to the state when bonds are distributed.

D. Assess and account for judicial education fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge, the City Supervisor, and the Court Clerk provided the following responses:

A. The VB schedule will be corrected to $10 and no court costs.

B. We will review the schedule to ensure all applicable offenses to be paid at the VB are included.

C. The city is now in compliance.

D. The city will collect a $1 judicial education fee and account for it as required.

4. Ticket Accountability

The Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets. The Police Department tracks the ticket numbers assigned to each officer, but no one accounts for the tickets once they are issued, voided, or destroyed. Police officers return their tickets to the Chief of Police for review. Tickets issued are entered into the ticket tracker computer program and turned over to the Municipal Division or state court. However, voided tickets are not entered into this program. Although tickets are entered into the ticket tracker program, the Police Chief indicated there is no easy way to account for the numerical sequence of tickets issued using this program. In addition, the final disposition of tickets was not submitted to the Police Department so it could be documented in the ticket tracker program.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the Municipal Division and the Police Department cannot be assured that all tickets assigned and issued are properly submitted to the division for processing. A log listing each ticket number, the date issued, and the violator's name would ensure all

tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Auxvasse Municipal Division work with the Police Department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Municipal Judge, the City Supervisor, and the Court Clerk indicated that the Court Clerk and the Police Chief will coordinate to ensure tickets are accounted for.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF AUXVASSE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Auxvasse Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Robert Fenlon
Deputy City Clerk/Court Clerk	Kristin Edwards*
City Clerk	Missy Hooks*

* Kristin Edwards and Missy Hooks were hired in September 2006 to replace Lisa Brandenburg. Missy Hooks resigned in December 2007.

Financial and Caseload Information

	Year Ended December 31,	
	2006	2005
Receipts	$9,576	13,014
Number of cases filed	119	143

Susan Montee, CPA
Missouri State Auditor

December 2007

Pulaski County Sewer District #1

Report No. 2007-76

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

The following findings were included in our audit report on the Pulaski County Sewer District #1.

The Pulaski County Sewer District #1 (PCSD) maintains three separate computerized accounting systems. These systems are not linked, resulting in additional manual data entry and manual record-keeping, as well as some duplication of effort. One of the three systems is maintained by a certified public accountant whose services were obtained in 2006 after the Board of Trustees began questioning the accuracy of the information and reports provided by the former operations manager. The accountant also compiles the district's financial statements and was subsequently appointed board treasurer in December 2006.

While district records have improved, maintenance of three separate accounting systems appears to be inefficient and increases the overall expense of maintaining accounting records, and increases the risk of inaccurate records. The PCSD should review its overall accounting records and procedures and work toward establishing a system that meets all the district's needs in the most economical way.

The 2007 sewer rate calculations included errors and omissions and were not consistent with suggested guidelines and methodology developed by the Department of Natural Resources. As a result, it appears about 54 percent of customers' monthly bills were too high and about 46 percent were too low if the suggested rate-setting methodology had been used correctly. The rate calculations did not include beginning available resources and were not consistent with some budgetary decisions of the board. The PCSD did not make adjustments to customers' bills based upon the average winter water consumption as required by board policy, and did not provide public notice that a rate adjustment would be considered during the board meeting in December 2006.

The district's annual budgets do not include some information required by state law. The 2007 annual budget did not include planned capital improvement expenses of $3.5 million, and the budgeted debt service expense was overstated by more than $117,000 or 28 percent. The incorrect budgeted amount for debt service expenditures contributed to the problems while setting the 2007 sewer rates.

The PCSD does not maintain an accurate listing of customer deposits received, held, or refunded and does not have written policies and procedures for the handling of customer deposits. At April 30, 2007, the balance of customer deposits held as reported in the billing system exceeded the bank account balance by $14,747, and neither the billing system balance nor bank account balance agreed with the customer deposit general ledger liability account.

(over)

The PCSD does not maintain a complete and accurate listing of sewer impact fees paid by and due from customers and does not have comprehensive written policies and procedures for the imposition and collection of sewer impact fees. The PCSD established a sewer impact fee (SIF) of $1,000 when the district was formed in 1989, to be paid by property owners when making a connection to the district's central collection system. The district's detailed listing of SIF receipts does not agree to the district's accounting records, resulting in a difference of $162,000 between the two records. The detailed listing also included 174 addresses with a total amount due of over $208,000 and over 1,100 addresses for which neither an amount paid nor amount due was listed. Developers are charged a lower SIF rate but the district has not established written criteria that the developer must meet to qualify for the lower rate. The PCSD increased the SIF to $1,500 per household effective January 1, 2007, but did not perform any cost analysis to support the amount of the fee increase.

The PCSD does not have comprehensive procedures for the recognition, collection, and accounting of overdue customer accounts. The PCSD does not utilize all available means to collect overdue accounts or take timely action to collect such accounts, and does not write off bad debts when collection is unlikely. The district does not require management or board approval for adjustments to customer accounts. From January through May 2007, the PCSD recorded 1,049 adjustments, increasing the accounts receivables by a net of $16,005.

At December 31, 2006, the PCSD maintained 17 bank accounts and two certificates of deposit at four different banks with a total balance of over $1 million, resulting in receipts not being deposited intact and creating unnecessary additional bookkeeping responsibilities. The district does not solicit bids for banking services and it appears interest earnings on district funds have not been maximized. During 2006, it appears the district could have earned an additional $20,000 in interest if the district had invested its available funds in higher yielding certificates of deposit.

The PCSD reported net capital assets of $8.79 million at December 31, 2006. The PCSD has not developed a comprehensive long-term maintenance program for critical collection system and treatment plant components and does not maintain a complete listing of capital assets. The PCSD does not maintain parts and supplies inventories on a perpetual basis, does not maintain vehicle usage and maintenance logs, and sold a vehicle to an employee without soliciting bids.

The district does not have formal bidding policies. Additionally, the PCSD spent $69,068 in 2006 for professional services including engineering, legal and accounting, but did not solicit proposals or requests for qualifications. The district paid $4,706 for items purchased for a local contractor's business but did not seek reimbursement for the items.

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PULASKI COUNTY SEWER DISTRICT #1

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Board of Trustees
Pulaski County Sewer District #1

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Pulaski County Sewer District #1. The district engaged Verkamp & Malone, LLC, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the district included, but was not necessarily limited to, the year ended December 31, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide

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reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in the audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Pulaski County Sewer District #1.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Dennis Lockwood, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

PULASKI COUNTY SEWER DISTRICT #1
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting System and Records

The Pulaski County Sewer District #1, (PCSD), does not have a centralized comprehensive accounting system and maintains three separate computerized systems. These systems are not linked resulting in additional manual data entry and manual record-keeping, as well as some duplication of effort.

The district's billing system is a commercial software program designed for small utility companies. That system has the capability to process the receipt of utility payments, including late charges, administrative fees, and customer deposits, but not other miscellaneous revenues such as sewer impact fees, sales of certain sewer supplies, and inspection and permit fees. The billing system also is used to process the monthly utility bills and track accounts receivables and overdue accounts, but is not linked to the district's overall accounting system. Receipt summaries obtained from the billing system are manually posted to the main accounting system; however accounts receivable information is not posted to that overall main accounting system.

The main accounting system is a commercial accounting software program. The operations manager and office clerks have access to the system and the operations manager usually posts the transactions. The system can produce standard reports for account balances, transaction listings, and financial reports, including statements of activities and statements of net assets. While it appears the cash, revenue, and expenditure accounts are accurately maintained by the system, other assets such as accounts receivables and capital assets, and liabilities such as customer deposits are not.

In 2005, the Board of Trustees began to question the accuracy of the information and reports that were provided by the former operations manager. The board obtained the services of a certified public accountant to review the accounting records, and the board directed him to establish the district's official accounting records on a system maintained at his office and to provide monthly reports and perform monthly bank reconciliations for the board. The PCSD continues to post revenue and expenditure transactions to their main accounting system, and summary information is provided to the accountant for posting to the district's official accounting system. The accountant also compiles the district's financial statements and was paid about $16,600 for his services in 2006, which included reviewing 2005 district accounting records. This individual was appointed board treasurer in December 2006.

Our review of the district's accounting records and procedures noted the lack of adequately detailed records for capital assets, goods for resale and spare parts inventory, accounts receivables for sewer impact fees, and a detailed listing of customer deposits held, as well as other concerns with the accounting records and procedures. The related

findings are detailed in the following sections of the Management Advisory Report (MAR).

While it appears the district has made progress since 2004 toward maintaining complete and accurate accounting records, maintenance of three separate accounting systems (including the billing system) appears to be inefficient and increases the overall expense of maintaining accounting records, and increases the risk of inaccurate records. The PCSD should review its overall accounting records and procedures and consider establishing one comprehensive accounting system that could be maintained by properly trained PCSD employees as part of their normal duties.

WE RECOMMEND the Board of Trustees review the district's overall accounting records and procedures and work toward establishing a system that meets all the district's needs in the most economic way.

AUDITEE'S RESPONSE

We will seek a utility accounting package and look into the integration of our current software. The Treasurer is converting his files to be compatible with the files maintained at the district.

2. Sewer Rates

The 2007 sewer rate calculations included errors and omissions and were not consistent with suggested guidelines developed by the Department of Natural Resources. The rate calculations did not include beginning available resources and were not consistent with some budgetary decisions of the board. The PCSD did not make adjustments to customer's bills based upon the average winter water consumption, as required by board policy. The PCSD did not provide public notice that a rate adjustment would be considered during the board meeting in December 2006.

The PCSD established sewer rates for calendar year 2007 in December 2006. The base rate was set at $25.29 per month per home equivalent unit, and the volumetric rate was set at $3.42 per 1,000 gallons of water volume. Rates for large commercial and multi-unit rental customers vary from the above rates.

A. The district's consulting engineer, based upon guidance from the board and management, prepared the 2007 rate calculation. The methodology used was based in part upon methodology suggested by the Department of Natural Resources (DNR) when a sewer utility is participating in the state revolving loan program. We contacted DNR officials and obtained an understanding of the suggested methodology. Our review of the district's 2007 rate calculations noted the following concerns:

    1. The PCSD used 1,975 as the number of billable accounts when calculating the base rate. While that was slightly less than the number of active

accounts in the PCSD billing system, there were, as of May 2007, about 2,596 home equivalent units for which a base charge was being collected. This difference is the result of accounts having more than one residential unit, such as duplexes, apartment complexes, and trailer courts.

The PCSD used debt service costs per the 2007 approved budget of $530,979 when calculating the base rate; however, the actual 2007 debt service costs to be incurred by the district per bond payment schedules were only $413,697. The suggested methodology is to use 110 percent of actual debt service costs in the rate calculation. As a result, the amount used for debt service costs in the rate calculation was $75,912 higher than the amount recommended by the DNR methodology.

Using 2,500 home equivalent units and the suggested amount for debt service, it appears the base rate should have been set at $17.45, which is $7.84 lower than the base rate set by the PCSD.

2. The PCSD set the volumetric portion of the user charges at $3.42 per 1,000 gallons of water usage. This was based upon estimated costs of $879,940 and an annual usage volume of over 202 million gallons. Based on these figures, the rate should have been calculated at $4.35 per 1,000 gallons, but the engineer apparently changed some of the formulas in the DNR suggested methodology.

   Included in the estimated costs was a percentage of debt service costs totaling $92,390, and billing and collection costs totaling $68,350, both of which were already included in the base rate calculation. In addition, the PCSD reported $87,000 in other revenues that were estimated to be available to cover operational costs, but did not reduce the total estimated costs by this amount. As a result, the total estimated costs for setting the volumetric rate appear to be overstated by $247,740.

   The PCSD determined the total annual water volume for rate-setting purposes was approximately 202 million gallons based upon 1,975 home equivalent units at 7,200 gallons per month, with higher amounts for commercial businesses. The 7,200 gallons is based on an average usage of 65 gallons per day per person with an average household of 3.7 people and 30 days per month. However, the board-approved method is to base the volume upon average monthly usage during the winter months of November, December, and January. Based upon the 2006-2007 winter consumption period usage obtained from the water districts and the actual adjustments made by the PCSD in April 2007 to customer billings, it appears the PCSD will bill for about 130 million gallons of usage over a 12 month period, an average of 4,328 gallons per month per home equivalent unit. The PCSD obtained winter water usage amounts each

year since 2003, but had not determined the total water volume for billing and rate-setting purposes.

We used the DNR rate calculation methodology, correcting the calculation for the estimated costs, improperly changed formulas, and billable volume, and it appears the volumetric rate should have been set at $4.88 per 1,000 gallons, which is $1.46 per 1,000 gallons higher than the volumetric rate set by the PCSD.

Using the district's 2007 rate calculations, the district-estimated average monthly bill would be $48.55, and the budgeted sewer fee revenue for 2007 would be $1,156,000 based on 1,975 billable units. However, based on actual billings for October 2007, the average bill per single-family unit was only $39.89, apparently due to the district adjusting billable volume in April 2007 as described in Part C below. Had the average bill stayed at $48.55 for the approximately 2,500 actual billable units, the district would have generated about $1,450,000 in sewer fee revenue in 2007. Based on sewer revenues for the first six months of 2007, the projected revenue for 2007 is $1,217,000, or about $61,000 more than budgeted. Using the suggested DNR methodology based upon 2,500 home equivalents, corrected estimated costs, and corrected billable water volume, it appears the average monthly bill should have been $38.57, which would have resulted in estimated annual revenue of $1,157,000.

In addition to the potential impact on operating income, the methodology used by the PCSD resulted in about 54 percent of all customers, those billed for less than 5,400 gallons per month, paying higher sewer bills than if the district had used the suggested methodology, while the other 46 percent of customers would have paid more under the suggested methodology. To ensure fair and equitable treatment of sewer customers and to ensure the rates are set at a reasonable level to cover district operating costs, the PCSD should review its current rate-setting methodology and ensure reasonable and accurate estimated costs, water usage volume, and number of customers are used when setting the rates.

B. The board did not consider any beginning available resources when determining the 2007 sewer rates. At December 31, 2006, the district had $788,000 that was not restricted by the various bond covenants. The board apparently considers some of this money restricted or held for future repair, replacement, or system expansion projects; however, the board has not adopted any resolutions formally restricting the availability of those funds.

When adopting the 2007 budget, the board approved using $150,000 of the available funds to pay debt service expenses; however, the PCSD did not reduce estimated debt service expenses when calculating the rates. Reducing estimated debt service costs by $150,000 would have reduced the base rate by $5 per month per customer, using DNR suggested methodology and 2,500 home equivalent

units. The board should consider all available resources when setting the rates, and ensure the rates are set in accordance with budgetary decisions of the board.

C. The district has not made annual adjustments to customers' bills based on annual winter water usage, as required by board policy. Prior to 2003, the district charged a flat monthly fee to most customers based upon the type of customer (residential and commercial) and service area. In 2003, the district changed to a rate structure that includes a base rate and a usage factor, as described above. The PCSD had obtained winter water usage information from the local water districts since 2003, but had not made any adjustments to billings until April 2007.

To ensure customers are treated fairly and in accordance with board policy, the PCSD should ensure customers' bills are adjusted annually for the actual amount of winter water consumption.

While performing the April 2007 water volume rate adjustment, district personnel noted several water district customers located within areas served by the district that did not have a district sewer account. Those persons were contacted to determine if the residence or building was hooked into the PCSD sewer system. It appears some residences and buildings had been hooked into the system for several months or even several years without the PCSD being aware that services were being provided. Additionally, some of those hookups had been made without payment of the sewer impact fee. It appears the district could have discovered these errors on a more timely basis had it compared the water district listings to its customer listings since 2003. The PCSD should continue to review the annual water usage reported by the local water districts to identify system users who have not established customer accounts with the PCSD.

D. Neither the tentative agenda listed on the public notice for the board meeting of December 19, 2006, nor the final agenda handed out at the start of the meeting included notice that the user rate ordinance would be discussed. Under Section 610.020, RSMo, the Sunshine Law, all public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of matters to be considered. The tentative agenda also did not include notice regarding a resolution revising sewer impact fees or discussion and a resolution to adopt the 2007 budget. The PCSD should ensure notices of public meetings include a tentative agenda that accurately advises the public of matters to be considered.

WE RECOMMEND the Board of Trustees:

A. Ensure the rate setting methodology suggested by DNR is used correctly, and ensure the number of users, estimated costs, and billable water volumes used in the rate calculations are reasonable.

B. Consider all available resources when setting the sewer rates and ensure rates are set in accordance with the budgetary decisions of the board.

C. Ensure the annual winter consumption adjustments are made as required by board policy. In addition, the PCSD should continue to review the water usage reports obtained for local water providers to identify system users who have not established accounts with the PCSD.

D. Ensure the tentative meeting agendas more accurately reflect the matters to be discussed by the board.

AUDITEE'S RESPONSE

A. We will follow DNR guidance more closely, recognizing that guidance is not a mandate. Procedures are already in place in the office to produce more accurate information.

B. We are incorporating this recommendation into the 2008 budget process.

C. This recommendation was already in effect in 2007 and we will continue to make annual adjustments for winter consumption.

D. We have been doing a better job of including a tentative agenda in the meeting notice, but the requirement of the local newspaper for a notice at least five days in advance of the regular board meeting almost guarantees that the final agenda will be different than the tentative agenda in the meeting notice.

3. Budgetary Practices

Annual budgets do not contain certain information required by state law and were not always adopted prior to the beginning of the fiscal year. The 2007 budget overstated debt service expenditures by more than $117,000.

A. The district's annual budgets do not include some information required by state law. The budgets do not include a budget message, comparisons of revenues and expenditures for the two preceding years, nor the beginning available resources and estimated ending available resources. Additionally, the 2007 annual budget did not include activity related to an expansion project, which has a separate project budget of over $3.5 million funded by the issuance of bonds and certificates of participation that the district plans to spend in 2007 and 2008.

In addition, the budget for 2006 was not adopted until September 2006. Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year.

Section 67.100, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for the district's operations, and a means to effectively monitor actual costs by periodically comparing budgeted to actual expenditures.

B. The 2007 budget included line items for debt service payments and bond administrative fees totaling $530,979. However, the actual debt service and bond administrative fee costs for 2007 will total $413,697, based on official district bond documents. The district apparently included amounts to be paid by the state. As a result the budgeted debt service expense was overstated by more than $117,000 or 28 percent. The incorrect budgeted amount for debt service expenditures contributed to the problems while setting the 2007 sewer rates as discussed in MAR 2.

WE RECOMMEND the Board of Trustees:

A. Prepare annual budgets that include all planned revenues and expenditures and include all information required by state law, and approve the budgets prior to the beginning of the fiscal year.

B. Ensure budgeted debt service expenses are reasonable.

AUDITEE'S RESPONSE

We are incorporating these recommendations into the 2008 budget process.

4. Sewer Impact Fees

The PCSD does not maintain a complete and accurate listing of sewer impact fees paid by and due from customers and does not have comprehensive written policies and procedures for the imposition and collection of sewer impact fees. The district has not established written criteria that must be met by contractors to be granted a reduction in the sewer impact fee and did not perform a cost analysis prior to increasing the sewer impact fee in December 2006.

A. The PCSD established a sewer impact fee (SIF) of $1,000 when the district was formed in 1989. This fee is to be paid by property owners when making a connection to the district's central collection system (some fee reductions were made in 1998 if the owner met certain conditions). One-half of the SIF revenues was to be used to fund future repair, replacement, or expansion of the collection system and one-half was to be used for future repair, replacement, or expansion of treatment plants. It appears the district did not separately classify SIF revenues in its accounting system until 1997. A detailed listing of fees paid by or due from

each customer was not established until 2001. To help ensure SIF revenues were spent in accordance with the original restrictions, the district established a separate bank account in November 2002 by transferring $150,000 from the main revenue account. However, total SIF revenues recorded in the accounting system from 1997 to the opening of the bank account in November 2002 totaled over $337,000, and since the district did not separately account for the SIF expenditures during that time, the accuracy of the $150,000 transferred could not be determined.

The detailed listing consists of a notebook containing about 100 pages of the names and addresses of PCSD customers, grouped by street address, with columns to record the amount of SIF paid for each address, the date paid, and any amount due. However, the dates paid were not always recorded, some amounts that had been included in bank deposits were not recorded, and it appears the amount due information was not complete. Upon our request for summary information and totals of the detailed listings, the PCSD prepared SIF information in an electronic format from the information in the manual records. The electronic report listed individual SIF payments totaling approximately $829,000 received from 2001 through May 25, 2007; however district accounting records indicate approximately $991,000 in SIF revenues from 2001 to 2007, a difference of $162,000.

The report also included 174 addresses with a total amount due of over $208,000. One company was identified as owing $117,000 for 67 properties. The report also included over 1,100 addresses for which neither an amount paid or amount due was listed.

The PCSD should continue to review the available records and prepare detailed records of customers who have paid the SIF and determine amounts that have not been paid, and attempt to collect amounts that are due.

B. The PCSD does not have written policies and procedures for the imposition, collection, and accounting for sewer impact fees. Some fees were waived by the board for existing homes in some areas where the operation of existing sewer lines was taken over by the PCSD. The owners of some multi-unit buildings were only required to pay one impact fee while district policy requires payment of an impact fee for each unit. Many of the waivers or reductions were not supported by documentation.

As noted in Part A above, the detailed listing of fees is not complete or accurate. In addition, the district allows customers to pay the SIF over time upon execution of a signed payment agreement; however, there are no procedures to review SIF payment agreements to ensure the customer is complying with the payment terms.

The PCSD performs some procedures to identify system users that were connected to the system but had not paid the SIF, including checking the detailed

listing when a new account at a new address was opened; reviewing the SIF listing when field staff noticed and reported to the office clerks that a new building was being built in the service area; and reviewing local 911 maps showing new addresses in the service area. In April 2007, the PCSD noticed several addresses on the water usage reports of the local water districts that were receiving water services in the PCSD service area that had not established an account or paid the SIF due. The foregoing procedures were not consistently used, or performed on a regular basis.

Without written policies and procedures to identify, impose, collect, and account for sewer impact fees, the PCSD could not ensure all customers of the district received fair and equitable treatment.

C. The PCSD established a developer rate of $450 for the sewer impact fee in 1998, if the contractor or developer installed some parts of the sewer collection system beyond the individual service lines connecting the buildings to the centralized collection system, or built a local collection system and treatment plant or lagoon. The contractor-installed lines, plants, and lagoons became the property and responsibility of the PCSD. The reduced fee was only applicable to lots and homes or buildings built by that contractor or developer. Other persons or contractors who purchase lots from the original contractor or developer are required to pay the full fee. Based upon the report discussed in Part A above, the reduced fee has been collected over 300 times since 2001 and resulted in reduced SIF revenues of more than $165,000.

The PCSD has not established written criteria specifying the extent of the collection system to be installed by a contractor to qualify for the lower rate. It appears some contractors may have only installed the service line from the residence to an existing district service line or main and were allowed to pay the reduced fee. The PCSD should develop written specifications and criteria that must be met before contractors are allowed to pay the reduced fee.

D. The PCSD increased the SIF to $1,500 per household and the developer rate to $1,000 effective January 1, 2007. The increase was approved at the December 2006 board meeting; however, as noted in MAR 2, the tentative agenda for this meeting did not include the topic of reviewing and increasing the SIF.

The board resolution authorizing the fee increase stated, "Sewer Impact Fees in the amount of $1,500 shall be charged as a means to ensure that existing customers are not unduly bearing the cost of providing wastewater treatment services to new connections." The board did not perform any cost analysis to support the amount of the fee increase, and the board took no action to reserve the additional revenue for expenditures that would ensure existing customers would not be "unduly" burdened. Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs necessary to maintain the funding of such service, program, or activity supported by the fee. The board should

perform a formal cost analysis to determine that the decision to increase the SIF was reasonable and necessary.

WE RECOMMEND the Board of Trustees:

A. Continue to review the available records and ensure accurate records are maintained of all sewer impact fees collected and due, and attempt to collect amounts due.

B. Establish comprehensive written policies and procedures for the imposition, collection, and accounting of sewer impact fees.

C. Develop written specifications and criteria that must be met before contractors are allowed to pay the reduced sewer impact fee.

D. Perform a cost analysis, as required by state law, to determine the reasonableness of and necessity for the increase in the sewer impact fee.

AUDITEE'S RESPONSE

A. We instituted enhanced record keeping procedures in 2007. Collection efforts have been enhanced as well. A formal written collections policy will be adopted.

B. Written policies were recently revised in 2007 and continue to be reviewed and revised for clarity and effectiveness.

C. A written policy that addresses this was recently adopted in 2007. It is also to be included in the User Charge Ordinance for 2008.

D. We accept this recommendation. Such an analysis was performed in 2007 after this was brought to our attention.

5. Customer Deposits

The PCSD does not maintain an accurate listing of customer deposits received, held, or refunded and does not have written policies and procedures for the handling of customer deposits. At April 30, 2007, the balance of customer deposits held as reported in the billing system exceeded the bank account balance by $14,747, and neither the billing system balance or bank account balance agreed to the customer deposit general ledger liability account.

The PCSD requires new customers to pay a $60 deposit when establishing an account. It appears customer deposit activity was recorded in the district's computerized billing system with some regularity beginning in 2004, and had been recorded manually prior to that time. Customer deposits are deposited into a separate bank account.

A report of the individual customer deposit information from the billing system prepared as of April 30, 2007 totaled $52,332. The bank account balance on that date was $37,585. The balance on that date in the "official" general ledger accounting system (maintained by the district treasurer) was $58,927, while the amount in an "unofficial" general ledger account maintained by the operations manager was $72,701.

The differences between the billing system, bank account balance, and general ledger accounts appear to be caused by several factors. The billing clerk issued refund checks for customer overpayments from the customer deposit bank account instead of from the related sewer fee revenue bank account. Other errors include customer deposits refunds made from the bank account but not recorded in the billing system.

Customers who have paid sewer fees on time for one year are entitled to receive a refund of their deposits; however, the customer deposit information is only reviewed about once a year to determine customers who are entitled to a refund. When customers terminate their accounts and owe a balance to the PCSD, the billing clerk is to apply the deposit to the amount owed, and refund any remaining balance. Several customers have overdue balances and have apparently left the area, but their deposit has not been applied to the balance.

To ensure customer deposits are accounted for properly, the PCSD should develop written policies and procedures for the collection, holding, refunding, and application of customer utility deposits. The procedures should include recording and maintaining (in the computerized billing system) detailed records of customer deposits held, reconciliation of the detailed records to the general ledger and cash accounts, and periodic review for deposits to be applied to customer balances or customers due a refund. The PCSD should review existing customer deposit records and ensure a complete and accurate listing of deposits held is maintained, and make any necessary adjustments to the accounting records and bank account to ensure all records and accounts are in agreement.

WE RECOMMEND the Board of Trustees develop written policies and procedures for the collection, holding, refunding, and application of customer deposits. The PCSD should ensure accurate detailed records of customer deposits are maintained and are reconciled to the general ledger account and bank account on a monthly basis, and customer deposits are applied to balances due or refunded as necessary.

AUDITEE'S RESPONSE

We have been working to implement this recommendation. We instituted enhanced record keeping procedures in 2007, including attempting to reconstruct the deposit history for each active account. Accounts with no late payments for one year have had the deposits applied, and there is a monthly review to ensure that deserving patrons have their deposit applied in a timely fashion. Deposits are being applied to past-due balances, and a new deposit is required for active accounts.

6. Overdue Customer Accounts and Adjustments

The PCSD does not have comprehensive policies and procedures for the recognition, collection, and accounting of overdue customer accounts. The PCSD does not utilize all available means to collect overdue accounts or take timely action to collect such accounts, and does not write off bad debts when collection is unlikely. Adjustments to customer accounts are not reviewed and approved by the Board of Trustees. The district removed some customers with large overdue balances from the billing system without board approval.

A. The PCSD does not have comprehensive procedures for the recognition, collection, and accounting for overdue customer accounts.

The PCSD charges late fees for customers who do not pay their current amount by the fifteenth of the month, a reminder notice is sent, and the subsequent month's bill lists overdue balances and late charges. When an account becomes more than 90 days delinquent, a letter is sent indicating that the sewer line will be plugged unless payment is received. About 15 days after the letters are sent and the bill remains unpaid, the sewer line is plugged, if possible. If the overdue balance exceeds $200, the district is supposed to file a lien on the property and report the delinquency to the board's attorney for action. While some of the general collection policies are written, the specific actions and timing of the actions to be taken have not been developed, and as a result the collection efforts are not consistent, and in some instances are not being performed as required as noted in Part B below.

Comprehensive written policies and procedures are necessary so that staff will have clear guidelines to follow, and collection actions will be consistently and fairly applied to all customers. In addition, the risk that individual customers will be allowed to accumulate significant balances will be reduced.

B. The district does not adequately follow up on overdue accounts. The district's delinquent account list as of April 5, 2007, included 150 accounts that were more than 3 months past due totaling $56,275. There were 39 accounts totaling $32,531 for which a payment had not been received in over 180 days, including 21 accounts with no payments received in over one year. We requested information for the 39 accounts, and for 26 of them, it appears the PCSD had not taken all standard actions to collect the amounts due, had not written off uncollectible amounts, or had not corrected account balances which contained errors. The customer deposits for 8 of the 39 long overdue accounts had not been applied to the balance. (See MAR No. 5)

There was one customer who died in 1999 and has continued to accrue monthly late charges on two accounts with a total due of over $13,000; however, it appears that neither property has been occupied since at least 2001 and the PCSD had

taken no action to correct the account or terminate the accumulation of late charges. One customer account was listed as owing $.05 and should be written off.

Our review of the board minutes indicate that a district employee was required to enter into a repayment agreement due to a large overdue balance of about $500; however, this employee was responsible for reviewing the district's overdue listing and initiating further collection actions. A monthly report of overdue accounts is prepared but does not include the status of actions taken to collect overdue accounts. The report is sometimes reviewed by the operations manager but his review is not documented, and the report is not reviewed by the Board of Trustees. It appears that board review of this report could have detected this employee's overdue balance on a more timely basis.

The PCSD should adopt procedures to ensure all applicable steps have been taken to collect overdue accounts, and to write off balances for which collection is unlikely or the cost of collection would exceed the amount collected. In addition, the PCSD should prepare periodic lists of overdue accounts for board review, including the status of actions taken on each account.

C. The PCSD does not require management or board approval for adjustments to customer accounts. During 2006, there were a total of 2,828 individual adjustments recorded under 18 different adjustment codes resulting in a net reduction of $25,075 to accounts receivables. From January through May 2007, the PCSD recorded 1,049 adjustments increasing the accounts receivables by a net of $16,005.

Adjustments are necessary to correct the customer accounts for items such as billing errors, incorrect late charges, customers establishing or terminating accounts in the middle of the month, and other situations that are part of the normal business processes for utilities. The granting of authority to staff to make adjustments is a reasonable and necessary procedure when the duties of recording, billing, collecting, and adjusting customer account information cannot be adequately segregated due to lack of staff. However, supervisory review of reports of the adjustments is a necessary compensating control. Given that the operations manager also has access to the billing system and he occasionally records adjustments, the board should review those adjustments.

A monthly report is produced from the billing system showing each adjustment and an adjustment code that indicates the reason for the adjustment. This report also lists the total dollar adjustments by adjustment code, a summary of the total number of adjustments, and the number of accounts adjusted each month. The operations manager indicated he sometimes scans the monthly report for unusual activity but does not document his review. He also indicated the board had not requested that the monthly report be provided to the board for their review.

To help ensure all customer account adjustments are reasonable and necessary, the district should ensure the monthly adjustment reports are reviewed by the operations manager and that his review is documented. In addition, the monthly reports should be provided to the board for their review.

D. Included in the customer account adjustments in Part C was activity referred to as "clean out the account" which was not reviewed or approved by the board and resulted in additional expense to the district. The billing system software limited the number of customer account records that could be tracked in it. As a result, old customers would be removed from the billing system when the staff wanted to free up some software capacity. An adjustment would be made to zero out accounts with overdue balances prior to removal from the system. A printout of the old customer information was made and filed in an "inactive" customer notebook. Because the account was no longer in the system, the overdue account balances were not listed on the monthly overdue lists, late charges were not added to the balance due, and overdue notices were not sent. In effect, these account balances were written off; however, the board did not authorize these write-offs. Due to these "clean out" adjustments, the PCSD recorded bad debt expense of $33,666 for the year ended December 31, 2006.

Because these adjustments resulted in significant fluctuation in customer accounts receivable, the board authorized the district's accountant to investigate the causes for the unusual fluctuations and incurred over $5,000 in fees as a result of that investigation. The accountant concluded that no inappropriate activities had taken place because of these "clean out" adjustments, and the board in late 2006 prohibited removal of customer information from the billing system unless such action is specifically authorized by the board. The PCSD subsequently purchased additional customer account software capacity.

The PCSD should continue to monitor the software capacity for the billing system to ensure all customer accounts are maintained on the system and prohibit the removal of customer accounts unless approved by the board. In addition, the PCSD should consider adding old deleted information back onto the system for those customers where collection of overdue amounts appears possible.

WE RECOMMEND the Board of Trustees:

A. Develop comprehensive written policies and procedures for delinquent customer accounts.

B. Adopt procedures to ensure all reasonable collection efforts are performed for overdue accounts and to write off balances for which collection is unlikely or the cost of collection would exceed the amount collected. In addition, the board should ensure the monthly report of overdue accounts includes the status of collection efforts taken for their review and approval.

C. Review and approve monthly customer account adjustment reports, and require the operations manager to document his review and approval of these reports.

D. Ensure the customer account software capacity is sufficient to ensure all customer information is recorded in the billing system, and consider adding old information back to the system for those customers where collection of overdue amounts appears possible.

AUDITEE'S RESPONSE

A. Written policies and procedures are being developed.

B. We have been working to implement this recommendation.

C. The Operations Manager has been reviewing and signing the monthly adjustments report. It is now included in the board meeting packet for review.

D We have been working to implement this recommendation. Office staff have been using more of the capabilities of the billing software since 2006, and continue to seek improvement.

7. Banking Practices

The PCSD maintains a significant number of bank accounts, resulting in receipts not being deposited intact and creating unnecessary additional bookkeeping responsibilities. The PCSD does not solicit bids for banking services and it appears interest earnings on district funds have not been maximized.

A. At December 31, 2006, the PCSD maintained 17 bank accounts and two certificates of deposit at four different banks with a total balance of over $1 million. While some separate bank accounts are required by bond covenants, it appears the district has several bank accounts that should be consolidated. In February 2007, the district determined they no longer needed four accounts and closed them by transferring the monies into other bank accounts.

1. The maintenance of an excessive number of bank accounts hinders the ability of PCSD management and the board to effectively monitor ongoing activity. Daily receipts may be deposited into eight bank accounts depending on the type of services or fees collected. Monies from the various revenue accounts are then transferred into the operational account for payment of district operating expenses or to debt service accounts as required. Some payments for operating expenses and debt service may be made directly from some revenue accounts rather than transferring the monies. Having multiple accounts makes it more difficult to monitor the daily and monthly activity and requires additional effort to perform daily

cash reconciliations, monthly bank reconciliations, and record the activity in the accounting records. The maintenance of multiple accounts at more than one bank also requires the person delivering the bank deposits to visit two or three banks each business day. The PCSD should consider further consolidation of bank accounts.

2. Receipts are not deposited intact. Many receipts are for more than one type of service or fee, and under the current procedures the monies are deposited to more than one bank account. For example, if a new customer wrote one check to pay the sewer administration fee and customer deposit, the check would be deposited into the main revenue bank account and cash or checks received from other receipts equaling the customer deposit amount would be withheld and deposited into the customer deposit bank account. As a result it is more difficult to reconcile receipt records to deposit records. The PCSD should consider depositing all receipts from all sources into one bank account, and use transfers, if necessary, to shift funds to other accounts so that deposits are made intact.

B. The PCSD does not have a formal investment policy or procedures to maximize the interest earnings. Five of the 17 bank accounts were non-interest bearing accounts and totaled $42,067 at December 31, 2006. The other 12 bank accounts, totaling $912,708, earned interest in December 2006 at rates ranging from 1 percent to 1.88 percent. The two certificates of deposit, totaling $102,879 at December 31, 2006, earned 4.25 percent interest. The PCSD does not solicit bids for banking services or attempt to negotiate more favorable interest rates.

During 2006, it appears the district could have invested an average of $750,000 in additional certificates of deposit, and based upon an interest rate of 4.25 percent, the PCSD could have earned an additional $20,000 in interest. In May 2007, following our inquiry regarding the lack of investment policies, the board solicited bids for certificates of deposits and in June 2007 placed $400,000 in six-month certificates earning a rate of 5.2 percent.

To ensure the district maximizes interest revenues, formal investment policies and procedures should be adopted and include procedures to periodically solicit bids or proposals for banking and investment services.

WE RECOMMEND the Board of Trustees:

A. Review the number of bank accounts and consider further consolidation of accounts. In addition, the board should require deposits be made intact.

B. Adopt formal investment policies and procedures, including periodic solicitation of bids or proposals for banking and investment services and procedures to maximize interest revenues.

AUDITEE'S RESPONSE

A. We have been working to implement this recommendation.

B. We have been working to implement this recommendation. Sealed bids for banking services were solicited in October and opened in November, and as much consolidation of accounts into one bank as is feasible will be performed for 2008.

8. Capital Assets and Inventories

The PCSD has not developed a comprehensive long-term maintenance program for critical collection system and treatment plant components and does not maintain a complete listing of capital assets. The PCSD does not maintain parts and supplies inventories on a perpetual basis, does not maintain vehicle usage and maintenance logs, and sold a vehicle to an employee without soliciting bids.

A. The PCSD reported net capital assets of $8.79 million at December 31, 2006. While many of these assets are buried infrastructure and mortar and concrete types of assets, the PCSD has significant investment in critical mechanical and electrical components such as pumps, grinders, valves, meters, control panels, and chemical and biological treatment equipment. The PCSD has not developed a comprehensive long-term maintenance and inspection program. The PCSD attempts to perform annual inspections of major pumping facilities and performs regular maintenance and inspection procedures for the treatment plants; however, maintenance schedules are not prepared, and written reports or checklists are not maintained to document the performance of those procedures.

A formal long-term maintenance plan for capital assets would help the district to identify and schedule preventative maintenance procedures that could extend the useful life of the critical items and result in early detection of problems.

B. The PCSD does not maintain a detailed listing of capital assets and does not perform annual inventories of capital assets. Summary asset information, which is presented on the district's audited financial statements, was apparently maintained but current personnel could not locate any detailed listings of capital assets, other than the listing on file with the district's insurance company. Additionally, the list on file with the district's insurance company apparently has not been updated and does not include many of the district's current capital assets.

The PCSD should maintain a complete listing of capital assets updated on a current basis, conduct annual physical inventories, and reconcile the results of the physical inventories to the property records. Adequate property records and procedures are necessary to ensure effective internal controls and provide a basis for proper financial reporting and for determining proper insurance coverage required on district property.

C. The PCSD maintains inventories of spare parts for district use and sewer supplies for resale that as of December 31, 2006 were valued at $47,950 and $5,440, respectively. Annual physical inventories are performed to determine the items on hand at year end; however, the inventory listings are not maintained on a current perpetual basis. To ensure inventory items are properly accounted for and to help prevent theft or misuse of assets, the PCSD should maintain the inventory listings on a perpetual basis, updating the inventories as assets are purchased, sold, and used for spare parts, and reconcile the inventory records to the annual physical inventory counts.

D. The PCSD at December 31, 2006 owned or leased three pickup trucks that are used to transport personnel and equipment around the district. The vehicles are not marked with PCSD logos, and no vehicle usage, mileage, or maintenance logs are maintained. In 2006, the district recorded vehicle maintenance and fuel expense of about $26,600. The district should maintain vehicle usage and maintenance logs to ensure that vehicles are being used only for approved district business, to ensure regular maintenance is performed, and to assist in identifying gasoline mileage and operational costs per mile. In addition, the district should consider marking each vehicle with PCSD logos.

E. In February 2005, the board approved the sale of a 2001 model truck to the former operations manager for $4,500. A board member indicated that this was a midsize pickup that was not suitable for the district operations. There was no documentation that the board solicited bids for the disposition of the vehicle. In November 2005 after this employee had left district employment, a board member discovered a check dated February 28, 2005, for the truck payment in the former employee's desk at the PCSD. The check was deposited on November 3, 2005. The disposition of the vehicle was not recorded in the district's capital asset records. To ensure the district receives fair value and to ensure there is no preferential treatment for employees or other related parties, the PCSD should solicit bids prior to the disposition of capital assets having more than nominal value and sell the assets to the highest bidder. In addition, the district should record the disposition of all capital assets in the accounting records.

WE RECOMMEND the Board of Trustees:

A. Develop a comprehensive long term maintenance plan for critical mechanical and electrical equipment.

B. Maintain a detailed listing of capital assets on a perpetual basis, conduct annual physical inventories, and reconcile the results of the physical inventories to the property records. In addition, the district should provide a current and complete listing of insurable assets to their insurance provider.

C. Maintain the inventory listing of goods for sale and spare parts on a current perpetual basis, and reconcile the inventory listing to the annual physical inventories.

D. Maintain usage and maintenance logs for all vehicles, and consider marking each vehicle with PCSD logos.

E. Solicit bids prior to the disposition of capital assets having more than nominal value and ensure the disposition of capital assets is properly recorded in the accounting records.

AUDITEE'S RESPONSE

A-C. We have been working to implement these recommendations.

D. We have been working to implement this recommendation. Vehicles are now marked and bear government tags and usage log books are now in use.

E. We will be working to implement this recommendation. (No capital assets were sold in 2006 or 2007.)

9. Expenditures

The PCSD does not have formal procurement policies and procedures, did not solicit bids or retain bid documentation or price quotes for several purchases, and did not solicit requests for qualifications for certain professional services. The PCSD paid over $4,700 for items purchased for a local contractor's business but did not seek reimbursement for the items. The PCSD paid a part-time office employee as a contract employee and paid Christmas bonuses to employees.

A. The PCSD does not have formal bidding policies. We reviewed 10 purchases made in 2006 which exceeded $1,000 and there was no bid documentation for 6 of these purchases. PCSD personnel indicated two were emergency purchases, and one purchase was only available from a single source; however, there was no documentation to support the reasons bids were not solicited. They also indicated that price quotes were obtained by phone for some purchases, but documentation was usually not prepared or retained. For one of the four purchases that was bid, the vendor invoice indicated a higher price than the bid and the district paid the invoice amount, resulting in the final cost being slightly higher than the second-lowest bidder's price. (After we brought this to their attention, the PCSD contacted the vendor and negotiated a credit of $571 toward future purchases.)

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding

helps ensure all parties are given an opportunity to participate in district business. Bids can be handled by telephone or written quotation, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. The PCSD spent $69,068 in 2006 for professional services but did not solicit proposals or requests for qualifications, as follows:

Professional Service	2006 Expenditures
Engineering	$27,026
Legal	24,333
Accounting	16,584
Real estate appraisal	1,125
Total	$69,068

While professional services are not normally subject to standard bidding procedures, it is good business practice to periodically solicit proposals for such services and select the best proposal. Complete documentation should be maintained of all proposals received and reasons for selecting the winning proposal. In addition, Section 8.291, RSMo, requires political subdivisions to consider the qualifications of at least three firms when negotiating contracts for architectural, engineering, or land surveying services.

C. The PCSD issued a payment for manholes and related items in 2006 totaling $4,706 that were delivered to a local contractor. It appears that the payment was approved by at least two board members; however, we could not determine who authorized the vendor to deliver these items to the local contractor and to have the charges billed to the district. Current district personnel indicated that these items should have been purchased by the contractor. There were two instances in which this vendor billed the PCSD in 2005 for similar items delivered to the same contractor, but in those instances a district board member determined that the items were not purchased for the PCSD and stopped the payments for these purchases. In one of those instances, a district check had been prepared but was voided. After we brought this matter to their attention, PCSD personnel could find no evidence that reimbursement had been received from the local contractor, and the PCSD issued an invoice to collect $5,058 from the local contractor ($4,706 plus $352 sales tax).

The board should adopt policies to prohibit the purchase of items that are not for official district use.

D. From October 2005 through June 2006, the PCSD paid an individual on a part-time basis to assist with the maintenance of the accounting system and perform other office duties. This person was paid just under $6,000 as an independent contractor at an hourly rate of $12, and a Form 1099 was filed each year reporting

the payments. However under IRS guidelines and given the district's control over the individual's time, it appears this person should have been considered an employee and paid wages with applicable taxes withheld, and the earnings reported on Forms W-2. In the future, the PCSD should follow IRS guidelines for paying employees.

E. Employees were paid Christmas bonuses of $2,021 in 2005 and $500 in 2006. Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "…a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

WE RECOMMEND the Board of Trustees:

A. Adopt formal bidding policies and procedures, and ensure bids are solicited for all major purchases and all related bid documentation is retained.

B. Periodically solicit proposals for professional services and maintain all related documentation, including the reasons for the board's decisions.

C. Discontinue the practice of purchasing items for local contractors and ensure reimbursement is received from the local contractor.

D. Follow IRS guidelines when hiring employees.

E. Discontinue the practice of paying bonuses to employees.

AUDITEE'S RESPONSE

A. We will be working to implement this recommendation.

B. We have been working to implement this recommendation. Requests for Qualifications/Proposals were solicited in October. Board action is scheduled for the November meeting.

C. We have been working to implement this recommendation. The case cited has been resolved through the contractor reimbursing the District. Board policy is to avoid these situations, and it will be included in the formal written purchasing policy that will be adopted.

D. We accept this recommendation.

E. *We accept this recommendation, and are investigating other means to recognize employees as is done by other governmental bodies in the area.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

PULASKI COUNTY SEWER DISTRICT #1
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Pulaski County Sewer District #1 is located in Pulaski County. The district was established in 1989. The district provides sewer collection and treatment services to about 2,500 residences and businesses located in Cullen Township, which includes mostly unincorporated areas near the cities of Waynesville and St. Robert.

The district government consists of a five-member board of trustees who are appointed by the County Commission of Pulaski County for 5-year terms. The board members serve without compensation and those serving during the year ended December 31, 2006 are identified below. The board hires a district manager to supervise the day to day operations of the district.

Board of Trustees	Dates of Service During the Year Ended December 31, 2006
Lee Ousley, Chairman (1)	January 2006 to December 2006
Charles Bassett, Vice-Chairman	January 2006 to December 2006
Jim Parsons, Member (2)	December 2006
Jim Phillips, Secretary/Treasurer (2)	January 2006 to November 2006
Bob Simpson, Secretary (3)	July 2006 to December 2006
Twyla Cordry, Member (3)	January 2006 to July 2006
Tony Crismon, Member (4)	January 2006 to December 2006

(1) Lee Ousley's term ended June 30, 2007 and on July 12, 2007, Charles Fraley was appointed for a five-year term. Charles Bassett was elected by the board as Chairman, Bob Simpson was elected Vice-Chairman, and Jim Parsons was elected Secretary.

(2) Jim Phillips resigned and Jim Parsons was appointed to fill the term ending June 30, 2009.

(3) Bob Simpson replaced Twyla Cordry and was elected Secretary in November 2006 following Jim Phillips resignation.

The board appointed Doug Richardson, who is not a board member, to serve as Treasurer in December 2006.

(4) Tony Crismon resigned in April 2007 and Curtis Felton was appointed in May 2007 to fill the term ending June 30, 2010.

Other Officials	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
Randall Harris, Operations Manager (5)	June 2006 to December 2006	$ 32,489
William Hickle, General Counsel (6)	July 2006 to December 2006	13,343
David Lowe, General Counsel (6)	January 2006 to June 2006	9,291
Douglas Richardson, CPA, Treasurer/Accountant (6)	January 2006 to December 2006	16,584

(5) This position was vacant prior to June 2006.

(6) Payments were made to the official's respective law firm or accounting firm.

In addition to the officials identified above, the district employed four full-time employees on December 31, 2006.

At December 31, 2006, the district charged a base rate of $24 per month plus a usage charge of $1.26 per 1,000 gallons of water for most customers. Effective January 1, 2007, the base rate was increased to $25.29 per month and the usage charge was increased to $3.42 per 1,000 gallons of water for most customers.

Susan Montee, CPA
Missouri State Auditor

December 2007

Summary of State and Local Audit Findings - Legislative Impact

Report No. 2007-75

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

The following report is a summary of State and Local Audit Findings – Legislative Impact.

Eighty audit reports issued between January 2003 and October 2007 included audit issues and recommendations pertaining to changes or clarifications needed regarding statutory provisions. These audit issues and recommendations were addressed to the General Assembly, state agencies, and/or local governments, or related to information agencies should provide to the General Assembly. The recommendations cover a variety of topics, including the need for new legislation, revisions to existing statutory provisions, clarification of statutory provisions, and the evaluation of agency or local government procedures as compared to statutory provisions. Status information is provided for each recommendation.

This report is a compilation of those recommendations and serves to improve awareness of the General Assembly regarding the status of legislative issues addressed in our audit reports and to encourage consideration of these recommendations in those cases where action has not been taken.

All reports are available on our Web site: www.auditor.mo.gov

SUMMARY OF STATE AND LOCAL AUDIT FINDINGS - LEGISLATIVE IMPACT

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

The Missouri State Auditor's office, as required by Chapter 29, RSMo, and Attorney General's opinion, is responsible for audits of state agencies, boards, and commissions; counties that have not elected a county auditor; all divisions of the circuit court system; and, other political subdivisions such as municipalities or school districts upon petition by the voters of those subdivisions.

This report was compiled using audit reports issued between January 2003 and October 2007 (report no. 2003-01 through 2007-66), the General Assembly joint bill tracking system, and follow up with various agency personnel. The objectives of this report were to:

1. Identify audit issues and recommendations:
   - Addressed to the General Assembly.
   - Addressed to a state agency recommending that the agency work with the General Assembly, pursue legislation regarding an issue or provide information to the General Assembly.
   - Regarding unclear or conflicting provisions of state law, most commonly reported in 3rd class county audit reports.

2. Provide status information regarding the recommendations.

Our methodology to accomplish these objectives included reviewing audit reports, house and/or senate bills, revisions to statutory provisions, and information obtained from inquiries of various agency officials. The status of recommendations has been determined by reviews and inquiries of the sources noted above. As such, this information, in some cases, has not been audited. The work for this summary was substantially completed by November 2007.

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The following Executive Summary, Audit Issues, and Appendix sections are presented for informational purposes.

Susan Montee, CPA
State Auditor

EXECUTIVE SUMMARY

SUMMARY OF STATE AND LOCAL AUDIT FINDINGS - LEGISLATIVE IMPACT EXECUTIVE SUMMARY

This report compiles audit issues and recommendations pertaining to statutory provisions and addressed to the General Assembly, state agencies, and/or local governments, or related to information agencies should provide to the General Assembly. This information was compiled using audit reports issued between January 2003 and October 2007. Recommendations address a variety of topics, including the need for new legislation, revisions to existing statutory provisions, clarification of statutory provisions, and the evaluation of agency or local government procedures as compared to statutory provisions. Status information is provided for each recommendation. This information was obtained from a variety of sources and is unaudited.

The State Audit Issues section reports on audit issues by state agency. A coordinated effort by the agency and General Assembly is needed to evaluate statutory provisions and take appropriate action.

The Local Audit Issues section reports on audit issues impacting local governments. The issues addressed pertain to multiple local governments. The other local government issues present the more common problems reported in audits of 3rd class counties. It is expected that similar issues will be addressed in future audit reports if statutory provisions remain the same. Similar and other county salary issues were addressed in numerous audit reports issued prior to 2003.

The Appendix provides a listing of each report and its publication date used as a source for the issues presented.

This report serves to improve awareness of the General Assembly regarding the status of legislative issues addressed in our audit reports and to encourage consideration of these recommendations in those cases where action has not been taken.

STATE AUDIT ISSUES

SUMMARY OF STATE AND LOCAL AUDIT FINDINGS –
LEGISLATIVE IMPACT
STATE AUDIT ISSUES

DEPARTMENT OF AGRICULTURE

MISSOURI STATE FAIR

Grandstand Bank Account

The Missouri State Fair (MSF) has no authority to open the Grandstand Account outside the state treasury. This account is used year round and a balance of at least $600,000 has been maintained in the account since the 2001 fair.

Recommendation: Review the monies currently being held by the MSF and the Foundation outside the state treasury and take action to turn any state monies over to the STO, unless legislative authority is obtained allowing these monies to be maintained outside the state treasury.

Status: House Bill No. 428, which passed during the 2007 legislative session, created the State Fair Escrow Fund to be maintained by the State Fair Commission.

Report Source: 2005-86

DEPARTMENT OF ECONOMIC DEVELOPMENT

MISSOURI DEVELOPMENT FINANCE BOARD

BUILD Tax Credit Program

The Business Use Incentives for Large-Scale Development (BUILD) program is operated by the Missouri Development Finance Board (MDFB) under Sections 100.700 to 100.850, RSMo. This program is an economic development incentive program offered to companies that are considering locating or expanding their investment and employment in Missouri.

The current BUILD program structure unnecessarily increases the amount of state tax credits issued and is overly complex. The MDFB operates the program as a private activity revenue bond issue program, as specified by state law.

The MDFB should evaluate the benefits, including the reduction in the amount of tax credits issued, of changing the BUILD program from a bond issue/loan program to a tax credit program.

The MDFB should report the results of that evaluation to the legislature for their consideration of possible changes to state law to enhance the program's effectiveness. In November 2005, the Incentives Review Committee appointed by the Director of the Department of Economic Development (DED) issued the Report on Missouri Incentives Programs which included a similar recommendation.

Recommendation: The MDFB evaluate alternative methods for the delivery of tax credits under the BUILD program to eliminate credits issued for unnecessary interest and related fees, and report the results of that evaluation to the legislature for its consideration.

Status: The MDFB indicated an evaluation of the program has not been undertaken since the Incentives Review Committee report was issued in November 2005. In addition, no legislation to change the program was introduced during the 2007 legislative session.

Report Source: 2007-12

ANALYSIS OF THE NEW GENERATION COOPERATIVE INCENTIVE TAX CREDIT PROGRAM

Tax Credit Will Not Create Sufficient Economic Activity

The New Generation Cooperative Incentive tax credit program (NG) will not create enough economic activity to offset the tax credits used. The NG program sunsets December 31, 2010. Because of the minimal economic benefits resulting from program costs, the General Assembly should evaluate whether the program's social benefits outweigh those costs when considering the program's extension.

Recommendation: The General Assembly evaluate whether the NG program's social benefits outweigh its costs when considering its extension.

Status: No legislation was passed during the 2007 legislative session regarding this program. The legislative Joint Committee on Tax Policy is scheduled to review this tax credit between September and December 2008.

Report Source: 2007-06

Tax Credit Law Needs Clarification

State law does not require new generation cooperatives to own or operate facilities in Missouri and does not define when a facility would have to be placed in operation to remain eligible for tax credits. In addition, unclear statutes can allow individuals to exceed the $15,000 tax credit limit per cooperative per producer member. As a result, the tax credit's potential economic

benefit to the state is less than it could be and some individuals may be able to benefit from the credit more than the General Assembly intended.

Recommendations: The Missouri Agricultural Small Business Development Authority (MASBDA) request the General Assembly:

- Modify state law to ensure new generation cooperatives establish facilities within the state and establish a timeframe by which the facility needs to be in place (for example 3 to 5 years after issuance of the credits).

- Clarify in state law whether entity name or tax identification number controls who is considered a separate producer member for tax credit eligibility.

Status: No legislation was passed during the 2007 legislative session to address these issues.

Report Source: 2007-06

REVIEW OF STATE TAX CREDITS ADMINISTERED BY THE DEPARTMENT OF ECONOMIC DEVELOPMENT

The Missouri Certified Capital Company Tax Credit Program Is An Inefficient And Ineffective Use of State Tax Credits

The Missouri Certified Capital Company (CAPCO) Tax Credit program is an inefficient and ineffective tax credit program. Based on the assumptions used when entering CAPCO program data into the model, the program will cost the state over $116.4 million and will create an average of 293 jobs for 15 years. The program would result in a total increase in gross state product of $414 million over the 12-year life of the program. However, that economic activity and the jobs created will not produce enough additional state revenue to offset the cost of the tax credits.

Recommendation: The Department of Economic Development and the General Assembly let the Missouri Certified Capital Company Tax Credit program expire without authorizing any additional tax credits.

Status: No additional tax credits can be authorized unless state law is amended. The Department of Economic Development has indicated it currently has no plans to seek additional tax credits under the Certified Capital Companies Tax Credit. It will continue to maintain this tax credit program until all authorized tax credits under this program expire.

Report Source: 2004-56

COMMUNITY DEVELOPMENT CORPORATION TAX CREDIT PROGRAM

The Community Development Corporation (CDC) Program Has Not Created Sufficient Economic Activity

The CDC tax credit program started in 1994 and is authorized to issue up to $6 million in tax credits. Using an economic software model, which is also used by the Department of Economic Development (DED) to analyze its tax credit programs, this audit reviewed the cost-benefit to the state of the CDC tax credit program and found the credit would not create enough economic activity to offset the tax credits used. The results showed the CDC program would cost the state $6 million in lost revenue and create only an average of 9 jobs over the 15-year life of the program.

Recommendation: We recommend the General Assembly allow the CDC program to expire without authorizing additional tax credits.

Status: The Missouri Tax Credits Report issued by the legislative Joint Committee on Tax Policy in November 2006, agreed with the recommendation that the General Assembly should let the program expire.

No additional tax credits can be authorized unless state law is amended. The Department of Economic Development has indicated it currently has no plans to seek additional tax credits under the Community Development Tax Credit program. It will continue to maintain this tax credit until all authorized tax credits under this program expire.

Report Source: 2005-55

SMALL BUSINESS INVESTMENT TAX CREDIT PROGRAM

Tax Credit Program

Although the Small Business Investment (SBI) Tax Credit program is estimated to create jobs and increase gross state product, the economic software model estimates it will not generate

sufficient economic activity to offset tax credits redeemed. Based on the assumptions used when entering the SBI program data into the model, the results show the SBI program will cost the state $11.8 million in lost revenue and create an average of 52 jobs over the 17-year life of the program. The SBI program is almost complete with only transfer and redemption activity remaining. Because of the projected state revenue loss associated with this program, we believe the General Assembly should not provide additional funding for the program.

Recommendation: We recommend the General Assembly allow the SBI program to expire with authorizing additional tax credits.

Status: The Missouri Tax Credits Report issued by the legislative Joint Committee on Tax Policy in November 2006, agreed with the recommendation. The committee suggested that state resources should be allocated to a new program that provides a better method for seed and venture capital investments in targeted companies.

No additional tax credits can be authorized unless state law is amended. The Department of Economic Development has indicated it currently has no plans to seek additional tax credits under the Small Business Investment Tax Credit program. It will continue to maintain this tax credit program until all authorized tax credits under this program expire.

Report Source: 2005-54

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

EDUCATOR CERTIFICATION BACKGROUND CHECKS

Inadequate State Laws For Background Checks Leave Public School Students At Risk

Imprecise language in state law and the omission of other critical requirements from state law and Department of Elementary and Secondary Education (DESE) policies increases the risk an individual, who has a criminal background or history of committing other offenses, can obtain an educator certificate and actively teach in Missouri's public schools. Family Care Safety Registry (FCSR) background checks cannot be performed using the method required by state law and applicants for an educator certificate are not required to register with the FCSR. As a result, DESE has not required FCSR background checks and has recommended school districts should determine if these checks need to be performed. We found cases of certified educators who had a criminal background and/or a history of committing other offenses, such as child abuse or neglect. DESE officials had been aware of some of these cases, determined the educator was not a risk to students and cleared the background. However, DESE officials had not been aware of all of the cases we found because FCSR checks and periodic background checks have not been required.

To help ensure the safety of Missouri's public school students, state laws attempt to prohibit individuals who have disqualifying criminal offenses from obtaining a certificate to teach. However, due to the omission of critical language and the lack of other laws and adequate policies, public school students face being taught by or having contact with educators who have a criminal background or history of other offenses. Adequate funding is also necessary to ensure sufficient resources are available to support the FCSR background checks and other reviews needed to help ensure the safety of Missouri's public school students.

Recommendations: The General Assembly:

- Revise state laws to ensure adequate background checks are performed before an educator can obtain a certificate to teach or have contact with Missouri's public school students. These revisions should include requiring:
    - FCSR background checks be performed using name, date of birth and SSN and clarify which department is responsible for performing the checks.
    - Applicants for an educator certificate to register with the FCSR and consider requiring all active educators to register.
    - FCSR background checks prior to issuance of the educator certificate and prior to a new employee in a school district having contact with students.
    - Periodic FCSR background checks of all educators and others who have contact with students.
- Ensure adequate funding is available to support FCSR background checks and any resulting process changes at the DESE, the Department of Health and Senior Services, and the Missouri State Highway Patrol.

Status: This report was issued after the 2007 legislative session.

Report Source: 2007-32

SCHOOL DISTRICT PURCHASING PRACTICES

Procurement Procedure Improvements

Officials cannot ensure they are receiving the lowest overall cost and the best value on goods and services purchased if they are not competitively bidding purchases. Current state law does not require districts to competitively select most purchases. Also, the state has not established any type of procurement guidelines to help school districts regarding procurement policies. Other states, such as Texas, Florida and Arkansas, have implemented or are implementing legislation intended to increase the fiscal accountability of school districts. These states have established financial management "best practices," which include guidelines on procurement.

Recommendations: The General Assembly:

- Revise state statutes to require the competitive selection of goods and services at the school district level.
- Implement financial management "best practices" legislation to increase the fiscal accountability of the school districts similar to Texas, Florida, and Arkansas. This legislation should include guidelines on procurement.

Status: No legislation was passed during the 2007 legislative session which addressed these issues.

Report Source: 2006-43

HIGH SCHOOL GRADUATION RATES

Documentation Is Not Required For Home School Students

State law does not currently require parents and guardians who choose to home school their children to notify the local school. Without notification students are withdrawing to home school, schools are not able to accurately verify these students are not dropouts.

Recommendation: The General Assembly pass legislation requiring persons who home school students to file written documentation with the local school.

Status: The DESE indicated it is not aware of any legislation being introduced by the General Assembly relating to this recommendation for home school students.

Report Source: 2006-20

GENERAL OBLIGATION BOND SALES PRACTICES FOLLOW-UP

Competitive Bond Sales Not Always Required By State Law And Issuers Have Not Obtained Independent Financial Advice

Public entity issuers incurred unnecessary interest costs on general obligation bonds due to continued reliance on negotiated sales. This situation has occurred, in part, because state law has not required public school districts and municipalities to use competitive bond sales. While various Missouri statutes require the use of competitive sales in a variety of instances, the statute pertaining to school districts and municipalities does not contain this restriction. Legislation is needed to require school districts and other public entities to use independent financial advisors and use competitive sales of bonds when bond issues have a rating of "A" or higher.

Issuers also did not seek the advice of independent financial advisors. Instead, they have continued to receive and rely on financial services obtained from underwriters of bonds who have a vested interest in using the negotiated sale method in issuing bonds. The underwriter may benefit financially if a negotiated method of sale is chosen. In addition, when underwriters have been used, they have not been selected competitively.

Recommendations: The General Assembly revise Section 108.170, RSMo to require:

- The use of a competitively selected financial advisor, who is independent of the bond sale, when issuing public debt.
- Public entities to use the competitive method of sale for general obligation bond issues with a credit rating of "A" or higher.
- The use of a competitively selected underwriter, when appropriate, for necessary negotiated sales.

Status: The DESE indicated no legislation was passed regarding Section 108.170, RSMo.

Report Source: 2005-101

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION'S CHARTER SCHOOL OVERSIGHT

Improvements Are Needed In The Oversight Of Charter Schools

Department of Elementary and Secondary Education (DESE) officials believe they have little authority over the charter school program, and are limited in what they can require of sponsors and/or charter schools because charter school law does not specify requirements the department may place on sponsors and/or charter schools. Officials also said they do not have the authority to intervene and penalize schools or require corrective action. However, the DESE has placed departmental and other requirements on charter schools and penalized schools if certain requirements were not met. While state statutes are silent on the DESE's role, we believe it should, as the state agency overseeing public education, assume a proactive approach in ensuring charter schools are fully accountable and comply with state statutes.

Recommendation: The General Assembly enact legislation to give the State Board of Education rule-making authority over the charter school program, authorizing the establishment of commonly recognized standards of accountability.

Status: The DESE indicated legislation has not been passed granting such rule-making authority.

Report Source: 2004-59

MISSOURI WESTERN STATE COLLEGE

A+ Schools Program

Missouri Western State College's (MWSC) participation in the A+ Schools Program (A+ Program) appears to circumvent the intent of state law. Since the college's participation in the A+ Program from fall 2000 through spring 2003, MWSC has received reimbursements totaling approximately $1,425,000. Section 160.545.5, RSMo, provides for the "reimbursement of the costs of tuition, books, and fees to any public community college or vocational or technical school" for eligible students. Since MWSC is not a community college, the college entered into an agreement with a local vocational technical school (Hillyard) whereby students would be enrolled at Hillyard and could attend classes at MWSC. Hillyard's only function is to request the reimbursements from the DESE. Hillyard requests the A+ reimbursements because the DESE has identified Hillyard, not MWSC, as an eligible institution for the A+ Program.

Recommendation: The General Assembly should evaluate the participation in the A+ program statewide to be certain its implementation is following the intent of the legislation.

Status: The DESE indicated it is not aware of any A+ legislation proposed that would have dealt with the issue outlined in this audit report.

Report Source: 2004-24

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
EDUCATIONAL FUNDING

Noncompliance In Funding - Video Instructional Development And Educational Opportunity Program (VIDEO)

Section 170.250, RSMo, requires $4 million to be transferred from the state's General Revenue Fund to the VIDEO Fund annually. However, only $1,091,081 and $1,089,519 were appropriated for school years 2001 and 2002, respectively. Furthermore, due to budget restraints on the state, the funding was eliminated for the VIDEO Fund for school year 2003. This program's purpose was to encourage all educational institutions in Missouri to supplement educational opportunities through telecommunications technology and satellite broadcast instruction.

Recommendation: The DESE continue to request the funding levels for video and remedial reading programs as required by state law.

Status: The DESE indicated funding has not been requested pursuant to Section 170.250, RSMo, nor has there been any legislation proposed.

Report Source: 2003-36

Noncompliance In Funding - Remedial Reading Services

The amount of state aid paid for remedial reading services had not been adjusted as required by state law. Since school year 1991, Section 162.975, RSMo, required the amount of state aid paid for remedial reading services per full-time remedial reading teacher shall be adjusted annually by the percentage change in the appropriation of state funds for the foundation formula. However, the DESE's budget division determined the department was entitled to receive approximately $11,819,000, $12,568,000, and $12,738,000 for school years 2000, 2001, and 2002, respectively. For school years 2000 and 2001, the department requested the full amount entitled under the statute. However, for school year 2002, since the DESE had not seen increases in prior years, the department only requested the core budget of $11,096,925 and decided to direct their efforts towards a different program. The legislature only appropriated $11,096,925 each school year. Therefore, the DESE did not receive at least $3.8 million in funding over the three school year

period for remedial reading programs. In addition, further funding shortfalls occurred in previous years.

Recommendation: The DESE continue to request the funding levels for video and remedial reading programs as required by state law.

Status: The DESE indicated Section 162.975.3, RSMo, authorizing state payment for an approved remedial reading program was repealed in Senate Bill No. 287, during the 2005 legislative session. This bill also incorporated funding for specified categories, including remedial reading, into the K-12 public education state aid formula. The DESE continues to request the funding required by the formula adopted in Senate Bill No. 287.

Report Source: 2003-36

SCHOOL BUS SAFETY

Some Missouri school children are being transported by drivers with criminal histories and invalid permits. To help ensure children's safety, state laws prohibit persons who have disqualifying criminal offenses from obtaining permits to drive school buses. However, the laws and incomplete statewide criminal history data have allowed some school bus permit applicants with disqualifying criminal offenses to obtain school bus permits.

State Law Does Not RequireApplicants To Submit Fingerprints

Current state laws do not require school bus permit applicants to submit fingerprints. The highway patrol needs applicants' fingerprints to conduct a comprehensive search of all of its criminal records—both open and closed records—for disqualifying offenses.

Recommendation: The General Assembly require current and potential school bus drivers to submit fingerprints with their permit renewal applications or first-time permit applications.

Status: The Department of Revenue (DOR) indicated it implemented fingerprint-based background checks for all new and renewal school bus driver permit applicants starting in August 2003. The background check is still required; however, House Bill No. 487, passed during the 2005 legislative session transferred oversight/administration of this requirement to the Department of Elementary and Secondary Education. Additionally, the house bill required school bus drivers to be subject to the same background check as persons having any contact with pupils who were employed after January 1, 2005.

Report Source: 2003-35

Lack Of Periodic Checks Allows Drivers With Suspended Permits To Continue Driving

Some school bus drivers with suspended or expired drivers licenses were continuing to operate school buses. State law provides if an individual's drivers license is suspended, their school bus permit is invalid and they are not authorized to drive a school bus. However, state laws and regulations do not require school bus operators to periodically verify the validity of drivers licenses and/or school bus permits.

Recommendation: The General Assembly require school bus operators to submit the names and other necessary information of their drivers to the DOR every six months to verify the validity of bus driver permits.

Status: The DOR indicated there is no current statutory provision that addresses this recommendation.

A review of Section 168.133, RSMo, shows it requires school districts to perform criminal background checks and for fingerprints to be submitted, but does not appear to require subsequent periodic reviews of school bus driver backgrounds.

Report Source: 2003-35

DEPARTMENT OF HEALTH AND SENIOR SERVICES

MISSOURI SENIOR RX PROGRAM

National Events And Other Alternatives Impact Program's Future

The implementation of a federal Medicare prescription drug benefit over the next few years will impact the future of the Senior Rx program. Given these choices and alternatives, state officials must evaluate how the existing program could change without duplicating programs and incurring costs that could become the responsibility of the federal government.

National events and other practices suggest that other alternatives are being established on a regular basis providing options to replace or augment the Senior Rx program.

By the spring 2004, state officials should have a clearer idea whether or not Missouri's seniors are responding to the current program. If enrollment figures remain less than expected, then an alternative program needs to be considered. By not enrolling, many seniors may be saying they either do not see how the current program benefits them or are not interested in a state program.

Recommendations: The General Assembly:

- Monitor the establishment of a Medicare prescription drug benefit and its impact on Missouri's Senior Rx program. Modify the program as necessary based on the enacted federal program to limit the state's costs, but still benefit seniors in need of assistance.

- Consider having the Senior Rx Commission evaluate programs currently operating in other states that could better benefit Missouri citizens.

- Evaluate ways to expand the program's enrollment period.

Status: Sections 208.550 through 208.571, RSMo, which governed the Missouri Senior Rx Program, were repealed in 2005 by Senate Bill No. 539. This program was replaced with a new state pharmacy assistance program named Missouri Rx, which was established by the same senate bill. These recommendations are no longer applicable.

Report Source: 2004-15

Improvements In Management And Oversight And Statutory Changes Would Benefit The Program

Statutory changes to the pharmacy compensation calculations could reduce costs for seniors and the state and are needed to clarify the meaning of the law. Increased management attention to compliance with state law, and analysis of the contracted pharmacy audits and claims activity is needed to control program costs and ensure seniors and the state pay the appropriate amounts. More efficient eligibility testing could also help limit program costs.

Recommendation: The General Assembly clarify in Section 208.562, RSMo, if pharmacy reimbursement for covered drugs can be the lower of the providers usual and customary charge or the applicable statutory rate. Add the Missouri and federal maximum allowable costs to possible reimbursement options.

Status: Sections 208.550 through 208.571, RSMo, which governed the Missouri Senior Rx Program, were repealed in 2005 legislative session by Senate Bill No. 539. This program was replaced with Missouri Rx, a new state pharmacy assistance program, which was established by the same senate bill. This recommendation is no longer applicable.

Report Source: 2004-15

DEPARTMENT OF HIGHER EDUCATION

STATE STUDENT FINANCIAL ASSISTANCE

State Student Financial Assistance

The methodology to award student financial assistance for the state's largest need-based program, the Gallagher program, provides an eligibility advantage to students attending private institutions. Since private schools charge higher tuition, and tuition is included in the determination of need, students at private schools are more likely to qualify for this assistance.

Recommendation: Seek legislation to revise the current methodology to determine need for the Gallagher program so that students attending either private or public institutions are treated equitably.

Status: The Department of Higher Education (DHE) indicated Senate Bill No. 389 passed during the 2007 legislative session which, among other things, resulted in a new scholarship program entitled Access Missouri. The DHE received additional funding for this program and the criteria for need is based only on Expected Family Contribution. The DHE anticipates this change will more equitably distribute student financial assistance between independent and public sector institutions.

Report Source: 2007-16

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION

DEPARTMENT OF INSURANCE

Examination Billings

The Missouri Department of Insurance (MDI) examination billing policies may not comply with state law, and amounts billed may not accurately reflect actual costs incurred.

Recommendation: The MDI review its current examination billing policies and ensure the true cost of each examination is tracked and billed. Any legal matters needing clarification should be resolved by seeking applicable legislation or legal opinions.

Status: The MDI indicated Senate Bill No. 66, which passed during the 2007 legislative session, changes the way examinations are to be billed. The bill repealed the 15 percent surcharge on examination billings to

companies and the administration and support costs (including employee benefits) will be funded by the department's Dedicated Fund instead of being charged to the examined companies. As a result of these changes, the MDI has increased fees to compensate for the increased expenses in the Dedicated Fund.

Report Source: 2005-75

Examination Tax Credit

Section 148.400, RSMo, allows all insurance companies to deduct the entire cost of examinations from premium taxes paid to the state and deposited into the state's General Revenue Fund. Additionally, a state law passed in 2001 allows insurance companies to carry forward these credits for five years beginning with the 2004 tax year. In essence, the state's General Revenue Fund is paying a significant portion of the examination costs instead of charging all the costs to insurance companies as a part of doing business in Missouri.

Recommendation: The MDI review this issue and consider seeking legislation to reduce or eliminate the examination tax credit.

Status: The MDI indicated pursuant to Senate Bill No. 66, which passed during the 2007 legislative session, examination costs will be reduced and the department will increase their revenues from fees charged to insurance companies. The MDI believes the increased fees will offset a large cost of the examination tax credits. However, companies are still allowed to take a dollar for dollar tax credit for examination costs and deduct the costs from the premium taxes owed to the state.

Report Source: 2005-75

Title Insurance Examinations

Premiums on title insurance make up less than one percent of the total insurance premiums paid in Missouri; however, approximately 10 percent of the MDI's market conduct staff are used exclusively to conduct examinations of title insurance companies. Section 381.241, RSMo, required the MDI to review each title insurance company at least once every four years.

Recommendation: The MDI review the current title insurance examination requirements and consider seeking legislation to revise the applicable statute to better utilize MDI resources.

Status: The MDI indicated Senate Bill No. 66, which passed during the 2007 legislative session, revised the requirements for title examinations and repealed the "every 4 year" requirement. Title insurance companies are now under the same requirements as other insurance companies in regards to market conduct, which are at the discretion of the department.

Report Source: 2005-75

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

SECOND INJURY FUND

Fund Likely To Become Insolvent Unless Corrective Action Taken

Legislative changes implementing the 3 percent surcharge cap have eliminated the division's ability to assess an employer surcharge rate sufficient to cover fund expenditures. As a result, the fund will become insolvent during 2008 unless corrective action is taken. Prior to the legislative changes in 2005, the surcharge rate formula, in place since 1993, was a self-adjusting fund mechanism which used a variable surcharge rate to ensure revenues were sufficient to cover expenses. While the 2005 changes are expected to result in fund expenditure reductions, the changes will also impact the premium base, and therefore, the revenue side of the surcharge equation. In the event the premium base drops, a 3 percent surcharge rate will result in less revenue than it did in prior periods. The lack of a variable surcharge rate does not allow the fund to collect adequate funds to remain solvent.

A January 2007 Missouri Supreme Court decision will result in additional future fund liabilities. Determining a more specific impact of the court's decision would assist the General Assembly in determining the extent of action to be taken to cover expected shortfalls in funding.

Action is needed because state laws provide no contingency plan or funding available to cover the expected shortfall. In addition, pending legislation does not address the short-term solvency concerns of the fund, therefore additional funding sources are needed to address this short-term insolvency of the Second Injury Fund.

Recommendations:

- The General Assembly take action to ensure fund solvency in 2008 and in the future.
- The Department of Labor and Industrial Relations in conjunction with the General Assembly, develop a contingency plan to address potential fund shortfalls.

Status: A legislative committee studying the Second Injury Fund (SIF) has met several times and has requested a significant amount of information from the Division of Workers' Compensation, as well as the Attorney General's office and the State Auditor's office. An additional actuarial report on the SIF has also been recently completed at the request of the Governor.

Report Source: 2007-19

REVIEW OF THE MISSOURI UNEMPLOYMENT COMPENSATION TRUST FUND

State's Handling Of Misconduct Discharges Differs From Other States

The Department of Labor and Industrial Relation's (DOLIR) handling of unemployment claims related to discharge for misconduct generally complies with state laws and department guidance. However, the state's approach to penalizing misconduct discharge claims differs from most states contacted because Missouri law allows an individual discharged for misconduct to collect full benefits after a waiting period. Although the department can impose a waiting period of up to 16 weeks before benefits are paid, it seldom imposes a waiting period of more than 4 to 8 weeks and does not have a formal policy addressing waiting periods. Missouri also differs because state law does not reduce benefits eventually paid to individuals discharged for misconduct, and state case law requires evidence of on the job impairment to find misconduct on drug-related discharges.

Recommendations: The General Assembly:

- Add a monetary penalty equal to the number of disqualification weeks as a penalty for misconduct discharges.
- Review current department policy and established case law regarding the handling of drug-related discharges to determine whether department policy reflects legislative intent.

Status: The DOLIR-Division of Employment Security (DES) indicated House Bill No. 1268, which passed in 2004, made changes to the unemployment law (Section 288.050.2, RSMo) which eliminated all compensation for an individual who lost their job as a result of misconduct. An individual who is found to have committed misconduct is now awarded no benefits and can only be compensated for future unemployment if they have gone back to work and earned 6 times their weekly wage since the initial misconduct. In addition, the DES indicated a new law was passed (Section 288.045, RSMo), effective October 1, 2006, which clearly spells out expectations for drug-related offenses and specifically abrogates prior case law on the topic. The new law makes it clear that the employer does not have to prove impairment while on the job and that a positive random test is enough to prove misconduct, as long as the employer has a known policy.

Report Source: 2003-91

Action Is Needed To Restore The Solvency Of The Fund

Missouri has been forced to borrow funds from the U.S. Department of Labor (USDOL) to return the fund to temporary solvency. If no corrective action is taken to resolve insolvency, the

fund is expected to remain insolvent until 2009, with benefits exceeding contributions through 2010. The department has borrowed $42 million and expects to borrow $764 million through 2008 unless revenue is increased and/or benefits are reduced. Missouri employers are estimated to incur $95 million in interest charges on borrowed federal funds during that timeframe. If the state does not take action to sufficiently correct the insolvency within 2 years, the USDOL may impose as much as $539 million in increased federal unemployment taxes on all Missouri employers through 2007 to eliminate the existing fund deficit.

Although not a major factor affecting the fund's solvency, timely identification of overpayments of unemployment benefits and enhanced collection of overpayments would improve fund solvency. Obtaining new-hire data on a weekly basis could reduce overpayments. The use of a collection agency would likely result in increased collections of overpayments; however, state law currently prohibits department personnel from using a collection agency.

Recommendation: The General Assembly take action to resolve the solvency of the fund.

Status: The DES indicated legislative changes were made to increase the taxable wage base and also to increase the thresholds at which the taxable wage base is adjusted up or down (Section 288.036, RSMo). The legislature also included in the law additional rate increases for employers who are at the previous maximum (Section 288.122, RSMo). The DES estimated these changes would generate approximately $86 million in additional revenue to the fund annually.

Report Source: 2003-91

DEPARTMENT OF NATURAL RESOURCES

ANALYSIS OF WOOD ENERGY TAX CREDIT PROGRAM

Wood Energy Tax Credit Is More Costly Than Anticipated

Annual wood energy tax credits issued and redeemed are at least three times more than the original estimates when the General Assembly reauthorized the tax credit. This cost increase occurred because Department of Natural Resources (DNR) officials established a higher tax credit rate for charcoal products in state regulations based on input weight to create the wood product (charcoal) rather than the output weight. The tax credit statute states the tax credit shall be $5 per ton of processed wood material. The officials interpreted the phrase to mean the input weight, but it is not clear that was the legislative intent of the wording.

Recommendation: The Director of the Department of Natural Resources work with the General Assembly to clarify in the Wood Energy tax credit law whether processed wood material is intended to be defined as input material or output material and change the program's regulations as necessary.

Status: This report was issued after the 2007 legislative session. The DNR commented that personnel have testified before the Joint Committee on Tax Credits regarding the Wood Energy Tax Credit and will bring this particular issue to the committee's attention for a recommendation to the rest of the General Assembly.

Report Source: 2007-58

DEPARTMENT OF PUBLIC SAFETY

OVERSIGHT OF AMUSEMENT RIDE SAFETY

Missouri's Amusement Ride Safety Laws Are Lacking

Other states have stricter requirements for inspecting portable rides at each set up and reporting accidents and mechanical failures. In addition, current state law does not require owner-hired inspectors to be independent, and Missouri's amusement ride safety requirements are not all inclusive.

Recommendation: The Director of the Department of Public Safety conduct a comprehensive review of inspection requirements and recommend program enhancements to the General Assembly. This review should include addressing areas such as inspections of portable rides at each set up, strengthening requirements on the reporting of accidents and mechanical failures, and requiring owner hired inspectors to be independent. Other states' ride safety programs should be considered in this review.

Status: The Division of Fire Safety indicated many of these recommendations would require changes to promulgated rules, not state law. No legislation has been passed and no rules have been promulgated addressing these issues. Rules changes are being considered regarding reporting of accidents and mechanical failures, and inspector independence.

Report Source: 2005-23

PEACE OFFICER STANDARDS AND TRAINING PROGRAM (LICENSING, TRAINING, AND COMPLAINT INVESTIGATION ASPECTS)

Program Enhancements-Discipline For Misconduct

Section 590.080.1, RSMo, does not allow discipline for misconduct unless the misconduct occurred while the officer was on duty or was a criminal act. To ensure public safety is maximized, Peace Office Standards and Training (POST) program officials should pursue legislative changes that allow disciplinary action for instances of misconduct that occur when a peace officer is not on duty.

Recommendation: POST program officials seek legislative changes allowing for discipline in more situations.

Status: The Department of Public Safety (DPS) indicated legislation has not been pursued and the attempt to regulate behavior of off-duty peace officers has serious opposition in the legislature because of employee/labor court decisions. The DPS also indicated it has no future plans to pursue legislation.

Report Source: 2005-10

Program Enhancements-Revealing Employment History

State law prevents POST program officials from revealing employment history to prospective law enforcement agency employers. Section 590.180.2, RSMo, states that POST can release the name, licensure status, and commissioning agency as open records, and can release to law enforcement agencies the final determination of cause for discipline. However, POST cannot release information regarding previous employment or termination.

Recommendation: POST program officials seek legislative changes allowing POST to reveal previous employment information to prospective local law enforcement employers.

Status: The DPS indicated legislation has not been pursued. The recommendation will be on the agenda of the POST Commission's meeting in October 2007.

Report Source: 2005-10

Licensing Procedures And Entrance Standards-Verification Of State Income Tax Returns

State law requires certain governmental entities that issue various professional licenses to obtain verification from the Missouri Department of Revenue that their licensees' have filed state

income tax returns in the three previous years. However, peace officer licenses are not subject to this law. It appears reasonable that peace officer licenses should also be subject to state income tax compliance provisions.

Recommendation: Consider pursuing legislation that would require individuals to file and pay state taxes before receiving a peace officer license.

Status: The DPS indicated legislation has not been pursued. The recommendation will be on the agenda of the POST Commission's meeting in October 2007.

Report Source: 2005-10

MISSOURI STATE HIGHWAY PATROL

Use Of Highway Funds

In June 2001, we issued report No. 2001-47, *Use of Highway Funds by Other State Agencies*. This report concluded some state agencies, including the Missouri State Highway Patrol (MSHP), had expended highway funds for purposes that were not highway related. As a result of this report, in February 2002, the MSHP prepared a study of its utilization of state highway funds. The study evaluated activities of the patrol by program area and estimated 98 percent of funding received from the State Highway Fund appeared to be directly related to highway related activities, leaving 2 percent, or approximately $2.6 million, that was expended for non-highway related purposes.

In its fiscal year 2004 budget request, the MSHP requested reallocations of funding from highway funds to the state's General Revenue Fund totaling approximately $3.2 million. This request resulted in reallocations by the legislature totaling $661,000. MSHP officials stated they were instructed by the Office of Administration, Division of Budget and Planning not to include additional funding reallocations in fiscal year 2005. The MSHP intended to include requests for reallocations totaling $1.9 million in its fiscal year 2006 budget.

To ensure compliance with Section 226.200.3, RSMo, by July 1, 2007, the MSHP should continue to perform reviews of funding sources and uses for the agency's activities and pursue appropriate funding changes in the fiscal year 2006 and 2007 budgets.

Recommendation: The MSHP perform annual studies of funding sources and uses for the agency's activities, and pursue appropriate reallocations of funding in future budgets.

Status: The MSHP indicated during the most recent budget cycle, fiscal year 2008, a request was submitted and received the governor's recommendation. It asked that $3,244,200 be cut from Highway funding

in various Patrol programs (Crime Lab, Training Academy, Administration, etc.), and that it be replaced with a corresponding amount of General Revenue funding in the same programs. The request was also approved by the House of Representatives, but did not receive approval in the Senate.

In addition, while in the Senate, a governor's amendment was added to authorize a fund switch in the Patrol's Enforcement program. It cut $1,996,126 in Highway funding and replaced it with General Revenue funding in the same program. This money is intended to be used specifically by road officers who are engaged in non-Highway duties (state fair, manhunts, etc.). Meanwhile, the Patrol is preparing to submit a decision item in the fiscal year 2009 budget process, to again request a fund switch that would provide General Revenue funding for its other core programs (Crime Lab, Training Academy, Administration, etc.).

Report Source: 2005-05

DEPARTMENT OF REVENUE

SALES AND USE TAX

Sales And Use Tax Refund Liabilities

The Department of Revenue (DOR) records reflect sales and use tax refund requests filed as of June 30, 2006, totaling approximately $210 million, which are related to one issue and have not been validated.

The issue is related to the tax exemption addressed in an opinion handed down on December 20, 2005, by the Missouri Supreme Court in the case of *Southwestern Bell Telephone Company, v. Director of Revenue*. Interest, which could be substantial, continues to accrue on these claims. In a February 5, 2007, letter to the State Auditor, the Director of Revenue indicated that refund claims filed citing a connection to the abovementioned case had risen to approximately $300 million. However, the Director would not provide us with any detailed or other supporting documentation to allow us to verify her statement.

Given the potential fiscal impact of these liabilities on state and local funds, it is essential that this issue be addressed, including the development of a plan to validate the use tax refund requests by the DOR and a funding plan by the General Assembly for the payment of amounts (including interest) determined to be valid and due.

Recommendation: The DOR, along with the General Assembly, determine the most feasible course of action and develop a plan to address in a timely manner the refund claims and related liabilities noted above.

Status: During the year ended June 30, 2007, the DOR resolved, by negotiated settlement, approximately $115 million in claims (plus interest). The DOR now has between $75 million and $100 million (plus interest) in related claims still open or pending. The DOR intends to continue to resolve claims by negotiated settlement where possible. The DOR obtains documentation from the taxpayer to determine, among other things, that the claim was filed within the statute of limitations, the claim meets other legal requirements, the claimed tax was actually paid, and the equipment and machinery for which the refund is sought is exempt under the two Supreme Court decisions. Only then does the DOR management and General Counsel staff negotiate resolution.

Report Source: 2007-15

Sales And Use Tax Exemptions

The Department of Revenue (DOR) does not track information regarding all sales and use tax exemptions and, as a result, cannot determine the effects on state revenue related to each of the exemptions.

Failure to determine the fiscal impact of various sales and use tax exemptions on state revenues reduces the General Assembly's ability to make informed decisions regarding the propriety of current and possible future exemptions. A method of reporting, which would provide reliable additional information for various sales and use tax exemptions, should be developed to accumulate the information that should already be available. Such information should be reported to the General Assembly annually.

Recommendation: The DOR develop a comprehensive system to compile and maintain exemption information so that the reductions of state revenue related to each exemption can be determined.

Status: In April 2007, the Missouri State Auditor's Office issued audit report No. 2007-15, *Sales and Use Tax*. In that report, the DOR indicated that currently no method exists to efficiently or reliably capture exemption data and that implementing this recommendation would result in a significant and undue burden on taxpayers. In addition, the DOR indicated it would incur significant costs related to forms, personnel, and mainframe system programming.

Report Source: 2005-13 and 2003-55

Sales And Use Tax Refunds

State law does not require vendors to return sales and use tax refunds and related interest to the original purchaser when applicable, resulting in a windfall for the vendor. While House Bill No.

600, which passed in the 2003 legislative session, provides additional guidance related to sales and use tax refunds, it does not provide that refunds must be returned to the original purchaser.

We addressed this issue in previous reports and the DOR agreed with the recommendation to support legislation that would require sales and use tax refunds and related interest to be returned to the original purchaser; however, such legislation has not been successful.

Recommendation: The DOR continue to support legislation that would require sales and use tax refunds and related interest to be returned to the original purchaser.

Status: In April 2007, the Missouri State Auditor's Office issued audit report No. 2007-15, *Sales and Use Tax*. In that report, the DOR indicated they have continually supported legislation introduced in the Missouri General Assembly; however, such legislation has not been successful.

Report Source: 2005-13 and 2003-55
In addition, this issue was addressed in other reports prior to 2003.

Project Exemptions Certificates

The Department of Revenue (DOR) lacks procedures to monitor the issuance or use of project exemption certificates issued by tax-exempt entities. Section 144.062.2, RSMo, provides that when any tax-exempt entity contracts for the purpose of constructing, repairing or remodeling facilities, and purchases of tangible personal property and materials to be incorporated in the project are to be made on a tax-exempt basis, such entity shall issue project exemption certificates. Project exemption certificates authorize contractors to purchase materials to be consumed in projects without paying sales tax.

Without adequate documentation or proper monitoring of materials used in the tax-exempt project, the DOR cannot determine whether the tax exemption was applied in compliance with state law.

Recommendation: The DOR develop procedures to monitor the issuance and use of project exemption certificates.

Status: The DOR indicated no changes have been made to the process and no legislation has been introduced to abolish or modify the exemption.

Report Source: 2003-55

BRANCH OFFICE CONVERSION

Selection Of Contract Agents

The DOR has not established criteria or solicited proposals for selection of contract agents. It should be noted that the method used by the current administration to appoint or select contract agents has been a long-standing practice within state government. It appears that the appointed contract agents should be held to standards other than just their political affiliation. The DOR should support any legislation requiring the contract agents to be selected through a competitive process.

Recommendation: The DOR consider establishing minimum experience and educational requirements for potential candidates. In addition, the DOR should consider soliciting proposals to maintain an acceptable level of service and support legislation that requires contract agents to be selected through a competitive evaluation process.

Status: The DOR competitively bid three contract agents. However, three contract agents were appointed without a competitive bid process subsequent to the announcement of the first request for proposal. Cities were named as the contract agents for two of these appointments. The DOR indicated no legislation was passed regarding this issue.

Report Source: 2006-37

MISSOURI STATE TAX COMMISSION

Ratio Studies

Because of state law requirements related to certifying equivalent sales ratios (ESR) for use in the school foundation formula, the State Tax Commission (STC) has less resources to ensure equitable and uniform assessment of property throughout the state. In addition, in the event a jurisdiction's ESR falls below 31 2/3 percent, state law requires the STC to conduct a second ratio study.

Recommendation: The STC work with the legislature to allow for the most effective use of resources to ensure equitable and uniform assessment of property throughout the state.

Status: The STC indicated funding was received for International Association of Assessing Officers (IAAO) and Agricultural studies. Legislation was not passed in 2007 which would increase the amount of education for

assessors, allow better access to real estate sales, provide a phased-in statewide assessment system, or other assessment related issues.

Section 163.011, RSMo was amended during the 2005 legislative session. This amendment repealed the language requiring the State Tax Commission to report the ESR to the Department of Elementary and Secondary Education on or before March 15, and eliminated the equivalent sales ratio as a factor in calculating the school foundation formula for distributing state aid to schools. The requirement for second studies was also repealed.

Report Source: 2005-30

Certificates Of Value

The State Tax Commission (STC) does not have access to adequate market data statewide. A law mandating the use of certificates of value (COV) would require the disclosure of detailed sales information and provide another tool which assessors could use to more equitably assess property and the STC could use to perform ratio studies.

Available STC annual reports showed a statewide COV law has been recommended to the General Assembly every year since 1980. Such bills have been introduced in the General Assembly seven times since 1995; however, none of the legislation has been successful.

Recommendation: The STC continue to develop procedures and begin testing in the jurisdictions which have passed a local sales disclosure law. In addition, the STC should continue to support legislation which will ensure equitable and uniform assessments throughout the state.

Status: The STC indicated legislation was not passed mandating the use of COVs.

Report Source: 2005-30

Business Personal Property Assessments

A standardized schedule of depreciation for business personal property has not been developed for use by all assessors, which may result in inequitable assessments of business personal property throughout the state.

Recommendation: The STC continue to support legislation that would provide guidance and the establishment of a standardized schedule of depreciation to determine the assessed valuation of business personal property.

Status: The STC indicated Section 137.122, RSMo, which established a depreciation schedule for business personal property, was passed in the 2005 legislative session.

Report Source: 2005-30

EFFORTS TO ENFORCE UNINSURED MOTORIST LAW

Uninsured Motorist Law

The exclusion of commercial, fleet and rental vehicles from compliance with the motor vehicle responsibility law hinders the Department of Revenue's (DOR) ability to ensure insurance companies report all necessary records. The state's $20 reinstatement fee for a first offense of not having a vehicle insured is the lowest compared to 12 other states reviewed. The legislature reduced the fee effective January 2000 with the apparent intent of increasing reinstatements; however, the lower fees have not created the intended result.

Recommendation: The General Assembly revise compliance under the motor vehicle responsibility law to include commercial, fleet, and rental vehicles and evaluate increasing the 1st offense reinstatement fee.

Status: Chapter 303, RSMo, has not been revised to include commercial, fleet, and rental vehicles. In addition, the $20 1st offense reinstatement fee is still intact pursuant to Section 303.042.2 (1).

Report Source: 2005-16

DEPARTMENT OF SOCIAL SERVICES

CHILD SUPPORT DELINQUENCIES

Opinions Differ On TerminatingJudicial Orders Of Support

Clarifying state law to identify who shall be responsible for terminating judicial support orders and obligations on the automated system would provide uniformity and consistency, and ensure arrears do not continue to accrue when child support is no longer due. Until state law is clarified, the division should identify courts where judges have stated they do not want division personnel terminating judicial orders, and amend policy to require division personnel to terminate judicial support orders originating in all other courts once statutory criteria has been met.

Recommendation: The General Assembly clarify state law to clearly identify who has the authority and responsibility to terminate judicial orders of support and end

further accruals of unpaid support on the automated system, when child support is no longer due.

Status: This report was issued after the 2007 legislative session.

Report Source: 2007-59

SPECIAL NEEDS ADOPTION TAX CREDIT

Revisions To Tax Credit Program Needed

The special needs adoption tax credit is often not available to a family adopting a resident Missouri special needs child because either the family does not have any nonrecurring adoption expenses; the family receives a direct adoption subsidy from the state for these expenses; or the funds are not available. In its current form, while the credit is often not beneficial to families wishing to adopt a resident Missouri special needs child, it is beneficial to families that adopt an out-of-state or international child.

Recommendation: The Director, Department of Social Services seek legislative changes to the tax credit program to restrict eligibility to only Missouri resident special needs adoptions.

Status: House Bill No. 1453, which passed during the 2004 legislative session, amended Section 135.327, RSMo, to establish two separate tax credits of $2 million each for adoptions of special needs children. One of the $2 million tax credits is for Missouri resident special needs children and the second $2 million in tax credits (for a total of $4 million in tax credits) is for non-resident special needs children. Prior to this change tax credits totaling $2 million were available and the credits were awarded based on the first to apply irregardless of the state of residence of the adopted special needs child.

Report Source: 2004-13

LIEUTENANT GOVERNOR

OFFICE OF LIEUTENANT GOVERNOR

State Vehicle

The Lieutenant Governor reimbursed the state for personal use of his state-owned vehicle; but there is no provision in state law which allows a state vehicle to be used for anything other than official use.

There is no provision that exists in state law that allows any state official to use state vehicles for personal or political purposes. Furthermore, there are no provisions that allow non-official use as long as there is appropriate reimbursement. Regarding state-owned vehicles, Section 301.260, RSMo, provides that "No officer or employee or other person shall use such a motor vehicle for other than official use." If the state intends to allow elected or other state officials to use state resources for anything other than business purposes, legislation should be pursued to clearly allow this practice and any other related conditions, such as reimbursement, for such use. Until such provisions are approved, no state resource should be used for purposes other than official state business.

Recommendation: The Office of Lieutenant Governor, in conjunction with the Office of Administration (OA) and other state officials, pursue legislation regarding the proper use of state-owned vehicles and other state resources by elected and other state officials.

Status: This report was issued after the 2007 legislative session.

Report Source: 2007-64

GENERAL ASSEMBLY

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
COMMITTEE ON LEGISLATIVE RESEARCH

Fiscal Impact Of Legislative Decisions

The Committee on Legislative Research's (COLR) Oversight Division provides information to the General Assembly regarding the estimated fiscal impact of proposed legislation. This information is provided through fiscal notes developed by the division with assistance from the affected agency(ies). However, there are no statutory provisions or any other means or mechanism which require or provide for the actual fiscal impact of legislative decisions to be reported to the General Assembly after legislation has been passed. The audit disclosed various

examples where the actual fiscal impact of legislative decisions was not determined and reported to the legislature. In some instances, the actual fiscal impact may have been significantly different than the fiscal impact estimated when the related legislation was being considered.

Sections 23.250 to 23.298, RSMo (The Missouri Sunset Act) provides that any new program authorized into law will sunset after a period of not more than six years unless it is reauthorized. That legislation provides the Committee on Legislature Research shall review the new programs before their sunset dates and present a report to the General Assembly regarding the need and performance of the programs and make recommendations regarding the sunset, continuation, or reorganization of each affected program. While these statutory provisions include criteria to be considered during these program reviews, we saw no requirement that the actual fiscal impact of such programs be compared to original estimates.

Recommendation: The Committee on Legislative Research work with the General Assembly in establishing a means or mechanism to follow-up and report on the actual fiscal impact of significant legislative decisions. Such an effort may result in the need to make revisions to the Missouri Sunset Act or other statutes.

Status: The COLR indicated a new position has been created with one of the duties being to follow-up on and report on the actual fiscal impact of past legislative decisions as directed by the legislature. Although two different house bills were introduced in the 2006 legislative session that would have directly addressed this recommendation, neither passed.

Report Source: 2005-87

COMPLIANCE WITH CLOSED MEETING AND CLOSED SESSION PROVISIONS OF THE SUNSHINE LAW

Notices Posted By Public Bodies Did Not Document Compliance With The 24-hour Rule

The Sunshine Law does not specifically state public meeting notices must include the posting date and time, but requires the public body and its members demonstrate compliance with all law provisions, including the 24-hour posting requirement. Unless a notice includes the posting date and time, a public body cannot clearly demonstrate compliance with the 24-hour rule.

Recommendation: The General Assembly revise the Sunshine Law to require notices posted for public meetings include the date and time the notice is posted.

Status: A review of statutory provisions and revisions since this report was issued, shows that no changes were made to the Sunshine Law to require the date and time of the notice to be provided.

Report Source: 2003-20

Public Bodies Should Document Discussions Held During Closed Meetings And Sessions

The Sunshine Law does not specifically require public bodies to keep minutes for closed meetings or sessions. The Attorney General's Sunshine Law booklet recommends public bodies document discussions during closed session to demonstrate, if necessary, the discussions were limited to the topics announced for the closed session. The Sunshine Law requires certain decisions made during closed meetings/sessions related to legal, real estate, and personnel actions to be made public within specified timeframes. Also, any vote on final decisions to hire, fire, promote, or discipline employees must be made public with the record of how each member voted within 72 hours of the closed meeting/session. Public bodies would be in a better position to prove compliance with these provisions if they maintained minutes of closed meetings/sessions.

Recommendation: The General Assembly revise the Sunshine Law to require public bodies record minutes to document discussions held during closed meetings and sessions.

Status: Senate Bill No. 1020 was passed during the 2004 legislative session which amended Section 610.020.7, RSMo, to require a journal or minutes of closed meetings to be taken and retained.

Report Source: 2003-20

OFFICE OF ADMINISTRATION

MISSOURI ETHICS COMMISSION

Statutory Requirements

The Missouri Ethics Commission (MEC) has the responsibility for the enforcement of conflict of interest and lobbying laws (Sections 105.450-498, RSMo). However, as similarly discussed in our prior report, the MEC's enforcement authority is often limited or non-existent because the state laws are vague, confusing, inconsistent, and contain numerous exceptions to the various reporting requirements. Legislative changes have been pursued by the MEC that would resolve some of these issues, but the changes have not passed.

Recommendation: The MEC continue to pursue statutory changes to Chapter 105 to ensure the laws include appropriate enforcement provisions.

Status: The MEC indicated that multiple bills with provisions related to Chapter 105 were introduced during the 2007 legislative session, but none passed.

Report Source: 2006-51

TOBACCO SETTLEMENT FUNDS

Tracking Expenditures And Transfers Of Funds

All expenditures of tobacco funds cannot be readily identified, and the state does not adequately track or report the expenditures/activities funded with the tobacco monies. During the five years ended June 30, 2005, tobacco payments were distributed to nine different funds and often redistributed again; with some monies held in three different funds before ultimately being spent. Furthermore, a formal report regarding the use of tobacco monies is not prepared for public review.

Non-Participating Manufacturers

Tobacco manufacturing companies that are not part of the Master Settlement Agreement (MSA) (collectively the Non-Participating Manufacturers or NPMs) make no payments and have not agreed to any limitations on advertising, marketing, and promotion of their cigarettes. However, the NPMs are not released from potential state claims. To ensure that Settling States that are successful in a future lawsuit against a NPM would have monies against which they can recover any judgment/settlement money, the MSA recommended the adoption of a model statute requiring the establishment of qualified escrow accounts. Missouri adopted the model statute, effective July 1, 1999.

The state has not passed additional legislation that would amend the model statute passed in 1999. The National Association of Attorneys General (NAAG) has recommended the model statute be amended to include two components, referred to as complimentary legislation and the allocable-share amendment.

According to the NAAG, the purpose of the complimentary legislation is to make enforcement of the model statute more effective. Additionally, the allocable-share amendment would close a loophole in the model statute which allows the release of certain funds placed in the NPMs' escrow accounts.

Recommendation: The Office of Administration (OA) in conjunction with the Governor and Members of the General Assembly record and track tobacco revenues and expenditures in one fund through the state's accounting system, and report the use of these monies. Eliminating multiple transfers of the tobacco monies between funds and establishing the appropriation of tobacco monies from one fund would help ensure greater accountability regarding

the use of these monies. Additionally, the state needs to consider passing additional legislation to amend the model statute.

Status: The OA indicated appropriations of tobacco monies will be made from only one fund, the Healthy Families Trust Fund, effective July 1, 2007.

The Attorney General's Office indicated various legislation was introduced related to the model statute, but none was passed.

Report Source: 2006-16

JUDICIARY

OFFICE OF STATE COURTS ADMINISTRATOR

Court Automation Program

The Office of State Courts Administrator (OSCA) has not formally documented the estimated long-range maintenance, repair, and upgrade costs (personal service and expense and equipment) of court automation once the Justice Information System (JIS) and Juvenile Management System (JMS) are implemented in all Missouri circuit courts.

The OSCA is currently pursuing implementation of the integrated case management system in pilot municipal courts. Pursuant to 49 CFR Section 384.225 (2002) all Commercial Driver's License convictions must be reported to the Commercial Driver's License Information System within ten days of conviction. The OSCA's fiscal year 2006 budget request indicates that failure to comply with this mandate by September 30, 2005, would result in the annual loss of five percent of all Federal Aid Highway Funds beginning October 1, 2007, and ten percent in each subsequent Federal Fiscal Year. The OSCA management indicated compliance with the mandate can only be accomplished through implementation of the integrated case management system in all courts including municipal courts.

Recommendation: The State Courts Administrator develop a formal long-range comprehensive court automation plan. The plan should be a work-in-progress and updated as necessary based on unexpected occurrences and actual costs. This plan should also be provided to the General Assembly for consideration during the overall budgeting process. In addition, to protect federal highway funds, the State Courts Administrator should work with the General Assembly and Missouri Department of Transportation to investigate funding options for implementation of the integrated case management system in the municipal courts.

Status: The OSCA indicated the agency constantly engages in ongoing planning and the implementation of court automation and communicates this

information with the Missouri General Assembly. Information is exchanged in public hearings, with individual members of the General Assembly, and within the organization. The OSCA does not intend to change the way the courts communicate the needs and progressions of the court automation program.

The OSCA indicated the agency has furnished quarterly reports to the legislature that contain financial and program status updates for the court automation plan. Presently, Greene County is the only county that is not on JIS. They are scheduled to convert in April 2008.

The OSCA did ask for 13 FTE to help implement the municipal system in Fiscal Year 2006, but the request was neither recommended by the Governor nor approved by the legislature. As a result of this, the agency has been relying on other funding options including federal funds from grants shared with the Missouri Department of Revenue for the implementation of JIS in the municipal court system.

Report Source: 2006-01

MISSOURI CONSOLIDATED HEALTH CARE PLAN

REVIEW OF MISSOURI CONSOLIDATED HEALTH CARE PLAN MANAGEMENT

Missouri Consolidated's Administrative Structure And Costs Could Be Reduced

The Missouri Consolidated Health Care Plan (MCHCP) could reduce costs by streamlining its administrative structure through one, or a combination of factors. Missouri Consolidated has not performed a review of its structure to determine if the organization and number of employees is necessary or most appropriate given its current state and public entity membership levels. In addition, Missouri Consolidated's organization as a separate benefits agency is uncommon compared to most other area states reviewed. Reducing staffing levels and/or sharing some functions by relocating Missouri Consolidated into an existing state agency could reduce payroll and benefits costs.

Missouri Consolidated has not analyzed whether offering healthcare to public entities is useful or cost-effective to the state. By discontinuing offering healthcare services to public entities, Missouri Consolidated could further reduce costs. Not all costs associated with providing service to public entity members were covered by public entity administrative fees and the bases used to allocate some of the costs were not related to the actual effort expended to provide the service. The result is that the state and state members may be subsidizing some of the costs of offering healthcare to public entity members.

Recommendations: The General Assembly determine whether to:

- Maintain the administration of the Missouri Consolidated Health Care Plan as a separate independent organization rather than as a benefits division within an existing state agency.

- Continue offering healthcare options to Missouri's public entities through Missouri Consolidated Health Care Plan.

Status: The MCHCP indicated it believes the Legislature, through the drafting of numerous pieces of legislation, approves of the current structure of health benefit administration by the MCHCP. The MCHCP continues to be maintained as a separate independent organization.

The MCHCP indicated the General Assembly has drafted legislation during 2005 through 2007 legislative sessions that would increase the population served by the MCHCP under the existing structure by allowing small employers to obtain medical coverage through the MCHCP, permit residents of the State of Missouri to participate in the MCHCP for an additional premium, and all young adult Missourians (ages 18-25) to join the Plan. Many of the participating agencies (public entities) likely could not obtain health insurance coverage if not offered to them through the MCHCP.

Report Source: 2004-51

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

MISSOURI HIGHER EDCUATION LOAN AUTHORITY

Identification And Use Of Any Surpluses

Since the Missouri Higher Education Loan Authority (MOHELA) was created in 1981, it has generally reinvested its operating surpluses in additional student loans, resulting in the accumulation of a substantial amount of net assets. While a portion of the authority's net assets are restricted or invested in fixed assets (and are not available for distribution), the authority has accumulated a substantial amount of marketable assets, the sale of which can generate significant amounts of cash for operations and other programs. The MOHELA's authorizing statutes (Sections 173.350 to 173.450, RSMo) do not include any provisions establishing a means or mechanism to identify the extent of any surplus funds or which specify how such funds, if distributed, should be used.

During the 2007 legislative session, the General Assembly passed legislation that includes provisions which will require the MOHELA to distribute $350 million to the state over the next

six years, primarily for various capital improvement projects at the state's public colleges and universities. This legislation became effective August 28, 2007; however, on August 9, 2007, a class-action lawsuit was filed (on behalf of two individuals with student loans) in the Cole County Circuit Court against the MOHELA contending that this plan is an illegal diversion of MOHELA assets. The lawsuit asked that the court bar the authority from financing this capital improvements plan and declare the related legislation illegal. While this lawsuit was pending, the MOHELA transferred the $230 million initial distribution to the state on September 14, 2007. In late November 2007, this lawsuit was dismissed at the request of those who had sued.

Action is needed to ensure any available surpluses are used in the future to further MOHELA's public mission. The MOHELA has a fiduciary responsibility to identify any available surplus funds and use them in an appropriate manner. In addition, the General Assembly should consider adding appropriate provisions to the MOHELA's authorizing statutes to provide some guidance regarding the identification and appropriate use of future surpluses, rather than leaving those decisions to the discretion of the public officials at the time their availability may be determined. Those legally authorized uses should closely correlate with the MOHELA's mission, which is, in part, to eliminate barriers for students so they can access higher education.

Recommendation: The MOHELA, in the future, identify the extent of any surplus funds and distribute such monies in a manner consistent with its mission. In conjunction with this, the authority should work with the General Assembly to add appropriate provisions to its authorizing statutes.

Status: This report was issued after the 2007 legislative session. The MOHELA responded, in part, that it believes that the Missouri Higher Education Loan Authority Act provides clear and specific guidance for the use of unrestricted net assets.

Report Source: 2007-56

Closed Board Meetings

The MOHELA Board's closure of some of its meetings may constitute a violation of state law. During the past several years, according to the open meeting minutes, the MOHELA Board closed its meetings on at least 21 occasions, apparently believing that the matters discussed were of the nature that allowed the meetings to be closed pursuant to Section 610.021, RSMo, of the Missouri Sunshine Law. However, the closure of these meetings may not be in accordance with state law, including that section of the Sunshine Law.

Section 173.365, RSMo, in referring to the MOHELA, states, "Each meeting of the authority **for any purpose whatsoever** shall be open to the public" (emphasis added). The Sunshine Law generally allows public governmental bodies to close meetings based on certain criteria; however, it appears exceptions to the open meetings requirement are superseded by other laws requiring open meetings/records. Section 610.021, RSMo, of the Sunshine Law states "**Except to the extent disclosure is otherwise required by law**, a public governmental body is authorized to close meetings, records, and votes. . . " (emphasis added). Therefore, given this

language and the requirement in Section 173.365, RSMo, that all meetings of the MOHELA Board are required to be open to the public, it does not appear the board is currently authorized to close any of its meetings.

Recommendation: The MOHELA comply with Section 173.365, RSMo, and discontinue holding meetings that are closed to the public. If the board desires the legal authority to close its meetings pursuant to Section 610.021, RSMo, the board should pursue the necessary legislative change(s).

Status: This report was issued after the 2007 legislative session. The MOHELA responded, in part, that affairs are conducted in strict compliance with the Sunshine Law's requirements.

Report Source: 2007-56

LOCAL AUDIT ISSUES

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES

Many special road districts are not filing annual financial reports with the State Auditor's Office as required by law, and some financial reports that were filed did not provide sufficient information. Monitoring procedures over county funds provided to special road districts are inconsistent, and some counties indicated no monitoring is performed. Only certain special road districts are required by law to provide annual settlements to the county commission and highway and transportation commission. In addition, state agencies provide little, if any, independent monitoring of special road district financial activity, and special road districts are not required to obtain independent audits.

It was also noted that counties have different methods for assessing permanent road levies and distributing the property tax monies generated from those levies even though the same statutory provisions are in existence. Also, the percentages used to allocate property tax revenues between the county and the special road district varied.

Recommendation: The Missouri General Assembly should review the laws pertaining to special road district financial reporting practices. Consideration should be given to strengthening the reporting requirements and rectifying inconsistencies between types of special road districts. Applicable county and state officials should improve monitoring and assistance to help strengthen the special road districts' financial reporting and accountability.

Status: No legislation was passed during the 2007 legislative session which addressed these issues.

Report Source: 2007-03

TRANSPORTATION DEVELOPMENT DISTRICTS

There is no requirement that the petitions filed with the circuit court include any information regarding estimated transportation project costs or the anticipated revenues that will be collected over the life of the Transportation Development District (TDD).

There is no requirement for an independent review or oversight of TDD transportation project costs or other expenditures.

There is disagreement over whether the construction of a TDD-funded transportation project(s) can be started prior to the legal establishment of the applicable TDD.

Most TDD sales taxes are not collected by the Missouri Department of Revenue, creating less assurance over the controls and monitoring of such revenue.

Many TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required, and the current audit requirements related to TDDs need to be reconsidered.

In many cases, significant project costs were initially paid by the private developer(s), who were then subsequently reimbursed by the TDD after bonds or other debt had been issued. Such a reimbursement process weakens the accountability over project-related costs.

The revenues of TDDs located in Tax Increment Financing (TIF) areas are being handled in different manners, and in some instances there is not adequate assurance TDD sales tax revenues are only used to pay the TDD's share of bond financing costs.

Recommendation: The General Assembly review the public awareness, accountability, and compliance issues addressed in this report and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes.

Status: In July 2007, the Missouri State Auditor's Office issued audit report No. 2007-28, Transportation Development Districts. That report noted that only one change was made to the TDD laws to address the various issues noted in the 2006 report. The law now requires that a petition filed to initiate the establishment of a TDD include the estimated transportation project costs and the anticipated revenues to be collected.

Report Source: 2006-12

TOWNSHIP FINANCIAL REPORTING PRACTICES

The financial reporting practices of Missouri's 312 townships need significant improvement. Our review noted high rates of noncompliance with statutory provisions requiring townships to file financial reports with various entities. Monitoring procedures over county funds provided to townships are inconsistent, and some counties indicated no monitoring is performed because townships are separate political subdivisions. This report indicates an overall lack of accountability over township operations and their estimated annual revenues of more than $23 million and $21 million during 2002 and 2001, respectively.

Recommendation: The Missouri General Assembly should review the laws pertaining to township financial reporting practices. Consideration should be given to

pass or amend laws to strengthen the requirement that all townships prepare complete and accurate financial statements, and to improve independent monitoring of township financial reporting practices. Applicable county officials should consider providing monitoring and assistance to help improve the townships' financial reporting and accountability.

Status: Section 231.280, RSMo, was amended to repeal the requirement that townships submit annual financial reports to Missouri Department of Transportation. No other legislation was passed that addresses township reporting issues.

Report Source: 2003-30

OTHER LOCAL GOVERNMENT ISSUES

TAX INCREMENT FINANCING DISTRICTS' EFFECT ON PROPERTY TAX ROLLBACK CALCULATIONS

State law does not address the effect of sales tax distributions to city Tax Increment Financing (TIF) districts on property tax rollback calculations.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Counties are sometimes required to distribute sales tax monies to city TIF districts. State law does not address how the sales tax monies distributed to the TIF districts should be considered for purposes of property tax rollback calculations. The audit reports included a recommendation that the county consult with legal counsel to determine the effect of sales tax distributions to TIF districts on the calculations.

Report Source: 2006-74 and 2006-71

COUNTY SALARY COMMISSIONS

Legislation was adopted during the 1987 legislative session, which established a county salary commission in all non-charter counties. Over the past twenty years, we have reported on various salary issues in third class counties. Salary findings have resulted primarily because of unclear or conflicting provisions of state law, varying interpretations of state law by county officials, and court rulings. The more recent and frequently reported salary findings are as follows:

- Some counties increased the county treasurer's salary effective January 1, 2004, during the term of office, which began January 1, 2003.

House Bill 2137, passed during the 2002 legislative session, provided for an increase in the compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission may authorize the use of the alternative salary schedule. However, Section 50.333, RSMo, appears to authorize salary commissions to meet only in odd-numbered years. Additionally, Article VII, Section 13 of the Missouri Constitution states that compensation to county officials shall not be increased during a term of office.

In some counties the county salary commission did not meet to approve the use of the alternative salary schedule and in other counties the county salary commission met and approved the use of the schedule. Some counties obtained a written opinion from legal counsel which varied from county to county. In some counties the higher salary schedule was not applied to the county treasurer's salary until the next term of office.

It is unclear when the salary increases provided to the county treasurers should have been in effect, and whether it is in accordance with state law.

Because of conflicting and unclear laws, in counties which applied the use of the higher salary scale during the treasurers' term of office, our audit report usually included a recommendation that the county commission consult legal counsel and review the situation to ensure the actions taken were in accordance with state law.

- Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for Associate County Commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, the Associate Commissioners' salaries in many counties were increased during their current term of office.

  On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term in office. This case, *Laclede County v. Douglass et al*., holds that all raises given pursuant to this statute section are unconstitutional.

  For the counties where the Associate Commissioners' salaries were increased, the audit report included a recommendation that the county commission review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

- For Public Administrators who are on a salary scale rather than a fee basis, Section 473.742, RSMo, provides a salary scale based on the average number of open letters in the two years preceding the term when the salary is elected. Some counties set the Public Administrator's salary at the minimum salary provided by state law and some counties set the salary as a percentage of the minimum to correspond with the percentage of the maximum salaries provided by state law paid to other officials for their respective offices. For counties where the Public Administrator's salary was set as a percentage of the

minimum, the audit reports included a recommendation that the county commission consult with legal counsel to determine whether the salary was in compliance with state law.

- In some counties the county collector and county assessor received raises, effective January 1, which should not have taken effect until March 1 and September 1, 2003, respectively, the date of these officeholders' incumbency. The raises were generally based on an increase in the county's assessed valuation. Section 50.333.8, RSMo, provides for salaries to be adjusted each year on the official's year of incumbency for assessed valuation changes that affect the maximum allowable compensation for that office.

  For counties where this situation occurred, the reports included a recommendation that the county commission and salary commission consult with legal counsel and review the situation to ensure the action taken was in accordance with state law.

Report Source:

2007-51	2005-71	2004-74	2004-03	2003-69
2007-50	2005-70	2004-71	2003-122	2003-31
2007-13	2005-52	2004-68	2003-106	2003-29
2007-04	2004-101	2004-67	2003-105	2003-11
2006-89	2004-93	2004-64	2003-104	2003-05
2006-71	2004-79	2004-62	2003-103	
2005-99	2004-77	2004-26	2003-102	
2005-98	2004-75	2004-06	2003-98	

The above reports included one or more of the salary issues noted above. In addition, similar and other salary issues were addressed in numerous audit reports issued prior to 2003.

APPENDIX

STATE AGENCY AUDIT REPORTS

Report Number	Title	Publication Date
2003-20	Compliance with Closed Meetings and Closed Session Provisions of the Sunshine Law	March 2003
2003-35	School Bus Safety	April 2003
2003-36	Department of Elementary and Secondary Education Educational Funding	April 2003
2003-55	Division of Taxation and Collection Sales and Use Tax	June 2003
2003-91	Review of the Missouri Unemployement Compensation Fund	September 2003
2004-13	Special Needs Adoption Tax Credit	February 2004
2004-15	Missouri Senior Rx Program	March 2004
2004-24	Missouri Western State College	March 2004
2004-51	Review of Missouri Consolidated Health Care Plan Management	June 2004
2004-56	Review of State Tax Credits Administered by the Department of Economic Development	July 2004
2004-59	Deparement of Elementary and Secondary Educations Charter School Oversight	August 2004
2005-05	Missouri State Highway Patrol	February 2005
2005-10	Public Safety Peace Officer Standards and Training Program (Licensing, Training, and Complaint Investigation Aspects)	February 2005
2005-13	Division Of Taxation And Collection Sales And Use Tax	March 2005
2005-16	Efforts to Enforce Uninsured Motorist Law	March 2005
2005-23	Oversight of Amusement Ride Safety	March 2005
2005-30	Missouri State Tax Commission	May 2005
2005-54	Small Business Investment Tax Credit Program	August 2005
2005-55	Community Development Corporation Tax Credit Program	August 2005
2005-75	Department of Insurance	October 2005
2005-86	Missouri State Fair	December 2005
2005-87	General Assembly and Supporting Functions / Committee on Legislative Research	December 2005
2005-101	General Obligation Bond Sales Practices Follow up	December 2005
2006-01	Office of State Courts Administrator	January 2006
2006-16	Tobacco Settlement Funds	March 2006
2006-20	High School Graduation Rates	April 2006
2006-37	Branch Office Conversion	June 2006
2006-43	School District Purchasing Practices	July 2006
2006-51	Missouri Ethics Commission	August 2006
2007-06	Tax Credit Analysis of the New Generation Cooperative Incentive Tax Credit Program	February 2007
2007-12	Missouri Development Finance Board	March 2007
2007-15	Sales and Use Tax	April 2007
2007-16	State Student Financial Assistance	April 2007
2007-19	Second Injury Fund	April 2007
2007-32	Educator Certification Background Checks	August 2007
2007-56	Missouri Higher Education Loan Authority	October 2007
2007-58	Analysis of Wood Energy Tax Credit Program	October 2007
2007-59	Child Support Delinquencies	October 2007
2007-64	Office of Lieutenant Governor	October 2007

LOCAL GOVERNMENT AUDIT REPORTS

Report Number	Title	Publication Date
2003-05	Dent County	January 2003
2003-11	Reynolds County	February 2003
2003-29	Hickory County	April 2003
2003-30	Township Financial Reporting Practices	April 2003
2003-31	Shannon County	April 2003
2003-69	Schuyler County	July 2003
2003-98	Phelps County	September 2003
2003-102	Nodaway County	September 2003
2003-103	Pulaski County	September 2003
2003-104	Madison County	September 2003
2003-105	Henry County	September 2003
2003-106	Pemiscot County	September 2003
2003-122	Holt County	December 2003
2004-03	Howard County	January 2004
2004-06	Ray County	January 2004
2004-26	Butler County	April 2004
2004-62	Montgomery County	August 2004
2004-64	Cedar County	August 2004
2004-67	Oregon County	September 2004
2004-68	Linn County	September 2004
2004-71	Benton County	September 2004
2004-74	Carter County	September 2004
2004-75	Wayne County	September 2004
2004-77	Chariton County	September 2004
2004-79	Livingston County	September 2004
2004-93	Vernon County	December 2004
2004-101	Gentry County	December 2004
2005-52	Dade County	August 2005
2005-70	Howell County	September 2005
2005-71	Crawford County	September 2005
2005-98	Laclede County	December 2005
2005-99	Scotland County	December 2005
2006-12	Transportation Development Districts	March 2006
2006-71	Miller County	December 2006
2006-74	Dekalb County	December 2006
2006-89	Clinton County	December 2006
2007-03	Special Road District Financial Reporting Practices	February 2007
2007-04	Ozark County	February 2007
2007-13	Shannon County	March 2007
2007-50	Madison County	September 2007
2007-51	Pulaski County	September 2007

Susan Montee, CPA

Missouri State Auditor

December 2007

City of Springfield, Missouri

Report No. 2007-74

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Springfield, Missouri.

The City of Springfield has invested in several capital improvement projects and made decisions regarding employee benefits that have required a significant amount of city resources and accumulated a significant future liability for the city. Additionally, a considerable amount of city funds have been spent as a result of poor planning and poor oversight. The city does not have an internal auditor as allowed by city charter, which could have helped in discovering and resolving several areas commented on in this report.

After more than three years and contracting with two developers, the Heer's Tower project is still in the initial phases. During this time the city pledged public funds to secure private financing for a developer to purchase the Heer's Tower, paid $693,000 to the developer for demolition and design services without soliciting bids, subsequently paid $3.3 million to foreclose on the property, and then sold the Heer's Tower for $3 million to a second developer. Additionally, the city's agreement with the second developer contains unclear terms regarding the city's hotel/motel room tax revenue.

The city is also constructing two parking garages in the downtown area near the Heer's Tower and College Station developments costing $17 million and anticipates funding the debt service payments through increased sales tax revenue generated by new downtown commercial developments. However, the terms in the city's agreement for the College Station development do not appear to adequately protect the city's financial investment in the project.

The city has spent over $3 million to purchase a building, furniture, and equipment for a police and fire training facility, but after more than three years the building sits vacant without renovations and approximately $300,000 in furniture and equipment is still stored in the original packaging. Additionally, warranties on some of the unused equipment have expired. Acquiring equipment when it is not immediately needed is a waste of public funds.

Over $8 million in city funds have been used to subsidize the Jordan Valley Ice Park and Car Park since these two facilities opened. The city's feasibility study for the Ice Park indicated the park should have been self supporting in the first year of operation; however, income from hockey activities have not developed as projected.

The city has not determined a revenue source to repay approximately $2.7 million in bonded indebtedness associated with the construction of the state crime lab, which is estimated to cost approximately $6.8 million.

(over)

The unfunded liability of the Police Officers and Firemen's Retirement System (Plan) has increased by approximately $100 million since 2000, and the city has not met the funding obligation for employer contributions as determined by actuarial calculations. Although the city has contributed $37.7 million to the Plan since 2000, the required funding continues to rise and the city's contribution has not increased at the same rate. In an effort to control the increasing liability, the City Council approved an ordinance making several changes to the Plan for employees hired on or after June 1, 2006, including changing the method by which retirement benefits are calculated, increasing the retirement age, and eliminating automatic annual cost of living increases. Since these changes only apply to recently hired employees, it will take a number of years before an appreciable impact is noted.

City policy allows some employees to accrue unlimited amounts of leave time, and receive compensation for the unused leave upon termination, resulting in a significant future liability for the city. Some city employees have received payments totaling over $100,000 for unused leave time upon retirement. These large payments constitute a significant future liability for the city and have increased the calculation of monthly retirement benefits for Police Officers and Firemen contributing to the under funding of the retirement plan.

The city has also not met the funding obligation for the city's self-insured workers' compensation fund, resulting in approximately $6.7 million in unfunded liabilities at June 30, 2006.

The ballot language used to extend the city's general revenue property tax levy does not provide voters with a clear sunset date. The levy will generate approximately $6.4 million in 2007.

The city contracted with the former City Manager and former City Attorney to provide consulting services, however, contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation to explain the extensions.

Controls and procedures over the city's $31.5 million loan program (operated by the Department of Planning and Development) need significant improvement. Loan balance totals varied by as much as $1 million between the different loan accounting records. Additionally, loan defaults have not been resolved consistently and in accordance with city policy, deferred loan balances are not adequately monitored, and security measures in the city's loan software system are inadequate. The city needs to evaluate its policy to allow loan payments to be deferred for 20 years, and does not have a policy limiting the number of loans or amount of loans awarded to individuals or companies. Further, the city issued $3 million in bonds to fund additional low interest loans because adequate monies were not available in the city's loan fund, and the bond interest rate is more than the interest rate charged on the loans.

Improvements are needed at the numerous cash collection points throughout the various city departments that collect over $48 million annually in city receipts. Weaknesses were identified in the areas of recording and accounting for receipts, accounting for the numerical sequence of receipts, depositing/transmitting receipts timely, reconciling receipts to deposits, and restricting employee access to computerized accounting records.

The city has not performed a cost benefit analysis since 1999 to determine the most cost effective

method of repairing and maintaining city owned vehicles. The city's service center (operated by the Public Works Department) bills the various city departments significantly more for an oil change than the Parks Department reports as the cost of an oil change in their maintenance facility. Additionally, the city's service center bills city departments an additional mark up price for work contracted to outside vendors, replacement parts, and fuel. Further, employees of the service center receive incentive payments based on job performance and operating cash flow, which may be in violation of the Missouri Constitution. Approximately $3.1 million was billed by the service center to the various city departments during the year ended June 30, 2006.

The city collects over $3.2 million annually in hotel/motel room taxes, but does not examine or inspect the books and records of the hotels and motels to ensure the amounts paid are accurate. Additionally, the city does not properly monitor the hotel/motel tax funds passed through to the Springfield Convention and Visitors Bureau (CVB). Adequate supporting documentation is not maintained for some CVB expenses, the CVB's payroll bank account was not used in compliance with city contract, and the vehicle provided to the CVB Director is mainly used for personal purposes.

Approximately $1.2 million in revenue was not collected by the Springfield-Branson National Airport because authorization to collect a Passenger Facility Charge expired in March 2006 and application to the Federal Aviation Association to continue to impose the fee was not submitted timely. Additionally, improvement is needed in managing and soliciting proposals for various contracts.

Better controls need to be implemented over the $6.6 million charged on the city's 450 purchasing cards (VISA credit cards) issued to various city employees. We identified excessive spending limits, unnecessary purchases, split purchases to circumvent transaction limits, and inadequate supporting documentation.

Compliance with contract terms and adequate supporting documentation was not required for $464,417 paid to the city's lobbyist during the two years ending June 30, 2007.

The Parks Department has assigned fuel credit cards to employees who do not use and may not need to use the credit cards. Additionally, increased controls are needed over the Parks Department's bulk fuel purchases, and bids have not been solicited for concession products.

Also included in the report are recommendations related to vehicle usage, city expenditures, bonus and incentive payments, controls over seized property, city policies and procedures, finance department procedures, and council and board meeting minutes.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF SPRINGFIELD, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
Springfield, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Springfield, Missouri. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and

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violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Springfield, Missouri. An audit of the City Utilities of Springfield is still in process, and any additional findings and recommendations will be included in a subsequent report.

An additional report, No 2007-30, *Thirty-First Judicial Circuit, City of Springfield, Missouri, Municipal Division*, was issued in August 2007.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF SPRINGFIELD, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Management of City Resources

The city has invested in several capital improvement projects and has made decisions regarding employee benefits that have required a significant amount of city resources, and accumulated a significant future liability for the city. The city does not have a clear financial plan on how to fund some of their obligations.

- The city is constructing two parking garages costing approximately $17 million in the downtown area, and anticipates funding the debt service payments on these two parking facilities through increased sales tax revenue generated by new downtown commercial developments. However, the agreement with one developer does not appear to adequately protect the city's investment. (MAR 2)

- Over $8 million in city funds have been used to subsidize the Jordan Valley Ice Park and Car Park since their openings. The city needs to evaluate the operations of these two facilities and determine how city subsidies can be reduced. (MAR 3.A)

- The city has not determined a revenue source to repay approximately $2.7 million in bonded indebtedness associated with the construction of the crime lab. City personnel indicate that monies from the city's general fund will most likely be used. (MAR 3.C)

- The Police Officers and Firemen's Retirement Plan's unfunded liability has increased by approximately $100 million since 2000. The city needs to develop a plan to reduce the unfunded liability. (MAR 4.A)

- The city allows some employees to accrue unlimited amounts of leave time, and receive compensation for the unused leave upon termination, resulting in a significant future liability. For example, in May 2007 there were 26 city employees with over six months of vacation leave accumulated, computing to almost $1 million. (MAR 4.B)

- The city failed to include contracted city employees as active members in the Local Government Employees Retirement System (LAGERS) resulting in an increase in required contributions of approximately $120,000 for 2008. (MAR 4.C)

- The city has not met the funding obligation of the city's self-insured workers compensation fund, and as of June 30, 2006 the unfunded liability had accumulated to approximately $6.7 million. (MAR 4.D)

A significant amount of city funds were spent as a result of poor planning and poor oversight. Additionally, numerous controls and procedures over the collection and disbursement of city funds need to be improved.

- The city pledged $1.5 million for a developer to obtain private financing to purchase the Heer's Tower which resulted in the city paying $3.3 million to purchase the loan and foreclose on the property. The city subsequently sold the property for $3 million. Additionally, the city paid approximately $693,000 to the initial developer of the Heer's Tower for demolition and design costs without documentation of bids or proposals. (MAR 2.A)

- The city paid $1.5 million and issued $2 million in bonds to acquire and renovate a building for a police and fire training facility. The building has sat vacant for almost three years and no renovations have been started. Approximately $1.5 million in bond proceeds have not been utilized by the city and are still being held by the trustee bank. (MAR 3.B)

- Unused furniture and equipment valued at approximately $300,000 has been stored by the city in its original packaging for over three years. The items were purchased with federal grant funds and the city had planned to use these items in the police and fire training facility that, as noted above, has not been constructed. (MAR 3.B)

- The city spent approximately $190,000 to install road pavers for appearance purposes on one downtown city street which costs more than standard paving materials. According to city personnel, there are no plans to use pavers on future paving projects. (MAR 3.D)

- Numerous weaknesses were noted over the procedures and controls used to account for the city's $31.5 million loan programs. Loan balance information is not adequately tracked and monitored, and the city issued $3 million in bonds to fund additional low interest loans because adequate monies were not available in the city's loan fund. (MAR 6)

- The city has contracted with several retired city employees to provide consulting services; however, contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation of why the contract extension was necessary. (MAR 5.A)

- Improvements are needed in the cash collection points throughout the various city departments that collect over $48 million annually. (MAR 7)

- The city has not performed a cost benefit analysis since 1999 to determine the most cost effective method of repairing and maintaining city owned vehicles. The city's service center charges departments approximately $78 for an oil change, while the

city's Park's Department reports the cost of an oil change in their maintenance facility at only $34. (MAR 8)

- Controls need improved over the spending of $6.6 million in annual charges on the city's more than 450 purchasing cards (VISA credit cards) issued to city employees. Excessive spending limits, inadequate supporting documentation, purchases split to circumvent transaction limits, and unnecessary purchases were noted. (MAR 11)

- Approximately $1.2 million in revenue was not collected by the Springfield-Branson National Airport because the authorization to collect a Passenger Facility Charge expired. (MAR 13.A)

By not providing adequate oversight, and making good management decisions, the City Council and city management have accumulated a significant amount of future liability and placed city funds at risk. Considering all of the weaknesses identified in this report, the city should consider establishing the position of internal auditor to report directly to the City Council as allowed by city charter. Various needed improvements are discussed throughout this report.

WE RECOMMEND the City Council provide the necessary oversight to ensure city funds are managed appropriately, including having a clear financial plan on how to fund all city obligations. Additionally, the City Council should implement the various recommendations throughout this report to help improve the management of city operations.

AUDITEE'S RESPONSE

The City of Springfield wishes to express its respect for the State Auditor's Office and for the right of citizens to request this process. Detailed responses to the specific findings will be included with each section. While the City may concur with certain findings and take exception with others, the City also wishes to express its appreciation for the professionalism and courtesy extended by the State Auditor's staff members who performed this audit.

The City Council believes this process will be healthy for the City. Implementing additional internal controls and documentation will assure citizens that public funds are being managed with best practices and allocated wisely for all basic services expected of City government and priorities identified by the community through voter-approved referendums, Vision 20/20, the Neighborhood Assessment Program, and other community vision processes.

It will be noted in various sections that the City began implementing recommendations included in the findings based on conversations with the Audit staff beginning early in this process. One of the primary recommendations resulting from this Auditor's report is the hiring of an internal auditor, which the City Council will accept and implement beginning on a contract basis as noted in MAR 18.

2. Downtown Development

A significant amount of city funds has been used toward developing the downtown area. The city pledged $1.5 million in public funds to assist a developer in obtaining private financing to purchase the Heer's Tower and subsequently paid approximately $3.3 million to purchase the developer's loan and foreclose on the property. Additionally, the city is constructing two parking garages costing approximately $17 million in the downtown area, and anticipates funding the debt service payments on these facilities with additional tax revenue generated from downtown commercial development. Further, the city's agreement with the developer of the College Station development does not appear to adequately protect the city's financial investment in the project.

A. The city has spent approximately $3.3 million to acquire the Heer's Tower and is spending an additional $6 million to construct a parking garage next to the tower. After more than three years and contracting with two developers, the Heer's Tower project is still in the initial phases. City treasury notes totaling $1.5 million were pledged as collateral for the developer to originally purchase the property and the city ultimately foreclosed on the property. Bids were not solicited for amounts paid to the original developer for demolition and design services related to the parking garage construction. Additionally, the city's agreement with the property's second developer contains some unclear terms regarding the city's hotel/motel tax.

In August 2004, the city entered into a redevelopment agreement to "renovate the Heer's Tower as a retail, office and restaurant mixed use facility." For the developer to obtain sufficient financing to purchase the Heer's property, the city pledged $1.5 million in treasury notes to secure the developer's loan.

According to the redevelopment agreement, the city agreed to buy the property next to the Heer's Tower from the developer and build a parking garage with the developer agreeing to lease parking spaces from the city. The city planned to use the lease payments to help fund the debt service payments on the parking garage. The agreement further indicated that the city would pay the developer for all "reasonable costs" of demolition of adjacent buildings in preparation for the city to construct the parking garage. As of April 30, 2007 the city has paid approximately $693,000 to companies owned by the developer for demolition costs ($321,000) and design services ($372,000) without documentation of bids or proposals, to ensure the amounts paid were reasonable. Additionally, it was necessary for the city to acquire this property and begin construction of the parking garage, as the College Street Development discussed in part B. below was contingent upon this construction.

Although the city pledged funds to assist the developer in obtaining financing to purchase the Heer's Tower, the redevelopment agreement indicated the developer was responsible for obtaining the additional financing needed to renovate the

structure. After amendments to the redevelopment agreement and time extensions for the developer to obtain financing, the city purchased the bank loan and foreclosed on the property in October 2006. The city borrowed $3.1 million from the Missouri Development Finance Board to acquire the Heer's Tower.

After soliciting proposals the city signed an agreement in August 2007 with a second developer to sell the Heer's Tower for $3 million. The city paid $3.3 million in principal and interest to satisfy the loan with the Missouri Development Finance Board.

In the agreement with the second developer the city pledged to spend $1 million (80 percent funded by federal grant funds) to improve Park Central Square, and agreed to lease or purchase space within the Heer's Tower. Additionally, if requested by the developer and approved by the Convention and Visitors Bureau (CVB), the city agreed to consider pledging a portion of the city's hotel/motel tax. Since city code requires the hotel/motel tax monies to be spent solely to promote tourism, it is unclear how the city intends to ensure compliance with city code if these funds are pledged to one developer.

The city now anticipates funding the $6 million debt service payments of the Heer's Tower parking garage through additional tax revenue generated by the downtown commercial development.

The city should refrain from pledging city funds as collateral for private developers. Additionally, adequate documentation, such as bids or proposals, should have been obtained for amounts paid to the developer for demolition and design services. Further, the city should review contract terms that allow for hotel/motel tax funds to be distributed to the developer.

B. Terms in the city's agreement for the College Station development do not appear to adequately protect the city's financial investment in the project. The city has a development agreement to develop property downtown referred to as the College Station development. The agreement indicates the developer's plans to construct a theater and space for unspecified retail establishments. The agreement requires the city to provide free parking for the theater by constructing the College Station parking garage and providing space in the newly constructed Heer's Tower parking garage which is located across the street from the planned theater.

While the agreement appears to clearly indicate the city's responsibility to construct a parking garage, the agreement indicates that the developer's responsibility to construct the theater is contingent upon construction costs not exceeding $70 per square foot and the bank's willingness to disburse loan proceeds. Additionally, the agreement does not appear to clearly require the construction of retail space or provide performance guarantees in the event the developer fails to develop the property. Also in the agreement the city promises funding through a $3 million Housing and Urban Development loan.

The city has issued $11 million in bonds to finance the construction of the College Station parking garage and anticipates repaying this debt through the collection of sales tax revenue generated from numerous sales taxes assessed by the developed property.

While the city's cash flow projections of the different sales taxes appear to indicate the city will collect adequate funds to repay the parking garage debt, city personnel agree that the projections are dependent upon the completion of the development. However, project completion does not appear to be specifically required in the city's agreement with the developer.

City management should review future development projects to ensure the city's financial exposure is limited. Additionally, the city should ensure proposals are solicited for services provided by the developer, and agreements are clear with regard to the use of restrict city funds. Considering the city is subsidizing the operations of the Jordan Valley Car Park (MAR No. 3) and constructing the Heer's Tower parking garage (point A. above) and the College Station parking garage (point B. above), the city's overall plan for providing and funding parking garages in the downtown area is unclear.

WE RECOMMEND the City Council refrain from pledging taxpayer funds to assist developers in obtaining financing for projects. In addition, proposals should be solicited for services provided by developers, and agreements should be clear with regard to the use of restricted city funds. Further, City Council should review future development projects to limit the city's financial exposure.

AUDITEE'S RESPONSE

The City Council's decisions on the downtown development projects cited in this section were legal and reasonable based on legitimate public policy considerations.

The City of Springfield has taken an aggressive approach to downtown redevelopment since the late 1990s following the creation of the Vision 20/20 plan and the first successful referendum with 75 percent voter approval for the first phase of Jordan Valley development.

The City believes downtown revitalization is critical for the overall quality of life and economic development in Springfield. The City's leadership in downtown redevelopment has leveraged more than $300 million in public and private investment in housing, office space, commercial/retail and infrastructure. For every dollar the City has invested, other entities, primarily private developers, have invested $6 in downtown redevelopment.

The Heer's Tower was a glaring blight on downtown and its continued presence in that condition was an impediment to additional private reinvestment.

The pledge of City collateral accelerated millions of dollars of work being completed on the building and was made only after a third-party legal opinion stated unequivocally that the City

had full legal authority. The City also ensured it had adequate security against the loss of the pledged collateral, including the right to ownership of the building.

The City acted on solid legal, business and policy grounds in its use of pledged collateral and made the decision after multiple opportunities for public comment and approval in open session. The City Council is highly cognizant of weighing the City's potential risk exposure for every development project against its stated priority of fostering Center City redevelopment.

3. Capital Projects

Over $8 million in city funds have been used to subsidize the Jordan Valley Ice Park and the Jordan Valley Car Park (parking garage). Additionally, the city has spent over $3 million in public funds to purchase a building, furniture and equipment for a police and fire training facility, but after three years the city has not renovated the building, and a substantial amount of furniture and equipment is still being stored in its original packaging. Further, the city has not determined a revenue source to repay approximately $2.7 million in bonded indebtedness associated with the construction of the crime lab, and the city has not adequately evaluated the costs and benefits associated with spending approximately $190,000 to install road pavers on one downtown city street. Also, the ballot language used to extend the city's general revenue property tax levy is not clear.

A. City subsidies to operate the Jordan Valley Ice Park and Car Park have been more than the city anticipated and continue to increase. Over $8 million in city funds have been used to subsidize the facilities since their openings.

In 1998 voters approved to increase the city's hotel/motel tax and allocate a portion toward constructing and operating an ice facility. The city completed construction and opened the $8.5 million facility in September 2001, but operating revenues and expenses of the ice park have not met expectations outlined in the city's feasibility study. With declining revenues and increasing expenses, the city has had to subsidize the operations of the ice park more than anticipated since the park's opening. The following table illustrates the subsidies provided by the city to fund the ice park operations and debt:

Jordan Valley Ice Park Analysis

Year Ending June 30	Operating Income	Operating Expenses	Debt Service Payments	Total Deficit
2001	$ 0	0	392,744	(392,744)
2002	1,002,629	1,718,942	573,538	(1,289,851)
2003	821,018	1,084,262	576,538	(839,782)
2004	812,313	1,367,957	60,124*	(615,768)
2005	868,212	1,235,996	341,994	(709,778)
2006	853,979	1,192,010	721,531	(1,059,562)
2007	778,985	1,183,846	846,633	(1,251,494)
	Total Deficit			$ (6,158,979)

*Bonds refinanced causing debt service payment to be lower in 2004.

Approximately $1.3 million in hotel/motel tax revenue has been allocated by the city since 1998 toward subsidizing the $6.2 million shortfall noted above. The $5 million balance has mainly been absorbed by the city's general fund until 2006 when the park's operating fund began absorbing the operating portion of the loss.

According to the feasibility study, the ice park should have been self supporting in the first year of operations bringing in gross revenues of over $2 million annually, and accumulating a positive net cash flow of approximately $450,000 after the first five years. The feasibility study projected income from hockey activities to total more than $825,000 annually by the fifth year of operation, but this sport has not developed as projected. Additionally, operating expenses have shown a decrease in recent years while debt service payments have increased.

In September 2003, the city completed the construction and opened the Jordan Valley Car Park at a cost of approximately $12.7 million. The prospect of a parking garage in this location was included in the feasibility study for a multi-purpose arena; however, the multi-purpose arena did not get constructed as planned.

The city has had to subsidize the operations of the parking garage since its opening. Operating expenses and debt service payments have continued to increase while income from the parking garage has been stagnant over the last three years. The following table illustrates the subsidies provided by the city to fund the parking garage operations and debt:

Jordan Valley Car Park Analysis

Year Ending June 30	Operating Income	Operating Expenses	Debt Service Payments	Total Deficit
2003	$ 0	0	171,872	(171,872)
2004	101,329	183,939	412,493	(495,103)
2005	172,145	230,086	412,492	(470,433)
2006	179,259	245,614	540,445	(606,800)
2007	170,354	214,799	541,001	(585,446)
	Total Deficit			$ (2,329,654)

The city has allocated Community Improvement District gate tax revenue, and rent revenue collected from the Convention and Visitors Bureau (CVB) totaling approximately $575,000 toward this deficit. (CVB expenses are funded through the city's hotel/motel tax.) Additionally, the city used approximately $773,000 in excess bond proceeds to pay the debt service payments during 2003 and 2004. The almost $1 million balance has been absorbed by the city's general fund.

The city should review the financial operations of these two facilities in an effort to limit the amount of subsidies. Additionally, documentation of the review process should be maintained.

B. The city has spent over $3 million to purchase a building, furniture, and equipment for a police and fire training facility, but after three years the city has not renovated the building, and approximately $300,000 in furniture and equipment is stilled being stored in the original packaging. Additionally, $2 million in bonds were issued to fund the renovations and $1.5 million of the bond proceeds are still being held in the trustee bank.

In 2004 voters approved extending the general revenue property tax levy for the purpose of funding several projects including a police and fire training facility. The city used approximately $1.5 million from a 2001 land acquisition bond issue to purchase a building, and issued bonds totaling $2 million to renovate the building to house the facility. After three years, no renovations have been started and the city is now unsure of how to utilize the building.

According to city personnel, cost estimates to renovate the building were approximately $6 million, and exceeded the bonding capacity of the project. The city has paid $500,000 related to architectural costs and the remaining $1.5 million of the $2 million bond proceeds is still being held by the trustee bank with the city incurring interest at approximately four percent.

Additionally, in anticipation of constructing a new training facility, the city applied for and received a $1.2 million grant through the U.S. Department of

Justice to purchase new furniture and training equipment for the facility. Furniture and equipment were purchased with grant funds from April 2003 through June 2005, and as of September 2007, some of these items are still in their original packaging and are being stored by the city.

According to police inventory records and grant documentation over 375 chairs, 100 tables, 100 filing/storage cabinets, 35 bookcases, 6 podiums, 2 computerized smart boards, and numerous pieces of modular workstations, and weight and exercise equipment valued at over $300,000 have not been utilized and are being stored by the city. The two unused computerized smart boards were purchased in 2004 for over $23,000 and had a two year warranty which has expired.

Acquiring equipment when it is not immediately needed is clearly a waste of public funds. Furthermore, because of poor planning efforts by city management, public funds were used to purchase a building that has sat vacant for three years, and bond proceeds have not been utilized by the city and are still being held by the trustee.

C. The city has not determined how to fund the debt service payments associated with $2.7 million in bonds issued to fund the construction of the state crime lab which is estimated to cost approximately $6.8 million.

In August 2005, the city purchased a building costing approximately $875,000 with money from the city's general revenue property tax to construct a new state crime lab. In April 2007, the city issued bonds totaling $2.7 million to fund the renovations, and in June 2007 issued another $2.2 million in bonds for additional funding. The city will lease the facility to the State of Missouri and eventually transfer ownership of the building to the state. The city has received $400,000 from the State of Missouri, and anticipates receiving an additional $1.5 million in lease payments which together will be used to help fund the repayment of the $2.2 million in bonds plus accrued interest.

The city accepted a bid of $5.9 million to renovate the building which is approximately $1 million more than the bond proceeds. The city plans to use general fund monies to pay for this $1 million shortfall.

The city has not determined a revenue stream to fund the repayment of the $2.7 million bond issue. An agreement with Greene County indicates the county will pay one-half of the bond interest payment and an unspecified portion of the principal payment. City personnel indicated the amount of principal payment to be paid by Greene County is still to be negotiated, and without a specific revenue stream the city's portion will most likely be paid from the city's general fund.

Prior to incurring debt the city should develop a plan to fund the repayment of the bonds.

D. The city has not adequately evaluated the costs and benefits for appearance purposes associated with installing different road materials on downtown city streets. Further, there was no documentation to support why more expensive paving methods were used on a downtown street. In March 2006 the city finalized road improvements costing approximately $190,000 to install road pavers along a block of Patton Avenue instead of using paving materials that were being used on other city street improvement projects.

The decision to use pavers for appearance purposes on this street cost the city more than if standard paving materials had been used. Estimates of the additional cost range from $65,000 to $115,000. The city indicated this was a test project but has not documented the benefit of using these pavers and according to city personnel has no plans to use them on future paving projects. Further, the city street selected for this project was not listed on the city's street improvement project listing and it was unclear how the city chose Patton Avenue for the street improvements. The city should evaluate the costs and benefits associated with using different road materials and use street improvement monies in an efficient and effective manner.

E. The ballot language used to extend the city's general revenue property tax levy is not clear.

In 2001 and again in 2004 the city extended their 27-cent general revenue property tax levy for the purpose of funding several capital improvement projects. According to the ballot language, the levy would end when the last payment is made on any bonds issued to fund the projects. This ballot language does not specifically provide voters with a clear sunset date. Additionally, city ordinances refer to the levy as a debt service levy rather than a general levy, causing additional confusion around the city's intentions.

The city has historically presented the extension of this levy to voters every few years even though the last bond payment may not occur for many years. For example, the city presented the issue to voters in 2004 even though the last bond payment associated with the 2001 ballot issue is not until 2015. As the city reduces their bonded indebtedness and their bonding capacity increases, the city presents the issue to extend the levy to voters again with new capital projects; however, voters are not made aware of the exact sunset of the levy. According to city officials the last bond payment on the 2004 levy will be made in 2027.

The city should review with legal counsel the ballot language used for extending their general revenue tax levy to ensure the language provides voters with a clear sunset date. The city's general revenue property tax levy will generate approximately $6.4 million in 2007.

WE RECOMMEND the City Council:

A. Review the financial operations of these two facilities and determine the appropriate course of action to minimize the amount of city subsidies required for the debt service payments and operating expenses.

B. Determine how the building, furniture, and equipment can be immediately utilized by the city.

C. Develop a plan to fund the repayment of the bonds associated with the crime lab.

D. Document the costs and benefits associated with test projects along with why certain streets are selected for such improvements. Also, ensure street improvement monies are used in the most efficient and effective manner possible.

E. Review with legal counsel the ballot language used for extending the general revenue tax levy to ensure the language provides voters with a clear sunset date.

AUDITEE'S RESPONSE

A. The Car Park is in the process of being sold to a private interest.

The Ice Park was built following the Vision 20/20 process and citizen surveys indicating support for ice sports as the highest unmet recreational need in Springfield. The Ice Park was one of the first Jordan Valley projects the City committed to building in the successful 1998 referendum. It is very common for Parks Departments to subsidize community facilities such as the Ice Park to provide the services to citizens at an accessible cost as well as offer free or discounted rates to users such as school and scout groups. It also was a recognized risk in undertaking the project. The current subsidy of about 30 percent of operating costs is within the range of operating cost subsidies of 26 percent to 46 percent at similar regional ice facilities across Missouri.

B. The City purchased the L.E. Cox Building in 2005. It was a key piece of real estate located near Jordan Valley Park. The City had identified a few possible projects for the building, some of which depended on grant funding. The City recognized from the time the building was acquired additional funds were needed, possibly from grants or a law enforcement sales tax for renovation of the facility. The City continued to work on possible funding sources in 2005-06.

During this time the City also started design work on both the Crime Lab and the training center. The design work revealed that funding available for the training center was inadequate to renovate the facility for this purpose and the building would have to remain vacant until further property tax became available to fund the project, most likely

not until 2011-12. The City did obtain sufficient funding for the part of the building that will be utilized as a crime lab.

In order for this building to become a productive center of activity and not remain a blight on the Jordan Valley area, the part of the building that was to be used for the training center will be sold to the Jordan Valley Community Health Center within the next month. The proceeds from the sale and the bond proceeds from the sale of bonds designated for the training center will be used within the next two years to build Phase I of the training center at a site that is currently under study and evaluation at this time. The equipment acquired with the grant will be installed in this first phase.

C. *The debt service payments associated with the $2.7 million from the bonds issued to fund the construction of the state crime lab are structured as interest only for five years with the interest costs shared equally between the City and Greene County.*

The principal payment of $2.7 million will be due at the end of five years. During this five-year period, the City will seek grants, cost sharing with Greene County, and other sources of revenue as sources for repayment of this obligation. The City will bring forth a proposed Council action to allocate $250,000 from the Sprint-Nextel settlement for a reserve dedicated to funding this obligation.

The bonds were issued with the understanding by City Council that the General Fund may be the sole source available for repayment of the principal on these bonds. During the next five years, if no other funding sources become available, a recommendation will be included in the budget each year to provide additional reserves to assure funding of this obligation when it becomes due.

D. *It is recognized that the public benefits for aesthetic and historic streetscape enhancements may not be fully documented through a cost-benefit analysis. We concur that the benefits of new construction materials and methods should be evaluated to the extent practical and is often best achieved through pilot and demonstration projects. It is our intent to monitor the long-term maintenance costs of this street segment. It should be noted that the lifespan of the pavers is significantly greater; the pavers would be expected to last a century or more, while asphalt requires resurfacing about every 10 years and concrete requires substantial repairs during an expected 50-year lifespan.*

As a point of clarification, we believe the cost differential is $65,000 to $70,000, rather than $115,000.

E. *The City reviews referendum wording with all required authorities because of the importance of clarity in ballot language. We will consider including the audit recommendations in phrasing future ballot language.*

4. Employee Benefits

The unfunded liability of the Police Officers and Firemen's Retirement System has increased by approximately $100 million since 2000. The city allows some employees to accrue unlimited amounts of leave time which constitutes a significant future liability for the city, and which has contributed to the increased liability of the Police and Firemen's Retirement Plan. The city failed to include contracted city employees as active members in the Local Government Employees Retirement System (LAGERS) resulting in an increase in required contributions of approximately $120,000 for 2008. Additionally, the city's self-insured workers' compensation fund has accumulated an unfunded liability of approximately $6.7 million.

A. The city has not met the funding obligation for employer contributions to the Police Officers and Firemen's Retirement System (Plan) as determined by actuarial calculations. Since 2000 the Plan's funded ratio has decreased from approximately 80 percent to below 51 percent, and the unfunded liability has increased to over $130 million at June 30, 2006. The table below focuses on the unfunded liabilities of the Plan.

Police and Firemen's Retirement Fund
Schedule of Funding Progress
(amounts in millions)

Actuarial Valuation June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio
2000	$ 124.5	$ 155.8	$ (31.3)	79.9 %
2001	129.5	168.3	(38.8)	76.9
2002	129.9	179.1	(49.2)	72.5
2003	129.8	195.9	(66.1)	66.2
2004	130.4	238.7	(108.3)	54.6
2005	130.5	250.9	(120.4)	52.0
2006	133.5	263.8	(130.3)	50.6

Although the city has contributed $37.7 million to the Plan since 2000 (including $6.8 million during each of the years ending June 30, 2006 and 2005), the Plan's actuarial valuation report dated June 30, 2006 indicated the Plan's funded status is steadily eroding and suggested increasing contributions, improving investment return, or reducing future benefit liabilities.

In addition to the Plan's funded ratio decreasing since 2000, the number of retirees has increased from 366 in 2000 to 441 in 2006. As a result, annual benefit payments paid from the Plan have gone from $7.6 million in 2000 to $12.4

million in 2006, and the accrued liability of future benefits has increased as shown in the table above.

In an effort to control the increasing liability, the City Council approved Ordinance No. 5546 in May 2006 which made several changes to the Plan, including changing the method in which monthly retirement benefits will be calculated for employees hired on or after June 1, 2006. Prior to the adoption of the ordinance, the benefit calculation included the payment of unused vacation leave time as part of the final average salary. As noted in point B below some payments for unused leave were significant, and caused the monthly retirement benefit amounts to be higher.

Additional plan changes in the ordinance also included increasing the retirement age, discontinuing the withdrawal of contributions by vested employees, and eliminating the automatic three percent annual cost of living increases for future retirees. Changes were also made to the plan's investment policies in an attempt to improve the rate of return on investments. While all of these changes may eventually have an impact on the plan's liability, the actuarial valuation report indicated that it will take a number of years before an appreciable impact is noted since these changes only apply to recently hired employees.

While many retirement plans are not 100 percent funded, the retirement plan for other city employees through the Local Government Employees Retirement System (LAGERS) was 75 percent funded at February 28, 2006. Although the city's funding amount is subject to the discretion of the City Council, the city has shown their intent to fund the Plan by budgeting to contribute annually over the life of the Plan.

The city's contribution amount has increased since 2000, but the required funding continues to rise and the city's contribution has not increased at the same rate. Since changes made to the plan only apply to recently hired employees, issues such as including accumulated leave payments in the final average salary calculation, still have a significant impact on the city's pension obligation. As a result, the city has a significant liability and needs to develop a plan to improve the funded ratio of the retirement plan.

B. Some city employees are allowed to accrue unlimited amounts of vacation, sick, and holiday leave and the city has not developed a plan to fund this significant liability. Numerous city employees have very large leave balances and will receive compensation for unused leave upon termination. For example, at May 31, 2007 there were 26 employees with more than 1,000 hours each (6 months) of vacation leave resulting in a financial liability of almost $1 million. One of these 26 employees has 1,974 hours (almost one year) of vacation leave, and 1,065 (6 months) of holiday leave.

The following table shows some of the large payments made to former city employees for accrued vacation, holiday, and sick leave since 2004.

Employee		Amount
Former Fire Chief	$	120,424
Former Health Department Director		114,404
Former Parks Department Director		89,056
Former Police Department Corporal		71,352
Former Police Department Officer		70,992
Former City Manager		54,113
Former Director of Finance		44,292

Several large payouts were also noted in other years. In addition to the former employees noted in the table above, three Police Department employees and two Fire Department employees terminated employment in 2006 and were paid a total of $280,183.

In 1995 the city council amended the city's salary ordinance to cap the maximum amount of vacation leave that could be accrued by an employee at 240 hours (336 hours for Fire Department personnel). Any vacation earned but not used, which exceeds this rate is forfeited by the employee; however, employees hired prior to 1995 still accrue unlimited amounts of leave. In 2006 city management encouraged city employees who maintained large leave balances to use their leave by taking time off of work; however, there is no requirement for employees to reduce their leave balances.

Additionally, allowing employees to accumulate and be compensated for large vacation leave balances upon retirement has also contributed to the unfunded amount of the Police Officers and Firefighter's Retirement System as noted above in point A. For example, including the vacation leave payout in the average salary computation increased the monthly retirement amount for one individual by approximately 28 percent.

By allowing some employees to accumulate unlimited amounts of leave time the city has a significant future liability that will be owed to these employees upon termination. While the city has not determined the amount of liability caused by unlimited leave accruals, the city's total liability for compensated absences for all employees is approximately $16.2 million at June 30, 2006. The city has not developed a plan to fund the amounts owed for unlimited leave accruals.

C. The city failed to include contracted city employees as active members in the Local Government Employees Retirement System (LAGERS) resulting in an increase in required contributions of approximately $120,000 for 2008.

The city regularly contracts with some city employees, rather than hiring the employee as a full-time or part-time city employee. Contracted city employees, working 1,500 hours or more annually, are provided similar benefits as other city employees, except most contracted city employees are not provided retirement benefits.

The city has been advised by the LAGERS that contract city employees are considered city employees based upon Sections 70.600 to 70.755 RSMo. As a result, the city has recently been working with the LAGERS to determine the retirement benefits owed for contract city employees.

As of February 2007 the city has added 24 contract city employees as active members and reported additional years of service that had not been previously reported for approximately 200 contract city employees. These additions have resulted in a total of 455 years of service being added to the city's valuation to determine the city's required contribution rate. According to the LAGERS, this addition will cause a net increase in the city's contribution rate of 0.3 percent in July 2008 on an annual payroll of over $40 million or approximately $120,000.

The city should continue to work with the LAGERS to ensure all contract city employees properly receive retirement credit. Additionally, any new city employees hired under contract should be added as active members of the LAGERS.

D. The city has also not met the funding obligation for the city's self-insured workers' compensation fund. The rates charged to each city department have not kept pace with the fund's liabilities resulting in approximately $6.7 million in unfunded liabilities at June 30, 2006.

Each year since 2000 liabilities in the city's self-insured workers compensation fund have exceeded the fund's assets. As of June 30, 2000, the unfunded liability was only $184,000 and accumulated to approximately $6.7 million at June 30, 2006. In an effort to fund the increasing liability, the city began increasing the workers compensation rates charged to each city department. For the city's 2007-2008 fiscal year, rates were increased by an average of approximately 112 percent.

WE RECOMMEND the City Council:

A. Continue to evaluate options for changes to the retirement plan, and develop and implement methods to increase the funded percentage of the Police Officers and Firemen's Retirement System (Plan).

B. Develop a plan to fund the amounts owed for unlimited accrued leave balances.

C. Continue to work with the LAGERS to ensure contract employees become active members for retirement purposes.

D. Continue to develop and implement methods to adequately fund the liabilities of the city's self-insured workers compensation fund.

AUDITEE'S RESPONSE

A. The City of Springfield and City Council have made sweeping changes to the Police/ Fire retirement system including oversight to remedy this situation. It will take time to achieve the results needed. These changes also assume the markets will remain healthy and that the system can seek strong growth with safeguards for economic downturns.

The City established that three items had to be addressed to improve any Pension Plan's funded status:

1. Increase contributions;
2. Improve investment returns;
3. Reduce future benefit liabilities; or
4. Some combination thereof.

1. Increase contributions:

The City's contribution rate was increased by 2.25 percent in the 2006-07 budget year that began July 1, 2006 from 26.63 percent to 28.88 percent. In the 2007-08 budget year, the City made a one-time additional contribution of $500,000. A proposal is going to City Council in November to recommend using a portion of the Sprint-Nextel phone settlement proceeds for an additional contribution of 4 percent of payroll during the last half of the 2007-08 budget year. This will provide close to a 35 percent contribution rate in the current budget year.

To fulfill the actuary's recommended rate of 45.75 percent over a three-year period would have required $3 million from the General Fund and would have created an inequitable situation to other employees and our ability to continue services to our citizens. Therefore, the City has chosen to provide only a portion of our growth in revenue each year to begin addressing the need to increase our contributions. As revenues are available for funding additional needs, this liability will be a top priority.

2. Improve Investment Returns:

Changes in Structure of the Board of Trustees: In May, 2006, City Council made changes to the make-up of the Board of Trustees by adding two new voting members and appointing a non-voting City Council member to the Board. The Deputy City Manager was appointed as Chair of the Board to provide better communication between the Board and City Council and the Director of Human Resources was added to provide experience in plan benefits and disability requirements. The annual rotation of the Fire Chief and Police Chief as a Trustee was removed and replaced with the appointment of the Director

of Finance to provide in-depth knowledge of investment practices and actuarial principles to the Board.
Asset Allocation:

The City Council approved a new asset allocation, which will allow a much more diversified portfolio in order to achieve the investment results at or above the actuarial assumed rate of return of 7.5 percent over the long term.

Investment Consultant:

The Board re-bid the contract for services for our investment consultant and has hired Segal Advisors as the investment consultant, which is expected to improve decision making on the portfolio.

Investment Policy:

City Council's new Investment Policy Statement provides more flexibility for the Board to make timely investment decisions. The Board also has hired new money managers to assist in reallocating the portfolio to match the approved asset allocation.

3. Reduce future benefit liabilities:

The City of Springfield Charter provides language that protects current employees from a reduction in pension benefits without a vote of the citizens of Springfield. In addition, benefits already granted to retirees are a "vested property right" and may not be changed. Therefore, only pension benefits for future hires may be reduced prior to hire date. In May 2006 City Council approved a reduction in benefits for all future employees hired on or after June 1, 2006.

The new provisions are:

- *Members contribute 8.5 percent of pay (vs. 11.35 percent for employees hired prior to June 1, 2006 – the differential is to pay for benefits not granted to employees hired after June 1, 2006). Member contributions are not refunded at the time of retirement.*

- *Salary used in the Average Salary calculation does not include nonrecurring lump sum payments for unused leave time of any kind.*

- *Normal Retirement Age is age 55 with 25 Years of Service or age 60. (Employees hired prior to June 1, 2006 are eligible for unreduced benefits at age 50 and 20 years of service or 25 years of service without regard to age or age 60 without regard to years of service).*

- *The Age/Service benefit is 2.5 percent of Average Salary time Years of Service. The maximum Age/Service benefit is 75 percent of Average Salary. (For employees hired*

before June 1, 2006. the Age/Service benefit is 2.8 percent of Average Salary times Years of Service with a maximum of 70 percent of Average Salary.)

- *The Duty Disability Benefit is two-thirds of the salary in effect at the time of retirement for members who are at least 25 percent disabled and 50 percent of the salary in effect at the time of retirement for members who are less than 25 percent disabled. (Employees hired prior to June 1, 2007 receive two-thirds of the salary regardless of percentage of disability.)*

- *The Non-Duty Disability benefit is 2.1875 percent of Average Salary times Years of Service, with a minimum of 25 percent and a maximum of 50 percent of Average Salary. (A rate of 2.45 percent of Average Salary is used for employees hired prior to June 1, 2006.)*

- *There is no automatic Cost of Living Adjustment (COLA). Under certain conditions and at the Board's discretion, a COLA of no more than 3 percent may be granted to certain retirees. (Employees hired prior to June 1, 2006 are guaranteed a 3 percent COLA once they reach the age of 56 in the year the COLA is granted. There is no age restriction for duty and non-duty disability.)*

B. In 1995 and 1998, the City took steps to modify vacation and sick-leave balances to reduce the large payouts upon termination or retirement of long-term employees. Today, 53 percent of City employees are not eligible for sick-leave payouts upon separation and 65 percent of employees are not eligible to accumulate large vacation balances.

The modifications in both instances were approved by City Council for new employees. However, Department heads have been directed to limit additional accumulation as much as possible among employees hired prior to 1995 and departments are required to absorb the cost of accumulated leave in their budget and/or delay hiring replacements until the equivalent money is saved.

C. The City recognized this error in 2006 and enrolled all eligible contract employees in LAGERS effective July 1, 2007.

D. Changes made to the internal workers' compensation rates during the 2006-07 fiscal year provided additional revenue of approximately $600,000 for the fund. The City has developed a plan to increase the revenue in this fund until adequate funding levels are reached.

5. City Contracts

Improvement is needed with procedures used by the city to contract with retired city employees for consulting services. Additionally, the city should consult with legal counsel concerning spousal retirement benefits of the former City Manager.

A. The city has contracted with several retired city employees to provide consulting services. Contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation to explain the need for the extension.

- Adequate detail was not maintained of the consulting work performed by the former City Manager. In April 2006 upon his retirement, the former City Manager and the city entered into a consulting contract for one year. The former City Manager received approximately $45,000, and as provided by the contract: office space, reasonable support staff, travel costs, membership dues, $40 monthly communication allowance, $100 monthly vehicle allowance, and reimbursement of reasonable expenses not to exceed $1,500 annually. The contract required the former City Manager to provide regular, proactive verbal reports and written weekly status and time reports to the current City Manager. Our review of invoices identified vague descriptions of the work performed. For example, numerous instances were noted where hours were billed to the city for "office work" or "phone calls" without any detail on the work performed. In addition, there was no evidence written weekly status reports were provided. In April 2007 the city renewed the contract with the former City Manager through April 2008 for a total of $29,000.

- The city extended the contract with the former City Attorney seven times, and contract billing terms were not followed. In May 2005, the former City Attorney retired, and the city entered into a consulting contract with him for legal services that same month. The original contract was for $48,000 from May 2005 through November 2005. There were seven addendums to the contract extending the contract period to April 2007. During this time period the former City Attorney was paid $132,497. The addendums did not adequately document the reason for the contract extension, and the city has continued to receive services from the former city attorney after the last contract addendum expired in April 2007. Additionally, contract terms required billings to be submitted biweekly, and not to exceed 60 hours in a two-week period; however, invoices submitted to the city for payment were for multiple periods and exceeded the 60 hour maximum. For example, one invoice was for a ten-month period and totaled $49,741. There were five instances on this invoice where more than 60 hours were billed for a two-week period.

- Detailed invoices were not submitted to support work performed by city police officers under contract to perform background checks for new potential officers. We reviewed two contracts for retired officers totaling $8,000 each, with addendums increasing the amount to $14,000 each. Similar to that noted above, contract addendums did not document why the extension was necessary. In addition, the invoices submitted by the officers

to obtain payment from the city were not adequately detailed. Hours charged did not include a description of the work performed, and mileage reimbursement requests did not include the destination or purpose of the trip.

The city has also maintained consulting contracts with several other retired city employees. Multiple addendums extending these consulting contracts appears to be a common city practice, and there is no documentation to support why the extensions were necessary. Considering the lack of adequate documentation provided by these contracted individuals, it is questionable whether or not documentation was properly reviewed before payment was made.

Close monitoring of contracts and requiring detailed documentation of services provided is necessary to ensure compliance with contract terms and evaluate the reasonableness of payments for services rendered.

B. Documentation was not adequate to determine whether or not retirement benefits paid by the city will continue to the former City Manager's spouse. The former City Manager was vested in a pension for nineteen years with the City of Charlotte, North Carolina prior to starting work with the City of Springfield. The City agreed in 1991 to pay an equalization retirement benefit upon retirement intended to equalize the difference between the pension he would have received if he had remained in Charlotte and the pension benefit he was to receive under the Local Government Employees Retirement System (LAGERS) for the same time period. The employment contract also specified that the supplemental retirement benefit will accrue to beneficiaries to the extent allowed by the LAGERS.

The former City Manager retired in April 2006, and the city began paying him $2,932 per month from the city's operating funds to supplement his retirement benefits from the LAGERS and the City of Charlotte, North Carolina. While the employment contract appears to allow benefit payments to continue to be paid to the surviving spouse, documentation maintained by the city is not adequate regarding this issue. The LAGERS, as well as other retirement plans, require signed documentation by the retiree (and spouse in some instances) indicating whether or not spousal benefits are to be paid. The city only had a hand written note signed by the former City Manager that indicated his concern with perception regarding the spousal benefit and it indicated that the formula used to calculate the benefit was Okay. As a result, it is questionable whether or not the city is liable to also pay retirement benefits to a surviving spouse. The city should consult with legal counsel concerning the adequacy of documentation related to spousal retirement benefits for the former City Manager.

WE RECOMMEND the City Council:

A. Require city management to obtain and review detailed documentation of the services provided to ensure payments are reasonable and in compliance with

contract terms. Further, the need for multiple contract extensions should be evaluated and the reason should be adequately documented.

B. Consult with legal counsel concerning the adequacy of documentation related to spousal retirement benefits for the former City Manager.

AUDITEE'S RESPONSE

A. The City concurs with the Auditor's recommendation for more detailed documentation of contract services.

B. After consultation with legal counsel, the Human Resources Department has created forms related to spousal retirement benefits. The former City Manager and his wife will sign this form.

6. City Loan Programs

Significant improvements are needed with the controls and procedures over the city's loan programs. The city needs to evaluate its policy which allows loan payments to be deferred for 20 years, and its policy for issuing bonds to finance low interest loans. Also, loan defaults have not been resolved in accordance with city policy, loan balances are not adequately monitored, and the city does not have a policy limiting the number or amount of loans a company or an individual can have. Additionally, loan balance amounts reported by the software system were significantly different than those recorded in the manual accounting records, and the loan software system does not have adequate security measures.

The Department of Planning and Development Loan Committee issues, monitors and receives payments for loans funded by federal and local funds. The purpose of the loan program is to remove blighted areas or create jobs for low to moderate income individuals through the issuance of low interest, fixed rate, long term financing. The city's loan receivables total approximately $31.5 million on June 30, 2007 with the city approving approximately $7.6 million in loans and receiving approximately $4.3 million in loan payments during the two years ending June 30, 2007. Through a city contract, the planning and development department also collects loan payments for other public entities.

A. The city should reevaluate their policy for allowing loan payments to be deferred for 20 years. City policy allows a portion of some loans to be deferred up to 20 years upon approval by the loan committee; however, over 40 percent of city loans are deferred for 20 years with the city receiving no interest or principal revenues during this deferment period. Deferred loans totaled approximately $13.2 million at June 30, 2007, with most of these loans issued at no interest. Additionally, approximately 12 deferred loans totaling over $100,000, originally issued in 1986 and 1987, are still outstanding after more than 20 years.

To protect the city's investment, the city should ensure the number of years loans are deferred is reasonable, and ensure loans are in compliance with city policy.

B. In 2003 the city issued $3 million in revenue bonds to fund additional small business loans because adequate monies were not available in the city's loan fund to continue awarding these low interest loans. The city will pay approximately $1.6 million in interest on these 20-year revenue bonds and has pledged a portion of the city's loan receivable balances as collateral. Since the interest rate charged on the bonds is more than the interest rate charged on small business loans, the city indicated they will be using revenues from other small business loans to fund the difference.

The city should review their policy for issuing bonds to finance low interest loans. Additionally, the city should manage their loan portfolio to ensure adequate revenues are generated to maintain current loan operations.

C. Loan defaults have not been resolved consistently and in accordance with established policy by the city. For example, the three defaulted loans we reviewed were each resolved in a different manner. The city advertised and sold one property at public auction, one property was sold to a local developer (the current developer for the College Station Project discussed in MAR 2), and one property was sold to the tenant living in the home. The city did not have adequate documentation to explain the differing manner in which these properties were sold. City policy indicates that the loan committee shall advertise for the sale, lease, conveyance, transfer or other disposition of the real estate in a newspaper, magazine or other publication generally recognized in the community as a real estate marketing medium.

Additionally, city policy indicates a $200 fee will be assessed when loans are assumed by another party; however, we identified one instance where this fee was not charged. Upon bringing this to their attention, city personnel sent a bill to collect the $200 fee.

D. Deferred loan balances are not adequately monitored. For example, action was not taken by the city on one loan until approximately 3 years after the property owner was deceased. Documents in the city's loan files indicate the property owner passed away in July 2001, but the city did not file the proper paperwork to collect on the loan until November 2004. The property accumulated substantial repair expenses during this period. City loan personnel indicated that they rely on employees to monitor obituary notices in the newspaper and notifications from insurance companies, title companies and utility providers for deceased property owner information; however, the city does not have formal procedures to routinely monitor outstanding deferred loans.

Additionally, the city subsequently purchased this property at a public sale, but the loan balance is still reflected as outstanding on the city's books. The city

indicated that they are holding the property because of possible future development near its location, and have leased the property for $100 per year to a not-for-profit agency to provide low income housing.

The city should develop a monitoring system for deferred loans to periodically contact property owners and obtain information. Further, the city should consider satisfying the loan amount so funds will be available to other qualified citizens for reinvestment in furtherance of the city's loan program goals.

E. The city does not have a policy limiting the number of loans or amount of loans awarded to individuals or companies applying for loan assistance. For example, the city has loaned approximately $1.7 million to one individual through 11 separate loan applications, of which approximately one-half of these loans are deferred for 20 years at no interest. We noted at least six individuals with ten or more loans with one individual awarded 16 different loans.

Additionally, we identified an outstanding loan that was originally awarded in 1987 and deferred for 20 years and the city recently approved a second loan to the same individual with the same property as collateral.

To protect the city's financial investment and more widely disburse loan funds, the city should consider implementing policies limiting loan awards.

F. Differences between the loan balance information reflected on the city's loan software program and information maintained manually by the department's Financial Analyst or on the city's general ledger are not followed up on and resolved.

As of June 30, 2007 the city's loan software program reported a balance of all recapitalization loans as $1.9 million, while manual records indicated the total balance was $2.8 million, a difference of $900,000. Loan department personnel indicated the loan software system does not always include all recapitalization loans on reports. Additionally, the loan software system reports the balance of all loans, except the recapitalization loans, as $1 million more than what the balance is reflected on the manual records. Loan department personnel indicated that some loans that have been paid are still being reported as due by the software system. Differences were also noted between the totals reflected on the manual records and the totals recorded in the city's general ledger.

Although monthly reconciliations between the loan software program, the general ledger and the manually kept system are performed and documented, the city should resolve these large differences to properly account for loans. City loan personnel indicate new loan software system is currently being established that should aid in better monitoring loan balances.

G. Security measures in the city's loan software system are not adequate. The software does not adequately track adjustments to loan account balances. Additionally, there is no documentation to indicate these adjustments are approved by the loan committee. We identified one adjustment reducing a loan balance by $2,624 without documented approval.

Security codes which allow different types of editing (i.e., read, write, delete, add, etc.) are not in place that limit access to various data files utilized by the loan department personnel. The lack of security codes and procedures provides the potential for personnel to make undetected and unauthorized changes to information. The city is currently under contract for custom loan software services and personnel indicate the new system will track system users and adjustments made, thus minimizing the risk of loss, theft, or misuse of funds.

Considering the city's planning and development department also collects loan payments for other public entities, it is even more imperative that the city properly monitor all loans and maintain good internal and accounting controls within the planning department.

WE RECOMMEND the City Council:

A. Evaluate the policy of allowing loan payments to be deferred for 20 years, and review all loans outstanding for more than 20 years.

B. Ensure the city's loan portfolio is managed to allow adequate revenues to be generated to maintain current loan operations, and review the decision to issue bonds to finance low interest loans.

C. Ensure property sold as a result of loan defaults is handled in accordance with city policy, and fees are assessed as established by city policy.

D. Develop procedures to adequately monitor deferred loan balances. Establishing procedures for an annual review of loan balances should be considered.

E. Consider implementing policies to limit the amount of loans awarded to the same individual or company.

F. Ensure differences in loan account balances reported by the loan software system, the manual records, and the city's general ledger are investigated and explained.

G. Ensure access to specific computer programs/data files is restricted to authorized individuals and implement procedures to monitor adjustments made to loan balances.

AUDITEE'S RESPONSE

The City's revolving-loan programs have won awards for innovations aimed at furthering HUD requirements and City Council policies; they are not intended to make a profit or maintain a

certain cash flow. In addition, the City's policy of loaning money, even on a deferred basis, allows for more reinvestment in the program than the typical approach many cities take of providing this type of money simply as grants rather than loans.

It should be noted that only revenues generated by the program are used to capitalize the loan programs or to pay for their implementation.

The loss ratio for the Small Business program is less than 1 percent. The entire loan program has delivered a $31.5 million community asset to accomplish City Council and HUD objectives of revitalizing the urban environment.

The City acknowledges the Auditor's findings in regard to documentation and internal controls in the specific findings as follows:

A. The City will review its policy for deferring loans. The City has believed that the deferred loans are a better alternative to accomplishing the low-to-moderate income housing goals than the practice in most cities of providing grants to achieve the same goals.

B. The City will review its policy for issuing bonds to finance loans and will continue to manage its loan portfolio to ensure adequate revenues.

In 2006, the City again recapitalized the loan program using HUD Section 108 Loan Guarantee funds and changed loan rates to reflect the cost of the capital (90-day LIBOR) plus 75 basis points to address administrative costs.

C. The City will ensure adequate documentation is placed in the files for future loan workouts.

Loan defaults and their resolution are governed by two principles – meeting program rules and objectives and protecting the City's financial interests. Each of the three defaults noted in the Audit report had unique circumstances that were all resolved using the program objectives and protecting the City's financial interest to the maximum extent possible.

D. A number of measures are in place to monitor deferred loan balances; however the City will review its monitoring system to see if additional measures can be implemented to supplement those already in place.

E. The main reason there are often multiple loans made to individual borrowers is because the federal requirements of the program are so stringent that few individuals or companies want to comply with the requirements and limitations on use of the property. Currently, no individual borrower can exceed 10 percent of the overall amount of the loan money available from the 2003 bond issue.

The City will consider implementing additional policies for limiting loan awards.

F. *The Finance Department has reconciled the discrepancies with the balance of loans reported on the loan software program, the general ledger and the manual spreadsheet maintained by the Planning Department. The City recently purchased new software for servicing loans, which will be implemented in the next few months. The software has enhanced accounting controls and will improve the City's loan-servicing process.*

G. *The City accepts the finding that the security measures in the current loan system are not adequate. The security issues are being addressed in the new software noted in the response above. The new software limits access based on the needs of specific staff involved in the program and generates a report of adjustments made to any of the data. That report will be provided to the Department Director on a daily basis.*

The segregation of duties has been discussed with the personnel handling the loan programs and changes are being implemented to ensure the necessary internal controls are in place over this program. The City Manager's Office plans to have another internal audit conducted on this program by the end of the year to determine that all the recommendations included in this Audit and made by management pertaining to internal controls have been implemented.

7. Accounting Controls in City Departments

Improvements are needed in the handling of city receipts by several different city departments. In addition, the city's Finance Department has not developed adequate procedures to ensure some city departments are properly recording, reporting and transmitting city monies.

The city recognized the need to improve internal controls in the various city departments and in November 2006 the finance department reviewed controls over cash collection points and made recommendations. In December 2006 the city contracted with a CPA firm for $23,000 to review the internal controls over five city areas (Building Development Services Department, landfill, Finance Department main cashier, Planning and Development Departments loan collections, and procurement cards), and received a report in February 2007 from the CPA firm. While the city has taken steps to improve controls in several city departments, some improvement is still needed.

The city has several cash collection points throughout the various city departments that collect over $48 million annually (excluding the municipal court). Some monies are deposited directly in the city's bank account and others are transmitted to the Finance Department's cashier for deposit. The chart below summarizes the city departments and the various revenues collected.

Department	Amount (in millions)	Revenue Type
Public Works	$ 28.8	Fees from landfill, quarry, hazardous waste disposal, projects, inspections, recycling, recycled product sales, permits, land rental, sewer lateral loan payments, plans, cash escrows, various utility reimbursements, and sale of grave plots in the city cemetery
Parks	7.7	Entrance, registration and enrollment fees from community centers, city parks, golf courses, swimming pools, ball parks, pavilion rentals, after-school programs, and the zoo
Finance	3.3	Business and occupational licenses, cigarette taxes and other fees
Planning Development Services	2.6	Zoning fees, subdivision fees and loan payments
Emergency 911	2.4	Phone surcharge receipts
Building Development Services	1.3	Various permits and licenses
Health	1.2	Immunizations, animal shelter fees, environmental permits, birth and death certificates, and other various fees
Other departments	0.7	Various receipts including collections from the art museum, fire department, and law department

We reviewed procedures at some collection points throughout the city and examples of weaknesses include:

- Several departments do not have adequate procedures in place to properly record all payments received. Receipt slips are not issued for all monies received. In some departments the numerical sequence of receipt slips is not accounted for and some receipt slips are not issued in order. For example, in one department preprinted receipt slips are not issued and collections are recorded by an employee on a computer-generated receipt slip that is numbered and printed by the clerk. At another location a cash register is used; however, the cash register is not closed out at the end of the day and reconciled to monies on hand.

- The Park's finance division has not developed adequate procedures to ensure each park location is reporting all of the monies received. For example, the computerized accounting system used at each golf course has transaction numbers to account for monies received; however, the Park's finance division does not have procedures in

place to account for the numerical sequence of the golf course's recorded receipts to ensure that all monies have been deposited into the city's bank account.

- Manual receipt slips issued are not always issued in numerical sequence. Multiple receipt books are sometimes used concurrently. Additionally, some receipt slips were altered to reflect a decrease in the amount of cash received, and there was no information documented to indicate why the amount was changed.

- Manual records of monies collected are not always reconciled to amounts posted to computerized records. For example, loan payments collected by Planning Development Services were not reconciled to amounts recorded in the loan tracking software.

- In one instance a receipt slip was issued but no monies were on hand for the receipt. City personnel indicated the receipt slip should have been voided.

- The receipt books used for collections at one location are not prenumbered. Also, some receipt slips were skipped and voided receipt slips are not always properly retained.

- Some departments do not account for the numerical sequence of permits/licenses issued and reconcile this to amounts received.

- Controls over the daily transmitting/depositing of collections could be improved. Several departments are not depositing monies on a timely basis and other departments are holding monies for long periods of time waiting on approval of plans or permits. In September 2006, we counted over $32,400 in one office for permits and plan reviews. Of this amount $15,000 had been held for up to ten months waiting for approval. Holding monies on hand for long periods of time increases the risk that funds will be lost or misappropriated.

- Monies collected for Greene County were not always transmitted to the county on a timely basis, and records of county funds collected could be improved.

- Several departments do not track and/or reconcile the method of payments received to the composition of the total transmitted or deposited to ensure receipts are transmitted or deposited to the city's finance department intact.

- Checks and money orders are not always restrictively endorsed immediately upon receipt.

- Some fees for permits and licenses were returned when the permit or license was not approved and personnel did not retain documentation to support monies that had been returned. All fees received should be deposited and refunds made by city check.

- City policy allows employees to cash personal checks from receipts on hand with the finance department cashier.

- Passwords and/or user IDs which restrict employee access to the cash receipting system are not always changed periodically. A unique password should be assigned to each user, and these passwords should be kept confidential and changed periodically to prevent unauthorized access to the accounting system.

Overall, the city has numerous cash collection points throughout the various city departments. To adequately safeguard receipts and reduce the risk of loss or misuse of funds the city should review collection procedures at all locations. Steps should be taken to identify the collection points with the greatest risk of misuse or misappropriation and the city should make appropriate improvements to controls over these areas first.

WE RECOMMEND the City Council ensure adequate controls and records are in place in all city departments to properly account for all monies received.

AUDITEE'S RESPONSE

The City concurs with the Auditor's recommendation and has put several additional measures in place since September 2006.

All departments are now using pre-numbered receipt books and employees are required to list the date of transaction, the amount, method of payment and service delivered.

Software changes were developed so that instead of holding any money while awaiting final approval of plans or other permits, all checks are now deposited daily and if a refund is required, the check is issued through Accounts Payable.

Supervisors are responsible for balancing the receipt books to the funds deposited and a new financial report allows supervisors to view the daily bank deposit to verify receipts also match the deposit.

8. City Service Center

The city has not performed a cost benefit analysis since 1999 to determine the most cost effective method of repairing and maintaining city owned vehicles, and some of the amounts charged by the city's service center appear excessive. The city's Public Works Department operates a service center that performs repairs and maintenance on city vehicles and equipment, and provides fuel pumps at six different locations throughout the city. All city departments use the city's service center except the Airport and the Parks Department which maintain separate maintenance facilities that service their vehicles and equipment.

Approximately $3.1 million was billed by the service center to the various city departments during the year ended June 30, 2006. Our review of billings identified some charges that appear excessive. For example, preventive maintenance checks (oil changes) for city-owned vehicles were billed to city departments at approximately $78 each. We contacted three private businesses and found that the cost of a full service oil change (which includes various preventive maintenance checks) ranged from $26 to $35, and the maintenance facility operated by the city's Parks Department reports the cost of an oil change as $34.

The cost difference between the city's service center and the city's Parks Department is caused by the differing amounts reported as labor costs. The city's service center charged $62 for labor while the Parks Department facility reports labor costs of only $15. It is unclear how two city-operated facilities can report such a significant variance in labor costs for the same service. The city should review the efficiency of the time associated with the task to ensure charges are reasonable.

Additionally, the city's service center also bills city departments an additional ten percent for work contracted to outside vendors, thirty percent for replacement parts on work performed in-house, and ten cents for each gallon of fuel. These mark-ups are to cover administrative and overhead costs. For example, auto body repair performed by an outside vendor on a police department vehicle cost $2,414 but $2,655 was billed by the service center to the police department.

The city's service center is accounted for as an internal service fund on the city's financial statements. The internal service fund is used to accumulate and allocate actual costs associated with the service center. Work performed at the service center is billed to city departments and funds are transferred from the various departmental budgets to the service center fund.

Although financial information reflects that the city's service center does not make a profit, amounts billed appear to be high in some instances. The city should evaluate the efficiency of service center operations and different options for performing vehicle maintenance. Soliciting bids from private vendors on performing some of the routine vehicle maintenance should be considered when analyzing vehicle maintenance costs. In addition, city management should review the significant difference in reported labor costs between the Parks Department and the city's service center.

WE RECOMMEND the City Council perform a cost benefit analysis to determine the most cost effective method of repairing and maintaining city owned vehicles, and review the significant differences reported in labor costs at the Parks Department and the city's service center.

AUDITEE'S RESPONSE

The City agrees that the Service Center charges should be routinely benchmarked against the private sector. It is the City's intent to continue the semi-annual survey of private market rates.

The Service Center's managed competition model was developed through a lengthy market analysis in 1999 that resulted in an evaluation team's conclusion that the City Service Center offered the lowest and best proposal for vehicle maintenance and repair services. Since 1999, the Service Center has established a range of 77.5 percent to 82.5 percent of private market rates in semi-annual surveys.

Regarding the Auditor's comment about the cost of preventative maintenance and oil-change service, we do not agree that it is a legitimate comparison to similar services offered in the private sector. The maintenance check includes a number of services not routinely offered by private-sector businesses in the cost of an oil change and not included in the comparison cost of the services provided by the Parks Department. There also are security benefits to using an in-house service, particularly with Police vehicles and other types of vehicles that carry equipment housing sensitive information.

9. Vehicle Usage

The usage of city-owned vehicles is not analyzed to ensure the efficient management of the city's fleet of vehicles. Additionally, mileage records are not maintained for most city-owned vehicles, and commuting mileage was not always reported to the city's finance department and was unreasonable for some employees. Further, the city does not document the reasonableness of vehicle allowances paid to upper management.

The city owns over 440 vehicles at a total original cost to the city of approximately $8 million. These vehicles are assigned to the various city departments to be used for city business. Additionally, city ordinance authorizes the City Manager to assign up to 70 of these city-owned vehicles to employees to commute to and from work daily.

A. There is no documentation to indicate the city has made an effort to analyze all vehicle usage to ensure all city-owned vehicles are used efficiently. Each city department is responsible for the vehicles they are assigned, and mileage records to account for the use of city-owned vehicles are not always maintained. With the exception of some patrol vehicles utilized by the police department, mileage logs that include the purpose and destination of each trip, and the daily beginning and ending odometer readings are not maintained to document the use of city-owned vehicles.

   For vehicles it services, the city's service center maintains a record of the vehicle mileage each time a vehicle is fueled or has maintenance performed. According to their mileage information, over 25 city vehicles were driven less than 1,000 miles during the year ended June 30, 2006. Additionally, numerous other vehicles were driven less than 5,000 miles during the year. Low mileage may indicate a city has too many vehicles or is not efficiently utilizing vehicles.

The city paid mileage reimbursements totaling over $220,000 to employees for using their personal vehicles for business travel. Since records documenting the use of city vehicles were not always maintained, it is unclear whether or not a city vehicle could have been utilized instead of a personal vehicle. For example, one employee was paid $13,885 during the year ending June 30, 2006 for mileage reimbursements.

Complete and detailed mileage records for all city owned vehicles should be maintained, and a review of these records and the records maintained by the service center should be periodically performed to ensure all city owned vehicles are used efficiently. Additionally, consideration should be given to establishing a pool of vehicles to be shared by all city departments to help reduce employee mileage reimbursements and to help eliminate the inefficient use of some departmental vehicles.

B. City ordinance 4906, passed in June 1999, authorizes the City Manager to assign up to 70 city-owned vehicles to employees to commute to and from work daily. Annually the City Manager makes this authorization, and in May 2006 seven city departments were assigned a total of 69 city-owned vehicles as employee take-home vehicles.

1. While city departments are required to submit listings of employees authorized to use city-owned vehicles for commuting purposes to the City Manager's office, there is no documentation to justify or evaluate the need for the city vehicle to be used for commuting purposes.

   City management should adequately document the evaluation and justification of providing vehicles for commuting purposes.

2. Commuting mileage is not always properly reported and taxed. Employees (except emergency personnel) who utilize city-owned vehicles for commuting purposes are required to submit a quarterly commuting mileage report to the finance department for recording as a taxable benefit. City finance department payroll information did not include three Parks Department employees, two Public Works Department employees, and one Human Resource Department employee, that documentation from the city manager's office indicated were assigned a city vehicle to take home.

   Finance department personnel indicated that they rely on each city department to submit commuting mileage reports, and to inform them of changes in vehicle assignments. The city's finance department cannot adequately track the completeness of the submission of commuting mileage reports without an adequate system of notification when commuting approval is granted and without complete reporting each quarter by all employees approved for commuting. Internal Revenue

Service (IRS) guidelines indicate personal commuting mileage is a reportable fringe benefit.

3. The amount of commuting miles incurred on some city vehicles appears excessive. The Chief of Police is authorized by the City Manager to assign 50 city-owned vehicles to certain police department employees to commute to and from work each day. The Chief indicated that these fifty individuals are on 24-hour emergency call; however, 23 of these employees live outside of Springfield, and some live outside of Greene County. One employee commutes to and from his home approximately 50 miles daily (round trip), and according to mileage recorded by the city's service center, it appears that of approximately 14,000 miles reflected on this vehicle for the year, approximately 90 percent appear to be for commuting purposes. Additionally, we identified several other police department employees with commuting percentages over 70 percent. Since these employees are considered on emergency call 24 hours daily, compensation for commuting mileage is not added to their compensation.

   Considering the city-owned vehicles assigned to these individuals are used mostly for commuting purposes, and considering the distance some of these individuals live from Springfield, it is questionable whether or not they could respond in a reasonable amount of time to an emergency from their residence. Further, given the high cost associated with vehicle ownership, maintenance and fueling, the city should periodically review the assignment of city-owned vehicles for commuting purposes.

C. The city has no documentation to show vehicle allowance amounts are reasonable compared to actual expenses incurred. The city pays vehicle allowances of $410 monthly to approximately 15 upper management employees who use personal vehicles to conduct city business. Using the city's current mileage reimbursement rate of $.44 per mile the $410 monthly allowance paid to these employees represents approximately 930 miles per month. Additionally, it is questionable that all of these city employees should be paid the same vehicle allowance amount based upon the differing job duties and travel requirements.

   Further, these employees also receive reimbursement for actual mileage incurred during out of town travel. City policy does not address the payment of mileage reimbursement to employees receiving a mileage allowance, and expense reports prepared for mileage reimbursement for out of town travel did not always include the destination.

   The City Council should review the reasonableness of the mileage allowances paid, ensure city policy addresses mileage reimbursement payments to individuals receiving a mileage allowance, and require

expense reports to include all necessary information before reimbursement is paid.

WE RECOMMEND the City Council:

A. Require complete and detailed mileage records be maintained for all city owned vehicles and periodically analyze vehicle usage to ensure city owned vehicles are used efficiently. Additionally, consider establishing a pool of city owned vehicles to be shared by all departments.

B. Ensure city management periodically evaluates and documents the necessity of providing vehicles for commuting purposes to ensure the business purpose is justified. Additionally, an adequate reporting system should be established to ensure personal commuting mileage is reported to the city finance department for inclusion in employee compensation.

C. Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable officials and employees. Additionally, city policy should address mileage reimbursement payments to individuals receiving a mileage allowance, and expense reports should include all necessary information before reimbursement is paid.

AUDITEE'S RESPONSE

The City agrees with the Auditor's recommendation that a yearly analysis of vehicle usage can be a beneficial fleet management tool to evaluate efficiency. The City believes that vehicles have different uses and therefore different mileage standards and that low mileage should be only one factor in determining whether a vehicle is needed or is efficient. A pool of city-owned vehicles will be considered.

The Finance Department now obtains a list of employees authorized to drive a city vehicle home directly from the City Manager's Office.

Regarding Police vehicles, the Department has written policy prohibiting employees from using assigned City vehicles for personal use. The vehicles are assigned based on the need for the employee to be on call for potential emergency situations 24 hours a day because the cars hold special equipment needed for immediate response. Police and City management annually review the list of take-home cars to ensure there is a continuing need for those assignments.

10. Hotel/Motel Room Tax

The city does not take adequate steps to ensure all hotel/motel taxes are collected, and does not properly monitor the hotel/motel tax funds passed through to the Springfield Convention and Visitors Bureau.

A. The city collects over $3.2 million annually in room taxes, but does not examine or inspect the books and records of the hotels and motels to ensure the amounts paid are accurate.

A room tax of 5 percent is levied by the city on the gross rental receipts of hotels and motels located within city limits. A monthly report of gross receipts is required to be submitted by the hotels and motels to the city's finance department along with the taxes due. Article V, Section 70-265 of the City Code authorizes the city Finance Director to examine and inspect the books and records of the hotels and motels in the city to ensure the amounts reported are accurate. The last examinations performed by the city Finance Director were during 1997 and 1998, with some of those examinations resulting in the identification of underreported revenues and additional taxes due to the city.

According to the city Finance Director, the finance department reviews monthly reports for any significant fluctuations, but does not have adequate staff to perform examinations. To ensure hotels and motels are accurately reporting gross receipts, the city should consider implementing procedures to periodically examine the records of the hotels and motels in the city.

B. The City does not properly monitor the hotel/motel tax funds expended by the Springfield Convention and Visitors Bureau (CVB). The City has contracted with the CVB to receive 94 percent of the two and one half percent hotel/motel tax passed to promote tourism. Approximately $3.2 million in hotel/motel tax revenues were expended by the CVB during the years ended June 30, 2007 and 2006.

Some CVB expenses are paid directly by the city's finance department and some expenses are paid from the CVB's bank account then reimbursed by the city. Additionally, the CVB receives advertising and marketing revenue from outside sources which are paid to the city finance department and allocated to the CVB's annual budget. The CVB's budget from all revenue sources is approximately $3 million annually. Our review of the CVB's financial records and procedures identified the following concerns:

- Complete invoices and supporting documentation for CVB expenditures are not always submitted to the city's finance department for review and processing. For example, only the first page of credit card statements indicating the amount due is submitted as documentation to pay the credit card bill. Additionally, the city's contract with the CVB does not require complete documentation of expenditures to allow the city to adequately monitor the use of the hotel/motel tax money.

- An imprest payroll bank account is not properly used by the CVB in compliance with the contract. The contract between the city and the CVB allows the CVB to maintain a separate bank account on an imprest basis for

the purpose of writing net payroll checks and paying payroll deduction items. This account was established with a $40,000 cash advance from the city and is replenished on a weekly basis through the city's accounts payable system. Our review of this bank account identified that the account was also used for other CVB expenditures totaling over $84,000, such as vehicle lease payments, travel expenses, food purchases, novelty items, and a board of director's retreat. Only payroll related expenses should be paid from this account in compliance with contract terms.

- The city is paying $421 per month for three years to lease a vehicle for the CVB Director. Based upon mileage records this vehicle was used 73 percent of the time for personal use. Although personal usage was reported on the Director's W-2, the city should consider requiring the CVB to reimburse the Director for the business use of his personal vehicle rather than leasing a vehicle since the business use of the vehicle is so small.

- Approximately $3,125 was paid for a suite at the baseball stadium, and $428 was paid for a Board of Director's meeting at a local Country Club. The city should ensure these funds are used to promote tourism as required.

- The CVB has 13 American Express credit cards each issued to a CVB employee. The city paid approximately $300,000 during the two years ended June 30, 2007 for purchases through these credit cards. We identified instances where supporting documentation was inadequate, and several instances where alcoholic beverages were purchased. Although the CVB policy allows for the purchase of alcohol, the city should review the policy to ensure city funds are expended appropriately.

- The CVB contracted with a local Certified Public Accounting firm to review their operations. A report dated January 2007 made 41 recommendations concerning the procedures and controls over cash receipts, bank accounts, inventories, fixed assets, expenses, and insurance coverage. In March 2007 the city requested and received written documentation from the CVB on how these recommendations would be addressed. The city should continue to follow up to ensure all recommendations are fully implemented.

To ensure the proper use of the city's hotel/motel tax monies, the city should establish formal procedures to monitor the use of hotel/motel tax monies and require adequate documentation of how the city funds are used. In addition, the city should ensure the CVB fully complies with all provisions of the contract, and has implemented all recommendations made by the CPA firm during the review of the CVB's operations.

WE RECOMMEND the City of Springfield:

A. Consider implementing procedures to periodically examine the books and records of hotels and motels to ensure gross receipts used to calculate room taxes are accurate.

B. Improve the control and accountability over the use of hotel/motel tax monies, ensure the CVB complies with all provisions of the contract, and continue to follow up to ensure all recommendations included in the CPA's report on operations are implemented.

AUDITEE'S RESPONSE

A. The City accepts the recommendations of the Auditor pertaining to examining the books and records of hotels to ensure gross receipts are being reported correctly.

B. The operational review cover letter from the local certified public accounting firm stated, "We would compliment the Springfield Convention & Visitors Bureau on its very well-defined procedures, the performance of those procedures and on the controls that are already in place to safeguard its assets. The recommendations in our report are simply our suggestions for how these procedures and practices could be implemented and/or enhanced."

Of the 41 recommendations contained in that audit report, 36 have been implemented. Two are in the process of being implemented and should be completed by December 31, 2007. Three had to do with the level of insurance coverage and have been thoroughly reviewed by the CVB Board, and it was deemed by the Board that current levels of coverage are appropriate for two of the recommendations. The third recommendation had to do with reviewing whether flood insurance for the building was needed, and the Board, after careful review, felt it was not.

The City and the CVB will review and/or revise the contract with respect to the petty-cash issue.

11. City Purchasing Cards

The city needs to implement better controls over purchasing card expenditures. We identified excessive spending limits, unnecessary purchases, split purchases to circumvent transaction limits, and inadequate supporting documentation.

The city has over 450 purchasing cards issued to various city employees. The purchasing card (P-card) is an official VISA credit card which is designed to provide a more convenient procurement method than the purchase order system. Each P-card has individual transaction limits assigned ranging from $500 to $5,000, and monthly cycle limits ranging from $1,000 to $50,000. During the year ending June 30, 2007, P-card purchases totaled approximately $6.6 million.

A. The city has not adequately analyzed the need for the 450 P-cards based upon employee use, and excessive spending limits has exposed the city to unnecessary liability. Further, transaction limits are not assigned based upon a need analysis, and some individual employee usage appears excessive.

- Transaction limits assigned to some city employees appears excessive. For example, 67 cardholders spent less than $1,000 each during the year ended June 30, 2007, with 11 of these employees spending less than $100. Two of these employees had monthly transaction limits of $10,000 each.

- Over $1.5 million of the purchases made during the year ended June 30, 2007 were made by only six cardholders. One of these employees charged nearly $400,000 on their P-card during the year. According to the city's purchasing card procedure manual, the P-cards are designed to make it easier to make small dollar purchases (less than $5,000) because less time is spent obtaining approval and the cardholder is empowered to make purchasing decisions. Considering the large amount of purchases made by these six employees the city should review their purchases to determine if the city's purchase order system would be more appropriate for some of these purchases.

- In May 2005 the city exceeded their corporate charge limit for purchase cards and some purchase card transactions were denied. According to finance department personnel, increasing the corporate charge limit would have taken several days, so to prevent the denial of additional transactions the city wired an advance payment of $530,000 toward their VISA purchase card account. This payment was approximately $32,000 more than what was actually due on the account. The city should monitor their corporate charge limit, to ensure it is appropriately established.

The city's purchasing card program allows city employee cardholders to spend up to pre-authorized limits without obtaining prior supervisory approval. Accordingly, higher than necessary spending limits exposes the city to unnecessary liability. If the city's intent is to facilitate small dollar transactions, the city should review the practice of allowing some employees to charge significant amounts.

The city should reevaluate the reasonableness of purchasing card limits, and provide cards, with appropriate transaction and monthly limits, to employees based on past or anticipated purchasing patterns.

B. Some P-card expenditures reviewed did not appear to be prudent and necessary uses of public finds. Some of these individual expenditures included:

- $450 for edible sand and pebble candy for a park activity.

- $360 for food for City Council luncheon (approximately $9,600 spent annually).

- $330 for food for a Planning and Development meeting (numerous food purchases were made for other board and committee meetings).

- $278 for appreciation gifts.

Further, the city spent approximately $220,000 during the year ended June 30, 2006 on meals and food purchased through employees' P-cards. Some of these purchases represent employee meal costs while on travel status, and as noted above some purchases are for meals and food provided during various board and committee meetings, employee meetings, and other events. Some instances were identified where individual employee meal costs appeared excessive. For example single meal purchases totaling $74 and $57 were noted.

The city should develop a comprehensive policy establishing guidelines for city provided food and setting reasonable limits for meal costs for employees while on travel status. Additionally, the city should evaluate the need for providing food at meetings and events.

Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner.

C. Our review identified several instances where transaction limits were circumvented by splitting purchases. For example, a parks department employee with a transaction limit of $2,000 split a purchase to the same merchant on the same day by charging $1,500 and $1,560 for canoes. While the employee received approval via e-mail from a parks department accounting clerk to make the purchase, according to city policy no one has the authority to authorize split transactions.

To ensure established purchasing card spending transaction limits are followed, monthly statements should be reviewed more thoroughly by supervisors. In addition, a formal review of employee card transaction limits should be performed.

D. Adequate supporting documentation was not maintained for some P-card transactions. Examples include building materials ($1,600), food ($1,840), and gift cards ($300). Documentation for the building materials and food included only a credit card charge slip. An itemized receipt was not maintained. Additionally, a list of individuals receiving the gift cards was not maintained to document their use.

Further, adequate documentation was not always submitted for purchases returned and credited back to the procurement card.

To ensure all charges and credits to the city's procurement cards are proper, detailed supporting documentation, such as itemized receipts and vendor invoices, should be maintained for all transactions.

WE RECOMMEND the City Council:

A. Evaluate the reasonableness of purchasing card limits, and provide cards, with appropriate transaction and monthly limits to employees based on past or anticipated purchasing patterns.

B. Ensure all expenditures are necessary and prudent use of public funds. Additionally, a comprehensive policy regarding city-provided food purchases should be developed. This policy should establish specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements.

C. Ensure purchasing card statements are thoroughly reviewed to ensure transaction limits are not exceeded.

D. Require adequate documentation be maintained for all purchasing card transactions.

AUDITEE'S RESPONSE

A. The Purchasing card is specifically designed for purchases under $5,000 and 80 percent fall within that category. It is an efficient and cost-effective way to procure and pay for goods. In the 2006-07 fiscal year, the City received $35,000 in rebates on purchasing card transactions. The cost associated with a purchasing card transaction is significantly lower than payment with a check, and eliminates the possibility of check fraud. All purchasing cardholders are required to attend training before their card is issued. Supervisors review transactions weekly. The City accepts the Auditor's recommendation and will review the reasonableness of purchasing card limits for all cardholders.

B. The City accepts the Auditor's recommendation and will consider establishing a food policy. Regarding certain food purchases, however, it is often most convenient for volunteer boards, including City Council, to meet during lunch or after business hours. The City receives thousands of hours of volunteer service from citizens each year and believes it is appropriate to provide meals or snacks to them under certain circumstances such as lunchtime meetings.

C. City Policy prohibits splitting transactions to circumvent transaction limits. If a transaction is split, the employee's supervisor is notified. Cardholders will be periodically reminded of this policy.

D. The policy also requires detailed receipts for each transaction; if a receipt is lost and cannot be duplicated, the employee must write a memo listing the items charged and stating no alcohol was purchased.

12. City Expenditures

Compliance with contract terms and adequate supporting documentation was not required for $464,417 paid to the city's lobbyist during the two years ending June 30, 2007. Several of the city's construction contracts were significantly increased through change orders without additional bids or proposals solicited. A payment totaling $17,694 was paid to the Downtown Springfield Community Improvement District (CID) without a contract or documentation of how the funds were utilized. Some expenditures did not appear to be prudent and necessary uses of public funds, and the city has not established guidelines for staff to follow when booking flights to travel on city business. Additionally, adequate supporting documentation was not obtained for some expenditures, and the finance department needs to review the electronic vendor list for duplicate vendor names. Further, city services provided to not-for-profit organizations were not adequately tracked and not always included in the written contracts.

A. The city contracts with a lobbyist to promote city interests and advise the city on legislative, executive, and administrative matters at the state and national level. During the two years ended June 30, 2007 the lobbyist was paid $160,361 for legislative consulting and travel expenses, $16,056 for medical insurance reimbursement, $288,000 for subcontracting and was also provided office space with normal support services.

- The city does not ensure the lobbyist is in compliance with contract terms. Our review found the city's lobbyist provides services to several other entities and has not obtained written permission from the city to perform these services as the contract requires. The contract specifies that the majority of the lobbyist time be devoted to city interests and requires the lobbyist to obtain written permission from the city prior to performing any lobbying activities for another entity.

- The contract with the lobbyist does not require documentation to support the specific services being provided and invoices submitted by the lobbyist did not adequately detail the work he performed. For example, the invoices did not include a detailed description of the services provided during the time period.

- The city did not obtain documentation to support services totaling $288,000 provided by a lobbyist subcontractor located in Washington D.C. While the contract with the lobbyist allows subcontracting of lobbying services the city should obtain detailed documentation of

services provided to evaluate the reasonableness of payments for services rendered.

Close monitoring of contracts and detailed documentation of services provided are necessary to ensure compliance with contract terms and evaluate the reasonableness of payments for services rendered.

B. Several of the city's construction contracts were significantly increased through change orders and additional bids or proposals were not solicited for the change orders. Examples include:

- The original construction contract for the renovation of the Springfield Regional Arts Council Creamery totaled $1,051,900. The city expended over $391,000 during 2005 and 2006 as a result of change orders. Many of the construction change orders were for work that was not included in the scope of the original project.

- The original construction contract for the sidewalk reconstruction and lighting project in the downtown area totaled $241,160. The city expended $82,543 during 2005 and 2006 as a result of change orders, and indicated the change orders were incurred for unforeseen problems encountered during this project.

Change orders are normally used to make adjustments for minor problems that are unknown when construction projects are originally bid. They should not be used to make significant changes to existing contracts. If the scope of a project changes substantially, consideration should be given to rebidding those parts of the project.

C. A payment totaling $17,694 was paid to the Downtown Springfield Community Improvement District (CID) without a contract specifying how the funds were to be spent.

The CID assesses a property tax to the property owners in the CID's area. City officials indicated the amount paid was calculated based on the assessed valuation of city-owned property in the CID area, similar to a property tax. The city is not required to pay property taxes on any city-owned property, and does not make similar payments to other taxing entities. If the city desires to provide funding to the Downtown Springfield CID, a contract should be in place specifying how the funds are to be spent.

D. Some expenditures reviewed did not appear to be prudent and necessary uses of public funds.

- Picnic for city employees totaling approximately $7,200 annually.

- Suite at baseball stadium totaling $6,250 annually. ($3,125 for city and $3,125 for the CVB. See MAR 10)

- Gift baskets for general aviation customers totaling $1,792.

- Christmas dinner for street employees totaling $326.

- Some hotel costs claimed on employee expense reimbursement forms appeared to be excessive. We noted nightly charges between $200 and $300 per night. City travel policy does not address limits for hotel costs.

- Some meal costs and tips claimed on employee expense reimbursement forms seemed excessive. In one instance a tip of $60 was claimed on a $195 meal for four people. The city's travel policy does not address limits for meal costs.

City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner. In addition, the city should establish guidelines for travel related costs to ensure all costs are reasonable.

E. Improvements are needed with the city's travel policy. While the city's travel policy requires employees to perform a comparison to determine the most economical mode of transportation, the policy does not require a comparison of rates by the various vendors. For example, some city departments use on-line travel websites while other departments regularly use travel agents. Each city employee selects a travel agency to use for each trip taken. During the two years ending June 30, 2007 the city spent approximately $83,000 with four different travel agencies; however, the city primarily used one local travel agency spending over $47,000 during this two year period.

To ensure the most economical transportation is being utilized, the city should include a requirement in their travel policy for employees to compare and document rates of the various vendors.

F. The finance department's electronic vendor list contained some duplicate vendor names. The duplicate entries identified were due to a slight difference in spelling. We identified one vendor that was included three times in the invoice processing system used to pay city bills. Reviewing duplicate vendor names and inactive vendors on a routine basis would give the city better control over vendor information and would result in a more efficient operation.

G. The city provides funding to some not-for-profit (NFP) organizations without a written contract and without tracking the costs associated with work performed by city staff.

- City secretarial and accounting services are provided at no charge and without a current written contract for the Springfield Sister Cities Organization, a not-for-profit organization. Additionally, for the two years ending June 30, 2007, approximately $30,000 in city funds were expended on operating expenses associated with the organization such as office supplies, computer software, telephone, city print shop charges, and payments made directly to the Springfield Sister Cities Organization. The last one year contract with the organization was dated March 1989.

- City secretarial and accounting services are also provided, at no charge, for the Greater Springfield Area Sports Commission and Foundation Inc. and the Community Olympic Development Program, not-for-profit organizations. The Sports Commission also received a portion of the city's hotel/motel tax totaling approximately $100,000 during the two years ending June 30, 2007. While the city has a contract to provide these services; the city has not tracked or estimated the cost associated with providing city staff to manage these funds.

The city also provided funds to several other organizations, such as the Urban District Alliance, Leadership Springfield, Unite of Southwest Missouri, and Springfield Business Development Corporation. The city should review funding and services provided to all organizations to ensure both parties are aware of their duties and responsibilities, and a written agreement is entered into between the city and the organization. Additionally, staff costs associated with providing services to NFPs should be tracked and included in the agreement.

WE RECOMMEND the City Council:

A. Develop procedures to evaluate the contract with the lobbyist and require detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms.

B. Ensure adequate planning is performed to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable projects.

C. Ensure a contract is in place specifying how funds are to be spent if the city continues to desire to provide funding to the Downtown Springfield CID.

D. Ensure all disbursements of city funds are a necessary and prudent use of public funds. In addition, establish guidelines for travel related costs to ensure all costs are reasonable.

E. Consider including a requirement in the city's travel policy for employees to compare and document rates of the various vendors.

F. Periodically review vendor files to ensure duplicate vendors are eliminated.

G. Maintain written agreements for funding and services provided for NFPs. Additionally, city staff time provided to NFPs should be tracked and included in the agreements.

AUDITEE'S RESPONSE

A. The City believes its contractual lobbying services at the state and federal levels are highly effective in protecting and advancing the interests of Springfield citizens. However, we recognize the Auditor's concerns and will maintain better documentation in the future.

B. City policy permits change order increases or decreases up to 25 percent of a total contract amount, although change orders associated with public improvement projects are generally less than 10 percent of the total contract amount.

The Creamery Arts Center was funded wholly with private money with the City providing construction oversight because the expertise was not available on the Creamery's small staff. The oversight and inspection costs were charged to the Arts Council. It was the City's professional opinion that bidding a separate HVAC contract when additional funds became available for that work was not a cost-effective option for the Arts Council.

The change order for the sidewalk project cited was necessitated by unforeseen conditions found during construction in the underground storm system. Deferring the work to develop a separate bid would have incurred significant costs for the original project and longer disruption to the area businesses and the public.

With overall respect to the Auditor's recommendation, the City is committed to keeping change orders to a minimum on all projects.

C&G. All funding for not-for-profit groups is included in each year's annual budget and is appropriated to agencies for support of specific City goals. The City believes this is a cost-effective collaboration to deliver public services. The funding is provided through contract agreements and the City is involved in developing the work plans, which are monitored throughout the year.

City staff time provided for secretarial and accounting services for the Greater Springfield Sports Commission totals three to five hours per month and does not require any overtime.

D. The City recognizes its fiduciary responsibility to citizens and is careful in the expenditure of public funds. As a major employer, the City believes that a prudent amount of employee recognition and appreciation is important for morale and retention. The cost for the annual employee picnic averages less than $4 per employee.

The City and the CVB are two of six civic partners to have joint use of a Hammons Field suite at a half-price rate. The City is proud of this major private investment and its impact on Center City and believes it is a valuable way to showcase our City for visitors, economic development prospects, and to show appreciation to volunteers who serve on boards and commissions.

Employees sometimes travel to larger cities such as Washington D.C. or New York where hotel rooms routinely cost $200 or more per night even at conference rates.

E. The City accepts the Auditor's finding and will review the travel policy to consider changes and additional documentation requirements.

F. The Finance Department has reviewed approximately 40 percent of the vendor file as of Nov. 1, 2007 to eliminate duplicate or inactive vendors.

13. Springfield-Branson National Airport

Approximately $1.2 million in revenue was not collected by the Springfield-Branson National Airport because authorization to collect a Passenger Facility Charge (PFC) expired. In addition, the Airport has continued to operate with expired contracts, has not attempted to market available vendor space, and has not solicited proposals for some contract renewals.

A. Certain airports are allowed to impose a PFC of up to $4.50 for each paying passenger of an air carrier enplaned (i.e., those who are boarding flights) at the airport. Airports must apply to the Federal Aviation Association (FAA) for authorization to impose and expend PFCs. This revenue finances eligible airport projects that are approved by the FAA. Since 1993 the Springfield-Branson National Airport has been approved to collect and expend over $12 million in PFCs.

In March 2006 the authorization to collect the PFC at the Springfield-Branson National Airport expired. This $4.50 fee was approved by the FAA to be collected between September 2005 and March 2006 to purchase land for the new airport terminal. Application to the FAA to continue to impose the $4.50 PFC fee to fund the construction of the new terminal was not submitted until July 2006, and collection of the fee did not resume until January 1, 2007. As a result, PFC fees totaling approximately $1.2 million were not collected during this nine month period.

Airport officials indicated this lapse was because PFC collections to fund the purchase of the land reached the $900,000 maximum approved by the FAA much sooner than anticipated due to a significant growth in airline customers and because of delays in obtaining approval from the FAA for the construction of a new terminal. However, to maximize PFC revenues airport officials should have

ensured plans for capital improvement projects are aligned with PFC expiration dates to prevent any lapse in amounts collected.

The PFC fee to construct the new airport terminal is effective until 2036, and allows the Springfield-Branson National Airport to collect and expend up to $83 million.

B. The Airport Board leases space inside the airport terminal to various vendors, and contracts with a company to manage the airport parking lots. Our review of these contracts identified the following concerns:

- The airport's lease agreements with six car rental companies for office space requires monthly lease payments based upon gross sales, and authorizes airport officials to verify gross sales are accurately reported by examining the books and records or by requesting an independent audit report. Airport officials indicated that gross sales amounts reported by the car rental companies are reviewed each month for significant fluctuations, but gross sales are not verified and independent audits are not requested. The airport receives approximately $1.5 million annually from the six car rental companies.

- The airport's lease agreement with a travel agency is not consistent with other airport lease agreements. The airport has leased office space to one travel agency since 1982, and in 2006 renewed the lease agreement for another 3 years. While lease agreements for the car rental companies and the food vendor base the lease amount on their gross revenue, the lease agreement with the travel agency is a flat rate of $30 per square foot of office space, or $992 per month.

- Airport officials have been operating on a month to month basis with a company for parking lot management services since the contract expired in 2003. In 1997 the Airport Board solicited proposals and subsequently signed a 5-year contract that expired in 2003 for parking lot management services. Airport officials indicate proposals were not solicited for these services when the original contract expired because of the future plans to construct a new terminal, and proposals have now been solicited for management services at the new terminal site. The airport receives approximately $2.5 million annually in parking fees.

- The airport terminal has vacant office spaces available for additional vendors and there is no documentation to indicate the Airport Board has performed any procedures to market the open spaces to potential tenants. Additionally, according to airport officials the new terminal currently under construction will be much larger and have more spaces available to lease.

To ensure monthly lease payments received from car rental companies are accurate, airport officials should implement monitoring procedures as allowed by

lease agreements. Additionally, contracts should be updated and proposals solicited for new vendors as applicable, and airport officials should review the lease agreement with the travel agency for consistency as applicable. Further, an attempt should be made to market vacant space available for lease to vendors as appropriate.

WE RECOMMEND the City Council:

A. Ensure the Airport Board's plans for future capital improvement projects are aligned with PFC expiration dates to prevent any lapse in collections.

B. Ensure the Airport Board implements procedures to monitor lease revenues as allowed by lease agreements. Additionally, contracts should be updated as they expire, proposals should be solicited for new vendors as applicable, and the lease agreement with the travel agency should be reviewed for consistency as applicable. Further, any vacant space available for lease by the airport should be marketed to vendors as appropriate.

AUDITEE'S RESPONSE

A. The Airport Board maintains that the estimated $1.2 million is not lost revenue; it will be collected under the airport's current PFC authorization. It will simply be collected nine months later than it otherwise would have been. The Federal Aviation Administration caps PFC authorizations at a maximum collection amount regardless of when they start. The PFC expiration did not delay the start of the Midfield Terminal or any other capital project in any way.

During the time period in question, the only pending airport project eligible for PFC funding was the new Midfield Terminal financing because PFC projects must meet very specific criteria.

B. The Airport Board agrees with this finding regarding monitoring of lease revenues and will begin requesting independent audit reports.

The food vendor contract was extended in 2002 in order to allow the vendor to recover the capital investment necessitated in the aftermath of Sept. 11, 2001, which necessitated new security requirements such as creating restaurant space on the post security screening side of the terminal.

The Airport Board considers the travel agency an office tenant rather than a concessionaire because of the different nature of its business compared to selling gifts or food. It does not have exclusive rights to prevent other travel agencies from locating at the Airport.

14.	**Parks Department Procedures**

Bids have not been solicited for beverage products used for park's concessions, and the same vendor has been used without entering into a contract. Also, increased controls are needed over fuel credit cards and bulk fuel purchases. We identified an excessive number of activated fuel credit cards and inadequate reconciliation procedures of bulk fuel at some park locations.

A. The city has not competitively bid beverage products for the parks department concessions, and has used the same vendor without entering into a current written contract since 2003. Additionally, purchases of beverage products for the various parks department locations are often paid through many different park employee's purchasing cards (city credit cards) rather than the city's normal accounts payable process. The city paid this vendor approximately $95,000 annually during the years ended June 30, 2007 and 2006 for beverage products.

   During the year ended June 30, 2007, approximately 97 separate purchases of beverage products were charged to 16 different parks department employee's purchase cards totaling approximately $87,000. (The remaining purchases were made through the city's normal accounts payable process.) Considering bids were not solicited, a written contract was not entered into, and purchases were made by numerous employees through the use of procurement cards rather than through the city's accounts payable process, it is questionable how these purchases were properly monitored.

   According to Parks Department personnel purchasing beverage products through the procurement cards is more convenient, and bids have not been solicited because they are satisfied with the service this vendor provides. However, city purchasing policy indicates all purchases exceeding $2,000 shall be made only after competitive bidding. Additionally, the city's purchasing card manual indicates purchasing cards are designed to make small dollar purchases. Considering purchases from this vendor are routine, a single monthly invoice with all purchases would provide for better monitoring than numerous purchases on several different purchasing cards.

   To ensure the city is obtaining products at the lowest and best cost, bids should be solicited in compliance with the city's purchasing policy, and a written contract should be entered into to ensure all parties are aware of their duties and responsibilities. Additionally, purchases should be made through the normal accounts payable process to allow for more efficient monitoring. Further, the city parks department should review purchases of other products to ensure the city's purchasing policy is followed.

B. The city Parks Department has not adequately analyzed the need for fuel credit cards based upon employee use. Approximately 49 of the parks department's 136 fuel credit cards issued to parks department employees had charges less than $200 during the year ended June 30, 2007, with 23 of the credit cards not used at all during this time period. The fuel credit cards are an official Voyager credit card

which is designed to provide a more convenient procurement method for employees to purchase fuel. During the year ending June 30, 2007, fuel credit card purchases totaled approximately $138,000.

By assigning fuel credit cards to employees who do not use and may not need to use the credit cards, the parks department has created an unnecessary risk of misuse and potential liability. Since the fuel credit card system allows parks department employee cardholders to purchase fuel without obtaining prior supervisory approval the parks department should reevaluate the reasonableness of issuing 136 credit cards to employees. The cards should only be allocated to employees based on past or anticipated purchasing patterns.

C. Better controls are needed over bulk fuel purchases at some parks department locations. The parks department maintains seventeen gasoline and diesel fuel tanks at nine different parks locations for use in vehicles and equipment of the parks department. While fuel usage logs are maintained by the different parks department locations, reconciliations of fuel usage to fuel purchases are not always performed, and differences are not always reviewed and followed up on by the parks department administration. During the year ending June 30, 2007, the parks department spent approximately $26,000 for bulk fuel for the different parks locations.

To ensure the reasonableness of fuel expenditures, the parks department should reconcile records of fuel usage to fuel purchases and fuel on hand. Any differences should be investigated. Failure to account for fuel purchases could result in loss, theft or misuse.

WE RECOMMEND the City Council:

A. Solicit bids for beverage products in accordance with city policy, enter into current contracts with all entities or individuals providing products or services, and properly monitor all purchases.

B. Evaluate the need for each fuel credit card and cancel any cards which are determined unnecessary.

C. Reconcile records of fuel usage to fuel purchases and fuel on hand, and investigate any differences.

AUDITEE'S RESPONSE

A. The Park Board accepts the Auditor's finding and is in the process of seeking competitive bids for this service and will implement a formal contract with the successful vendor. Previous bid documents demonstrated that the local Coca Cola bottling company was a sole-source provider for the product and the required service and maintenance, which formed the basis for the ongoing relationship. The bid process will be re-implemented.

B. In response to the Auditor's finding, Parks is reviewing the list of outstanding fuel cards and will terminate any cards no longer needed.

C. Based on the Audit finding, Parks has amended its Fuel and Oil Usage Report to eliminate any discrepancies and identify a vendor's failure to fill the tank to capacity.

15. Incentive Payments

Bonus and incentive payments totaling approximately $450,000 were made to some city employees. Some payments were based on job performance and operating cash flow which may be in violation of the Missouri Constitution. In addition, other incentive type payments were made to city employees that do not appear to be the most efficient and prudent use of public funds. The city made the following bonus and incentive payments:

A. Performance based incentive payments were paid to airport employees totaling $86,605 and $73,652 for the two years ended June 30, 2007 and 2006, respectively. According to airport personnel, only employees who receive satisfactory performance appraisals receive the incentive payment, and the total of all incentive payments can not exceed five percent of the airport's net income.

Incentive payments were also made to public works department employees at the city's service center totaling approximately $28,500 for the year ended June 30, 2006. Public Works Department officials indicate that this incentive program is available to three of it's divisions including the sanitary division, the solid waste division, and the city service center which are mostly fee based operations. The incentives are based upon the positive cash flow and work efficiency of each divisions' operations. Service Center employees (which bill other city departments for vehicle maintenance, see MAR 8) were the only division to qualify for incentive payments during the year ending June 30, 2006, and none of the three divisions qualified for incentive payments during the year ending June 30, 2007.

The city's merit rules indicate that the City Manager may approve an incentive program allowing payments up to $1,500 per employee per year without the approval of the City Council. These incentive payments are to be made based upon the applicable budgetary limitations for the respective departments. The City Council should review the merit rules for compliance with the Missouri Constitution.

B. Payments were made to city employees totaling $104,900 and $107,550 for sick leave incentive during the two years ended June 30, 2007 and 2006, respectively. The city's merit rules indicate that any full-time employee who uses four or less hours of personal sick leave in any six-month period shall receive $100 for that six-month period. Part-time employees are also eligible for a prorated incentive payment.

C. Payments were made to city employees totaling $19,645 and $28,941 for computer incentives during the two years ended June 30, 2007 and 2006, respectively. As an incentive to promote computer knowledge, the city will reimburse the employee 15 percent, up to an annual maximum of $600, of the cost of a computer for home use. Individual reimbursements ranged from approximately $70 to $600.

Awarding additional pay to employees on a discretionary basis in the form of bonuses appears to represent additional compensation and violates Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." The City Council should review the various bonus and incentive payments to ensure compliance with the Missouri Constitution and consider simply increasing the salary of these personnel to avoid the appearance of granting a bonus.

WE RECOMMEND the City Council review the bonus/incentive payments and clearly document how each payment is determined and in compliance with state law.

AUDITEE'S RESPONSE

The City is awaiting an opinion from the state Attorney General's office for guidance on this issue.

16. Controls Over Seized Property

The Police Department's controls over seized money need improvement. In addition, a purchase of a seized automatic weapon by a Police Department employee was not adequately documented.

A. A physical count of seized money did not reconcile to the balance of seized money reported on the property unit's monthly activity report. A discrepancy indicating a shortage of approximately $12,107 was identified and could not be adequately explained by department personnel.

Since 2002 department personnel have been working to reduce the amount of seized money on hand by reviewing each case and transmitting funds to the city's finance department to be deposited into a bank account for safe keeping. Inventory records indicate seized money totaling over $500,000 was being held in 2002 prior to the department's reduction efforts.

Seized property held by the PD is tracked by specially designed software and physical inventories of the seized property rooms are performed by personnel

monthly; however, physical inventory counts are not reconciled to monthly activity reports prepared by the department's property unit. For example, the monthly activity report dated August 4, 2006 reported a balance of $268,054 in the department's safe. On August 24, 2006, a routine physical count of the seized money performed by the Police Services Administrator resulted in a balance of $172,036 reported on the property room inspection report. We requested department personnel account for the activity between these two reports; however, personnel could not account for $12,107 of this decrease.

Department personnel were not reconciling the seized cash balance reported on the monthly activity report to the physical inventory balance included on the property room inspection report, and believed the amount on the monthly activity report may have been inaccurate.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. In March 2007 department personnel indicated they began reconciling the balance of seized money reported on the monthly activity report to the balance counted during the physical inventory.

B. The release of an automatic weapon to a police department Major was not adequately documented and did not appear to be properly handled. An automatic weapon was seized and logged into the police department property room after a response to a domestic violence case in March 2004. According to police department seized property inventory records the automatic weapon was released directly to a police department Major, and one of his subordinates signed for the automatic weapon to be removed from the property room and released to the Major.

The police department Major indicated that he was a gun collector and purchased this weapon through a gun dealer; however, documentation of payment for the weapon was not provided by the department Major.

To ensure the proper handling of seized items, adequate documentation should be maintained to support the chain of custody and disposal. Proper disposal of seized items would eliminate the significant risks of unauthorized access, use, or theft. Additionally, the appearance of potential conflicts of interest should be considered when releasing property from the seized property room.

WE RECOMMEND the City Council:

A. Ensure procedures are in place to properly account for the handling, and disposition of all seized money, including adequately documenting all physical inventory counts and reconciling those counts to inventory records.

B. Ensure adequate documentation is maintained to document the chain of custody and disposal of seized property. Additionally, the appearance of potential conflicts of interest when releasing assets from the seized property room should be considered.

AUDITEE'S RESPONSE

A. The Police Department has strict policies in place to handle evidence and property and has used a computerized bar-coding system since 1994. No exceptions have been noted in independent reviews for the Commission on Accreditation for Law Enforcement Agencies.

At the suggestion of the Auditors, the Police Department has purchased an updated computerized system that tracks the actual dollar amount of cash kept in the safe.

B. Policies are in place to document the chain of custody and disposal of all evidence and property. The records were in place to document the release of the weapon mentioned in the report. Policies will be modified to prevent employees from receiving personal property without the prior approval of the Police Chief.

17. City Policies and Procedures

The city's monitoring of cellular phone usage needs improvement. Approximately $65,000 in available neighborhood improvement funds are not being used to improve neighborhoods as intended by city officials. The city disposes of used computer equipment by giving it to city employees for their personal use.

A. The city does not properly monitor the use of cellular phones to ensure compliance with their cellular phone policy. The city provides cellular phones to some employees, reimburses some employees for business use of their personal cellular phones and provides a communications allowance of up to $70 per month for members of the city's management Team. The city uses two cellular phone companies and paid approximately $180,000 annually during the years ended June 30, 2007 and 2006 for cellular phone services.

- The city's cellular phone policy is not always followed. The policy requires each department to file written guidelines with the Telecommunications Coordinator detailing how the department will monitor the usage of cellular phones and the procedures for employee reimbursement of personal calls. The city failed to adequately monitor the personal use of cellular phones, and one Public Works Department employee used over 10,000 minutes in personal cellular phone calls during a period of 9 months in 2006, which was charged to the city. Upon the city's discovery of this excessive personal use, the city was reimbursed $770 by the employee. To ensure city cellular phones are

used mainly for business purposes, and personal use is properly reimbursed to the city, cellular phone bills should be monitored regularly.

- City policy states the Finance Department will make periodic audits to ensure compliance with policy guidelines. The city Finance Department has not audited cellular phone usage for proper reimbursement of personal calls since 2004.

- The city has not evaluated the cost and distribution of cellular phones and other mobile technology. The city provides 379 cellular phones, 63 radio phones and 12 blackberries to various city employees through two separate phone companies. City policy indicates that departments specify which personnel should be authorized for use of cellular phones. Approximately 41 percent of the city's cellular phones are issued to Public Works Department personnel, and 22 percent of the cellular phones and all of the radio phones are issued to Parks Department personnel.

While cellular phones can help increase employee productivity, they are also costly. Effective procedures should be implemented by each department to properly monitor cellular phone usage. Additionally, the city should periodically evaluate the cost and distribution of cellular phones to employees to ensure all phones are needed or of benefit to the city.

B. Available neighborhood improvement funds have not been used. In December 2005 the city agreed with Burlington Northern Santa Fe Corporation to close a railroad crossing on Broadway Avenue and subsequently received $65,000 to make improvements to the surrounding neighborhoods. City employees met with residents impacted by the closure to determine the best use for the funds; however, the city has not developed a plan to use these monies, and the funds remain inactive. As a result of this situation, the city is not timely using available funds for their intended purpose.

C. The city disposes of used computer equipment by giving it to city employees for their personal use. During the last two years approximately 200 used computers have been given to city employees. The city's written policy requires detailed documentation be maintained of the equipment transfer; however, the city's information systems coordinator maintains a handwritten list of employees requesting used computer equipment, and as equipment is given out the name is crossed off the list. There is no documentation to indicate the type of computer equipment or the date the equipment was given to the employee. Additionally, at least 5 employees on the list who appeared to have received computer equipment, had terminated employment with the city at some point after receiving the computer equipment.

The city should refrain from giving surplus computer equipment to employees, and dispose of surplus computer equipment consistent with other city surplus property.

WE RECOMMEND the City Council:

A. Review the current cellular phone policy and ensure each department complies with procedures outlined regarding the monitoring of personal use and reimbursement of city provided cellular phones and perform an assessment of which city positions are in need of cellular phones. In addition, we recommend the city's finance department perform routine and periodic audits to ensure compliance with the city's cellular phone policy.

B. Develop a plan to use neighborhood improvement funds in a timely manner.

C. Refrain from giving surplus computer equipment to city employees.

AUDITEE'S RESPONSE

A. The City accepts the Auditor's recommendation and will review the cell-phone policy to ensure compliance.

B. The City has not received an agreed-upon recommendation from the surrounding neighborhood organizations for use of this funding. The City will pursue efforts to develop plans acceptable to the neighborhoods and the City.

C. The City is keeping a log showing more specific disposition of surplus computer equipment and will review whether to provide the log to Human Resources to include as part of the employee exit interview process checklist.

The surplus equipment available to employees is considered obsolete when taken out of City service and does not hold value beyond recycling.

18. Internal Audit and Finance Department Procedures

The city does not have an internal auditor position that reports directly to the City Council as allowed by the city charter and suggested by an outside audit. Additionally, the finance department does not adequately follow up on old outstanding checks on bank reconciliations. The city's internal service funds should be reviewed.

A. The city does not have an internal auditor position. Section 2.15 of the City Charter allows the City Council to appoint an "investigator", who shall be a certified public accountant (CPA) or otherwise specifically trained in government, to keep council informed of the work performed, methods and financial affairs of the city, and to make investigations of the work of all departments of the city. In

2006 the City Manager directed the city's finance department to perform limited internal auditing procedures; however, under the current city organization structure the finance director does not report directly to the City Council.
In November 2006 the finance department reviewed the controls over cash collection points within the various city departments and issued a report recommending improvements. Since November 2006, the finance department has implemented procedures to periodically monitor these cash collection points; however, their efforts have been concentrated on collection points where very little money is collected. For example, procedures have been performed on two occasions since November 2006 at the city's fire department where collections average approximately $25,000 annually; but, no auditing procedures have been performed since November 2006 on departments such as the Health Department where collections total over $1.2 million annually. The city has nothing documented on how they have assessed risk in the various departments.

Internal audits can be a valuable management tool by identifying ineffective or inefficient operations and ensuring that established policies and procedures are followed. An internal audit function can also help to ensure the necessary operating regulations and policies are in place and provide assurances that maximum use of resources is being made. A properly functioning internal auditor could have helped in discovering and resolving several of the areas commented on in this report including purchasing card controls, service center procedures, and vehicle usage. Additionally, direct communication with the City Council would help ensure independence and provide a means whereby the City Council can be made aware of current activities. Such a reporting structure would also permit the City Council to request the internal auditor to perform specific audits.

B. The city of Springfield operates three internal service funds which include the city Service Center Fund (fleet vehicle maintenance), the city Print Shop Fund, and the city Self-Insurance Fund (health insurance and workers compensation, see MAR 4). Each of these internal service funds charge fees to the other city departments for their services. The city's audited financial statement for the year ended June 30, 2006 showed that two of the city's internal service funds had deficit balances and, the independent audit noted that internal service funds are specifically designed for goods or services that are provided on a cost-reimbursement basis and if a government does not intend to recover the full cost of providing services, the use of internal service funds would not be appropriate.

The audit recommended that the city review it's internal service funds to determine whether any funds should be collapsed or if the cost allocation for services provided by the internal service funds should be changed. As of June 30, 2007, the city has reduced the deficit balances, but has not fully resolved this issue.

C. The Finance Department has not established procedures to routinely follow up on outstanding checks. At April 30, 2007, approximately 60 city checks totaling

over $9,000 had been outstanding for more than one year. Some of these checks have been outstanding for over four years.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time and any reconciling items that have not been resolved timely. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be paid out in accordance with applicable state laws.

WE RECOMMEND the City Council:

A. Consider appointing an internal auditor to conduct audits of city operations and activities that identifies ineffective or inefficient operations and reports directly to the City Council.

B. Evaluate the appropriate use of internal services funds as recommended in the city's financial statement audit report.

C. Routinely investigate any checks remaining outstanding over a specified period of time and any reconciling items that have not been resolved timely. If the payees of old outstanding checks cannot be located, the monies should be disposed of in accordance with applicable state laws.

AUDITEE'S RESPONSE

A. The City respects the Auditor's comments in this finding. City staff is recommending that a Request for Qualifications be developed to hire an internal auditor on a contract basis.

B. The City is committed to implementing the recommendations made in the Audit. The negative balance in the Print Shop has been reduced 20 percent as of June 2007, following the initial receipt of this Auditor comment in December 2006. The remaining negative balance will be resolved in 2008. The City also has addressed the Workers Compensation Fund to adjust rates and provide additional revenue for this fund (see 4D).

C. The Finance Department does investigate outstanding checks as time allows. Since April 2007 the number of outstanding checks over one year old has been reduced to 43. The City complies with the Secretary of State's requirements for unclaimed property.

19. Council and Board Meeting Minutes

Official minutes were not prepared and properly approved for city council luncheons and workshops, and minutes of various boards and commission meetings are not prepared and approved in a timely manner.

The City Clerk's office prepares and maintains minutes for the City Council and five other city boards and committees. Additionally, copies of minutes for twenty-one other

city boards and committees that prepare their own minutes are filed in the City Clerk's office.

- Official minutes are not prepared and properly approved for city council workshops or luncheons. The City Council holds workshops and luncheons to meet and discuss city issues, and while public notices appear to be posted for these meetings, there are no official minutes taken. For example, the city council held a workshop on Saturday, May 21, 2005, and notes were taken documenting the major subjects discussed, but official minutes were not prepared and approved by the City Council. The notes indicated the interest of City Council to reallocate police officers to increase the neighborhood patrol division; however, the notes did not document any decisions made or votes taken. According to city officials the reallocation of police officers was implemented as a result of this meeting. Additionally, notes for the workshop did not document who was present, and were often not prepared for several months after the meetings. For example, as of October 12, 2006 luncheon notes had been completed through June 27, 2006. Notes from luncheon and workshop meetings are also not signed.

- Several board and committee meeting minutes are not prepared and approved in a timely manner. For example, the city Planning & Zoning Board minutes from May 2006 through December 2006 were consistently several meetings behind for review and board approval. Additionally, in February 2007 the Citizens Advisory Committee for Community Development approved minutes dating back to May 2006, and the Environmental Advisory Board approved November and December 2006 minutes in January 2007. The City Council should take steps to encourage all city boards to timely approve meeting minutes.

  Minutes serve as the only official permanent record of decisions made by the city council and other affiliated boards and committees. Section 610.010, RSMo, indicates that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meetings law, which includes the requirement to prepare minutes documenting any actions taken or decisions made. In addition, Section 610.020, RSMo, requires minutes be taken and include the date, time, place, members present, members absent, and a record of votes taken. Minutes should be approved and signed to provide an independent attestation that the minutes are an accurate record of the matters discussed and actions taken during the meetings. Furthermore, timely approval not only adds assurance to the authenticity of official minutes, but allows a review of the contents to ensure the minutes include all important information regarding the meetings held.

WE RECOMMEND the City Council ensure minutes are maintained for all meetings in accordance with the provisions of Chapter 610, RSMo, and take steps to encourage city boards and committees to prepare and approve minutes in a timely manner.

AUDITEE'S RESPONSE

The City considers it a high priority to operate in full accordance with the Missouri Sunshine Law. The City Clerk's office carefully follows state law with respect to the requirements for taking and maintaining official meeting minutes.

In the example of the Planning and Zoning Commission, the minutes for the period cited in 2006 were all approved approximately one month from the previous meeting. The Planning and Zoning Commission meets twice a month and the meetings are often very lengthy. It would be difficult to prepare minutes for the very next meeting, so the minutes are routinely approved two meetings after the date the minutes were taken.

Planning and Zoning minutes are taken in much greater detail than required by state law because City Council relies on the detail in those minutes for its consideration of the cases brought to Council from Planning and Zoning.

On other occasions, there is a lapse in the amount of time before minutes are approved because certain boards meet infrequently or on an as-needed basis.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF SPRINGFIELD, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Springfield is located in Greene County. The city was incorporated in 1838 and is currently a home rule city. The population of the city in 2000 was 151,580.

The city government consists of a mayor and an eight-member city council. The members are elected for 4-year terms. The mayor is elected for a 2-year term, presides over the city council, and votes only in the case of a tie. The Mayor, City Council, and other officials at June 30, 2007 and 2006, are identified below. Zone One covers Northwest Springfield, Zone Two covers Northeast Springfield, Zone Three covers Southwest Springfield, and Zone Four covers Southeast Springfield. The Mayor is paid $200 per month and City Council members receive no compensation. The compensation of these officials is established by city charter.

Elected Officials	Dates of Service During the Two Years Ended 6/30/07
Thomas J. Carlson, Mayor *	July 2005 – June 2007
Denny Whayne, Zone One Councilmember	July 2005 – June 2007
Cindy Rushefsky, Zone Two Councilmember	Apr. 2007 – June 2007
Sheila Wright, Zone Two Councilmember	July 2005 – Mar. 2007
Ralph Manley, Zone Three Councilmember	July 2005 – June 2007
John D. Wylie, Zone Four Councilmember	July 2005 – June 2007
Mary Collette, General Councilmember	July 2005 – June 2007
Gary Deaver, General Councilmember	July 2005 – June 2007
Doug Burlison, General Councilmember	Apr. 2007 – June 2007
Conrad Griggs, General Councilmember	July 2005 – Mar. 2007
Dan Chiles, Councilmember	Apr. 2007 – June 2007
Bob Jones, Councilmember	July 2005 – Mar. 2007

* Paid $15,784 in November 2007 for the unpaid monthly salary accumulated since 2001.

Other Principal Officials	Dates of Service During the Two Years Ended 6/30/07	Compensation Paid for the Year Ended 6/30/07	Compensation Paid for the Year Ended 6/30/06
Bob Cumley, City Manager (1)	Apr. 2006 – June 2007	$ 190,450	174,277
Thomas Finnie, City Manager (3)	July 2005 – Mar. 2006	0	212,930
Evelyn Honea, Assistant City Manager (2)	July 2005 – June 2007	141,335	130,770
Brenda Cirtin, City Clerk	July 2005 – June 2007	83,892	74,840
Daniel Wichmer, City Attorney	July 2005 – June 2007	101,378	98,420
Todd Thornhill, Municipal Judge	July 2005 – June 2007	109,241	106,545

Other Principal Officials	Dates of Service During the Two Years Ended 6/30/07	Compensation Paid for the Year Ended 6/30/07	Compensation Paid for the Year Ended 6/30/06
Department Directors			
Mary Mannix-Decker, Finance	July 2005 – June 2007	106,737	101,014
Ralph Rognstad, Planning and Development	July 2005 – June 2007	109,140	103,372
Nicholas Heatherly, Building Development	July 2005 – June 2007	113,786	109,019
Marc Thornsberry, Public Works	July 2005 – June 2007	135,875	132,334
Dan Whisler, Fire Chief (3)	July 2005 – June 2007	232,953	103,745
Lynn Rowe, Police Chief	July 2005 – June 2007	126,525	125,805
Kevin Gipson, Health	July 2005 – June 2007	96,515	86,678
Sheila Maerz, Human Resources	July 2005 – June 2007	102,514	100,508
William Dowling, Workforce Development	Nov. 2005 – June 2007	85,054	47,809
Robert Simpson, Workforce Development (3) (4)	July 2005	0	38,266
Jodie Adams, Parks	Jan. 2006 – June 2007	101,025	86,846
Dan Kinney, Parks (3)	July 2005 – Dec. 2005	0	170,380
Jerry Berger, Art Museum	July 2005 – June 2007	125,482	120,233
Gary Cyr, Aviation	July 2005 – June 2007	119,686	110,339
William C. Goddard, Information Systems	July 2005 – June 2007	79,481	72,881
Becky Jungmann, Emergency Communications	July 2005 – June 2007	89,884	82,313
Louise Whall, Public Information	July 2005 – June 2007	83,771	73,398

In addition to base salary, compensation amounts above include: an occupational series market adjustment, holiday pay, sick pay, sick pay incentive, sick pay sell back, vacation pay, vacation pay sell back, deferred compensation and longevity pay, as applicable.

(1) Served as Assistant City Manager until appointment as City Manager in April 2006.
(2) Appointed to Deputy City Manager August 2007.
(3) Compensation includes payouts for accrued leave balances. See MAR finding number 4.
(4) Retired in July 2005 and was not replaced until November 2005.

In addition to the officials identified above, the city employed 2,360 seasonal, part-time and full-time employees on June 30, 2006.

Assessed valuations and tax rates for 2006 and 2005 were as follows:

ASSESSED VALUATIONS		2006	2005
Real estate	$	1,762,982,650	1,724,040,886
Personal property		484,568,330	456,126,854
Railroad and utility		45,246,189	40,710,004
Total	$	2,292,797,169	2,220,877,744

TAX RATE(S) PER $100 ASSESSED VALUATION

		2006 Rate	2005 Rate
Art Museum	$	.0385	.0383
Health		.1254	.1248
Parks and recreation		.1839	.1830
General Revenue-Temporary*		.2638	.2625

TAX RATE(S) PER $1 OF RETAIL SALES

		2006 Rate	Sunset or Expiration
General	$	1.00000	None
Capital improvement		0.25000	2010
Transportation		0.12500	2009
Parks**		0.00125	None
Parks**		0.00125	2012

* Expires upon last payment of bond issue associated with 2004 ballot approving levy extension which the city indicates will be in 2027.

** This is a county wide tax that is shared with the City of Springfield.

Susan Montee, CPA
Missouri State Auditor

November 2007

HEALTH AND SENIOR SERVICES

Bioterrorism Program

Report No. 2007-73

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

YELLOW SHEET

The following report is our audit of the Department of Health and Senior Services, Bioterrorism Program.

The Department of Health and Senior Services (DHSS) has not established adequate tracking procedures to monitor improvements made by local health entities to address problems/weaknesses identified during bioterrorism exercises.

The DHSS uses grant funding to develop and conduct exercises at a statewide level while Local Public Health Agencies (LPHAs) use grant funding provided by the department to participate in local and regional exercises and training. The federal government requires the state and LPHAs to complete a variety of exercises/training annually to work towards and help ensure compliance with National Incident Management System standards. Meeting these standards is necessary to ensure the receipt of future federal preparedness funding assistance.

Upon completion of an exercise, response entities submit to the DHSS after-action reports (AARs) documenting an evaluation of the exercise. While the DHSS receives and reviews the AARs, corrective actions noted in the AARs are not tracked by the DHSS and followed up on in a timely manner. The lack of proactive, ongoing monitoring procedures could result in weaknesses in local response plans to bioterrorism incidents not being addressed and corrected in a timely manner.

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The Strategic National Stockpile (SNS) Program was established to aid state and local entities in the development of local distribution and dispensing plans of a massive stockpile of pharmaceuticals, vaccines, medical supplies, equipment, and other items to augment local supplies of critical medical items in case of a terrorist attack. The DHSS, through the activities of its Center for Emergency Response and Terrorism, is responsible for ensuring the department has a SNS Receiving, Distribution and Dispensing Plan.

The federal Centers for Disease Control and Prevention (CDC) conducts annual assessments of Missouri's SNS Program. Since 2003, Missouri's overall SNS preparedness rating has risen from Amber minus to Green minus. Green is the highest rating given by the CDC, followed by Amber, with Red being the lowest possible rating. The CDC's latest assessment of the state's SNS program, dated October 2006, indicated that Missouri has made excellent progress in strengthening the state's readiness to manage SNS material.

While the CDC's October 2006 assessment was generally positive, the report included various recommendations to further improve the readiness, efficiency, and effectiveness of response efforts. In that assessment the CDC recommended, among other things, that

(over)

the DHSS: refine and restructure the SNS Plan operationally; schedule an annual review of the Emergency Communications Plan; include written facility security and vulnerability assessments in the Plan for each receiving, staging, and storage site; ensure that all local SNS dispensing plans meet the guidelines identified by the DHSS; and work with the State Emergency Management Agency to improve communications between the State Emergency Operations Center and the DHSS's Department Situation Room.

During 2004, the federal CDC established the Cities Readiness Initiative (CRI) to increase and enhance readiness over a larger geographic area, instead of just at a state and local level. A CRI pilot program provided funding to 21 selected metropolitan areas. St. Louis (including the city and county) was one of the cities/areas initially selected by the CDC to participate in the CRI pilot program. In the following year, Kansas City and its metropolitan area was selected to join in the CRI program. Also, in that year, St. Charles County began participating in the CRI program.

The CDC and the DHSS are responsible for conducting annual assessments of the local CRI programs in Missouri and working with local CRI staff to aid and help direct their efforts. During the annual assessments, the local entities receive an overall rating or score, and a rating in various individual categories, such as: Command and Controls, Management of SNS operations, Tactical Communications, Public Information, Controlling SNS Inventory, Security, Dispensing Oral Medications, and Training, Exercise, and Evaluation.

The city of St. Louis/St. Louis County was first assessed by the CDC in September 2004. At that time, the CDC's overall assessment rating for the city of St. Louis/St. Louis County was Red, meaning major improvements were needed. In the latest assessment by the CDC in April 2006, some improvement had been made as the City/County had achieved an overall assessment rating of Amber. Within the Kansas City metropolitan area, the CDC conducted Jackson County's only CRI-related assessment to date in May 2006. That county was given an overall readiness rating of Red, or major improvement needed. In that assessment report, the CDC indicated that Jackson County did not have a reliable or consistent SNS Preparedness plan in Kansas City or its surrounding counties, and no documentation was present to reflect that its current plan was incorporated into the city's Comprehensive Emergency Management Plan. The CDC conducted St. Charles County's only CRI-related assessment to date in January 2007. At that time, the CDC's overall assessment rating for St. Charles County was 55 out of 100 (based on a new rating system established in 2007), indicating major improvement was needed.

The DHSS is working with these entities in an effort to improve their CRI programs and the related ratings on future annual assessments. Although the assessments conducted of the CRI plans of local entities in the state's two largest metropolitan areas reflect some progress, much improvement is still needed. The low assessment ratings can reflect weaknesses with the CRI plans in Missouri and may increase the risk for the citizens those plans are intended to protect.

BIOTERRORISM PROGRAM
DEPARTMENT OF HEALTH AND SENIOR SERVICES

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Jane Drummond, J.D., Director
Department of Health and Senior Services
and
Nancy Bush, Director
Center for Emergency Response and Terrorism
Jefferson City, MO 65102

We have audited Missouri's Bioterrorism Program administered by the Department of Health and Senior Services and its Center for Emergency Response and Terrorism. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2006 and 2005. The objectives of this audit were to:

1. Review the receipt and expenditure of federal Department of Health and Human Services monies relating to bioterrorism by the state Department of Health and Senior Services.

2. Review internal controls over significant management and financial functions related to the state's Bioterrorism Program.

3. Evaluate the status of bioterrorism planning established or monitored by the Department of Health and Senior Services.

4. Determine compliance with certain legal provisions, including compliance with federal grant and contract requirements related to bioterrorism funds received from the federal Department of Health and Human Services.

5. Evaluate the economy and efficiency of certain management practices and operations related to the state's Bioterrorism Program.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the audit of the program.

The accompanying Management Advisory Report presents our findings arising from our audit of Missouri's Bioterrorism Program administered by the Department of Health and Senior Services and its Center for Emergency Response and Terrorism.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Dan Vandersteen, CPA
Audit Staff:	Joyce L. Thomson
	Ali Arabian

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

BIOTERRORISM PROGRAM
DEPARTMENT OF HEALTH AND SENIOR SERVICES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Program Monitoring and Oversight

The Department of Health and Senior Services (DHSS) has not established adequate tracking procedures to monitor improvements made by local health entities to address problems/weaknesses identified during Bioterrorism exercises. As a result, there is less assurance the benefits of the exercises were fully realized or that improvements were made on a timely basis.

The DHSS uses grant funding to develop and conduct exercises at a statewide level for various individuals and entities involved in bioterrorism response. Local Public Health Agencies (LPHAs) also use their grant funding to participate in local and regional exercises and training. Various criteria exist regarding the frequency and types of exercises and trainings that must be completed. The federal government requires the state and LPHAs to complete a variety of courses annually to work towards and ensure compliance with National Incident Management System (NIMS) standards. Compliance with NIMS standards is required to ensure the receipt of future federal preparedness funding assistance. In addition, the DHSS requires the LPHAs to annually participate in one statewide exercise and one regional exercise.

Upon completion of an exercise, response entities submit to the DHSS after-action reports (AARs) documenting an evaluation of the exercise. The AARs detail background information regarding the exercise, information regarding the exercise participants, and corrective actions needed for improvement.

While the DHSS receives and reviews the AARs, corrective actions noted in the AARs are not tracked by the DHSS and followed up on in a timely manner to ensure the necessary improvements are made by the response entities. Instead, the DHSS reviews an entity's previous AARs before a new exercise is conducted to determine whether testing can and will occur related to issues noted as needing improvement in a previous exercise(s). After the current exercise is conducted, the new AAR is obtained and reviewed to determine if problems noted previously still exist and whether corrective actions are still needed. However, local response entities may not always repeat a specific type of exercise; therefore, the DHSS may not always receive a follow up AAR that allows it to determine the implementation status of problems previously reported.

The DHSS reviews the emergency management plans of LPHAs every four years to ensure such plans have been changed to address or correct the problems/weaknesses noted in previous AARs. However, the lack of proactive, ongoing monitoring procedures could result in weaknesses in local response plans to bioterrorism incidents not being addressed and corrected in a timely manner.

WE RECOMMEND the DHSS establish and maintain tracking procedures to actively monitor the status of problems/weaknesses identified during exercises to help ensure corrective action is taken on a timely basis.

AUDITEE'S RESPONSE

DHSS concurs with the recommendation. The Center for Emergency Response and Terrorism (CERT) is currently working on monitoring issues related to local public health agency (LPHA) exercises and the mandated format that is required by the U.S. Department of Homeland Security, Homeland Security Emergency Evaluation Program (HSEEP). The guidelines for HSEEP have just been updated. CERT will comply with the guidelines, which includes monitoring of exercises at the local level.

2. Strategic National Stockpile Assessments

The annual assessments of Missouri's Strategic National Stockpile (SNS) Plan reflect the current status and the identification of additional improvements needed related to its plan to stockpile and distribute medical material and other supplies in the event of a major bioterrorist event. Missouri's latest assessment rating for its SNS Program was a Green minus, indicating the plan is in relatively good shape with some improvements still needed.

In 1999, Congress charged the federal Department of Health and Human Services (HHS) and the Centers for Disease Control and Prevention (CDC) with the establishment of the National Pharmaceutical Stockpile (NPS). Their mission was to provide a re-supply of large quantities of essential medical material to states and communities during an emergency within twelve hours of a federal decision to deploy. Effective March 1, 2003, the NPS became the Strategic National Stockpile (SNS) Program managed jointly by the federal Department of Homeland Security (DHS) and HHS. Currently, the SNS Program is managed by HHS, through the CDC. The SNS Program was established to aid state and local entities in the development of local distribution and dispensing plans of a massive stockpile of pharmaceuticals, vaccines, medical supplies, equipment, and other items to augment local supplies of critical medical items in case of a terrorist attack.

The DHSS, through the activities of its Center for Emergency Response and Terrorism (CERT), is responsible for ensuring the department has a SNS Receiving, Distribution and Dispensing Plan. The CDC conducts annual assessments of Missouri's SNS Program. Missouri achieved an overall rating of Green minus for its SNS program in its latest CDC assessment dated October 2006. Since 2003, Missouri's overall SNS preparedness rating has risen from Amber minus to Green minus. Green is the highest rating given by the CDC, followed by Amber, with Red being the lowest possible rating.

The CDC's 2006 SNS assessment evaluated and rated Missouri in the following categories: Developing an SNS Plan; Management of SNS and Command and Control; Requesting SNS; Tactical Communication; Public Information and Communication;

Security; Receiving, Staging, and Storage (RSS); Controlling SNS Inventory; Repacking Oral Medications; Distribution; Dispensing Oral Medications; Treatment Center Coordination; and Training, Exercise, and Evaluation. Missouri was rated high (receiving a percentage rating of 90 or above out of 100) in the areas of Management of SNS and Command and Control; Tactical Communication; Receiving, Staging, and Storage (RSS); Controlling SNS Inventory; Repacking Oral Medications; Distribution; and Training, Exercise, and Evaluation.

The CDC's overall comments in the October 2006 assessment indicated that although the SNS Coordinator position at the DHSS was currently vacant (this position has since been filled), the overall preparedness rating for the state of Missouri had not been impacted as preparedness activities were ongoing, a major work to completely reorganize the state SNS Plan in a more efficient manner had been recently completed (in October 2006), and the Regional Planner and other significant departmental coordinators were unified in supporting SNS planning throughout the state. In addition, the CDC assessment indicated that Missouri has made excellent progress in strengthening the state's readiness to manage SNS material. The CDC assessment further indicated that DHSS staff have both reorganized and streamlined the SNS plan; the new version being shorter, yet more comprehensive and efficient than the previous document and now includes backup site information.

While the CDC's October 2006 assessment was generally positive, the report included various recommendations including, but were not limited to, the following:

- Refine and restructure the SNS Plan operationally; conduct periodic reviews over the course of the coming year, and provide updates based on deficiencies revealed during SNS Technical Assistance Reviews, and State and Local trainings and exercises.
- Schedule an annual review of the Emergency Communications Plan to ensure that all elements are updated and on-target.
- Written facility security and vulnerability assessments, that include interior and exterior physical security, should be included in the Plan for each RSS site.
- Ensure that all local SNS dispensing plans meet the guidelines identified by DHSS and the new Technical Review Tool developed by the CDC/SNS Program.
- DHSS and the State Emergency Management Agency (SEMA) work together in an effort to improve communications between the State Emergency Operations Center (SEOC) and DHSS's Department Situation Room (DSR) by simultaneous exercises.

The DHSS should continue to work towards ensuring implementation of the various CDC recommendations to achieve the highest rating possible for Missouri's SNS Program. Doing so will promote the overall readiness, efficiency, and effectiveness of response efforts aimed at protecting the citizens of Missouri.

WE RECOMMEND the DHSS continue to work to ensure the implementation of the various CDC recommendations related to Missouri's SNS Program.

AUDITEE'S RESPONSE

DHSS concurs with the recommendation. As noted in the report, Missouri has a very high rating for the SNS Program and continues to increase response and planning efforts related to the SNS. Over the past year, CERT has updated the SNS Plan according to findings in the CDC Technical Assistance Review (TAR). Another TAR is scheduled for November 2007. A communications plan review was included in the 2006 TAR and will be tested in March 2008. The 2007 TAR will include discussions regarding the LPHA plans and the progress made thus far.

The federal marshal that travels throughout the state rating the Receiving, Staging and Storage sites provides the facility security and vulnerability assessments. The assessment has not been made available to us by the federal marshal, though CERT has requested the information.

DHSS is planning the next SNS exercise with the State Emergency Management Agency for March 2008. This exercise will include communications between the State Emergency Operations Center and the DHSS Department Situation Room during an event that requires the SNS.

3. Cities Readiness Initiative

Assessments conducted of the Cities Readiness Initiative plans of local entities in the state's two largest metropolitan areas reflect some progress, but much improvement is still needed.

During 2004, the CDC established the Cities Readiness Initiative (CRI) to increase and enhance readiness over a larger geographic area, instead of just at a state and local level. A CRI pilot program provided funding to 21 cities/metropolitan areas around the country, as selected by the CDC, to significantly improve the operational capability of receiving, distributing, and dispensing SNS assets. St. Louis (including the city of St. Louis and St. Louis County) was one of the cities/areas initially selected by the CDC to participate in the CRI pilot program. In the following year, Kansas City and its metropolitan area was selected by the CDC to join in the CRI program. Also, during 2005, St. Charles County began participating in the CRI program.

The CDC and the DHSS are responsible for conducting annual assessments of the local CRI programs in Missouri and working with local CRI staff to aid and help direct their efforts. During the annual assessments, the local entities receive an overall rating or score, and a rating in various individual categories, such as: Command and Controls, Management of SNS operations, Tactical Communications, Public Information, Controlling SNS Inventory, Security, Dispensing Oral Medications, and Training, Exercise, and Evaluation.

The city of St. Louis/St. Louis County was first assessed by the CDC in September 2004. At that time, the CDC's overall assessment rating for the city of St. Louis/St. Louis County was Red, meaning major improvements were needed. In the latest assessment by

the CDC in April 2006, some improvement had been made as the City/County had achieved an overall assessment rating of Amber. Green (the highest) rating had been achieved in some assessment categories, while the City/County retained Red ratings in other assessment categories.

In the April 2006 assessment, the CDC indicated the city of St. Louis/St. Louis County should continue coordination efforts to improve the SNS preparedness level within both regions. The DHSS is working with the City of St. Louis/St. Louis County in an effort to improve their CRI programs and related ratings on future annual assessments.

Within the Kansas City metropolitan area, the CDC conducted Jackson County's only CRI-related assessment to date in May 2006. That county was given an overall readiness rating of Red, or major improvement needed. That county received a green rating for only one assessment category, with various other assessment categories receiving a lower rating of either Amber or Red.

In the May 2006 assessment report, the CDC indicated that Jackson County did not have a reliable or consistent SNS Preparedness plan in Kansas City or its surrounding counties, and no documentation was present to reflect that its current plan was incorporated into the city's Comprehensive Emergency Management Plan. The DHSS is working with Jackson County in an effort to improve the county's CRI program and related ratings on future annual assessments.

The CDC conducted St. Charles County's only CRI-related assessment to date in January 2007. At that time, the CDC's overall assessment rating for St. Charles County was 55 out of 100, indicating major improvement was needed. The CDC changed its rating system from color to numerical scores for the 2007 assessments. The county was rated high in two assessment categories; however, much improvement remains needed related to the other assessment categories. The DHSS is working with St. Charles County in an effort to improve the county's CRI program and the related ratings on future annual assessments.

The low assessment ratings noted above reflect weaknesses with the CRI plans in Missouri and may increase the risk for the citizens those plans are intended to protect. The DHSS should continue to assist the applicable local entities to improve their CRI plans and related assessment ratings. Such efforts would promote the overall readiness and protection for the citizens residing in those metropolitan areas.

WE RECOMMEND the DHSS continue to work with the applicable local entities to improve the CRI plans in those metropolitan areas.

AUDITEE'S RESPONSE

DHSS concurs with the recommendation. CERT continues to work with the CRI cities and LPHAs to improve the planning efforts for that program. In the past year, CDC made changes

to the evaluation tool for this program, and a baseline was established in early 2007. The agencies will undergo a new assessment in early 2008.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

BIOTERRORISM PROGRAM
DEPARTMENT OF HEALTH AND SENIOR SERVICES
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Department of Health and Senior Services is organized into three programmatic divisions, one of which is the Division of Community and Public Health. That division administers programs that impact family health, the prevention of chronic diseases, nutrition, and other programs that improve the health of communities. It is also the principal unit involved in the surveillance and investigation of the cause, origin, and method of transmission of communicable (or infectious) diseases and environmentally related medical conditions. As such, the division plays a primary role in administering Missouri's Bioterrorism Program.

Within the Division of Community and Public Health is the Center for Emergency Response and Terrorism (CERT). The CERT's mission statement indicates it will protect the community's health and the well-being of individuals of all ages by assuring the early detection and the rapid, coordinated response to all public health emergencies, both natural and deliberate. The CERT:

- Coordinates and provides direction for public health preparedness planning and response activities throughout the department and coordinates with other local/state agencies on emergency planning and response initiatives.

- Assures that the department has an Emergency Response and Terrorism Response Plan, a Strategic National Stockpile Receiving, Distribution and Dispensing Plan, a Pandemic Influenza Plan, a Continuity of Operations/Continuity of Government (COOP/COG) Plan, and standard operating procedures to facilitate a robust state response to any public health emergency.

- Provides direction/coordination for the local public health agencies in public health preparedness.

- Ensures regional public health emergency plan development that provides consistency and coordination of bioterrorism, pandemic, and other public health emergency planning throughout the state and assures consistency and coordination between local, state and federal plans.

- Assures that the state and regional public health emergency plans are regularly exercised, evaluated, and refined.

- Provides direction, coordination, and oversight of Missouri's portion of the Centers for Disease Control and Prevention and Health Resources and Services Administration preparedness funding.

- Maintains the Department Situation Room (DSR), which can be staffed and function as a command and control center in the event of a public health emergency.

The DSR serves as the coordination point for all Department of Health and Senior Services' responses to emergencies, both natural and deliberate. It is operational at a non-threat level 24 hours a day, 7 days a week. The DSR monitors the day-to-day emergency preparedness of the public health system and allied systems. The DSR also serves as part of the Health Alert Network to rapidly receive and disperse communications among public health and healthcare partners at the local, regional, state and federal levels, and assign and track follow-up activities. The DSR hotline is the contact point for the general public and public health partners.

The department developed the first Memorandum of Understanding in the nation with the Federal Bureau of Investigation (FBI) to aid in investigations of terrorist acts. By establishing a coordination point for all communications, the CERT began the work of coordinating regional and state planning for public health emergencies and natural disasters, including biological, chemical, and nuclear terrorism. Through partnerships with hospitals and other healthcare organizations, local entities (including government and law enforcement agencies), and other partners, the center works to assure systems are in place to protect the health of Missourians during a public health emergency.

Also within the Division of Community and Public Health are the State Public Health Laboratory (SPHL) and the Section for Disease Control and Environmental Epidemiology. Both play roles in the state's Bioterrorism Program. The administrative offices of the State Public Health Laboratory (SPHL) are located in Jefferson City. Each year, more than one-half million specimens are submitted to the central lab, the State Tuberculosis Laboratory in Mt. Vernon, and the branch lab in Poplar Bluff for testing and examination. The SPHL is the principal laboratory for the state and supports investigations of suspected acts of bioterrorism.

The Section for Disease Control and Environmental Epidemiology is the principal section involved in the investigation of the cause, origin, and method of transmission of communicable (or infectious) diseases and environmentally related medical conditions. The section is integral to the Department of Health and Senior Services' emergency responses to public health emergencies and natural disasters, including biological, chemical, and radiological terrorism. The section assures rapid detection through a comprehensive surveillance system operated by public health staff prepared through expertise and training to detect diseases/conditions that may indicate an emergency/bioterrorism event. Rapid response is assured through emergency response planning by public health staff deployed strategically and prepared through expertise and training to respond to a possible emergency/bioterrorism event.

An act of terrorism targeting the U.S. civilian population would require rapid access to large quantities of pharmaceuticals and medical supplies. Such quantities would not be readily available unless special stockpiles were created. Few state or local governments had the resources to create sufficient stockpiles on their own, so in 1999, Congress charged the federal Department of Health and Human Services (HHS) and the Centers for Disease Control and Prevention (CDC) with the establishment of the National Pharmaceutical Stockpile (NPS). Their mission was to provide a re-supply of large quantities of essential medical materiel to states and communities during an emergency within twelve hours of the federal decision to deploy.

The Homeland Security Act of 2002 defined the goals and performance requirements of the NPS Program, as well as managing the actual deployment of assets. Effective March 1, 2003, the NPS became the Strategic National Stockpile (SNS) Program managed jointly by the federal Department of Homeland Security (DHS) and HHS. Currently, the SNS Program is managed by HHS. The SNS was established to aid state and local entities in the development of local distribution and dispensing plans of a massive stockpile of pharmaceuticals, vaccines, medical supplies, equipment, and other items to augment local supplies of critical medical items in case of a terrorist attack. The CDC has worked with the state and local officials in developing these plans.

During fiscal year 2004, the CDC established the Cities Readiness Initiative (CRI) to increase and enhance readiness over a larger geographic area instead of just at a state and local level. A CRI pilot program provided funding to 21 cities/metropolitan areas, as selected by the CDC, to significantly improve the operational capability of receiving, distributing, and dispensing SNS assets. The funding was to develop plans and infrastructures so that the cities were prepared to:

- Build and sustain the capacity to provide antibiotics to a city's entire population within 48 hours of a decision to do so;

- Integrate distribution of antibiotics between the point of dispensing (PODs) and federal assets such as the United States Postal Service (USPS);

- Institute communications systems to direct, mobilize, and continually inform the public about antibiotics distribution;

- Integrate all relevant emergency plans and services within a city;

- Sustain long-term capacity to distribute medicines through exercise, training, technical assistance, and other tools; and

- Establish security procedures to protect the people, locations, and materials involved in the delivery of antibiotics.

St. Louis, Missouri, was among those first cities/metropolitan areas selected to participate by the CDC and $690,000 of the state's Bioterrorism grant was budgeted for its CRI program during fiscal year 2004. During fiscal year 2005, the CDC selected additional cities/metropolitan areas for inclusion in the CRI and among those was Kansas City, Missouri.

Each city is responsible for developing their plans; however, the DHSS and the CDC monitor the plans by performing and collecting annual assessments plus on-site visits to summarize the program strengths, challenges, and recommendations to improve readiness in support of building and sustaining the capacity to provide antibiotics to a city's entire population within 48 hours of a decision to do so. In addition, the cities are required to test their plans at least annually to determine any corrective actions that need to be made. DHSS staff provide technical assistance for these trainings.

The DHSS receives two grants from the federal Department of Health and Human Services (HHS) for administering its Bioterrorism Program. Annually, portions of the Centers for Disease Control and Prevention – Investigations and Technical Assistance Grant (CFDA number 93.283) are allocated to the Bioterrorism Program and used for various purposes as described above. Beginning with fiscal year 2003, the DHSS also began expending money from another HHS grant, the National Bioterrorism Hospital Preparedness Program (CFDA number 93.889).

The purpose of the National Bioterrorism Hospital Preparedness Program is to ready hospitals and supporting health care systems to deliver coordinated and effective care to victims of terrorism and other public health emergencies. It is used to support needs assessment updates for hospitals and supporting healthcare entities; continuation, refinement, and implementation of HHS-approved work plans that are in accordance with program guidance; and contracts to health care entities to upgrade their ability to respond to terrorist and other public health emergencies requiring mass immunization, treatment, isolation, and quarantine in the aftermath of bioterrorism or other outbreaks of infectious disease.

The DHSS has indicated there were no major expenditures of federal Bioterrorism Program funds until fiscal year 2002 and the expenditure of state funds for Bioterrorism purposes has been minimal over the years.

The following represents the status, as of June 30, 2007, of DHSS's various bioterrorism- related grants, according to department records:

Program Name	Award Amount	Expenditures Through June 2007	Unexpended	Unexpended Percentage	Grant Termination Date
Centers for Disease Control and Prevention - Investigations and Technical Assistance (Bioterrorism award)					
'02 Award	$973,666	973,365	301	0.03%	8/30/2003
'03 Award	18,086,683	17,986,599	100,084	0.55%	8/30/2003
'04 Award	18,152,592	17,777,592	375,000	2.07%	8/30/2004
'05 Award	16,398,376	16,301,159	97,217	0.59%	8/30/2005
'06 Award	16,350,961	16,055,747	295,214	1.81%	8/31/2007
'06 Award - Pandemic Flu	1,635,782	1,482,392	153,390	9.38%	8/31/2008
'07 Award	15,396,527	9,562,750	5,833,777	37.89%	8/30/2008
'07 Award - Pandemic Flu	4,548,302	1,524,984	3,023,318	66.47%	8/30/2008
National Bioterrorism Hospital Preparedness Program					
'03 Award	2,417,618	2,301,056	116,562	4.82%	8/31/2003
'04 Award	9,646,883	9,646,883	0	0.00%	2/28/2006
'05 Award	9,730,322	9,110,881	619,441	6.37%	8/31/2006
'06 Award	9,151,953	7,628,418	1,523,535	16.65%	8/31/2008
'07 Award	8,951,388	2,905,231	6,046,157	67.54%	8/31/2008
TOTALS for ALL GRANTS	$131,441,053	113,257,056	18,183,997	13.83%	

The following schedule shows DHSS's expenditures from the federal bioterrorism grants beginning with state fiscal year 2002 through June 30, 2007:

Grant Program	Award Amount	Expenditures, Year Ended June 30, 2007	2006	2005	2004	2003	2002	Totals
Centers for Disease Control and Prevention - Investigations and Technical Assistance (Bioterrorism award):								
'02 Award	$973,666	0	0	0	15,811	180,929	776,625	973,365
'03 Award	18,086,683	0	0	0	7,079,420	10,417,013	490,166	17,986,599
'04 Award	18,152,592	0	0	6,493,888	11,283,704	0	0	17,777,592
'05 Award	16,398,376	0	5,279,946	11,021,213	0	0	0	16,301,159
'06 Award	16,350,961	5,425,436	10,630,311	0	0	0	0	16,055,747
'06 Award - Pandemic Flu	1,635,782	1,440,246	42,146	0	0	0	0	1,482,392
'07 Award	15,396,527	9,562,750	0	0	0	0	0	9,562,750
'07 Award - Pandemic Flu	4,548,302	1,524,984	0	0	0	0	0	1,524,984
National Bioterrorism Hospital Preparedness Program:								
'03 Award	2,417,618	0	0	0	649,890	1,651,166	0	2,301,056
'04 Award	9,646,883	0	1,273,470	6,045,271	2,328,143	0	0	9,646,883
'05 Award	9,730,322	436,239	6,031,533	2,643,110	0	0	0	9,110,881
'06 Award	9,151,953	6,069,020	1,559,397	0	0	0	0	7,628,418
'07 Award	8,951,388	2,905,231	0	0	0	0	0	2,905,231
Total	$131,441,053	17,953,416	17,225,873	23,560,371	21,356,967	12,249,108	1,266,791	113,257,056

Susan Montee, CPA
Missouri State Auditor

November 2007

Sullivan County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-72

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Sullivan, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The weak financial condition of the General Revenue Fund, which was noted in the prior report, has continued to deteriorate. The County Commission is aware of the concern and is monitoring the county's financial condition through preparation and review of quarterly budget reports, but the county does not have a long-term financial plan. Expenditures are increasing due to inflation and the rising cost of equipment, supplies and fuel while revenues continue to stay stagnant as a result of the poor economy. The county has apparently not had any significant emergencies in the last several years, but also has not been able to build any reserves for the future.

The county voters have authorized three separate sales taxes under Section 67.547, RSMo and the total sales tax rates imposed under that section appear to exceed the allowable statutory maximum. Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds one half of one percent under Section 67.547, RSMo. In their response, the 911 Board indicated they have again consulted legal counsel, who has concluded that the sales taxes as imposed by the voters are legal and valid.

Records and monitoring procedures for vehicles used by the Sheriff's department and the Road and Bridge department are not sufficient. In addition, while a review of county commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some significant purchases or retain adequate documentation of bidding activities. Also, the county's written personnel manual did not appear to comply with current practice and centralized records of accumulated leave balances were not maintained for the Sheriff's department employees.

The 911 Board did not properly bid for the purchase of its computer aided dispatch system. In addition, time cards are not always signed by employees and do not appear to support some payroll disbursements, and actual disbursements exceeded budgeted amounts.

The Health Center Board's records and procedures for capital assets need improvement and the Health Center did not always enter into written contracts when appropriate or

(over)

include adequate details of the terms. In addition, the Health Center administrator's timesheets are not verified for accuracy and approved by the Board before payment, and accrued vacation and sick leave balances are not reported to employees periodically. Also, stock held since 2002 was not recorded in the financial records or budgets and not monitored by the Board.

Some weaknesses in accounting controls or procedures were also noted in the offices of Sheriff and Prosecuting Attorney.

All reports are available on our Web site: www.auditor.mo.gov

SULLIVAN COUNTY, MISSOURI

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SULLIVAN COUNTY, MISSOURI

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SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Sullivan County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Sullivan County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sullivan County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 1, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Sullivan County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

August 1, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Tania Williams
Audit Staff:	Eartha Taylor, CPA
	Karla Swift
	Richard Stuck

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Sullivan County, Missouri

We have audited the financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Sullivan County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Sullivan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

August 1, 2007

Financial Statements

Exhibit A-1

SULLIVAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	81,373	1,001,774	1,052,599	30,548
Special Road and Bridge		192,594	606,093	697,108	101,579
Assessment		6,310	124,382	125,355	5,337
Law Enforcement Training		962	2,964	3,695	231
Prosecuting Attorney Training		370	507	507	370
Child Support Enforcement		5,686	0	5,686	0
Local Emergency Planning Training		5,369	2,764	6,685	1,448
Victims of Domestic Violence		0	230	230	0
Prosecuting Attorney Delinquent Tax		190	165	0	355
Prosecuting Attorney Bad Check		1,433	10,296	9,520	2,209
Recorder's User Fee		12,680	3,871	801	15,750
Sheriff's Law Enforcement		6,076	16,292	16,648	5,720
Sullivan County Memorial Hospital Sales Tax		5,628	209,313	197,220	17,721
Recorder's Technology		3,484	2,003	1,788	3,699
Tax Maintenance		5,828	10,740	6,985	9,583
Election Services		1,031	1,680	386	2,325
Community Development Block Grant		0	1,500	1,500	0
HAVA		13,212	141,210	146,685	7,737
Health Center		337,770	522,294	484,939	375,125
911 Board		193,162	276,590	314,735	155,017
Victim's Advocate		637	29,220	28,919	938
FEMA/CDBG Bridge		0	436,482	436,482	0
Local Emergency Planning		0	2,096	1,264	832
Law Library		2,579	5,772	2,839	5,512
Total	$	876,374	3,408,238	3,542,576	742,036

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SULLIVAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	26,289	1,057,593	1,002,509	81,373
Special Road and Bridge		178,817	608,649	594,872	192,594
Assessment		0	118,365	112,055	6,310
Law Enforcement Training		1,084	3,199	3,321	962
Prosecuting Attorney Training		210	535	375	370
Child Support Enforcement		254	77,613	72,181	5,686
Local Emergency Planning Training		10,429	4,891	9,951	5,369
Victims of Domestic Violence		0	210	210	0
Prosecuting Attorney Delinquent Tax		16	174	0	190
Prosecuting Attorney Bad Check		28	5,664	4,259	1,433
Recorder's User Fee		10,363	3,420	1,103	12,680
Sheriff's Law Enforcement		3,375	16,586	13,885	6,076
Sullivan County Memorial Hospital Sales Tax		472	215,288	210,132	5,628
Recorder's Technology		2,648	1,896	1,060	3,484
Tax Maintenance		6,342	7,317	7,831	5,828
Election Services		1,830	714	1,513	1,031
Community Development Block Grant		0	3,500	3,500	0
HAVA		0	21,234	8,022	13,212
Health Center		306,794	491,087	460,111	337,770
911 Board		177,155	331,968	315,961	193,162
Victim's Advocate		0	5,448	4,811	637
Law Library		416	4,014	1,851	2,579
Total	$	726,522	2,979,365	2,829,513	876,374

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 3,809,424	3,402,466	(406,958)	2,860,011	2,969,903	109,892
DISBURSEMENTS	4,015,725	3,539,737	475,988	2,922,894	2,822,851	100,043
RECEIPTS OVER (UNDER) DISBURSEMENTS	(206,301)	(137,271)	69,030	(62,883)	147,052	209,935
CASH, JANUARY 1	873,795	873,795	0	726,106	726,106	0
CASH, DECEMBER 31	667,494	736,524	69,030	663,223	873,158	209,935
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	172,300	151,760	(20,540)	182,300	175,217	(7,083)
Sales taxes	450,000	413,667	(36,333)	400,000	429,683	29,683
Intergovernmental	55,800	56,831	1,031	56,100	56,289	189
Charges for services	158,700	126,537	(32,163)	113,700	155,917	42,217
Interest	6,000	13,145	7,145	2,000	4,992	2,992
Other	26,200	35,012	8,812	32,440	34,513	2,073
Transfers in	210,186	204,822	(5,364)	209,600	200,982	(8,618)
Total Receipts	1,079,186	1,001,774	(77,412)	996,140	1,057,593	61,453
DISBURSEMENTS						
County Commission	87,120	85,277	1,843	86,070	84,568	1,502
County Clerk	63,910	63,628	282	60,360	60,305	55
Elections	63,000	49,355	13,645	15,000	13,106	1,894
Buildings and grounds	49,200	52,862	(3,662)	46,450	50,589	(4,139)
Employee fringe benefit	51,500	54,010	(2,510)	50,500	49,573	927
County Treasurer	59,500	59,575	(75)	62,800	62,511	289
County Collector	11,348	11,227	121	4,500	4,448	52
Ex Officio Recorder of Deed	57,400	56,881	519	56,625	56,222	403
Circuit Clerk	13,100	10,764	2,336	13,100	9,954	3,146
Court administration	10,758	19,678	(8,920)	12,170	18,315	(6,145)
Public Administrator	30,945	30,708	237	29,700	29,005	695
Sheriff	382,200	379,246	2,954	335,320	331,153	4,167
Jail	75,200	31,332	43,868	50,500	78,419	(27,919)
Prosecuting Attorney	59,700	59,137	563	57,934	57,957	(23)
Juvenile Officer	15,291	8,382	6,909	15,293	7,603	7,690
County Coroner	20,775	18,105	2,670	17,933	19,118	(1,185)
Other	60,360	59,429	931	58,287	57,420	867
Transfers out	9,750	2,783	6,967	19,700	12,200	7,500
Emergency Fund	33,000	220	32,780	30,000	43	29,957
Total Disbursements	1,154,057	1,052,599	101,458	1,022,242	1,002,509	19,733
RECEIPTS OVER (UNDER) DISBURSEMENTS	(74,871)	(50,825)	24,046	(26,102)	55,084	81,186
CASH, JANUARY 1	81,373	81,373	0	26,289	26,289	0
CASH, DECEMBER 31	6,502	30,548	24,046	187	81,373	81,186

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Intergovernmental	988,000	590,906	(397,094)	658,038	594,608	(63,430)
Charges for services	3,000	2,727	(273)	3,000	4,073	1,073
Interest	11,000	12,079	1,079	4,000	9,553	5,553
Other	500	381	(119)	1,000	415	(585)
Total Receipts	1,002,500	606,093	(396,407)	666,038	608,649	(57,389)
DISBURSEMENTS						
Salaries	130,104	127,722	2,382	127,604	129,604	(2,000)
Employee fringe benefit	29,100	29,412	(312)	26,300	25,252	1,048
Supplies	31,200	52,162	(20,962)	15,500	19,668	(4,168)
Insurance	7,000	7,006	(6)	7,000	6,720	280
Road and bridge materials	160,000	166,429	(6,429)	120,000	119,928	72
Equipment repairs	5,000	5,622	(622)	10,000	4,927	5,073
Equipment purchases	43,000	30,538	12,462	15,200	16,886	(1,686)
Construction, repair, and maintenance	625,700	229,343	396,357	280,000	229,957	50,043
Other	19,200	18,874	326	19,000	15,930	3,070
Transfers out	30,000	30,000	0	26,000	26,000	0
Total Disbursements	1,080,304	697,108	383,196	646,604	594,872	51,732
RECEIPTS OVER (UNDER) DISBURSEMENTS	(77,804)	(91,015)	(13,211)	19,434	13,777	(5,657)
CASH, JANUARY 1	192,594	192,594	0	178,817	178,817	0
CASH, DECEMBER 31	114,790	101,579	(13,211)	198,251	192,594	(5,657)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	110,618	117,739	7,121	102,000	116,686	14,686
Charges for services	700	0	(700)	428	668	240
Interest	1,010	1,706	696	100	1,001	901
Other	0	2,737	2,737	0	10	10
Transfers in	9,000	2,200	(6,800)	9,700	0	(9,700)
Total Receipts	121,328	124,382	3,054	112,228	118,365	6,137
DISBURSEMENTS						
Assessor	34,000	34,000	0	34,000	34,000	0
Deputy and clerical annual salaries	36,378	36,378	0	35,378	46,377	(10,999)
Fringe benefits	6,800	6,900	(100)	9,100	7,411	1,689
Office supplies	2,300	2,316	(16)	1,500	1,261	239
Equipment	26,460	26,082	378	3,300	6,101	(2,801)
Mileage and training	3,100	1,856	1,244	3,100	3,041	59
Map maintenance	700	698	2	700	699	1
Telephone	2,300	2,263	37	2,100	2,153	(53)
Health insurance	13,000	12,402	598	12,200	8,885	3,315
Postage	2,600	2,460	140	2,600	2,127	473
Part-time data entry clerk	0	0	0	8,250	0	8,250
Total Disbursements	127,638	125,355	2,283	112,228	112,055	173
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,310)	(973)	5,337	0	6,310	6,310
CASH, JANUARY 1	6,310	6,310	0	0	0	0
CASH, DECEMBER 31	0	5,337	5,337	0	6,310	6,310

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	1,100	928	(172)	1,000	1,066	66
Charges for services	2,100	2,036	(64)	2,100	2,049	(51)
Other	100	0	(100)	0	84	84
Total Receipts	3,300	2,964	(336)	3,100	3,199	99
DISBURSEMENTS						
Tuition	1,600	350	1,250	500	1,647	(1,147)
Mileage	2,000	3,345	(1,345)	3,000	841	2,159
Other	600	0	600	600	833	(233)
Total Disbursements	4,200	3,695	505	4,100	3,321	779
RECEIPTS OVER (UNDER) DISBURSEMENTS	(900)	(731)	169	(1,000)	(122)	878
CASH, JANUARY 1	962	962	0	1,084	1,084	0
CASH, DECEMBER 31	62	231	169	84	962	878
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	600	507	(93)	530	535	5
Total Receipts	600	507	(93)	530	535	5
DISBURSEMENTS						
Tuition	200	0	200	200	0	200
Mileage	400	507	(107)	430	0	430
Other	350	0	350	100	375	(275)
Total Disbursements	950	507	443	730	375	355
RECEIPTS OVER (UNDER) DISBURSEMENTS	(350)	0	350	(200)	160	360
CASH, JANUARY 1	370	370	0	210	210	0
CASH, DECEMBER 31	20	370	350	10	370	360
CHILD SUPPORT ENFORCEMENT FUND						
RECEIPTS						
Intergovernmental	2,500	0	(2,500)	121,000	66,461	(54,539)
Other	0	0	0	0	1,152	1,152
Transfers in	0	0	0	10,000	10,000	0
Total Receipts	2,500	0	(2,500)	131,000	77,613	(53,387)
DISBURSEMENTS						
Salaries	0	0	0	92,660	46,419	46,241
Office expenses	0	0	0	9,500	6,752	2,748
Equipment	0	0	0	4,800	2,230	2,570
Training and mileage	0	0	0	6,000	2,280	3,720
Audit expense	0	0	0	2,000	2,500	(500)
Other	0	0	0	4,200	0	4,200
Transfers out	8,186	5,686	2,500	12,000	12,000	0
Total Disbursements	8,186	5,686	2,500	131,160	72,181	58,979
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,686)	(5,686)	0	(160)	5,432	5,592
CASH, JANUARY 1	5,686	5,686	0	254	254	0
CASH, DECEMBER 31	0	0	0	94	5,686	5,592

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING TRAINING						
RECEIPTS						
Intergovernmental	2,600	2,469	(131)	5,000	4,487	(513)
Interest	400	190	(210)	150	371	221
Other	100	105	5	0	33	33
Total Receipts	3,100	2,764	(336)	5,150	4,891	(259)
DISBURSEMENTS						
Training	5,000	4,800	200	6,000	5,583	417
Other	3,036	1,885	1,151	9,500	4,368	5,132
Total Disbursements	8,036	6,685	1,351	15,500	9,951	5,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,936)	(3,921)	1,015	(10,350)	(5,060)	5,290
CASH, JANUARY 1	5,369	5,369	0	10,429	10,429	0
CASH, DECEMBER 31	433	1,448	1,015	79	5,369	5,290
VICTIMS OF DOMESTIC VIOLENCE						
RECEIPTS						
Charges for services	350	230	(120)	400	210	(190)
Total Receipts	350	230	(120)	400	210	(190)
DISBURSEMENTS						
Other	350	230	120	400	210	190
Total Disbursements	350	230	120	400	210	190
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	300	165	(135)	200	174	(26)
Total Receipts	300	165	(135)	200	174	(26)
DISBURSEMENTS						
Other	470	0	470	200	0	200
Total Disbursements	470	0	470	200	0	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(170)	165	335	0	174	174
CASH, JANUARY 1	190	190	0	16	16	0
CASH, DECEMBER 31	20	355	335	16	190	174
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	9,000	10,082	1,082	8,000	5,664	(2,336)
Interest	0	214	214	0	0	0
Total Receipts	9,000	10,296	1,296	8,000	5,664	(2,336)
DISBURSEMENTS						
Other	9,600	9,520	80	8,000	4,259	3,741
Total Disbursements	9,600	9,520	80	8,000	4,259	3,741
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	776	1,376	0	1,405	1,405
CASH, JANUARY 1	1,433	1,433	0	28	28	0
CASH, DECEMBER 31	833	2,209	1,376	28	1,433	1,405

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S USER FEE FUND						
RECEIPTS						
Charges for services	3,000	3,028	28	3,200	2,966	(234)
Interest	600	843	243	200	454	254
Total Receipts	3,600	3,871	271	3,400	3,420	20
DISBURSEMENTS						
Other	16,200	801	15,399	13,725	1,103	12,622
Total Disbursements	16,200	801	15,399	13,725	1,103	12,622
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,600)	3,070	15,670	(10,325)	2,317	12,642
CASH, JANUARY 1	12,680	12,680	0	10,363	10,363	0
CASH, DECEMBER 31	80	15,750	15,670	38	12,680	12,642
SHERIFF'S LAW ENFORCEMENT FUND						
RECEIPTS						
Charges for services	18,000	15,360	(2,640)	15,500	15,009	(491)
Interest	250	441	191	100	163	63
Other	1,000	491	(509)	300	1,414	1,114
Total Receipts	19,250	16,292	(2,958)	15,900	16,586	686
DISBURSEMENTS						
Equipment	12,000	8,700	3,300	9,000	8,235	765
Uniforms	2,000	1,257	743	2,000	860	1,140
Other	10,000	6,691	3,309	8,250	4,790	3,460
Total Disbursements	24,000	16,648	7,352	19,250	13,885	5,365
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,750)	(356)	4,394	(3,350)	2,701	6,051
CASH, JANUARY 1	6,076	6,076	0	3,375	3,375	0
CASH, DECEMBER 31	1,326	5,720	4,394	25	6,076	6,051
SULLIVAN COUNTY MEMORIAL HOSPITAL SALES TAX FUND						
RECEIPTS						
Sales tax	225,000	206,603	(18,397)	200,000	214,812	14,812
Interest	500	1,210	710	200	476	276
Other	0	1,500	1,500	0	0	0
Total Receipts	225,500	209,313	(16,187)	200,200	215,288	15,088
DISBURSEMENTS						
Capital improvements	231,000	197,220	33,780	200,650	210,132	(9,482)
Total Disbursements	231,000	197,220	33,780	200,650	210,132	(9,482)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,500)	12,093	17,593	(450)	5,156	5,606
CASH, JANUARY 1	5,628	5,628	0	472	472	0
CASH, DECEMBER 31	128	17,721	17,593	22	5,628	5,606

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S TECHNOLOGY FUND						
RECEIPTS						
Charges for services	2,000	1,835	(165)	1,960	1,801	(159)
Interest	100	168	68	40	95	55
Total Receipts	2,100	2,003	(97)	2,000	1,896	(104)
DISBURSEMENTS						
Other	1,800	1,788	12	4,600	1,060	3,540
Total Disbursements	1,800	1,788	12	4,600	1,060	3,540
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	215	(85)	(2,600)	836	3,436
CASH, JANUARY 1	3,484	3,484	0	2,648	2,648	0
CASH, DECEMBER 31	3,784	3,699	(85)	48	3,484	3,436
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	7,000	10,212	3,212	6,500	7,017	517
Interest	400	528	128	0	300	300
Total Receipts	7,400	10,740	3,340	6,500	7,317	817
DISBURSEMENTS						
Training	3,500	6,985	(3,485)	3,000	7,831	(4,831)
Office expense	3,000	0	3,000	9,500	0	9,500
Total Disbursements	6,500	6,985	(485)	12,500	7,831	4,669
RECEIPTS OVER (UNDER) DISBURSEMENTS	900	3,755	2,855	(6,000)	(514)	5,486
CASH, JANUARY 1	5,828	5,828	0	6,342	6,342	0
CASH, DECEMBER 31	6,728	9,583	2,855	342	5,828	5,486
ELECTION SERVICES FUND						
RECEIPTS						
Charges for services	2,800	1,610	(1,190)	800	664	(136)
Interest	60	70	10	20	50	30
Total Receipts	2,860	1,680	(1,180)	820	714	(106)
DISBURSEMENTS						
Mileage and training	800	386	414	2,200	76	2,124
Equipment	3,000	0	3,000	0	1,437	(1,437)
Other	0	0	0	400	0	400
Total Disbursements	3,800	386	3,414	2,600	1,513	1,087
RECEIPTS OVER (UNDER) DISBURSEMENTS	(940)	1,294	2,234	(1,780)	(799)	981
CASH, JANUARY 1	1,031	1,031	0	1,830	1,830	0
CASH, DECEMBER 31	91	2,325	2,234	50	1,031	981

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND						
RECEIPTS						
Intergovernmental	1,500	1,500	0	5,000	3,500	(1,500)
Total Receipts	1,500	1,500	0	5,000	3,500	(1,500)
DISBURSEMENTS						
Administration	1,500	1,500	0	1,000	0	1,000
Housing study	0	0	0	4,000	3,500	500
Total Disbursements	1,500	1,500	0	5,000	3,500	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
HAVA FUND						
RECEIPTS						
Intergovernmental	139,750	139,750	0	20,000	20,494	494
Interest	1,000	1,320	320	0	595	595
Other	200	140	(60)	0	145	145
Total Receipts	140,950	141,210	260	20,000	21,234	1,234
DISBURSEMENTS						
Election	14,000	5,076	8,924	20,000	8,022	11,978
Equipment	139,750	141,124	(1,374)	0	0	0
Other	0	485	(485)	0	0	0
Total Disbursements	153,750	146,685	7,065	20,000	8,022	11,978
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,800)	(5,475)	7,325	0	13,212	13,212
CASH, JANUARY 1	13,212	13,212	0	0	0	0
CASH, DECEMBER 31	412	7,737	7,325	0	13,212	13,212
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	163,000	169,847	6,847	170,000	163,421	(6,579)
Intergovernmental	141,895	141,272	(623)	150,155	157,316	7,161
Charges for services	142,000	157,613	15,613	140,000	140,964	964
Interest	10,000	27,588	17,588	10,000	15,169	5,169
Other	21,176	25,974	4,798	13,250	14,217	967
Total Receipts	478,071	522,294	44,223	483,405	491,087	7,682
DISBURSEMENTS						
Salaries and benefits	418,784	428,140	(9,356)	390,089	402,687	(12,598)
Office	28,700	28,765	(65)	29,250	30,437	(1,187)
Equipment	1,500	444	1,056	5,000	423	4,577
Mileage and training	19,611	16,435	3,176	15,400	17,947	(2,547)
Other	6,500	11,155	(4,655)	13,000	8,617	4,383
Emergency	0	0	0	30,666	0	30,666
Total Disbursements	475,095	484,939	(9,844)	483,405	460,111	23,294
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,976	37,355	34,379	0	30,976	30,976
CASH, JANUARY 1	337,770	337,770	0	306,794	306,794	0
CASH, DECEMBER 31	340,746	375,125	34,379	306,794	337,770	30,976

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
911 BOARD FUND						
RECEIPTS						
Sales tax	225,000	206,696	(18,304)	195,700	214,829	19,129
Intergovernmental	0	63,150	63,150	0	111,810	111,810
Charges for services	0	1,186	1,186	0	0	0
Interest	0	5,403	5,403	4,000	4,913	913
Other	0	155	155	300	416	116
Total Receipts	225,000	276,590	51,590	200,000	331,968	131,968
DISBURSEMENTS						
Material & labor	3,600	3,242	358	3,000	3,261	(261)
Line maintenance telephone	30,000	28,636	1,364	30,000	27,693	2,307
Office equipment and supplies	1,000	1,409	(409)	2,000	571	1,429
Training	5,000	6,741	(1,741)	5,000	1,055	3,945
Radio improvement/maintenance	2,000	2,205	(205)	5,000	901	4,099
Insurance	6,000	2,241	3,759	5,000	5,148	(148)
Miscellaneous	9,500	11,335	(1,835)	0	3,806	(3,806)
Advertising	300	240	60	0	234	(234)
Equipment	0	89,550	(89,550)	0	110,310	(110,310)
Transfers out	170,000	169,136	864	170,000	162,982	7,018
Total Disbursements	227,400	314,735	(87,335)	220,000	315,961	(95,961)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,400)	(38,145)	(35,745)	(20,000)	16,007	36,007
CASH, JANUARY 1	193,162	193,162	0	177,155	177,155	0
CASH, DECEMBER 31	$ 190,762	155,017	(35,745)	157,155	193,162	36,007
VICTIM'S ADVOCATE FUND						
RECEIPTS						
Intergovernmental	26,750	26,682	(68)			
Donations	2,500	1,955	(545)			
Transfers in	0	583	583			
Total Receipts	29,250	29,220	(30)			
DISBURSEMENTS						
Salaries	26,163	26,143	20			
Office and equipment	2,969	2,776	193			
Total Disbursements	29,132	28,919	213			
RECEIPTS OVER (UNDER) DISBURSEMENTS	118	301	183			
CASH, JANUARY 1	637	637	0			
CASH, DECEMBER 31	755	938	183			
FEMA/CDBG BRIDGE FUND						
RECEIPTS						
Intergovernmental	449,657	436,482	(13,175)			
Interest	0	0	0			
Total Receipts	449,657	436,482	(13,175)			
DISBURSEMENTS						
Bridge replacement	449,657	436,482	13,175			
Total Disbursements	449,657	436,482	13,175			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

Exhibit B

SULLIVAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING FUND						
RECEIPTS						
Intergovernmental	2,072	2,036	(36)			
Interest	50	60	10			
Total Receipts	2,122	2,096	(26)			
DISBURSEMENTS						
Equipment	2,000	1,186	814			
Other	100	78	22			
Total Disbursements	2,100	1,264	836			
RECEIPTS OVER (UNDER) DISBURSEMENTS	22	832	810			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	22	832	810			

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Library Fund	2006 and 2005
Victim's Advocate Fund	2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,

Tax Maintenance Fund	2006
Health Center Fund	2006
911 Board Fund	2006 and 2005
Sullivan County Memorial Hospital Sales Tax Fund	2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Library Fund	2006 and 2005
Victim Advocate Fund	2005

The Health Center Board and 911 Board published their own financial statements separately from the county's statements. However, the Health Center board's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Health Center Fund. In addition, the 911 board's published financial statements for the years ended December 31, 2006 and 2005, did not disclose beginning and ending balances for the 911Board Fund.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit. Cash includes both deposits and investments.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to

pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Sullivan County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, Health Center Board's, and 911 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the boards' custodial bank in the county's or the boards' name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield in that order when managing public funds and to prohibit purchase of derivatives either directly or through repurchase agreements, use of leveraging through either reverse repurchase agreements or other methods, and use of public funds for speculation. The county has adopted such a policy.

The county's only investment is corporate stock recorded in the Health Center Fund. At December 31, 2006 and 2005, the fair values of the corporate stock held by the Health Center Fund were $63,455 and $51,272, respectively and the original cost cannot be determined.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the size of the county's investment in a single issuer. The Health Center's investments at December 31, 2006 and 2005, were exposed to concentration of credit risk because they were all invested in the same issuer.

Custodial credit risk: Custodial credit risk is the risk that, if the counterparty to an investment transaction fails, Sullivan County will not be able to recover the investment's value or collateral securities that are in an outside party's possession. The Health Center's investments at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were held by the issuer, registered in the Health Center's name.

Supplementary Schedule

Schedule

SULLIVAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 448	302
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	3M0700704	26,854	35,461
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Economic Development			
14.228	Community Development Block Grants/State's Program	00-EM-001	1,500	3,500
		2004-PF-560	99,540	0
	Program total		101,040	3,500
	U.S. DEPARTMENT OF JUSTICE			
	Direct program:			
16.710	Public Safety Partnership and Community Policing Grant	N/A	0	600
	Passed through:			
	State Department of Public Safety			
16.575	Crime Victim Assistance	2005-VOCA-0069	29,959	2,153
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,056	1,505
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	4,072
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Secretary of State			
39.011	Election Reform Payments	47-0601-0-1-808	0	15,000
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	95-1650-0-1-808	136,500	5,494

Schedule

SULLIVAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Childre	CCU722882-03	1,500	995
93.268	Immunization Grants	N/A	23,188	18,893
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	U90/CCU716971B	8,013	3,740
93.557	Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youtl	N/A	1895	0
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	0	43,864
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA06-5206S	615	480
	Department of Social Services -			
93.617	Voting Access for Individuals with Disabilitie	47-0601-0-1-808	3,250	0
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	1B04MC04284-01	21,212	19,476
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2003-MU-T3-0003	0	92,970
		2004-GE-T4-0049	0	18,840
		2005-GE-T5-0022	121,550	0
	Program total		121,550	111,810
97.017	Pre-Disaster Mitigation Competitive Grant	EMK-2005-PCC	336,942	0
	Total Expenditures of Federal Awards		$ 814,022	267,345

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

SULLIVAN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Sullivan County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation Program (CFDA number 10.550) represent the dollar value assigned to the commodities based on prices provided by the state Department of Social Services.

Amounts for the Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

Amounts for the State Domestic Preparedness Equipment Support Program (CFDA number 97.004) represent both cash disbursements and the estimated fair market value of equipment received.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $3,840 to a subrecipient under the State Domestic Preparedness Equipment Support Program (CFDA number 97.004) during the year ended December 31, 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Sullivan County, Missouri

Compliance

We have audited the compliance of Sullivan County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in item 06-1 in the accompanying Schedule of Findings and Questioned Costs, the Sullivan County, Missouri, 911Board did not comply with requirements regarding procurement, suspension, and debarment that are applicable to its State Domestic Preparedness Equipment Support Program. Compliance with such requirements is necessary, in our opinion, for the Sullivan County, Missouri, 911 Board to comply with the requirements applicable to that program.

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In our opinion, except for the noncompliance described in the preceding paragraph, Sullivan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005.

Internal Control Over Compliance

The management of Sullivan County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The response of Sullivan County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

August 1, 2007

Schedule

SULLIVAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs, except CFDA Number 97.004, which was qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
14.228	Community Development Block Grants/State's Program
97.004	State Domestic Preparedness Equipment Support Program

97.017 Pre-Disaster Mitigation Competitive Grants Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1.	**911 Board Grants**

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity Identifying Number:	2003-MU-T3-003 2004-GE-T4-0049 2005-GE-T5-0022
Award Years:	2006 and 2005
Questioned Costs:	$92,970

The 911 Board did not properly bid for its computer aided dispatch system (CAD). During 2005 and 2006, the 911 Board received three grants under the State Domestic Preparedness Equipment Support Program totaling $233,360. Through these grants, the county received a fingerprint scanner costing $32,000 and purchased a computer aided dispatch system (CAD), portable radios, a radio repeater system, and a thermal imaging camera with the other $201,360 in grant funds received. Some of the equipment was provided to other local emergency service entities.

Our review of these grants noted that the 911 Board's documentation of its compliance with federal competitive procurement requirements on the CAD system grant, totaling $92,970, was inadequate. In May 2004, the board applied for grant funding for the expected cost of the CAD system totaling $100,000 and in April 2005 the Department of Public Safety approved the grant, with the equipment being purchased and installed in June 2005. An undated memo in the grant file prepared by the 911 Coordinator summarized timing issues

related to the grant application and her efforts to obtain cost information for preparing the application.

According to the memo, at the time the coordinator became aware of the availability of the grant, there was only 1 day left prior to the program's grant application deadline. The memo mentioned prior informal contacts the board had with Southwestern Bell and another unnamed out of state vendor, both of which had indicated their systems started at more than $100,000; however, no specifics as to the contacts' names, phone numbers, or dates were included. When notified of the possible grant, the coordinator then contacted the vendor that had supplied a CAD system to the Kirksville Police Department, with which the coordinator had some prior experience. That vendor provided a verbal quote of approximately $50,000 for a base system. The memo provides no documentation as to how this verbal quote relates to the $100,000 on the grant application or the $92,970 actually spent. Due to the limited time frame for submitting the grant application, the board's efforts to obtain preliminary cost information for applying for the grant appears reasonable. However, once the grant was approved, the board should have developed detailed system requirements and utilized a competitive procurement process prior to expending the grant funds, as required by the federal program guidelines.

OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. Section 50.660, RSMo, requires the advertisement for bids for all purchases of $4,500 or more from any one person, firm, or corporation during any period of 90 days. Documentation of the various proposals received, and the county selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. If bids cannot be obtained due to sole source or other considerations, the board meeting minutes should reflect the necessitating circumstances to show compliance with state law.

Because the board did not properly utilize a competitive procurement process prior to expending grant funds, we question the costs for the CAD system project totaling $92,970.

WE RECOMMEND the 911 Board work with the grantor agency to resolve questioned costs and determine if other action is needed. In the future, the board should perform a competitive procurement process for all major purchases and maintain detailed documentation of bids received and decisions made.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The 911 Board indicated they agree with the recommendation and were not aware they could solicit more formal bids after the grant was awarded. They indicated they plan to go through the proper bidding procedures if grants are received in the future. In addition, the board plans to contact the grantor agency to resolve the questioned costs.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SULLIVAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Because Sullivan County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SULLIVAN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SULLIVAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 1, 2007. We also have audited the compliance of Sullivan County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 1, 2007.

Because the Sullivan County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information for the year ended October 31, 2006.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR

findings resulted from our audit of the financial statements of Sullivan County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Sullivan County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Financial Condition

The weak financial condition of the General Revenue Fund which was noted in the prior report has continued to deteriorate. The following table reflects the financial activity of the General Revenue Fund over the last four years and the projected activity for 2007:

			Year Ended December 31,			
		2007				
		Projected	2006	2005	2004	2003
Cash Balance, January 1	$	30,548	81,373	26,289	79,094	53,679
Receipts		1,043,365	1,001,774	1,057,593	973,215	959,178
Disbursements		(1,073,627)	(1,052,599)	(1,002,509)	(1,026,020)	(933,763)
Cash Balance, December 31	$	286	30,548	81,373	26,289	79,094

The County Commission is aware of the concern and is monitoring the county's financial condition through preparation and review of quarterly budget reports, but the county does not have a long-term financial plan. Although the budget process provides annual financial planning, the county commission needs to plan for the long term to ensure the county can stabilize or increase the fund balance. The General Revenue Fund cannot continue to spend more than is received as the cash balance is steadily declining.

Although the County Commission indicated they have been monitoring the financial condition, expenditures are increasing due to inflation and the rising cost of equipment, supplies and fuel while revenues continue to stay stagnant as a result of the poor economy. The county has apparently not had any significant emergencies in the last several years, but also has not been able to build any reserves for the future. Building the cash balance reserve would serve as a cushion against future emergencies and continued inflationary pressures and allow the county to address such items without relying solely on borrowing or drastic cuts in services.

It is essential that the County Commission address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed, contracts closely monitored, and options for maximizing revenues pursued with a view toward building adequate reserves.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General

Revenue Fund. The County Commission should perform long term planning and take advantage of opportunities to maximize revenues and offset General Revenue Fund costs as allowed by state law.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated they agree and will continue to closely monitor the expenditures and will look for opportunities to increase revenues in the General Revenue Fund. They indicated that they believe several issues will have a positive impact on the fund in the next few years such as additional property tax receipts due to some ongoing business expansions and the addition of more property to the tax rolls as the Enterprise Zone designation phases out soon. They also noted they expect increased fee revenues from the Collector's Office with the transition away from township collectors to a full-time County Collector, though there will be increased personnel costs with that change. In addition, they noted they are seeing some savings from the use of the regional jail to house prisoners, though they also indicated that some maintenance on the courthouse has been deferred in recent years and will need to be addressed.

2. Sales Taxes

The county voters have authorized three separate sales taxes under Section 67.547, RSMo and the total sales tax rates imposed under that section appear to exceed the allowable statutory maximum.

- In November 1987, voters approved an additional one-half of one percent general sales tax. Under this tax, the General Revenue Fund received $207,000 in 2006.

- In August 1996, voters approved an additional one-half of one percent sales tax for the implementation and operation of a county-wide enhanced 911 and central dispatch system. Under this tax, the 911 Board Fund received $207,000 in 2006.

- In April 2007, voters approved an additional one-fourth of one percent sales tax for the purpose of continued operation and maintenance of the 911 emergency telephone service and central dispatch system. Based on the 2006 sales tax receipts for the original 911 Board Fund sales tax noted above, a full year's receipts for this newest sales tax will likely exceed $104,000.

The 1987 and 1996 sales taxes were submitted to voters by the County Commission and the 2007 sales tax was submitted by the 911 Board. The resolutions or meeting minutes authorizing each of the issues to be placed on the ballot cited Section 67.547, RSMo as the statutory authority. With the two additional general sales taxes dedicated to 911 operations, the county has imposed a levy above the statutory maximum allowed by Section 67.547. Furthermore, Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds one half of one percent under Section 67.547, RSMo. While the county has apparently exceeded the statutory authority under this section, additional sales taxes

authorized by other statutory sections are available to it, such as the law enforcement sales tax. In addition, Section 190.335, RSMo authorizes a sales tax up to one percent specifically for the purposes of providing central dispatching for emergency services. Such authority would more than replace the two 911 Board Fund sales taxes imposed above.

The county needs to review the various sales taxes being imposed to determine which are valid. While the County Commission and 911 Board have tried to improve the financial condition of the county by imposing these sales taxes, they may have exceeded statutory authority.

WE RECOMMEND the County Commission and 911 Board consult with legal counsel to review the various sales taxes being imposed and determine which are valid and what further steps to take.

AUDITEE'S RESPONSE

911 Board Response:

The 911 Board indicated they have again consulted legal counsel to determine the validity of the taxes imposed. The Board's legal counsel has now provided them with written guidance which concludes that, in the legal counsel's opinion, the sales taxes as imposed by the voters are legal and valid. The Board indicated their intent to follow their legal counsel's guidance.

County Commission Response:

The County Commission and County Clerk indicated they are aware of the recent guidance from the 911 Board's legal counsel and they are deferring to that guidance.

3.	Expenditures

Records and monitoring procedures for county vehicles are not sufficient. The county does not have adequate procedures regarding the procurement of major purchases and professional services.

A. Records and monitoring procedures for vehicles used by the Sheriff's department and the Road and Bridge department are not sufficient. The county owns nine vehicles and three other pieces of motorized equipment utilized by the two departments. The county does not require vehicle usage or mileage logs to be prepared for these vehicles. Disbursements for fuel totaled approximately $19,000 each year during 2006 and 2005. Sheriff's department deputies and road and bridge employees purchase fuel for the vehicles and equipment with fuel purchasing cards or by charging at a local service station and the county receives a monthly billing statement for these purchases. While statements for the fuel purchasing cards were to include odometer readings for each vehicle, such readings were not always noted or appeared inconsistent with previous readings. In addition, supporting charge

receipts signed by the employees were not always submitted with the monthly statements.

Without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate 1) the optimal number of county vehicles needed, 2) when vehicles need to be replaced, etc.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer or hour readings, destination, and purpose) and operating cost information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and to evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

A similar condition was noted in our prior report.

B. While a review of county commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some significant purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

Gravel and hauling	$195,000 (annual amount)
Tank cars	$ 10,700
Skid loader	$ 15,382

The county provides monies each year to 12 townships to spend on gravel and hauling. The county reimburses the townships based on invoices and rock tickets. The county also requires the townships to solicit bids for road rock; however they do not require bid documentation before payment is made. The Commission determined that a sole source vendor was to be used for the purchase of tank cars, but reasons for this determination were not documented. The county entered into a lease purchase agreement for the skid loader, but no effort was made to solicit bids. According to the County Clerk, he believed lease purchases did not fall under the bid requirements.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

C. The county did not always enter into contracts when appropriate and has not updated their contract to provide administrative duties for the Sheriff's department.

- The county paid a Not-For-Profit organization (NFP) $450 per month to perform janitorial services for the court house without a written contract. The county commission indicated they were not aware a contract was needed. After our review, the county commission entered into a written agreement with the NFP in July 2007.

  Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- The county entered into a contract with an individual to provide administrative duties for the Sheriff's department. However, the county has not updated the contract since April 2004. Payments of $650 per month in 2006 and 2005 were made to the administrative assistant. The contract signed in April 2004, allowed only $460 per month. Since payments made to the administrative assistant have increased above the original contracted amount, the commission should update the contract. After our review, the county commission updated the administrative assistant contract in June 2007.

  Current up-to-date written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

WE RECOMMEND the County Commission:

A. Require the preparation of usage logs for all county vehicles, and ensure proper reviews and reconciliations are performed.

B. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

C. Enter into written agreements for all services and update all contracts. The written agreement should detail all duties to be performed and the compensation to be paid under the agreement.

AUDITEE'S RESPONSE

A. The County Commission, County Clerk and Sheriff indicated they agree and this has now been implemented for Sheriff Department vehicles. The deputies and Sheriff are now required to report beginning and ending odometer readings daily through the dispatching system and this information is provided to the County Clerk to compare to fuel charges. The County Commission and County Clerk also indicated usage logs have either already been implemented by Road and Bridge staff, or they will ensure that they are established soon.

B. The County Commission and County Clerk indicated they agree. In the future they will do a better job maintaining bid documentation for all major purchases and document reasons for sole source purchases. They indicated they will address the issue of submission of bid documentation with the townships.

C. The County Commission and County Clerk indicated that these issues have now been corrected.

4. Personnel Policies and Leave Balances

The county is not complying with established personnel policies for earning vacation and sick leave time and does not maintain centralized leave records for the Sheriff's department.

A. The county has established a written personnel policy, but the policy does not clearly address all employees earning vacation and sick leave time. According to the County Clerk, all employees are currently entitled to an annual vacation leave amount calculated as two times the hours in their normal weekly work schedule plus six days of sick leave per year and employees work schedules that range from 20 hours to 40 hours per week. However, the personnel policy only addresses certain work schedules and states full-time employees on a 32.5 or 40 hour weekly work schedule shall accrue vacation and sick leave. The policy indicates the prorated vacation leave time accrued for a 32.5 hour work schedule is 5.416 hours per month and a 40 hour work schedule is 6.667 hours per month, earned in monthly increments. According to the personnel manual, employees not working either 32.5 or 40 hour weekly work schedules would apparently not be eligible to earn vacation or sick leave time.

A clear and concise personnel policy manual is necessary to ensure the equitable treatment of all employees. The County Commission should ensure current practices comply with the written personnel manual or make appropriate amendments to the manual.

B. Detailed records of vacation leave, sick leave or compensatory time earned, taken or accumulated are not maintained for the Sheriff's department. While the County Clerk's office does receive timesheets for Sheriff's department employees, the time and leave information is not used to maintain records of vacation leave, sick leave or compensatory time earned, taken, or accumulated as is kept for other county employees. The Sheriff's department also does not maintain similar records of leave activity.

Centralized records are needed to ensure that policies are being uniformly followed, that all employees are treated equitably, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records aid in determining final pay for employees leaving county employment or in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

WE RECOMMEND the County Commission:

A. Ensure vacation and sick leave practices comply with the written personnel manual or properly update the manual.

B. Require the County Clerk to maintain centralized records of leave earned, used, and accumulated for the Sheriff's department as is done for all other county employees.

AUDITEE'S RESPONSE

A. The County Commission and County Clerk indicated they agree and intend to review and amend the wording in the policy.

B. The County Clerk indicated this has now been implemented and the failure to maintain such records for the Sheriff was due to a miscommunication of who was responsible for the records.

5.	**Sheriff's Seized Property Procedures**

Adequate controls over seized property have not been established. A log is not maintained for seized property and periodic inventories of the property on hand are not conducted. Each officer has the entry code to the evidence vault, and they are not required to sign in or out each time evidence is removed from the vault. As property and evidence are seized, the property is recorded by the officer on an evidence bag which includes a description of the item and case number, but an evidence log is not maintained and the evidence bags are not prenumbered, making it more difficult to ensure each item is accounted for properly. Furthermore, the ultimate disposition of each item is not recorded, and a periodic inventory of evidence by an independent person is not performed.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

WE RECOMMEND the Sheriff maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

AUDITEE'S RESPONSE

The Sheriff indicated he agrees with the recommendation, which his office has now implemented. A log is now maintained for seized property and all items are tagged with identifying information and signed in and out. His office intends to perform periodic inventories.

6. Prosecuting Attorney's Procedures

Monies received are not deposited timely and an adequate system to account for all bad checks received has not been established. During the years ended December 31, 2006 and 2005, the Prosecuting Attorney's office handled receipts for bad check restitution and fees, etc., totaling approximately $69,500 and $49,000, respectively.

A. Monies received are not always deposited in a timely manner. Monies are usually collected each business day, but deposits are normally made only two times per month. Deposit slips for December 12 through 29, 2006 and 2005 showed four deposits ranging from $1,058 to $2,537 and including cash of $81 to $306. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

B. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system. In addition, the complaint form and information regarding the handling of each case is maintained in the individual case files and all pending case files are stored together. No identifying or tracking numbers are assigned to the complaint forms or bad checks, and the bad check computer data file is not maintained in a manner that allows all bad check complaint forms and bad checks to be accounted for properly. Also, without some numbering or tracking procedure, there is no assurance all bad check information is entered into the computer file. The Prosecuting Attorney's office indicated that newer versions of its computer system have the capability to

assign and account for a sequential number for each complaint entered; however the office has not updated their system to utilize these capabilities.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by updating and utilizing the computer system's features.

WE RECOMMEND the Prosecuting Attorney:

A. Deposit all monies intact on a timely basis.

B. Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

A. They agree and have now begun depositing more frequently.

B. They agree and have recently received software updates from the bad check system vendor and are working with the vendor to ensure sequential numbers are assigned to each bad check. They are also working with the vendor to develop appropriate reports to allow for the accountability of all bad check complaints received and their ultimate disposition.

7. 911 Board's Procedures

Employees' time cards are not signed by employees and time cards do not appear to support some payroll disbursements. In addition, actual disbursements exceeded budgeted amounts.

A. Three out of nine timecards examined in the month of December 2006 were not signed by the employee. In addition, three time cards had mathematical errors made by the 911 coordinator when summarizing the number of hours worked to be used for calculating payroll. For example, an employee timecard indicated 7.25 hours was worked, but payroll calculations computed 7.75 hours; an employee went home early and worked 7.25 hours, but calculations computed 8 hours; and another employee timecard showed 9 hours was worked, but 8 hours was computed for payroll. No documentation was maintained to show differences were investigated. Employee timecards should be signed by the employee and all hourly payments should be based upon hours actually worked.

B. Actual disbursements exceeded budgeted amounts for the 911 Fund by approximately $87,000 and $96,000 for the years ended December 31, 2006 and

2005, respectively. The overspending was primarily due to expending monies from grants that were awarded and received after the budgets were prepared and thus not included in budget estimates. Periodic budget to actual reports are reviewed and the 911 Board was aware the budgets were over spent; however, the 911 coordinator indicated they were unaware there was a method for amending the budgets.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

WE RECOMMEND the 911 Board:

A. Ensure employee timecards are signed by the employee and ensure 911 employees are paid based on actual hours worked.

B. Prepare and approve budget amendments in the same manner as the original budgets, when needed.

AUDITEE'S RESPONSE

The 911 Board indicated:

A. They agree and the coordinator will continue to monitor timecards to ensure they are signed, accurate and the reason for any differences is documented.

B. They agree and plan to continue monitoring expenditures and will amend the budget when necessary in the future.

8. Health Center Board's Procedures

The Health Center does not perform annual inventories and did not enter into written contracts when appropriate. The Health Center administrator's timesheet is not approved by the Board and leave balances are not reported to the employees. The Health Center does not maintain accurate and complete asset records.

A. The Health Center has not updated permanent detailed property records for capital assets since 2002. Capital assets are not tagged, additions are not added to capital asset records as they occur, and annual physical inventories are not performed. Our review identified several items on hand , totaling $3,667, that were not recorded on the listing including a laptop computer, Fuji camera, computer printer, etc. In addition, the daughter of the former administrator had apparently borrowed the Fuji

camera and returned it in January 2007, after the former administrator retired. Due to the inadequate records, the Health Center employees were not aware they owned this camera until after it was returned. This lack of adequate capital asset records and monitoring increases the possibility of theft occurring without detection.

Adequate property records and monitoring procedures by the Health Center are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over the Health Center's property. The comparison of the results of periodic physical inventories to an overall permanent property record could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

B. The Health Center did not always enter into contracts when appropriate and did not adequately stipulate the terms of the agreements and rights and responsibilities of the parties. For example:

- The Health Center paid the daughter of the administrator (since retired) $1,000 without a written contractual agreement. While a review of Health Center Board meeting minutes appears to indicate she was hired to write a pandemic flu plan for a Bio-terrorism grant in June 2006, it is unclear what the specific duties, terms and expectations were and how the amount of pay was determined.

- In January 2007, the Health Center Board re-hired the recently retired administrator on an emergency basis as a contract employee to train the newly hired Health Center administrator. There was no written contract and the board meeting minutes were vague or unclear as to the services provided and other terms of her employment. The minutes also indicate board confusion about what compensation they had agreed to pay and the amount paid appeared excessive. Based on the number of days actually worked and a policy change that allowed her to be paid for previously forfeited sick leave, the total paid amounted to almost $1,000 per day worked.

  Timesheets indicated the previous administrator worked 13 days over a period of three months in early 2007 and was paid approximately $5,600 for her work. She was also paid an additional $7,000 for previously accumulated sick leave which had been forfeited upon retirement. The written policy in effect at her retirement indicated terminating employees would not be paid for accrued sick leave. However, when negotiating her re-hire, the Board apparently amended the policy and approved paying 25% of her forfeited sick leave balance to meet her demands. The Health Center Board indicated they were desperate for someone to help train the new administrator and felt they had little choice but to pay what she requested. The Board entered into this arrangement without adequately evaluating the potential time and cost involved and did not document clear expectations of the previous administrator.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Contracts which fully stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the Health Center is able to determine if services are being provided in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties and remedial actions in the event of noncompliance.

C. The Health Center administrator's timesheets are not verified for accuracy and approved by the Board before payment. In addition, records of accrued vacation and sick leave balances are not reported back to all employees. It appears the Health Center is adequately comparing time sheets to summary vacation and sick leave records to ensure leave activity reported on the employee records is accurately posted; however, periodic balances are not reported to the employees to ensure leave balances are correct.

   A supervisory review of the administrator's timesheet is necessary to ensure time worked is adequately supported and the employee is paid correctly. In addition, reporting periodic balances of vacation and sick leave to the employee is necessary to ensure leave balances are accurate and employees are properly compensated for accumulated leave.

D. The Health Center held stock since 2002 with a market value at December 31, 2006 of $63,455. The stock was not recorded in their financial records or budgets and not monitored by the Board. Furthermore, no one apparently knew the stock existed and the Board is unclear on how the stock was originally obtained. Periodically the Health Center would receive notices of increases in the investment's value, but no one confirmed the existence and fair value until the current administrator received a check, investigated, and discovered the underlying securities. The Health Center subsequently sold the stock in March 2007.

   The Health Center has a fiduciary responsibility to monitor all assets and ensure all assets are properly reported in the accounting records, financial statements, and budgets.

WE RECOMMEND the Health Center Board:

A. Ensure physical inventories are conducted, implement a procedure for tagging and adding new property items to the capital asset records as they occur, and follow up on discrepancies identified during the annual physical inventory process. In addition, the Health Center Board should exercise more to care to ensure all property records are retained and can be located.

B. Enter into written contracts when appropriate and ensure that contracts contain adequate details and protections for the Health Center.

C. Perform a documented review of the Health Center administrator's time sheets. In addition, establish procedures to report vacation and sick leave balances to employees.

D. Record all transactions and maintain accurate asset records.

AUDITEE'S RESPONSE

The Health Center Administrator responded:

A. They are in the process of updating the capital assets listing. They have ordered new inventory tags, however there are a lot of assets that need to be tagged and they hope to finish tagging by the end of the year. Every asset over $50 will be tagged.

B. They will ensure that contracts for services will always be in writing. They have already updated contracts with the lawn maintenance staff and painters. They also seek bids for any service over $2,000.

C. He now gives every employee a report of their sick, vacation, and comp time available every month and the board is informed of his time off. Time sheets are only used for accounting for time in certain programs so they can bill for the hours. Timesheets are not used for payment purposes because all employees are salaried.

D. All of the transactions and asset records are now being updated and maintained regularly. Incidents like the Principal Financial Stock will not happen again and should have never happened in the first place.

Follow-Up on Prior Audit Findings

SULLIVAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Sullivan County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

The county's General Revenue Fund was in poor financial condition and the 2003 budget did not project any improvement.

Recommendation:

The County Commission closely monitor the county's financial condition and consider various alternatives of increasing receipts and/or reducing disbursements of the General Revenue Fund.

Status:

Not implemented. See MAR finding number 1.

2. County Expenditures

A. The county approved some payments to vendors without requiring or retaining adequate supporting documentation and the acknowledgement of receipt of some goods and services was not documented.

B. While annual uniform allowances of $300 were paid to road and bridge employees, the employees were not required to submit an itemized report of expenditures to support allowances and the amounts were not reported on W-2 forms.

C. There were no written agreements specifying how the county's share of rent and utilities for the Prosecuting Attorney's off-site office was determined and the percentage of his secretary's salary to be paid by the county. In addition, supporting documentation such as employee timesheets was not maintained by the Prosecuting Attorney for filing with the County Clerk.

Recommendations:

The County Commission:

A. Ensure adequate supporting documentation is obtained to support all expenditures and require acknowledgement of receipt of goods and/or services prior to payment.

B. Require employees to submit itemized reports for uniform allowances or report the payments as income on the employees' W-2 forms.

C. Ensure a written agreement is entered in to with the Prosecuting Attorney documenting each party's contractual obligations. In addition, timesheets should be required of the secretary to support salary reimbursements for the agreed upon percentage.

Status:

A. Implemented.

B. Implemented. Uniform allowances are now included as income on employees' W-2 forms.

C. Partially implemented. While no written agreement was entered, timesheets are now submitted to the county clerk to support the secretary's salary reimbursements. In addition, the Prosecuting Attorney's office is now in the county courthouse and he maintains a separate office for his private practice. While the secretary does some work for his private practice in the county office, the Prosecuting Attorney pays for a separate phone line for private practice use. Although not repeated in the current report, our recommendation remains as stated above.

3. Personnel Policies and Procedures

A. Timesheets were not always signed by the employees and supervisors did not always sign employees' timesheets to document approval.

B. The county did not have standard written personnel policies, instead allowing each official to inform his/her employees of the hours to be worked, which resulted in inconsistencies among the various offices.

Recommendations:

The County Commission:

A. Require timesheets be prepared and signed by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

B. Adopt a detailed written policy to ensure fair and equitable treatment concerning personnel matters.

Status:

A. Implemented.

B. Partially implemented. The county now has a standard written personnel policy. However, hours worked among the various offices remain inconsistent and work hours range from 20 to 40 hours a week. In addition, some written policies do not appear to be followed. See MAR finding number 4.

4. Property Records and Procedures

A. Fixed asset records were not adequate or complete and some county offices did not conduct annual physical inventories during the audit period.

B. Mileage logs were not maintained for the four county-owned vehicles used by the Sheriff's Department.

Recommendations:

The County Commission:

A. Establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

B. Require usage logs for all county vehicles assigned to the Sheriff's Department and review the logs periodically for reasonableness.

Status:

A. Not implemented. While capital asset records appear to be adequate, the county appears to have controls in place to ensure the records are complete, and annual inventories are conducted, a written policy relating to the handling and accounting for capital assets has not been established. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 3.

5. Closed Meeting Minutes

Minutes were not prepared to document the matters discussed in closed meetings.

Recommendation:

The County Commission ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed in closed meetings is made public as required by state law.

Status:

During 2006 and 2005, the county meeting minutes did not indicate any closed meetings were held. In addition, the County Clerk stated the county commission had no such meetings during that period.

6. 911 Board

A.1. Some monies received were misappropriated and not deposited from August 2001 through March 2003.

A.2. Certificate of Deposit interest checks were retained in the vault and never deposited or recorded in the receipt records. In addition, cash received from map sales and rural addressing were recorded on receipt slips, but not deposited.

A.3. Accounting duties were not adequately segregated and the 911 Board did not provide adequate supervisory review and oversight of the 911 Coordinator's activities.

B. Payments to vendors were not made on a timely basis and the 911 Board did not review supporting documentation prior to approving a list of bills for payment by the 911 Coordinator.

C. Inventory records were not maintained to account for all maps purchased, sold, or given away.

D. The 911 Board did not publish annual financial statements.

Recommendations:

The 911 Board:

A.1. Work with law enforcement authorities and the Prosecuting Attorney to obtain restitution of the amount misappropriated.

A.2. Ensure checks or money orders are endorsed immediately upon receipt, monies received are promptly recorded in the receipt records, monies are maintained in a

secure location prior to deposit, receipts are deposited daily or when accumulated receipts exceed $100, and details of the receipt records are reconciled to the composition of deposits.

A.3. Ensure the cash custody and recordkeeping functions are segregated where possible. If it is not feasible to segregate duties further, at a minimum, there should be an independent review of the check register and/or bank reconciliations. In addition, supervisory review procedures should be established to review monthly budget reports and take a more active role in preparation of the 911 Board Fund annual budget, ensuring accuracy of all amounts presented.

B. Establish policies and procedures to ensure bills are reviewed and authorized and bills and other required payments are paid timely. In addition, the 911 Board should ensure that adequate supporting documentation is retained for all payments.

C. Maintain inventory records of maps, including the number of maps sold or given away and periodically reconcile the number of maps reported on the inventory to the number of maps on hand and the applicable receipts.

D. Publish annual financial statements of the 911 Board Fund in accordance with state law.

Status:

A.1. Implemented. The previous director was convicted of a Class C felony for stealing in September 2003. She received a suspended imposition of sentence with four years probation. According to the Circuit Clerk, restitution and court costs totaling $3,521 were paid.

A.2. Implemented.

A.3. Implemented. A finance committee was formed by the 911 board to review and authorize all disbursements. According to the minutes, the board also reviews monthly financial statements and approves payment of bills.

B&C. Implemented.

D. Partially implemented. While annual financial statements of the 911 Board Fund are published, beginning and ending balances were not included in accordance with state law. Although not repeated in the current report, our recommendation remains as stated above.

7. Health Center

The Health Center did not publish annual financial statements.

Recommendation:

The Health Center Board publish annual financial statements of the Health Center Fund in accordance with state law.

Status:

Partially implemented. While the Health Center Board published annual financial statements of the Health Center Fund, disbursement detail by vendor was not disclosed.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SULLIVAN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Sullivan was named after John J. Sullivan, a General in the Revolutionary War. Sullivan County is a township-organized, third-class county and is part of the 9th Judicial Circuit. The county seat is Milan.

Sullivan County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 158 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 549 miles of county roads.

The county's population was 7,434 in 1980 and 7,219 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 41.6	40.8	40.2	39.9	21.4	15.1
Personal property	26.1	22.7	20.8	22.5	7.6	6.8
Railroad and utilities	5.6	5.4	5.3	5.1	3.2	2.6
Total	$ 73.3	68.9	66.3	67.5	32.2	24.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Sullivan County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .2436	.2312	.2707	.2575
Special Road and Bridge Fund *				
Health Center Fund	.2504	.2504	.2504	.2504
Hospital Fund	.4300	.4300	.4300	.4300

* The county retains all tax proceeds from areas not within road districts. The county has 3 road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The county retains $.05 per

$100 assessed valuation from each township's road and bridge levy and the townships' voter approved additional levy to use for road and bridge purposes.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 22,384	20,925	20,192	20,568
General Revenue Fund	178,344	159,666	177,988	175,936
Special Road and Bridge Fund	36,695	34,515	33,198	33,843
Assessment Fund	73,324	69,824	66,198	46,364
Health Center Fund	181,539	169,915	163,818	167,052
Township road and bridge	421,310	392,436	382,210	379,670
School districts	2,951,710	2,871,461	2,676,857	2,609,953
Library district	73,248	68,613	66,278	67,832
Ambulance district	359,949	336,806	325,931	332,579
Fire protection districts	39,181	36,775	36,781	36,110
Special road districts	49,055	47,507	43,598	43,655
Drainage districts	58,395	56,280	55,428	55,880
Townships	76,252	71,338	68,870	70,551
Hospital	312,068	292,037	282,356	288,843
Cities	20,999	20,275	20,254	23,252
County Clerk	146	110	124	119
County Employees' Retirement	20,436	22,023	18,265	18,654
Tax Maintenance Fund	7,534	9,136	7,124	6,868
Commissions and fees:				
General Revenue Fund	35,962	32,686	34,982	33,838
Township Collectors	40,688	39,349	37,364	37,862
Total	$ 4,959,219	4,751,677	4,517,816	4,449,429

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	95	95	95	95	%
Personal property	94	93	93	93	
Railroad and utilities	100	100	100	100	

Sullivan County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .0050	None	50 %
General	.0050	None	None
911 Emergency Services	.0050	None	None
Hospital	.0050	2010	None

In addition, in April 2007 county voters approved an additional sales tax for 911 Emergency Services at a rate of $ .0025.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:					
Chris May, Presiding Commissioner	$	24,440	24,440	24,440	24,440
James Howard, Associate Commissioner		22,440	22,440	22,440	22,440
Danny Busick, Associate Commissioner		22,440	22,440		
Lowell Tucker, Associate Commissioner				22,440	22,440
Michael Hepler, County Clerk		34,000	34,000	34,000	34,000
Jerry A. Hollon, Prosecuting Attorney		41,000	41,000	41,000	41,000
Bill D. Hayes, Sheriff		39,000	39,000	39,000	39,000
Jennifer Hollon-Russell, Treasurer and Ex Officio County Collector, year ended March 31	34,000	34,000			
Deborah Schnelle, Treasurer and Ex Officio County Collector, year ended March 31			34,000	34,000	
John Morehead, Recorder of Deeds		34,000	34,000	34,000	34,000
Paul Ruschmeier, County Coroner		9,500	9,500		
Dale Essmeyer, County Coroner				9,500	9,500
Joan Brummitt, Public Administrator		25,000	25,000		
Rhonda Frazier, Public Administrator				25,000	25,000
Karen LaFaver, County Assessor, (1) year ended August 31,		34,688			
Gary Hostetter, County Assessor, (2) year ended August 31,			34,688	34,765	34,900

(1) Includes $688 annual compensation received from the state.
(2) Includes $688, $765 and $900 annual compensation received from the state in 2005, 2004 and 2003, respectively.

State-Paid Officials:					
John Morehead, Circuit Clerk and Ex Officio Recorder of Deeds (1)					1,971
Sherry Brinkley, Circuit Clerk		49,470	48,500	47,850	45,329

James Spencer, Associate Circuit Judge (2)	96,000	96,000	96,000	24,267
Jeffery Sayre, Associate Circuit Judge				64,000

(1) Sullivan county voters approved separating the offices of the Recorder of Deeds and the Circuit Clerk in 2002. John Morehead was elected Recorder of Deeds and Sherry Brinkley was elected Circuit Clerk, both taking their new offices in January 2003.

(2) James Spencer replaced Jeffery Sayre as Associate Circuit Judge. The office was vacant for a short time during the transition.

Susan Montee, CPA
Missouri State Auditor

November 2007

Twenty-Third Judicial Circuit

Jefferson County, Missouri

Report No. 2007-71

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Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

YELLOW SHEET

The following findings were noted as a result of an audit conducted by our office of the Twenty-Third Judicial Circuit, Jefferson County, Missouri.

The Circuit Clerk has not established adequate procedures to ensure bank accounts are sufficiently collateralized. The amount of collateral securities pledged by the Circuit Clerk's depositary banks at December 31, 2006 and 2005, were insufficient by approximately $5,903,800 and $608,300, respectively. The Circuit Division has also not established procedures to routinely follow up on old outstanding checks. At December 31, 2006, one of the court's bank accounts had $14,374 in outstanding checks that were older than one year. In addition, an investment ledger is not maintained, a mail log is not prepared for payments received through the mail, and the Circuit Division does not account for the numerical sequence of receipt slips and checks issued.

The Circuit Division does not have adequate procedures to follow up on open items. As of April 30, 2007, the court held over $3.3 million in open items in their bank account. A detailed Open Items Report has not been printed or reviewed since September 30, 2006, to determine if any items need to be removed from the listing. Procedures have not been established to ensure credit balances on cases are disposed of on a timely basis.

State law allows the Family Court to collect a $30 fee on all cases heard by the Juvenile Division. These fees are to be deposited into the Family Services and Justice Fund and spent at the discretion of the Presiding Judge for services provided by the Family Court. The balance in the fund as of December 31, 2006, was $215,420. The Circuit Division has not made formal plans to spend monies held in the Family Services and Justice Fund. In addition, in October 2006, the Juvenile Division began paying the juvenile assessment fee to the county where it was deposited to the county's General Revenue Fund instead of the Family Services and Justice Fund, as required by state law.

During 2006 and 2005, the Sheriff's Department collected bonds totaling $704,580 and $711,250, respectively. In some cases bond monies were not disbursed on a timely basis, while at other times bonds may have been disbursed prior to being deposited. In addition, the duties of receiving, depositing, and disbursing bond monies are not adequately segregated. Also, Sheriff's Department employees do not document the individual bonds that comprise the bond deposits. The retrieval of the bond monies from the bond box is not adequately documented on the bond log, and bond monies are not picked up from the bond box in a timely manner.

Also included in the report are recommendations related to accrued costs and the law library.

All reports are available on our Web site: www.auditor.mo.gov

TWENTY-THIRD JUDICIAL CIRCUIT
JEFFERSON COUNTY, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk of the
Twenty-Third Judicial Circuit
Jefferson County, Missouri

We have audited certain operations of the Twenty-Third Judicial Circuit, Jefferson County, Missouri. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, or violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management, the Office of State Courts Administrator, and Jefferson County and was not subjected to the procedures applied in the audit of the judicial circuit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Twenty-Third Judicial Circuit, Jefferson County, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Monique Williams, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls and Procedures

The Circuit Clerk has not established adequate procedures to ensure bank accounts are sufficiently collateralized, to account for the numerical sequence of checks or receipt slips issued, or to routinely follow up on old outstanding checks. In addition, an investment ledger is not maintained and a mail log is not prepared for payments received through the mail.

A. The Circuit Clerk has not established adequate procedures to ensure bank accounts are sufficiently collateralized. The amount of collateral securities pledged by the Circuit Clerk's depositary banks at December 31, 2006 and 2005, were insufficient by approximately $5,903,800 and $608,300, respectively. Pledged security reports were received from only one of the banks monthly; however, the Circuit Clerk's office did not compare these reports to their bank balance to ensure bank deposits were adequately covered. On December 31, 2006, the bank holding the majority of the court's funds did not pledge any securities to the court.

Section 483.312, RSMo, provides that the value of securities pledged by banks holding circuit court funds shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Circuit Clerk should enter into depositary agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

B. An investment ledger is not maintained. An investment listing is prepared annually which simply lists the investments held at year end. The listing shows the certificate of deposit number, the amount held, and the maturity date; however, it does not track the purchase and redemption of investments throughout the year or the interest credited to the investment during the year. In 2004, one certificate of deposit was transferred between banks and the last interest payment was left in the old account. The court recently withdrew these funds and closed the account. Court personnel indicated the funds were left in the old account because they were not aware what these funds represented.

An investment ledger should include certificate and/or account number, interest rate, date of purchase and maturity, as applicable, interest earned amounts, the institution with whom the investment is made, and the fund to which the investment applies. Complete, organized investment records are necessary to provide accurate and timely financial information upon which effective management decisions may be based. Furthermore, without such records, accountability over the court's assets and related revenues is weakened.

C. The Circuit Division has not established procedures to routinely follow up on old outstanding checks. At December 31, 2006, the court's old bank account had $14,374 in outstanding checks that were older than one year. Old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to those payees who can be readily located. If payees cannot be located, these monies should be disposed of in accordance with state law.

D. The court does not account for the numerical sequence of checks issued. Under the old AS-400 computer system, a detailed disbursement listing was printed monthly which listed each disbursement posted by the court by fee type by case, the total disbursed for that fee, and the check number. This report included only regular monthly disbursements of fees, not individual refunds. A complete listing of checks issued or a check register was not printed or reviewed to account for the numerical sequence of checks issued or to review for propriety. Under the new JIS system, a listing of all checks issued is printed; however, it is not reviewed for missing numbers. To ensure all checks are accounted for properly and issued only for authorized expenditures, the numerical sequence of all checks should be accounted for and reviewed for reasonableness.

E. A mail log is not prepared for payments received through the mail. The mail is opened and delivered to the Accounting Department daily. During the day, the mail is left on a cart until picked up for processing by any of the 5 accounting clerks. The mail payments are not recorded or accounted for prior to being picked up by the clerks. To safeguard monies from theft, loss or misuse, the number of employees who receive and handle monies should be limited to the extent possible or a mail log should be prepared and verified to amounts deposited.

F. The Circuit Division does not account for the numerical sequence of receipt slips issued. Receipt slips are issued from the computer and printed on the supervisor's daily cashier report at the end of the day; however, the receipts are not listed sequentially. A sequential receipt report can be reviewed in the system; however, the supervisor does not review this report to ensure the receipt slips issued have been accounted for properly.

To ensure all receipts are properly receipted and deposited into the bank account, the circuit division should ensure the numerical sequence of receipt slips is accounted for properly.

WE RECOMMEND the Circuit Division:

A. Establish procedures to monitor and ensure adequate collateral securities are pledged at all times.

B. Maintain an investment ledger.

C. Develop procedures to routinely follow-up on old outstanding checks and re-issue them if necessary or dispose of these monies in accordance with state law.

D. Account for the numerical sequence of checks issued and review check detail for reasonableness.

E. Limit the number of employees who can receive or handle monies prior to recording and processing payments or require a mail log be prepared and verified to deposits.

F. Ensure the numerical sequence of receipt slips is accounted for properly and agreed with the deposit monies.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A, B, C, D, E&F. These recommendations have been implemented.

2.	Open Items

The Circuit Division does not have adequate procedures to follow up on open items (liabilities). Open items represent credit balances from court deposits and bond payments from civil and criminal case filings. As of April 30, 2007, the court held over $3.3 million in open items in their bank account. A Summary Open Items Report is printed monthly and reconciled to the book balance. However, a detailed report has not been printed or reviewed since September 30, 2006, to determine if any old items need to be removed from the listing. Procedures have not been established to ensure credit balances on cases are disposed of on a timely basis.

Some of the items noted regarding open items included:

A. Three of the ten bonds reviewed were not disposed of properly and timely:

- A $3,082 bond had not been forfeited. It was ordered forfeited by the judge in 2002.
- A $1,500 bond had not been refunded. The case was paid and closed in 2004.
- A $2,250 bond had not been forfeited, nor had a warrant been issued. The defendant failed to appear on the assigned court date in November 2005.

Section 544.665, RSMo, provides that failure to appear results in forfeiture of any security which was given or pledged for a person's release. Bond forfeiture monies are to be distributed to the various school districts in the county according to Section 166.131, RSMo. To reduce the risk of loss or theft, all bond monies should be forfeited, applied to costs, or refunded in a timely manner.

B. Several cases with credit balances under $5 (from overpayments of court costs) were being carried on the court's books and 5 additional cases reviewed needed to have refunds processed and disbursed to the applicable parties. All of these cases were disposed of by the court over a year ago. Court personnel indicated they have been working on clearing the case balances from the listing; however, it will take some time to complete due to the size of the report.

Section 488.014, RSMo, provides that overpayment of court cost less than $5 may be retained. This decreases the burden of processing refunds for small dollar amounts. However, overpayment of court costs represents accountable fees. Section 50.360, RSMo requires every county official who receives fees for official services to pay such monies monthly to the county treasurer. To reduce the risk of loss or theft, all refunds should be made on a timely basis.

A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, the open items listing should be reviewed to ensure that outstanding balances are properly disposed of in a timely manner. An attempt should be made to determine the proper disposition of monies held in open items. For those monies which remain unclaimed, Section 447.595, RSMo, requires property remaining unclaimed for one year after disposition of the case to be turned over to the state's Unclaimed Property Section.

WE RECOMMEND the Circuit Division print the detailed monthly listing of open items and review the status of open items to determine the appropriate disposition of funds held on closed cases. In addition, the Circuit Division should establish procedures to forfeit bonds and refund excess deposits on a timely basis, and turn over the non-refundable amounts (under $5) to the County Treasurer on a monthly basis.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

We have been working on cleaning up these old cases and will continue to work on them; however, it requires a significant amount of time.

3.	Juvenile Assessment Fee

The juvenile assessment fee is deposited to the county's General Revenue Fund instead of the Family Services and Justice Fund, as required by state law. In addition, the Circuit Division has not made formal plans to spend monies held in the Family Services and Justice Fund maintained by the court's accounting department. The balance in the fund as of December 31, 2006, was $215,420.

In October 2006, the Juvenile Division implemented the JIS computer system and opened a new bank account to deposit the $30 juvenile assessment fee. At the end of each month, these fees are paid to the county for deposit into the General Revenue Fund. Approximately, $5,250 in fees were deposited to the General Revenue Fund between October 2006 and September 2007. Prior to October 2006, this fee was deposited to the Family Service and Justice Fund as required by state law.

Section 488.2300, RSMo, and Local Court Rule 14.4 allows the Family Court to collect a $30 fee on all cases heard by the Juvenile Division. These fees are to be deposited into the Family Services and Justice Fund and spent at the discretion of the Presiding Judge for the enhancement services provided by the establishment of the Family Court. Originally, a separate bank account was established for the deposit of these court fees and used to pay salaries of the Family Court Commissioners (as authorized by state law); however, these positions were changed to Circuit Judge positions effective January 1, 2007, and their salaries are currently paid by the state. No monies have been disbursed from this fund since the salaries were taken over by the state.

The court should request the county refund the juvenile assessment fees deposited to the county's General Revenue Fund in error and deposit these funds to the Family Services and Justice Fund. In addition, the court should establish plans for the use of the Family Services and Justice funds to help ensure these monies are spent in accordance with state law.

WE RECOMMEND the Circuit Division request the county refund the juvenile fees deposited to the county's General Revenue Fund and establish plans for the use of the Family Services and Justice funds.

AUDITEE'S RESPONSE

The Juvenile Officer and Office Manager/Bookkeeper indicated:

The monies have been transferred from the General Revenue Fund to the Family Services and Justice Fund, and the fees are currently paid to this fund. The fund balance will be reviewed with the Administrative Judge.

4. Accrued Costs

The Circuit Division has not implemented adequate procedures to print and review a listing of accrued case costs for old uncollected costs. In May 2006, the court transferred the case balances from the old computer system to the new JIS computer system. A listing of accrued costs can be printed from the JIS; however, the court had not printed or reviewed this listing. With implementation of the JIS, the court elected to hire the state contracted collection agency to collect delinquent case costs. Delinquent accounts are automatically sent to the collection agency for case balances older than 45 days within the new system; however, some of the older case balances from the prior system have not been sent to the collection agency and no follow up procedures have been implemented to collect these old outstanding costs. For example, old cases with balances due of $15,891, $20,279, and $33,808, which represent amounts owed from defendants for county medical bills, are still being carried on the books. These old case balances date back as far as 1998.

A listing of accrued costs would allow the Circuit Court to easily review amounts due the court and take appropriate steps to ensure amounts owed are collected. Inadequate procedures for the collection of accrued costs may result in lost revenues and unnecessary record keeping. The Circuit Clerk should periodically generate a listing of accrued costs and review it for accuracy and completeness, old case balances, and to determine if any old balances should be written off.

WE RECOMMEND the Circuit Division print the listing of accrued costs and establish procedures for identifying old case balances that need to be sent to the collection agency. An attempt should be made to collect on past due amounts or determine if old balances need to be written off.

AUDITEE'S RESPONSE

The Circuit Clerk indicated this recommendation has been implemented.

5. Sheriff Bonds

Bond monies were not retrieved from the bond box or disbursed on a timely basis. The duties of receiving, depositing, and disbursing bond monies are not adequately segregated. In addition, the individual bonds comprising the bond deposits and the retrieval of the bond monies from the bond box are not adequately documented.

During 2006 and 2005, the Sheriff's Department collected bonds totaling $704,580 and $711,250, respectively. Deputy sheriffs collect the bond monies, complete the bond form, post the bond to the bond log, and place the money and the bond form in a locked box. The department's bookkeeper then retrieves the bonds from the locked box, posts the amounts retrieved to the bond log, deposits the bonds to the bond account, and

disburses the bonds to the appropriate entity. During the review of bonds, the following concerns were noted:

A. In some cases bond monies are not disbursed on a timely basis, while at other times bonds may have been disbursed prior to being deposited. During 2005, the average number of days between receipt and disbursement of the bonds reviewed was 13 days; however, in 2006, disbursements were normally made within 2 days of receipt. Due to inadequate records of deposits, it could not be determined when the bonds were deposited (see part C below).

   To ensure bonds are properly handled and recorded and to reduce the risk of loss or theft, bond monies should be deposited and disbursed by the court on a timely basis.

B. The duties of receiving, depositing, and disbursing bond monies are not adequately segregated. The department's bookkeeper retrieves the bond monies from the locked box, prepares the deposits, and disburses the bonds. There is no independent comparison of amounts received according to the bond log and the amounts deposited or disbursed. Three bond payments for $1,100, $209, and $100, received in 2005, could not be traced to a disbursement. In addition, the applicable courts could not find any record that they had ever received these bonds. The bond form could not be located by the jail employees for one of these bonds. The other two bond forms indicated cash was received; however, the payments could not be traced to a deposit. Also, two bonds reviewed were included on the bond log although these monies had been paid directly to the court.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, depositing, and disbursing bond monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory comparison of the bond log to amounts deposited and disbursed. In addition, only bond monies received by the jail should be recorded on the bond log.

C. The Sheriff's Department employees do not document the individual bonds that comprise the bond deposits. In addition, the retrieval of the bond monies from the bond box is not adequately documented on the bond log. The deposit slips do not list the name of the defendant for whom the bond was posted but simply show the amount of cash to be deposited. There is no way to determine which bonds are included in a deposit. The bond log has a column where the bookkeeper posts the amount of the bond (or indicates “none” for surety bonds); however, the date or initials/signature of the bookkeeper retrieving the bonds is not indicated.

To ensure all bonds are properly receipted and deposited, the sheriff's department should ensure the individual bond payments included in the deposit are clearly documented. In addition, the bookkeeper should initial and date the bond log to show the amounts retrieved agreed to the log.

D. Bond monies are not picked up from the bond box in a timely manner. A cash count noted that bond monies collected during the week were left in the box over the week-end. The amount counted included $9,986 in cash. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, bond monies should be deposited daily or when accumulated receipts exceed $100.

WE RECOMMEND the Sheriff's Department:

A. Establish procedures to ensure bond monies are disbursed on a timely basis.

B. Segregate the duties of receiving, depositing, and disbursing bond monies. In addition, the department should ensure only bond monies collected by the Sheriff's Department are recorded on the bond log.

C. Ensure the individual bonds included in each deposit are clearly documented, and require the employee retrieving the bonds from the bond box to initial and date the bond log.

D. Deposit bond monies intact daily or when accumulated receipts exceed $100.

AUDITEE'S RESPONSE

The Bond and Commissary Specialist indicated:

A. We are now disbursing monies within 24 hours of receipt.

B. This recommendation will be implemented. Bonds received by the court are recorded on the log, but are treated as a surety bond. In the future, we will attach a copy of the court's receipt slip to the bond form.

C. This recommendation has been implemented.

D. Bonds are now retrieved from the bond box daily.

6. Law Library

Financial reports prepared for the Law Library fund are not retained. Monthly reports prepared by the Associate Circuit Judge from the account ledger kept by the Law Library bookkeeper are not retained or filed with the Court En Banc board minutes. Monthly financial reports are necessary to monitor the Law Library's financial position and to document the supervisory review of account transactions.

WE RECOMMEND the Law Library Board retain copies of the monthly financial reports.

AUDITEE'S RESPONSE

The Law Library Board indicated this recommendation has been implemented.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
JEFFERSON COUNTY, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Organization

The Twenty-Third Judicial Circuit consists of Jefferson County.

The Twenty-Third Judicial Circuit consists of six circuit judges, and six associate circuit judges. One circuit judge also serves as the presiding circuit judge on a rotating basis and is responsible for the administration of the circuit court.

In addition to the judges, the Twenty-Third Judicial Circuit personnel include a circuit clerk, a probate auditor, thirty-one deputy clerks (one of which also serves as the presiding judge's secretary), six court reporters, twelve courtroom clerks, twelve account clerks, a juvenile officer, twenty-three deputy juvenile officers, and thirteen full-time and one part-time juvenile office support staff.

Operating Costs

Operating costs and salaries of the juvenile office personnel are paid by Jefferson County. The salaries of court personnel and the juvenile officer are paid by the State of Missouri.

Caseload and Time Standards Statistics

From the Office of State Courts Administrator Missouri Judicial Reports, caseload statistics of the filings and dispositions of the Twenty-Third Judicial Circuit, Jefferson County, were as follows:

	Year Ended June 30,			
	2006		2005	
	Filings	Dispositions	Filings	Dispositions
Civil	10,328	9,518	10,377	9,902
Criminal	17,011	17,535	24,725	25,465
Juvenile	919	755	883	632
Probate	373	230	389	274
Total	28,631	28,038	36,374	36,273

From the Office of State Courts Administrator Missouri Judicial Report for fiscal year 2006, statistics on the compliance of the Twenty-Third Judicial Circuit, Jefferson County, with time standards for disposition of certain types of cases were as follows:

Type of Case	Time Standard	Twenty-Third Judicial Circuit Jefferson County, Missouri	State Total
Circuit Civil	90 % in 18 months	85 %	80 %
	98 % in 24 months	91	87
Domestic Relations	90 % in 8 months	86	85
	98 % in 12 months	92	92
Associate Civil	90 % in 6 months	91	87
	98 % in 12 months	98	97
Circuit Felony	90 % in 8 months	79	81
	98 % in 12 months	88	90
Associate Criminal	90 % in 4 months	47	73
	98 % in 6 months	66	86

Personnel

At December 31, 2006, the judges, commissioners, Circuit Clerk, and Juvenile Officer of the Twenty-Third Judicial Circuit, Jefferson County, Missouri were as follows:

Circuit Court Judges:
- Timothy Patterson, Division One (1)
- Gary Kramer, Division Two
- M. Edward Williams, Division Three
- Dennis Kehm, Division Four (2)
- (3)

Associate Circuit Judges:
- Darrell Missey, Division Ten
- William Wegge, Jr., Division Eleven (4)
- Mark Stoll, Division Twelve (5)
- Nathan Stewart, Division Fourteen
- (3)

Commissioners:
- Lisa Page, Division Twenty (6)
- Patricia Riehl, Division Thirteen (6)

Howard Wagner, Circuit Clerk

Gil Alderson, Chief Juvenile Officer

(1) Replaced by Robert Wilkins effective January 1, 2007.

(2) Replaced by Mark Stoll effective January 1, 2007.

(3) New judge positions effective January 1, 2007. Lisa Page was appointed to Division Five, Troy Cardona was appointed to Division Six, Patricia Riehl, was appointed to Division Thirteen, and Shannon Dougherty-Lee was appointed to Division Fifteen.

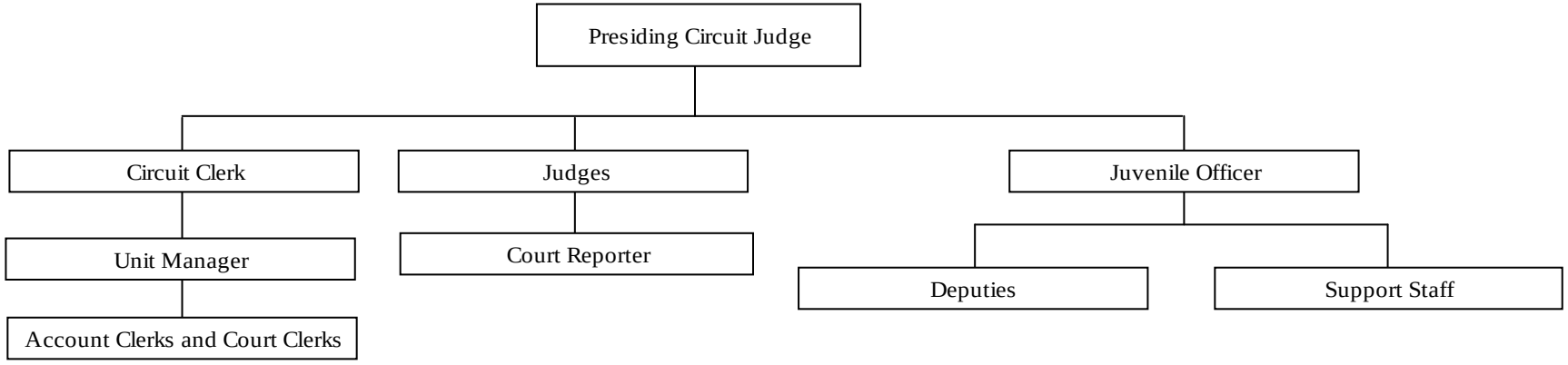
(4) Replaced by Ray Dickhaner effective January 1, 2007.

(5) Replaced by Stephen Bouchard effective January 1, 2007

(6) Positions changed to a Circuit Judge effective January 1, 2007.

An organization chart follows:

TWENTY-THIRD JUDICIAL CIRCUIT
JEFFERSON COUNTY, MISSOURI
ORGANIZATION CHART
DECEMBER 31, 2006



Susan Montee, CPA
Missouri State Auditor

November 2007

DEPARTMENTS OF SOCIAL SERVICES, MENTAL HEALTH, AND HEALTH AND SENIOR SERVICES

Protecting Clients from Abuse

Report no. 2007-70

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

More Could Be Done to Protect Clients from Abuse

The departments of Social Services (DSS), Mental Health (DMH), and Health and Senior Services (DHSS) have responsibility to protect clients that receive department services. Because of the importance of protecting the young, elderly, and other clients, we focused review efforts on determining whether improvements are needed to (1) increase protection of clients at DSS, DMH, and DHSS; (2) improve the Family Care Safety Registry (FCSR) registration process, FCSR screenings, and the processing of good cause waivers; and (3) provide opportunities to enhance client protection.

DSS could do more to protect foster children at licensed facilities	Personnel at three of eight DSS licensed residential facilities reviewed had not always performed annual Central Registry checks as required by DSS guidance and state regulations. In addition, DSS policy and state law have not automatically precluded individuals with child abuse charges or criminal convictions from being employed at residential facilities. Instead, the decision of whether anything in a potential employee's background would prevent the individual from being employed at a facility is left to the discretion of the residential facility's executive director. Missouri is one of only a few states that does not disqualify individuals from employment at residential facilities based on criminal history. (See page 11)
Improvements needed to protect DMH clients	Four DMH state-run facilities reviewed did not perform periodic criminal history and Central Registry checks of employees because DMH did not require it. One DMH state-run facility did not conduct all screenings required by state law for new employees. In addition, persons included on DSS's Central Registry have not been disqualified from employment at DMH facilities and providers. Our review disclosed 22 individuals who abused DMH clients also had prior substantiated child abuse or neglect incidents. (See page 14)
Persons with dangerous histories permitted to work in DHSS licensed long-term care facilities	Persons with histories of child abuse or neglect; stealing, theft, and forgery convictions; or pending charges for serious crimes have been permitted to work in DHSS licensed long-term care facilities. Approximately 23 percent of all long-term care facilities have employed at least one individual with a questionable background. (See page 18)
Improvements needed in FCSR registration, screenings, law, and processing waivers	DHSS data disclosed delays in processing initial FCSR registrations. We also found employers are not always required to conduct FCSR screenings for individuals required to register. When FCSR results show problems, potential employees are allowed to request a waiver. However, we found delays in the waiver process, and periodic screenings have not been required for individuals with a waiver. (See page 20)

Opportunities exist to enhance protection for clients

Providers and facilities have not been required to conduct nationwide criminal background checks when hiring new employees. As a result, some persons with out-of-state criminal histories have worked for Missouri providers. The departments should take advantage of additional opportunities to enhance the protection of clients served by (1) requiring facilities and/or providers to conduct nationwide background checks and/or reviewing databases in other states, and (2) using employment and FCSR data to identify problem employees. (See page 24)

Supreme Court ruling prevents DSS from placing substantiated abusers on central registry until criminal charges are resolved

A ruling by the Missouri Supreme Court in March 2007 prevents DSS from placing individuals with substantiated findings of child abuse on the Central Registry if criminal charges are pending. The Supreme Court found an individual is entitled to notice and a hearing with the Child Abuse and Neglect Review Board (CANRB) before being placed on the Central Registry. However, state law does not allow a person who has criminal charges pending to request a review board hearing until after the court's final disposition or dismissal of the charges.

Changing state law to allow individuals with substantiated child abuse charges and related criminal charges to have a CANRB hearing before criminal charges are resolved would improve the effectiveness of the Central Registry. (See page 28)

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Abbreviations

CANRB	Child Abuse and Neglect Review Board
CSR	Code of State Regulations
DHSS	Department of Health and Senior Services
DMH	Department of Mental Health
DSS	Department of Social Services
EDL	Employee Disqualification List
EDR	Employee Disqualification Registry
FCSR	Family Care Safety Registry
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Deborah E. Scott, Director
Department of Social Services
and
Keith Schafer, Director
Department of Mental Health
and
Jane Drummond, Director
Department of Health and Senior Services
Jefferson City, MO 65102

The departments of Social Services (DSS), Mental Health (DMH), and Health and Senior Services (DHSS) have responsibility to protect clients that receive department services. Because of the importance of protecting the young, elderly, and other clients, we focused review efforts on determining whether improvements are needed to (1) increase protection of clients at DSS, DMH, and DHSS; (2) improve the Family Care Safety Registry (FCSR) registration process, FCSR screenings, and the processing of good cause waivers; and (3) provide opportunities to enhance client protection.

We found improvements are needed to enhance protection of clients of the three departments. Improvements are needed at DSS facilities because not all residential facilities have performed required annual child abuse checks, and the department has not automatically disqualified employment based on certain crimes or abuse. Improvements are also needed at DMH facilities because facilities have not been required to conduct periodic background checks, and DMH has not disqualified persons included on DSS's Central Registry. Improvements are needed at DHSS because the department has not always disqualified individuals from employment based on information in the Central Registry, or forgery and stealing convictions, and the department has allowed persons charged with disqualifying crimes to work with clients.

Improvements are also needed because delays have occurred in registering individuals with the FCSR, and state law has not required employers to screen all employees required to register with the FCSR. Delays have also occurred in processing good cause waivers and DHSS has not required periodic screening of individuals with a waiver. The departments should improve current processes and take advantage of additional opportunities to enhance the protection of clients served by (1) requiring facilities and/or providers conduct nationwide background checks and/or reviewing other state data bases, and (2) using employment and FCSR data to identify problem employees.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel and key contributors to this report included Robert Spence, Anissa Falconer, Kelly Davis, Michael Reeves, Dana Wansing, and Ryan Redel.

Susan Montee, CPA
State Auditor

Introduction

The elderly, children, and mentally challenged persons often do not have the capability to protect themselves from abuse and neglect. Instead, they rely on the departments of Social Services (DSS), Mental Health (DMH), and Health and Senior Services (DHSS) to provide that protection. To accomplish that objective, the departments maintain listings of individuals that have abused or neglected children, the mentally challenged, or the elderly. In addition, the Missouri State Highway Patrol (Highway Patrol) conducts criminal background checks of individuals and maintains the sexual offender registry.

Agencies Protect Clients Through Various Means

The mission[1] of DSS's Children's Division is to protect children from abuse and neglect and assure the safety, permanency, and well being of Missouri's children. Children in DSS care are placed in licensed residential care facilities that provide 24-hour care in a group setting to children that are unrelated to the person operating the facility.

DSS's Central Registry is a listing of persons who have a substantiated report of child abuse or neglect by a court after 1991, by a probable cause finding by the Children's Division after 1994, or by a preponderance of evidence finding by the Children's Division after 2004. Abuse and neglect can include incidents of physical abuse, sexual maltreatment, neglect, educational neglect, medical neglect, or emotional maltreatment. State regulations[2] describe which facilities must screen potential employees against the Central Registry before hiring individuals.

DMH's facilities and screening tools

DMH is comprised of three program divisions that serve approximately 150,000 Missourians annually. Those divisions include (1) Mental Retardation and Developmental Disabilities, (2) Comprehensive Psychiatric Services, and (3) Alcohol and Drug Abuse. The department provides services through state-operated facilities and contracts with private organizations and individuals. State law disqualifies persons included on DMH's employee disqualification registry (EDR), DHSS's employee disqualification list (EDL), and those who have been convicted of, or pled guilty to various crimes from working with clients receiving department services. These disqualifying crimes are listed in Appendix I.

EDR used to disqualify

DMH's EDR includes a listing of individuals the department has disqualified from working with clients receiving department services. The listing consists of individuals with substantiated abuse, neglect, or misuse of

[1] *Missouri Child Abuse and Neglect Report Calendar Year 2005,* Department of Social Services, June 2006.
[2] 13 CSR 40-59.

client funds. Perpetrators are added to the EDR after the appeals process has been exhausted.

DHSS's facilities and screening tools

DHSS's Division of Regulation and Licensure, Section for Long-Term Care Regulation is responsible for inspecting and issuing state licenses to approximately 1,168 long-term care facilities with more than 78,216 beds. State law requires long-term care providers to request a criminal background check and determine whether or not the individual is listed on the EDL prior to allowing the individual to have contact with clients. Long-term care providers are prohibited by state law from employing persons on the EDL or those convicted of certain crimes, listed in Appendix II.

Home and community-based services

Home and community-based services are offered to adults, 18 years and older, that are Medicaid eligible, or potentially Medicaid eligible, and in need of assistance. Home and community services include personal care, general and heavy household activities, nursing, respite, adult day health care, home delivered meals, and counseling. State law disqualifies persons who refuse to register with the Family Care Safety Registry (FCSR), or who are listed on any of the background check lists in the FCSR, from providing in-home services to clients, unless DHSS grants a good cause waiver (waiver). Providers are required to request a FCSR screening on all prospective employees, according to DHSS regulations.[3] See pages 7 and 20 for discussion of FCSR.

Child care

DHSS's Division of Regulation and Licensure, Section for Child Care Regulation, is responsible for the licensing of certain family child care homes, group child care homes, and child day care centers. Services of the section include inspections to determine compliance with licensing rules and issuing licenses, receiving and investigating complaints about facilities, and receiving and investigating complaints on persons providing care for more than four unrelated children without a license. Licensed child care providers are required to conduct Central Registry and Missouri criminal history screenings when hiring new employees.

Use of EDL

DHSS maintains the EDL, which lists individuals DHSS has determined to have (1) abused or neglected a client; (2) misappropriated funds or property belonging to a client; or (3) falsified documentation verifying the delivery of services to an in-home services client.

[3] 19 CSR 30-82.060 (18).

These acts must have occurred while the individual was employed or by reason of their employment. Individuals are given an opportunity to appeal before being placed on the EDL.

FCSR provides comprehensive resource

DHSS is responsible for maintaining the FCSR. State law[4] established the FCSR to protect children, the elderly, and disabled individuals in Missouri. The law requires child care, elder care and personal care workers to register with the FCSR, and allows others to voluntarily register. Any entity requesting a FCSR background check must first ensure the applicant has completed a registry application. When a background check is requested, the FCSR database is updated. The requesting entity is notified if the individual is included on any of the following lists:

- The Highway Patrol's criminal record check system
- The DSS Central Registry
- DHSS's EDL
- DMH's EDR
- Foster parent licensure denials, revocations, and involuntary suspensions
- Child care facility license denials, revocations, and suspensions
- Residential living facility and nursing home license denials, revocations, suspensions, and probationary status
- Highway Patrol's Missouri Uniform Law Enforcement System for sexual offender registrations

State law[5] requires DHSS to make an annual report to the speaker of the House of Representatives and president pro tem of the Senate on FCSR operations. This report is to include data on the number of requests received, barriers encountered, and recommendations for minimizing barriers or improving delivery of information.

Granting waivers

DHSS is authorized by state law[6] to allow the waiver of hiring restrictions, except placement on the EDL, for good cause. Granting a waiver means the department has examined the applicant's prior work history and other relevant factors, and determined the individual does not present a risk to the health or safety of clients.

Highway patrol services

The Highway Patrol conducts criminal background checks of individuals through the criminal records and identification division. The resulting report

[4] Sections 201.900 to 210.936, RSMo.
[5] Section 210.927, RSMo.
[6] Section 660.317.10, RSMo.

shows whether screened individuals have a Missouri criminal record. Requestors must provide the name, date of birth, and social security number of the person to be screened to the Highway Patrol. A more comprehensive search can be completed when fingerprints are provided. There is a fee when the Highway Patrol conducts background checks. State law[7] allows the release of the criminal record to the requestors.

The Highway Patrol also maintains the Sex Offender Registry. Individuals listed on the registry have been convicted of, found guilty of, or pled guilty to, committing or attempting to commit sexual offenses. The Highway Patrol completes this review by comparing names and social security numbers to individuals on the sex offender registry.

Scope and Methodology

To accomplish review objectives, we conducted work at DHSS, DMH, and DSS. We interviewed knowledgeable officials and personnel at those agencies and reviewed program documentation and/or data needed to accomplish objectives.

To accomplish review objectives, we obtained the FCSR database, the EDL database, and the waiver database from DHSS. We obtained the EDR database, a listing of persons with substantiated abuse from July 2004 to June 2006, a listing of all providers from July 2004 to June 2007, and examples of contracts from DMH. We obtained a listing of all licensed residential care facilities as of July 2006, Central Registry data for persons with substantiated child abuse findings reported from January 2003 to October 2006, and a listing of all persons on either the EDL or EDR who were included on the Central Registry from DSS. We received a listing of persons registered with FCSR included on the Sex Offender Registry from the Highway Patrol.

To determine whether improvements are needed to enhance protection of clients served by the departments, we conducted on-site field visits at DSS, DMH, and DHSS facilities. We interviewed human resource personnel at 15 facilities to discuss background check procedures. We then haphazardly selected a sample of the lesser of 25 or 10 percent of current employee files to review background checks done prior to hiring and after employees had been hired. Also during the site visits, we reviewed employment files for selected persons because they represented a potential danger to clients. We conducted site visits in Fulton, Hannibal, Independence, Kingdom City, Rolla, St. James, Springfield, and St. Louis.

[7] Section 43.530, RSMo.

To determine whether improvements are needed to enhance the protection of DSS clients, we reviewed the licensing files for all DSS licensed residential facilities visited. For those providers not conducting regular annual Central Registry screenings, we reviewed the most recent form showing the last date of each employee's Central Registry check. We reviewed employment data, FCSR data, Central Registry data, and criminal history information on case.net[8] for persons working at licensed residential facilities. Also, we obtained information from 48 other states[9] and the District of Columbia regarding their residential facility rules for hiring persons with criminal or child abuse histories.

To determine whether improvements are needed to enhance the protection of DMH clients for state-run facilities reviewed, we compared a current employee listing as of February or March 2007 against case.net, the Central Registry, FCSR data, and criminal histories shown on the Kansas Department of Corrections website[10] to determine whether they had criminal or abuse histories while working in a state-run facility.

To determine whether improvements are needed to enhance the protection of DMH and DHSS long-term care clients, we compared employment data for persons with substantiated child abuse or neglect, reported from January 2003 through October 2006 to a listing of DMH providers and long-term care facilities. We also compared persons on the EDR and EDL to Central Registry data and criminal convictions shown in case.net.

To determine whether improvements are needed to enhance the FCSR registration process, we reviewed DHSS data and information gathered during site visits. To determine whether improvements are needed to enhance FCSR screenings, we reviewed state law, DHSS data, and FCSR annual reports for fiscal years 2004, 2005, and 2006.

To determine whether improvements are needed to enhance the DHSS waiver process, we reviewed and analyzed the waiver database, reviewed employment data for persons with denied or pending waivers, and reviewed

[8] Case.net provides access to the Missouri State Courts Automated Case Management System. Only courts that have implemented the case management software as part of the Missouri Court Automation Program and only cases that have been deemed public by state law can be accessed through case.net. The web site can be viewed at <http://www.courts.mo.gov/casenet/base/welcome.do>.

[9] South Carolina did not respond to our requests for information.

[10] The Kansas Adult Supervised Population Electronic Repository is a database that contains information about offenders sentenced to the custody of the Kansas Department of Corrections since 1980 and those offenders under community corrections supervision on or after July 1, 2002. The web site can be viewed at <http://www.dc.state.ks.us/kasper>.

criminal convictions recorded in case.net and employment data for persons with an approved waiver.

To determine whether other enhancements would be useful, we reviewed information gathered during site visits to facilities, requested and obtained information from 48 other states and the District of Columbia regarding national background check policies for persons working with the elderly, and reviewed criminal history information on the Kansas Department of Corrections website for persons registered with the FCSR. We selected the Kansas website to review because of the population concentrated in the Kansas City metropolitan area. We also reviewed employment data for persons on the DHSS Section for Child Care Regulation threat list and compared persons on the EDL due to abuse at in-home providers to criminal conviction information recorded at case.net and to Central Registry data.

We performed data reliability tests on DHSS's FCSR database and found the data to be sufficiently reliable for our purposes.

We requested comments on a draft of our report from the Directors of DHSS, DMH, and DSS and have included them in this report. We conducted audit work between August 2006 and June 2007.

More Could Be Done to Protect Clients From Possible Abuse

Vulnerable persons at state facilities and licensed providers may be at risk of being abused or otherwise harmed. This situation has occurred because (1) DSS licensed residential facilities have not always performed required annual Central Registry checks, and DSS has not automatically disqualified employment based on crimes or abuse; (2) DMH facilities have not always conducted regular periodic criminal or child abuse background checks of employees and DMH has not disqualified persons on DSS's Central Registry from employment; and (3) DHSS has allowed persons included on the Central Registry, those convicted of forgery or theft, and those charged with disqualifying crimes to have contact with clients in long-term care facilities.

Vulnerable persons may also be at risk because DHSS has incurred delays in processing FCSR registrations, and state law has not required employers to use the FCSR to screen employees who are required by law to register with the FCSR. In addition, DHSS has experienced delays in processing waivers, and DHSS has not required periodic screenings for individuals with a waiver. Protection of clients could be enhanced by improving processes, and requiring nationwide background checks or developing automated reviews to look for disqualified persons working in facilities.

DSS Could Do More to Protect Foster Children at Licensed Facilities

Our review of eight DSS licensed residential facilities disclosed personnel at three facilities had not always performed annual Central Registry checks as required by DSS guidance and state regulation.[11] State regulation requires licensed residential facilities to submit to DSS annual results of reviews of the registry for all staff and volunteers working directly with children as part of the license renewal process.

Annual registry checks not always done at all facilities

Our review of the three facilities disclosed one facility performed bi-annual checks of the registry while two other facilities checked the registry only when hiring new employees. Personnel at one of the residential facilities told us they failed to perform Central Registry checks during a period of high staff turnover. Personnel at another facility were not aware of the requirement.

DSS officials told us problems at the three facilities most likely had not been identified by DSS because a sample of staff files randomly chosen for review had the necessary information at the time DSS staff did the site visit. Regular license renewal visits are made every two years for non-accredited[12]

[11] 13 CSR 40-71.020(6)(D)5.

[12] Section 210.112, RSMo, states the division shall accept as prima facie evidence of completion of the requirements for licensure if the facility is accredited by a nationally recognized organization.

facilities. Officials also told us the exact reason is difficult to pinpoint because of staff turnover at facilities.

Once we notified DSS of the problems at the three facilities, the department requested the facilities to submit corrective action plans. Each facility submitted a plan, however, one facility official stated facility personnel performed annual criminal checks, not Central Registry checks. DSS agreed to follow-up with that facility.

DSS limits its reviews of non-accredited facilities

According to DSS personnel, DSS reviews three to five personnel files when conducting licensing visits of non-accredited facilities. There are no requirements that licensing specialists review a certain percentage of personnel files based on the size of the facility.[13] In addition, there are no requirements that licensing specialists select files of individuals employed greater than one year. If three files are selected for individuals hired within one year, an annual registry check would not be required and therefore, non-compliance would not be found by the licensing specialist.

Non-accredited facilities are required to submit forms showing the last date of each employee's registry check. A DSS official stated licensing specialists are supposed to review these forms when they are submitted. One form submitted by one of the three facilities showed 14 of 49 employees (28 percent) had been overdue for registry checks. According to DSS personnel, the department requested corrective action for this non-compliance, but it was not received.

DSS not automatically disqualifying individuals based on crimes or abuse

DSS policy and state law have not automatically precluded individuals with child abuse charges or criminal convictions from being employed at residential facilities. Instead, the decision of whether anything in a potential employee's background would prevent the individual from being employed at a facility is left to the discretion of the residential facility's executive director, according to DSS officials.

The division has the right to revoke or deny a residential facility license for facilities hiring employees that abuse children when facilities have not taken acceptable corrective action.[14] However, according to a DSS official, only one facility license has been revoked since 2000 for general licensing problems not related to child abuse.

[13] Of the 8 facilities visited, the number of employees ranged from 30 to 408.

[14] In accordance with 13 CSR 40-71.030.

Residential facilities employ persons with criminal and/or abuse histories

Our review of employment data, FCSR data, and Central Registry data revealed individuals had been hired by facilities despite a history of child abuse or criminal activity. We identified 105 individuals employed at 31 residential facilities that had (1) a substantiated child abuse finding, (2) been convicted of a felony within the last 10 years, (3) committed an assault related crime, or (4) a drug conviction within the last 5 years. The abuse or crime occurred before the individual had been hired, or employment data showed employment at a facility after the event.

The following are examples of these various problem histories:

- Of the 105, 39 (37 percent) had substantiated child abuse charges. The child abuse findings included serious medical neglect, moderate and serious physical abuse, sexual maltreatment, and severe emotional maltreatment.
- 33 (31 percent) had a felony conviction within the last 10 years, including theft, burglary, robbery, and tampering.
- 24 (23 percent) had a conviction for some type of assault or endangerment crime including crimes such as felony domestic assault and endangering the welfare of a child.
- 9 (9 percent) had some sort of drug conviction within the last five years ranging from misdemeanors to felonies.

One DSS facility does disqualify

One facility reviewed created a list of disqualifying crimes as part of its employment policy. The disqualifying crimes include those which show a past history of violence or harm to children. The listing is designed to prevent individuals that could potentially harm residents from working at that facility. The facility created the policy to standardize hiring decisions when potential employee background screenings show a criminal or abusive history.

Majority of states disqualify based on criminal offenses or abuse

Missouri is one of a few states that does not disqualify individuals from employment at residential facilities on the basis of criminal history. Most states have specific crimes that, if committed, disqualify someone from working in a residential child care facility. Of the states that had licensing information online, or responded to our inquiries (48 states and the District of Columbia), 44 had regulations which disqualify persons from employment based on some criminal history. The disqualifying crimes varied among states, but most included violent crimes and crimes against children. Thirty-two of the states contacted disqualify based on a finding on

the state child abuse registry. A listing of the states reviewed is at Appendix III.

Other state agencies disqualify

DMH and DHSS have established listings of crimes or other abuse situations which preclude an individual with a history of those incidents from working at state contracted facilities.

Improvements Needed to Protect DMH Clients

Our review of DMH screening procedures disclosed (1) none of the four state-run facilities reviewed had conducted regular periodic criminal and Central Registry checks of employees, (2) one state-run facility has not conducted EDL screenings since state law established the requirement, and (3) DMH has not disqualified from employment persons included on DSS's Central Registry.

Facilities not required to conduct periodic background checks

The four DMH state-run facilities visited have not performed periodic regularly scheduled criminal history and Central Registry checks of employees. This situation occurred because DMH did not require facilities to conduct the checks. DMH's policy only requires facilities to check criminal and child abuse histories when hiring personnel.

Our review of employee records at four DMH state-run facilities showed background screenings of criminal and child abuse history had only routinely been done when hiring the employee. In reviewing criminal and abuse histories of employees of the four facilities,[15] we found the following examples where employees had been convicted of child abuse, felonies, and violent crimes.

- Eleven employees at a state-run facility had been convicted of drug offenses within the last 2 years, or had been convicted after being employed by the facility. The facility's human resources director stated the facility would not hire anyone that had a drug conviction within the last 2 years. According to DMH officials, the facility hired two employees with drug offenses in the past two years because the convictions had not been included on the criminal history from the highway patrol. However, the individuals disclosed the convictions on applications. The other nine employees committed crimes after employment began. Since the facility did not conduct follow-up screenings, facility officials were not aware of the crimes committed.

[15] As of February or March 2007.

- Four other employees at state-run facilities had been convicted of, or recently charged with, drug violations in the last 5 years.

- Five individuals had substantiated child abuse incidents, including at least one who had physically abused a child after a state-run facility hired him.[16]

- Six employees had been convicted of, or recently charged with, serious violent crimes, including assault and domestic assault.

- Six employees had been convicted of, or recently charged with, felonies in the past ten years, including theft and persistent driving while intoxicated offenses. Some of these individuals may be disqualified from employment at DMH facilities due to these convictions, according to DMH officials.

Officials willing to consider requiring periodic checks

DMH officials stated they were not averse to exploring the option of requiring periodic criminal history and child abuse screenings. However, they are not aware of a cost-effective way to accomplish the screenings for approximately 8,000 facility employees and officials believe it would take significant effort on the part of human resource personnel to conduct annual FCSR screenings. In discussing this issue, DMH officials expressed a willingness to work with other state agencies to facilitate some type of automated data sharing to complete periodic screenings.

According to a DHSS official, each DMH facility could have access to on-line screenings and there are no fees associated with FCSR screenings of registered individuals. Once an employee is registered with the FCSR, it takes about one minute to conduct an online screening, according to the official. In terms of workload for DHSS, FCSR personnel conducted 184,890 screenings in fiscal year 2006. Screening an additional 8,000 DMH facility employees each year would increase FCSR volume by 4 percent and would not be a burden to DHSS.

Although officials believe it would take significant effort to conduct FCSR screenings, we computed the average time it would take to conduct annual screenings and found the DMH state-run facility with the most employees would spend approximately 6 minutes screening 6 employees per day, to complete annual screenings. The remaining DMH facilities would spend, on

[16] Data we reviewed did not show whether the other four instances of child abuse occurred before or after the facility hire date.

average, 3 or fewer minutes screening 1 to 3 employees per day, in order to complete annual screenings.[17]

One facility has not followed screening requirements

As of August 2003, state law[18] required DMH facilities to conduct EDL and EDR screenings on new employees, and to disqualify anyone included on either list from employment. However, our review of four state-run facilities disclosed one facility did not follow the August 2003 law. Personnel did not screen new employees against the EDL, and did not screen employees against EDR until June 2006. According to DMH officials, human resources personnel at this facility seemed confused as to which listing represented the EDR and which represented the EDL, and it was unclear exactly what they had done. After we brought this issue to DMH officials' attention, they told us that as of March 2007, the facility had initiated the EDL screenings.

DMH did not implement periodic screenings against EDL and EDR until SAO recommended action

DMH had no assurance persons hired prior to August 2003 had not been included on the EDR until March 2005. This situation occurred because state law required DMH facilities to conduct EDR and EDL screenings on new employees, but the law did not require screening existing employees on a periodic basis. DMH did not initiate these screenings until after the SAO recommended conducting automated matches to accomplish the screenings.[19] In March 2005, DMH established guidance requiring screening of current employees against the EDR on a periodic basis.

DMH did not conduct EDL screenings on all employees hired before August 2003 until January 2007. Therefore, DMH also did not have full assurance employees hired prior to August 2003 had not been included on the EDL until January 2007. In March 2006, DMH personnel expanded the monthly EDR reviews to include persons on the EDL. However, according to DMH personnel, they did not conduct the queries correctly, but corrected the procedure in January 2007.

DMH not monitoring state facilities

DMH personnel had not been aware of problems encountered by facilities in conducting EDR/EDL screenings until we brought it to their attention. This situation occurred because DMH had not monitored its state facilities for compliance with EDR and EDL screenings. Department personnel stated they plan to begin to monitor background screenings by facilities in 2007.

[17] Computed by taking the number of employees per facility, divided by 245 work days.

[18] Section 630.170, RSMo.

[19] In a SAO audit report "Protecting Clients from Abuse and Neglect," September 2005, Report No. 2005-62, we recommended DMH conduct automated matches to ensure persons on the EDL and EDR are not employed by DMH facilities or providers.

DMH not automatically disqualifying persons included on DSS's Central Registry

Persons included on DSS's Central Registry have not been disqualified from employment at DMH state-run facilities and contracted providers. Our review of employment data and Central Registry data[20] disclosed 129 persons with substantiated child abuse working for DMH state-run facilities or contracted providers. They had not been disqualified from employment because state law and DMH regulations do not prohibit persons who have committed child abuse from working with DMH clients. Our review disclosed the following:

- The 129 persons had 153 incidents of child abuse, including 32 incidents of physical abuse, 88 of neglect, 6 of medical neglect, and 15 of sexual maltreatment.
- Ten of the 129 that worked with DMH clients had abused a child in the course of their prior employment at daycare facilities, schools, or institutions.
- Twenty-two individuals worked for DMH facilities and 107 worked for contracted providers.

Child abusers also abused DMH clients

Our comparison of persons on the EDR to Central Registry data, or FCSR data, disclosed 22 individuals who had abused DMH clients had a prior substantiated child abuse or neglect incident. For example:

- One individual had neglected her children prior to the time she fatally neglected a DMH client. The contracted provider who hired her was aware of the child abuse incident.
- One individual had fatally neglected a child prior to the time she neglected a DMH client.
- One individual had two separate instances of sexually abusing a child prior to the time he sexually abused a DMH client.

Guidance does not automatically disqualify applicants

DMH guidance requires each state facility to determine whether or not new employees are on the Central Registry. However, inclusion on the Central Registry does not automatically disqualify the applicant. The DMH guidance applies only to state-run facilities. Therefore, contracted providers are not required to conduct child abuse screenings for new employees.

[20] Based on review of DSS's Central Registry of abuse reported for January 2003 through October 2006.

DMH officials told us state law does not prohibit persons on the Central Registry from working with DMH clients. In addition, they believe some findings, such as educational neglect, do not pose harm to DMH clients.

Persons With Dangerous Histories Permitted to Work in Long-Term Care

Persons with histories of child abuse or neglect; stealing, theft, and forgery convictions; or pending charges for serious crimes are permitted to work in DHSS licensed long-term care facilities. Approximately 23 percent of all long-term care facilities have employed at least one individual with a questionable background. For example, state law has not disqualified individuals included on the Central Registry from working with long-term care clients. During our review of employment data, we found 447 persons on the Central Registry working in 272[21] long-term care facilities in 2005 or 2006. These 447 persons had a total of 602 incidents of child abuse or neglect, some of these incidents included:

- 125 counts of physical abuse,
- 367 counts of neglect,
- 29 counts of medical neglect, and
- 27 counts of sexual maltreatment.

Five of these 447 persons abused a child during prior employment at daycare facilities, schools, or institutions.

We also found some persons included on the Central Registry who abused elderly clients while working in a long-term care facility. Our comparison of the EDL to substantiated cases of child abuse reported January 2003 to October 2006, disclosed 15 persons had committed child abuse or neglect prior to abusing long-term care clients. Of these 15 individuals, 3 had committed severe sexual maltreatment and 6 had committed severe neglect of a child.

DHSS officials stated they could not disqualify based on inclusion on the Central Registry because state law does not allow this. Historically, they felt that populations working in long-term care have been seen as distinct from the population working in child care, with the belief that the populations do not overlap much.

[21] The 272 providers represented 23 percent of the 1,169 long-term care providers, as of August 2006.

Persons with theft and forgery convictions harmed clients

State law disqualifies persons with certain criminal histories from working in long-term care facilities, as shown at Appendix II. However, persons with stealing, theft, and forgery convictions are allowed to work in long-term care. For example, our comparison of persons included on the EDL[22] to criminal histories shown on case.net disclosed six persons with prior theft or forgery convictions who subsequently committed misappropriation of client funds and/or property in a long-term care setting. One of the six persons had two felony forgery convictions, one felony theft conviction, and two misdemeanor theft convictions. A second individual had been convicted of six counts of felony theft prior to committing misappropriation in a long-term care facility.

DHSS officials open to expanding listing of disqualified crimes

DHSS officials stated that they are open to expanding the listing of disqualified crimes. According to the officials, a bill considered during the 2007 legislative session would have disqualified individuals with an A or B felony forgery conviction, and individuals with a felony or three or more misdemeanor convictions of theft from working with DHSS and DMH clients. However, the General Assembly did not pass the bill.

Persons with pending charges worked with clients

DHSS allows persons charged with, but not yet convicted of, a disqualifying crime to work with long-term care clients. Our reviews of the FCSR database, employment data, and criminal histories shown in case.net disclosed the following:

- One individual charged with second degree murder and armed criminal action in September 2005 worked in long-term care facilities from that time until the first part of 2007. As of June 30, 2007, the criminal case was still pending.

- Another individual charged with statutory rape in September 2005 worked in long-term care facilities until convicted in July 2006.

State law disqualifies only those convicted of crimes

DHSS officials told us that until convictions occurred, nothing could be done on these cases. State law disqualifies only those convicted of crimes, meaning DHSS cannot disqualify someone not yet convicted, according to officials. They also believe forcing a facility to prohibit client contact in this type of situation might infringe upon due process rights, and might lead to false charges made by disgruntled employees.

Clients served by DHSS in-home care or by DMH state-run facilities and contracted providers may have protection from persons charged with dangerous crimes. For example, a person charged with a crime is

[22] Persons added to the EDL between July 2003 and August 2006.

disqualified from working for a DHSS in-home provider if the charge appeared on the criminal background check from the highway patrol. Also, DMH officials told us state law would allow a state-run facility to suspend the employee without pay, pending trial. If a DMH contracted provider did not take action against an employee charged with a serious crime, DMH officials would look into the situation, and could request that the provider ensure the employee did not have contact with clients.

Improvements Needed in FCSR Registration, Screenings, Law, and Processing Waivers

Our review of DHSS data disclosed delays in processing initial FCSR registrations. We also found employers are not required to conduct FCSR screenings for individuals required to register. When FCSR results show problems, potential employees are allowed to request a waiver. However, we found delays in the waiver process, and periodic screenings have not been required for individuals with a waiver.

Delays in FCSR registration and screening place clients at increased risk

Data provided by DHSS personnel showed the average number of days to process FCSR registration requests[23] increased from 7 days in fiscal year 2002 to 70 days in fiscal year 2006. State law requires individuals to register with the FCSR when employed as a child care, elder care, or personal care worker.[24] State law does not require employers to have the results of the screenings prior to individuals having contact with clients. Therefore, during the registration process employers may allow employees to work with vulnerable clients, even though they do not have the screening results.

Our review of 11 providers disclosed 10 providers employed individuals, pending the outcome of FCSR registration. Our review of those providers disclosed one instance, at a DMH provider, where an individual with a disqualifying crime had been allowed to have contact with clients for approximately 2 months because it took FCSR personnel more than 3 months to register the individual. The employee had been convicted twice of robbery.

Our review of the 11 providers also disclosed some providers had experienced significant delays in obtaining results on FCSR screenings. For example, we found seven instances where the FCSR registration took from 3 to more than 5 months.

[23] Delays occur for initial registration requests. Subsequent screenings on an individual already registered are generally completed in one day.
[24] Section 210.906, RSMo.

Increase in FCSR registration, screening requests, and lack of staff caused delays

Delays in registrations have occurred because the volume of FCSR registrations and screenings has increased without a corresponding increase in staff. For example, during fiscal year 2001, DHSS received 25,066 registrations and 6,417 screenings. By fiscal year 2006, the volume had increased to 116,138 registrations and 184,890 screenings.

A DHSS official told us the department has requested additional staffing, but has only received four new full-time employees—all in 2004. Another DHSS official stated that the FCSR process has no revenue stream or dedicated appropriations. The $5 fee[25] that is submitted with each registration is remitted to the Highway Patrol's Criminal Record System Fund.

DHSS plans to reduce delays

According to DHSS personnel, they recently implemented a new web-based system to help reduce the registration backlog. In July 2007, they initiated a web-based site for individuals to register and pay fees with credit cards. After discussing FCSR problems found during our review with DHSS officials, they hired temporary workers to work nights and weekends to reduce the FCSR backlog. As of June 2007, the delay in processing new registrations had been reduced to 11 days. DHSS officials told us they were hopeful the new on-line processes would help keep the registration delay minimal.

Registered employees not always required by law to be checked

Child care, elder care, and personal care workers are required by law[26] to register with FCSR. However, state law has not required child care or long-term care facilities to conduct FCSR screenings of employees. DHSS regulations[27] do require in-home care providers who contract with the department to use the FCSR to screen employees.

Although in-home care providers contracting with DHSS are the only employers required to conduct FCSR screenings, many providers are doing so voluntarily. For example, the FCSR Annual Report for fiscal year 2006 showed 39 percent of all screenings requested that year had been for child care providers.[28]

[25] As of August 28, 2007, this fee increased to $9.

[26] Section 210.906, RSMo.

[27] 19 CSR 30-82.060 (18).

[28] Statistics maintained by DHSS do not differentiate between screenings completed for in-home providers and those completed for long-term care providers, so we could not report the percentage of fiscal year 2006 screenings related to long-term care.

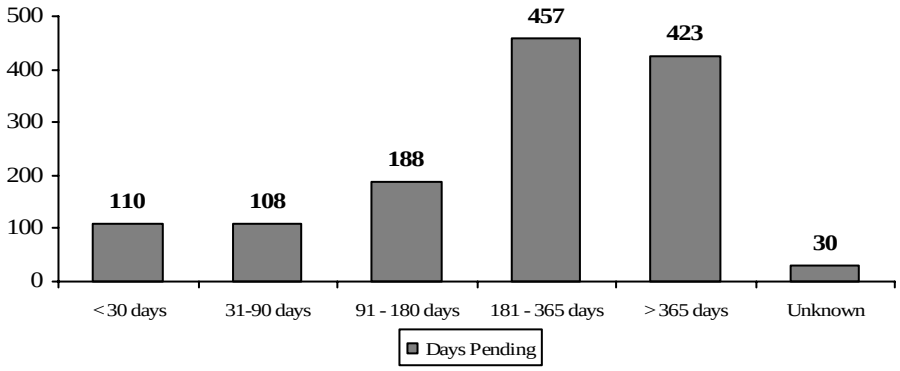
DHSS has not monitored whether elder care workers in long-term care facilities have registered with FCSR, because there has been no requirement for the facilities to conduct FCSR screenings, according to DHSS personnel.

DHSS commented in its FCSR annual report that it is difficult to communicate to the individual caregivers the responsibility to register without the assistance of the employer. In its 2004, 2005, and 2006 annual reports, DHSS requested the General Assembly require facilities licensed by a state agency to become responsible for registration of their employees, and that state licensure agencies monitor compliance as part of licensure activities. However, the General Assembly did not take action on DHSS's request.

Delays in processing waivers

DHSS has not always processed waivers in a timely fashion, and many have taken more than a year to be processed. The department had 1,316 waiver requests pending, as of March 1, 2007. Figure 2.1 depicts the time these waivers had been pending at DHSS.

Figure 2.1: Time Delays for Waivers



Source: SAO analysis of DHSS waiver database.

As shown above, 35 percent (457) of the waivers had been pending from 181 to 365 days and 32 percent (423) had been pending over 365 days.

Persons disqualified from employment with DHSS providers may apply for a waiver in accordance with department guidance. In most circumstances, the facility may allow the individual to work while DHSS is processing the waiver. Only those individuals convicted of a disqualifying crime cannot work during the waiver application process. Department guidance has not addressed the timeliness of processing waivers and, as of June 2007, personnel had not established goals for processing waivers.

Persons awaiting waiver results can place clients at increased risk

Our review of waiver data disclosed individuals with substantiated abuse histories or convicted of serious crimes had been working with clients while waiting on waiver requests that DHSS eventually denied. For example:

- One individual convicted of misdemeanor assault on a law enforcement officer in 2001 and added to the DMH EDR in 2003 for abuse or neglect of a DMH client, worked with a DHSS in-home care client for 9 months in 2005 until DHSS denied the waiver. This individual was able to work while the waiver was pending because she had not committed any disqualifying crimes.

- A second individual, convicted of felony second degree burglary, felony stealing, felony second degree assault, and felony armed criminal action, worked with a DHSS in-home care client for 9 months while DHSS processed his waiver, which was ultimately denied. This individual was able to work while the waiver was pending because none of these convictions are disqualifying crimes.

Requests for waivers have increased

Delays have occurred, in part, because the number of waiver requests has increased dramatically. For example, waiver requests increased from 14 in fiscal year 2001 to 1,580 in fiscal year 2006.[29] In addition, waiver applications are often incomplete when received by DHSS, and delays occur while waiting for missing information. Finally, prior to June 2007, no dedicated staff existed to process waiver requests. Each waiver is unique so processing them can be very time intensive, according to DHSS officials.

After discussing delays in processing waivers with DHSS officials, DHSS hired two employees dedicated to working on waivers. Officials told us they are hopeful this step will allow waivers to be processed more quickly.

Lack of periodic screenings may increase client risk

Our review of 849 individuals with a waiver working for in-home providers at some point between January 2005 and March 2007, disclosed 28 individuals with subsequent abuse or criminal histories since DHSS granted their waiver. For example, we found individuals convicted of burglary, robbery, stealing, assault, identity theft, and passing bad checks after having received a waiver. We also found persons had been added to the Central Registry or the EDR after personnel had approved their waiver.

According to a DHSS official, the department has not periodically screened applicants approved for a waiver, and an employee may never be re-

[29] From March 30, 1999 through March 1, 2007, DHSS received 4,225 waiver applications.

screened if the employee stays with the same employer. However, employers can request additional screenings if they choose to do so.

After discussing this issue with department officials, in July 2007 officials began conducting periodic screenings of individuals with a waiver. They plan to review each individual during the anniversary of the month the waiver was approved.

Opportunities Exist to Enhance Protection for Clients

We found some facilities conduct screenings that have not been required in order to provide additional protection for clients. We also found opportunities for one or more of the departments to take advantage of screening procedures used by other departments. For example, we found (1) some facilities conducted nationwide and/or other state background checks without being required to do so, and (2) employment data has been used to identify problem employees, but not for child care providers.

Providers have not been required to conduct nationwide or other state background checks

Our review of policies and procedures for DSS, DMH, and DHSS disclosed facilities have not been required to perform national criminal background checks or checks of states that border Missouri. State law[30] has not required nationwide criminal history checks for employees of DMH contracted providers, DHSS licensed long-term care facilities and contracted in-home care providers, unless the prospective employee has not lived in Missouri for the past 5 years and only then if state funding is available for that purpose. The law states providers are only responsible for $5 of the cost of the nationwide check. State funding for nationwide criminal history checks is subject to appropriation by the General Assembly. However, according to DMH and DHSS officials, funds have not been provided. Therefore, nationwide criminal history checks have been limited.

Some facilities and over half of other states perform checks

While facilities are not required to check other states for criminal backgrounds, we found 9 of 15 facilities reviewed performed checks of at least the state bordering the area where the facility is located. For example, two facilities in St. Louis check Illinois criminal records. Other facilities checked states where an applicant has lived. One facility incurred the expense of having a private company conduct name searches of all other state criminal databases and sex offender registries. All four DMH state-run facilities reviewed have been conducting nationwide criminal record screenings using fingerprints.

We also found 27 of 48 states (55 percent), and the District of Columbia, responding to our request for information, require a national criminal history

[30] Section 660.317, RSMo.

check be performed on individuals who provide care to the elderly. At least eight of these states required the facility to pay the costs of the background checks.

DSS would like to implement the check

DSS personnel told us they would like to implement fingerprint background check requirements, however, they will need to consider the fiscal impact on facilities before implementation. As of October 2007, the cost for a combined Missouri and nationwide criminal background screening will be $39.25.

The FCSR annual reports to the legislature for fiscal years 2004, 2005, and 2006 include a recommendation to integrate reporting of national criminal history information through the FCSR. However, the General Assembly did not implement this recommendation.

Reviewing other state data reveals problems

Reviewing information available from other states can reveal problems. For example, we found the following when we compared persons registered with FCSR to the Kansas Department of Corrections website:[31]

- At least 279 persons registered with FCSR had criminal convictions in Kansas.
- At least 100 persons with Kansas convictions worked for a provider at some point from January 2005 through September 2006. Ninety-one providers had employed the 100 persons.
- At least 16 persons had Kansas convictions for violent or disqualifying crimes.
- 30 persons with Kansas convictions were employed in the DHSS in-home services program, which requires a waiver for any criminal history. Only four of these persons applied for a waiver and none disclosed a Kansas criminal history.

The following are examples of crimes committed in Kansas.

- One individual had a 1995 aggravated robbery conviction. He worked in one nursing home for all of 2005 and the first half of 2006. He then worked at another nursing home in the third quarter

[31] Not all persons included on this website are currently in prison. This website contains information on persons currently incarcerated, those under post-incarceration supervision, those discharged from a sentence, and those under community correction supervision.

of 2006. DHSS officials researched this case and determined that the crime is equivalent to a Missouri disqualifying crime.

- Another individual had a 2004 attempted aggravated robbery conviction. She was employed by a DMH/in-home provider for two quarters in late 2005 and early 2006, and two different nursing homes for one quarter in 2005. First or second degree robbery is a DMH and a long term care disqualifier. Any conviction is an in-home care services disqualifier, unless a wavier is obtained. This person has not applied for a waiver.

- A third individual had a 1982 class B felony, aggravated robbery conviction. A DMH provider employed him for 2 quarters during 2005. While working at this provider, he neglected a client and was subsequently placed on the EDR. First or second degree robbery is a DMH disqualifier.

Officials not always aware of other resources

DMH and DHSS officials stated they had not been aware of the Kansas Department of Corrections website prior to the time we brought it to their attention. They were interested in investigating it further, and notifying providers of its existence.

Employment and FCSR data useful in identifying problems

Persons considered threats provided child care, and disqualified persons provided in-home services without DHSS's knowledge. For example, our comparison of DHSS Section for Child Care Regulation data to employment data revealed eight persons determined by DHSS to present a threat to children[32] working in eight different daycares. For example:

- Five of these individuals had been included in the Central Registry due to abuse or neglect of a child, including one person with two counts of severe physical abuse.

- Two of the eight individuals had criminal histories, including one person with a felony conviction of distributing a controlled substance near a school.

DMH and DHSS have used employment data to help ensure disqualified persons are not working with DMH, long-term care, or in-home clients,

[32] DHSS Section for Child Care Regulation personnel review all FCSR screenings with negative information requested by licensed child care providers. Section personnel then determine whether or not the individual presents a threat to the health, safety, or welfare of children in the facility. Persons determined to be a threat are not to be on the facility's premises.

according to DMH and DHSS officials. In addition, our reviews did not identify any persons on the EDR or EDL working with DMH clients, or any persons on the EDL working with long-term or in-home clients.

In discussing ways to enhance screenings, DHSS officials told us they would like to create a match to compare employment data to the list of persons determined to be threats to children in child care.

Requiring FCSR personnel to notify in-home personnel of findings on in-home screenings would be useful

DHSS disqualifies anyone with an FCSR finding from working for an in-home care provider, unless the individual obtains a waiver. However, DHSS has not required FCSR personnel to notify the department's in-home care personnel of any FCSR screening findings found by in-home providers. Therefore, in-home care personnel have not had the capability to follow-up with in-home providers to ensure disqualified individuals are not employed.

Our comparison of individuals on the EDL to case.net and Central Registry information disclosed some individuals with criminal or substantiated child abuse histories abused clients while working for in-home providers. For example:

- We found 11 persons included on the Central Registry who were allowed to work with, and subsequently abused, in-home clients. Three of these persons had physically abused a child before committing abuse of an in-home care client. Another of these individuals had severely neglected and sexually maltreated a child before abusing an in-home care client.

- We also found two individuals that should have been disqualified because of criminal history. However, the providers allowed them to work with, and subsequently harm, in-home clients. One of these individuals had five felony and one misdemeanor convictions for stealing prior to misappropriating an in-home care client's funds or property.

Increasing oversight could help identify disqualified individuals

Disqualified persons have been allowed to work with provider in-home clients in part, because DHSS limits the number of provider on-site visits. The visits are not conducted on a regular basis, and problem providers are visited more often than those providers with few problems, according to DHSS officials. As of June 30, 2007, DHSS had not developed any data reviews to identify persons on the Central Registry or with criminal backgrounds working for in-home care providers.

DHSS officials told us that a review similar to that done for child care regulation officials may not be feasible for in-home providers because of

time constraints and a lack of consistent provider numbers in the FCSR database. However, DHSS child care regulation officials have arranged to be notified by FCSR staff when a child care provider screens an individual with an FCSR hit.

Supreme Court Ruling Prevents DSS from Placing Substantiated Abusers on Central Registry Until Criminal Charges Are Resolved

A ruling by the Missouri Supreme Court in March 2007[33] required changes in DSS procedures that prevent DSS from placing individuals with substantiated findings of child abuse on the Central Registry if they have criminal charges pending. The Supreme Court found an individual is entitled to notice and a hearing with the Child Abuse and Neglect Review Board (CANRB) before being placed on the Central Registry. DSS changed its procedures to comply with this ruling. However, current state law[34] does not allow a person who has criminal charges pending to request a CANRB hearing until after the court's final disposition or dismissal of the charges. According to a DSS official, this limitation prevents individuals with a substantiated child abuse finding from being included on the Central Registry until the potentially long process of a criminal court case is concluded. DSS officials stated this could allow some of the most potentially harmful individuals from being on the registry for years while criminal cases are pending.

In discussing this issue with DSS officials, they stated they believe state law should be amended to allow the agency to proceed with CANRB hearings before the final disposition of the court case. This change would allow the agency to place individuals on the central registry after their CANRB hearing while criminal charges are pending.

Conclusions

DSS licensed residential facilities have not always performed annual child abuse checks as required by DSS. As a result, children at these facilities may be at an increased risk of abuse. Taking action to ensure facilities are aware of this requirement and follow-up to ensure checks are completed by applicable facilities would reduce risk to children. Also, by establishing requirements for licensing specialists to review an increased percentage of personnel files in its reviews of DSS facilities and ensuring file reviews include employees who have worked for at least a year, DSS would increase the likelihood that it would find registry check non-compliance. In addition, DSS policy and state law have not automatically precluded individuals with substantiated child abuse charges or criminal convictions from being employed at residential facilities. Instead facility administrators are allowed

[33] *Mildred Jamison, et al., v. State of Missouri, Department of Social Services, Division of Family Services.* Slip opinion issued March 13, 2007.
[34] Section 210.152.3, RSMo.

to make these decisions. Developing policy and procedures and working with the General Assembly to develop law that disqualifies persons from employment that have serious criminal and child abuse histories would also enhance protection of department clients.

DMH has not required state facilities to perform periodic criminal and child abuse background checks on current employees. Requiring state facilities to perform periodic employee background checks would enhance the welfare of DMH clients. Additionally, working with other state agencies to develop an automated method for completing periodic background checks would ensure staff resources were used effectively. Ensuring all state facilities follow state law and conduct EDR and EDL screenings to assure potentially abusive or dangerous new employees do not have access to clients would also improve the welfare of clients. In addition, DMH has not automatically disqualified persons on DSS's Central Registry. Working with the General Assembly to establish state law, and establishing department guidance that disqualifies persons included on DSS's Central Registry would enhance protection of DMH clients.

DHSS has not disqualified persons on DSS's Central Registry from employment in long-term care facilities and a significant number of facility employees have been included on that registry. Working with the General Assembly to establish state law, and establishing department guidance that disqualifies persons included on that registry would enhance protection of long-term care clients. Expanding the list of disqualified crimes for such things as theft and forgery convictions would also enhance protection for long-term care clients. In addition, working with the General Assembly to establish state law to prohibit persons with pending criminal charges from working with long-term care clients would also enhance protection for those clients.

The combination of the continued need for FCSR registrations, screening checks, and the lack of additional DHSS staff have caused significant delays in processing FCSR requests. However, the backlog has been reduced somewhat through the use of temporary workers, and the new on-line system implemented in July 2007 should help further reduce the backlog. If this initiative is successfully implemented, it should help reduce delays in processing FCSR requests. DHSS should monitor the status of this initiative to ensure successful implementation.

Although child care and elder care workers are required by law to register with FCSR, state law has not required child or long-term elder care facilities to screen employees. Working with the General Assembly to enact

legislation to require facilities to request these screenings, and establishing policies and procedures requiring the screenings, would reduce client risks.

DHSS has not always processed good cause waivers in a timely fashion, nor have they established goals for the timely processing of waivers. Although the department has taken some action to decrease delays with the hiring of two staff, by assessing why delays are occurring and initiating action to further reduce delays to an acceptable level, DHSS could reduce the time a potentially disqualified employee could work with clients while their waiver is processed. DHSS also has not required periodic screening for employees with a waiver. Establishing guidance that requires DHSS personnel to conduct periodic screenings for individuals awarded a waiver would reduce the risk that employees could have committed offenses that could go undetected.

Sound business practices dictate that DSS, DMH, and DHSS take advantage of all reasonable means to enhance the protection of clients served. By requiring facilities and/or providers to conduct nationwide background checks, informing facilities of resources available from other states such as the Kansas Department of Corrections website, and using employment and FCSR data to identify problem employees, the departments could further enhance the protection of clients. Additionally, the departments should review the employment status of individuals identified in audit work as having questionable backgrounds, and take necessary action to protect clients.

A recent Missouri Supreme Court ruling has made the Central Registry less effective by preventing DSS from including individuals who have substantiated child abuse charges and related criminal charges to be included on the registry until the related criminal charges are resolved and a CANRB hearing is held. Changing state law to allow individuals with substantiated child abuse charges and related criminal charges to have a CANRB hearing before criminal charges are resolved would improve the effectiveness of the Central Registry.

Recommendations

We recommend the Director of the Department of Social Services:

2.1 Ensure required residential facilities are aware annual child abuse checks are to be conducted on applicable employees and follow-up to ensure checks are completed.

2.2 Develop procedures that require licensing specialists review representative samples of personnel files including files of employees who have been employed for greater than one year.

2.3 Develop policies and procedures, and work with the General Assembly to develop law, that disqualify persons from employment that have serious child abuse and/or criminal histories.

2.4 Work with the General Assembly to change current laws to allow individuals with substantiated child abuse charges to have a CANRB hearing before the court has dismissed or reached a final disposition on related criminal charges.

We recommend the Director of the Department of Mental Health:

2.5 Require state facilities perform periodic criminal and abuse background checks in order to determine whether employees have committed a crime or child abuse while employed at covered facilities.

2.6 Work with other state agencies to determine the feasibility of developing automated methods for completing periodic criminal and abuse background checks.

2.7 Ensure state facilities conduct EDR and EDL screenings at employee hiring, in accordance with state law, to ensure potentially abusive or dangerous individuals are not allowed to work in the facilities unchecked.

2.8 Work with the General Assembly to disqualify persons included on DSS's Central Registry to enhance the protection of DMH clients.

We recommend the Director of the Department of Health and Senior Services:

2.9 Develop policies and procedures, and work with the General Assembly to develop law, to disqualify persons included on DSS's Central Registry and those convicted of forgery or theft offenses.

2.10 Develop policies and procedures, and work with the General Assembly to develop law, to ensure persons charged with disqualifying crimes, but not yet convicted, are not allowed to have contact with clients.

2.11 Monitor the status of initiatives to reduce delays associated with FCSR registrations and screenings to ensure successful implementation.

2.12 Develop policies and procedures, and work with the General Assembly to develop law that requires child and elder care facilities conduct FCSR screenings.

2.13 Establish goals for the timely processing of waivers, determine why good cause waiver delays are occurring and continue actions to reduce delays to an acceptable level.

2.14 Develop guidance that requires department personnel conduct periodic screenings on individuals awarded a waiver.

We recommend the Directors of the Departments of Social Services, Mental Health, and Health and Senior Services:

2.15 Use employment data and/or the FCSR to identify employees with questionable backgrounds and require applicable facilities and/or providers to conduct nationwide criminal background checks.

2.16 Inform facilities and/or providers of resources available in other states, such as the Kansas Department of Corrections website.

2.17 Review the employment status of individuals which audit test work identified as having questionable backgrounds and take necessary actions to protect clients.

We recommend the General Assembly establish state law that:

2.18 Disqualifies persons on DSS's Central Registry from employment at DMH facilities and providers.

2.19 Disqualifies persons on DSS's Central Registry, and those convicted of forgery or theft offenses from employment at DHSS licensed long-term care facilities.

2.20 Ensures persons charged with, but not yet convicted of, disqualifying crimes are not allowed to have contact with clients.

2.21 Requires child and elder care facilities request FCSR screenings.

2.22 Requires a nationwide criminal history check for all persons seeking employment at licensed residential facilities, DMH contracted providers, long-term care providers, and in-home care providers. In addition, clarify existing state law to allow providers to seek reimbursement from applicants.

2.23 Ensures individuals with substantiated child abuse charges have a CANRB hearing before the court has dismissed or reached a final disposition on related criminal charges.

Agency Comments

Department of Social Services comments

2.1 We agree with this recommendation. Children's Division (CD) Licensing Consultants shall reinforce with licensed residential child care agencies, the requirement to conduct annual child abuse/neglect checks through the Central Registry. The Children's Division will improve monitoring of compliance by establishing statistically valid sampling techniques including expanded sample sizes. Results will be documented and corrective action shall be requested as necessary.

2.2 We agree with this recommendation. Consistent with 2.1, the Children's Division will improve monitoring of compliance by establishing statistically valid sampling techniques including expanded sample sizes. Results will be documented and corrective action shall be requested as necessary.

2.3 We agree in part with this recommendation. Current regulations require residential care facilities to perform annual Central Registry checks for child abuse and neglect. The department is considering broadening the scope beyond child abuse and neglect through the Family Care Safety Registry (FCSR). We agree that anyone with a serious child abuse/neglect history should not work directly with children. However, the department believes that automatic disqualification for employment through these registries may not be appropriate. Any decision of employment will always take into account the affect on children; still, mitigating circumstances should be considered. For example, someone who committed educational neglect may be an acceptable choice for a groundskeeper or maintenance person.

2.4 We agree with this recommendation. The department has put forth a legislative proposal to be considered by the General Assembly to address this issue during the 2008 legislative session.

2.15 We agree in part with this recommendation. As stated in 2.3, the department is considering the best approach to using the Family Care Safety Registry (FCSR), which includes criminal background checks. Requiring criminal background checks, including fingerprinting through the Missouri Highway Patrol or the Federal Bureau of Investigation, will pose a significant financial impact on providers. While there is no cost to the provider for using the FCSR, fingerprinting can cost up to $40 each. An unfunded requirement such as this will require the Children's Division to consult with

representatives from the residential care facilities, as required by RSMo 210.506.

2.16 We agree with this recommendation. CD Licensing Consultants will request licensed residential child care agencies to conduct out-of-state child abuse/neglect and criminal background checks on a case by case basis. For example, residential care facilities should conduct checks in other states before hiring staff who have recently moved from that state. Licensing consultants shall also request licensed residential child care agencies to conduct such screenings in states that border where an operating site is located, for example, Kansas for agencies in Kansas City, and Illinois for agencies in St. Louis.

2.17 We agree with this recommendation. The Children's Division has sent letters to the respective CEOs of the identified licensed residential child care agencies about the employees in question. The Children's Division is requesting documentation about the current employment status and what steps have or will be taken to protect the youth in their agencies.

Department of Mental Health comments

2.5 We agree only in part. DMH has explored conducting annual screenings utilizing the existing process. To enter each of the 8000 plus DMH employees on an annual basis would require significant staff resources plus the expense of FCSR fees for employees not already enrolled in the registry. DMH recommends use of automated processes to conduct periodic screenings for a large number of employees. DMH will continue to explore options that will provide an electronic and cost-effective tool for periodic automated screenings of DMH staff to determine additional relevant events since hire.

2.6 We agree. DMH is interested in working collaboratively with other state agencies to study the potential development for a cost-effective method of automating the process of periodically conducting criminal and abuse background checks.

2.7 We agree. DMH will ensure state facilities are conducting EDR and EDL screenings at the time of hire, in accordance with state law.

2.8 We agree in part and understand the rationale behind the recommendation. DMH currently reviews the DSS's Central Registry as part of the screening process to assist in evaluating applicant fitness and will continue to use CAN findings on an incident-specific

basis for hiring decisions. In cases where the finding has relevance to a person's job responsibilities and ability to protect the safety of DMH clients, the candidate would not be hired. As an example, a candidate for a position in a children's treatment hospital or treatment facility with a finding of child abuse within the last year would not be hired. However, in a case where a job applicant for a groundskeeper position had been found to have committed educational neglect, the finding would not necessarily be disqualifying. DMH believes continued discretion in use of CAN findings is warranted and current practice utilizes the Central Registry to protect DMH clients.

2.15 *We agree in part. 1) DMH facilities do use a nationwide screening by using the fingerprint-based FBI screening. To require nationwide criminal background checks for all provider employees would be cost prohibitive to providers who have not received additional funding for this purpose. Current statute specifies that this requirement be contingent on appropriations. (2) Facilities and providers can currently initiate an additional background screen on individual employees if there is reason to believe events have taken place outside of Missouri that might affect employability. If a cost effective method of automating the process of periodically conducting criminal and abuse background checks is developed, it would be more feasible to accomplish this on a statewide basis for both department and provider employees.*

2.16 *We partially agree. DMH will consider making providers in communities which border other states aware of resources in those states which will help them assess criminal activity beyond the state of Missouri. Community providers will rely on their legal and human resources expertise for their practices and must examine the value-added benefit of screenings beyond statutory requirements.*

2.17 *We agree. DMH has reviewed these individuals and taken action as necessary.*

Department of Health and Senior Services comments

2.9 *During the past two legislative sessions, DHSS recommended statutory changes to the disqualifying offenses. The proposed changes would have broadened the scope of crimes that disqualified persons from working in long-term care facilities. Specifically, the recommendations would have expanded the list of disqualifying crimes by adding Class A and B felony drug violations, forgery, felony violation of stealing, three or more misdemeanor violations of stealing, and financial*

exploitation of an elderly or disabled person. The recommendations also would have prohibited employment of a registered sex offender.

*While the rationale behind the audit recommendation to disqualify individuals who have been added to the DSS Central Registry is understandable, the department has concerns because the DSS Central Registry contains the names of individuals placed on the registry for a broad range of incidents, such as educational neglect because an individual's child did not attend school. Generally speaking, the department recommends that an incident-specific approach be used to determine disqualificatio*ns.

2.10 *Criminal charges are simply accusations that must be proven by the charging authority (i.e., local prosecutors). The accused is presumed innocent until proven guilty. In employment situations, it is inappropriate to base hiring decisions on mere accusations (i.e., criminal charges). Nonetheless, because of the potential danger to DHSS clients, it is reasonable to restrict direct contact and access to DHSS clients while the issues surrounding the criminal charges are resolved. It is possible to develop regulations that require a current or potential employee with pending disqualifying criminal charges from direct contact with clients. However, in practical terms, it will disqualify a significant number of these individuals from employment because providers employ few positions that do not involve contact with clients. For example, in the Consumer Directed Services program, individuals are employed to provide services directly for the consumer and contact cannot be avoided. Therefore, de facto, the accused would be denied employment in the Consumer Directed Services program. As a result, any policies, procedures, regulations or laws must be thoroughly evaluated to ensure the proper balance between protection of vulnerable persons and a current/potential employee's rights. DHSS will consult with counsel to determine any legal barriers to the development of such regulations.*

2.11 *In progress - The Family Care Safety Registry (FCSR) has implemented two information technology projects to expedite the processing of information and minimize the need for additional staff. The FCSR will closely monitor the use of these systems to determine whether the department's goals are being met.*

2.12 *DHSS is not opposed to requiring that all background checks be conducted through the FCSR, but doing so would require a statutory change since current law does not specify the avenue to conduct the check, but rather simply that the check must be performed against the*

Missouri State Highway Patrol database. DHSS would support any legislative efforts to make such statutory changes.

2.13 DHSS concurs with the recommendation. The department has established a goal to complete the review of Good Cause Waiver applications within 90 days. Two staff were hired to manage the waiver process, and the department will monitor progress to determine if additional changes are needed to meet this goal.

2.14 Implemented - In June 2007, DHSS implemented a procedure to review the background screening annually of all individuals who were awarded a Good Cause Waiver to determine whether any such individual has committed a subsequent offense.

2.15 DHSS will consider the feasibility of this recommendation to use employment data and the FCSR to identify employees with questionable backgrounds. DHSS will have discussions with the Department of Labor and Industrial Relations, and will look at how the EDL matches with employment data to see if this system can be replicated with other programs. DHSS will explore how the FCSR can be used to assist with this identification.

Nationwide criminal history screening cannot occur unless additional funds are appropriated by the legislature. Section 660.317.4, RSMo, explicitly states "State funding and the obligation of a provider to obtain a nationwide criminal background check shall be subject to the availability of appropriations." To date, the legislature has not appropriated funds for this purpose. DHSS would support a proposal to appropriate funds for this purpose.

2.16 DHSS concurs with the recommendation. The information will be made available through department publications, provider training sessions, and the Internet.

2.17 DHSS has reviewed those individuals identified by audit test work. The Section for Long-Term Care Regulation reports that one individual convicted with a disqualifying crime has not been employed in long-term care since February 2007. If the individual should apply for employment, past convictions will result in a disqualification. The other individual's case has not been disposed, so the Section for Long-Term Care Regulation will continue to monitor employment activity for that individual.

The Section for Child Care Regulation reviewed the audit test work and took disciplinary action against licensees who violated rules.

The Division of Senior and Disability Services is reviewing the test data provided and will take appropriate action as allowed by statute and/or regulation.

DMH Disqualifying Crimes

Certain crimes disqualify an individual from employment in positions requiring client contact at DMH state-run facilities or contracted providers. However, the crimes are not disqualifying unless they are felonies, except for failure to report abuse and neglect to DHSS which is a Class A misdemeanor. For example:

First or second degree murder
Voluntary manslaughter
First or second degree assault
Assault while on school property
Unlawful endangerment of another
First or second degree assault of a law enforcement officer
Tampering with a judicial officer
Kidnapping
Felonious restraint
False imprisonment
Interference with custody
Parental kidnapping
Child abduction
Elder abuse in the first or second degree
Harassment
Stalking
Forcible rape
First or second degree statutory rape
Sexual assault
Forcible sodomy
First or second degree statutory sodomy
First or second degree child molestation
Deviate sexual assault
First degree sexual misconduct
Sexual abuse
Endangering the welfare of a child
Abuse of a child
Robbery in the first or second degree
Arson in the first or second degree
First or second degree pharmacy robbery
Incest
Causing catastrophe
First degree burglary
Felony count of invasion of privacy
Failure to report abuse and neglect to the DHSS as required under subsection 3 of section 198.070, RSMo
Any equivalent felony offense

DHSS Long-Term Care Disqualifying Crimes

Table II.1 represents the listing of crimes that disqualify an individual from employment with DHSS long-term care providers.

Table II.1: DHSS Long-Term Care Disqualifying Crimes

Criminal Violation	Crime Class
Abusing an individual through forced labor	B felony
Arson in the first degree	A or B felony
Arson in the second degree	B felony
Assault in the first degree	A or B felony
Assault on law enforcement officer in the first degree	A felony
Assault on law enforcement officer in the second degree	B felony
Burglary in the first degree	B felony
Causing catastrophe	A felony
Child kidnapping	A felony
Child molestation in the first degree	A or B felony
Domestic assault in the first degree	A or B felony
Elder abuse in the first degree	A felony
Elder abuse in the second degree	B felony
Enticement of a child (with prior conviction)	B felony
Failure to report acts of abuse or neglect	A misdemeanor
Forcible rape	A or B felony
Forcible sodomy	A or B felony
Incest	D felony
Infanticide	A felony
Kidnapping	A or B felony
Murder in the first degree	A felony
Murder in the second degree	A felony
Pharmacy robbery in the first degree	A felony
Pharmacy robbery in the second degree	B felony
Robbery in the first degree	A felony
Robbery in the second degree	B felony
Sexual abuse/assault (with injury, deadly weapon displayed, victim under age 14 or incapacitated, or forces contact with more than one person)	B felony
Sexual trafficking of a child	A felony
Statutory rape in the first degree	B felony
Statutory sodomy in the first degree	B felony
Tampering with a drug prescription order	A felony
Trafficking for the purpose of sexual exploitation	B felony
Trafficking for the purpose of slavery, involuntary servitude, peonage or forced labor	B felony
Voluntary manslaughter	B felony
Water contamination	B felony

Source: DHSS Administrative Policy and Procedure Manual, Section for Long-Term Care.

State Disqualifiers

Table III.1 depicts the states and whether states deny employment in residential childcare facilities based on criminal history and/or child abuse.

Table III.1: State Disqualifiers

State	Denies Employment Based on Criminal History	Denies Employment Based on Child Abuse
Alabama	Yes	Yes
Alaska	Yes	Yes
Arizona	Yes	No
Arkansas	Yes	No
California	Yes	No
Colorado	Yes	No
Connecticut	Yes	Yes
Delaware	Yes	No
Florida	Yes	No
Georgia	Yes	No
Hawaii	No	No
Idaho	Yes	No
Illinois	Yes	Yes
Indiana	Yes	Yes
Iowa	Yes	Yes
Kansas	Yes	Yes
Kentucky	Yes	Yes
Louisiana	Yes	No
Maine	Yes	Yes
Maryland	Yes	Yes
Massachusetts	Yes	Yes
Michigan	Yes	Yes
Minnesota	Yes	Yes
Missouri	**No**	**No**
Mississippi	Yes	Yes
Montana	No	No
Nebraska	Yes	Yes
Nevada	Yes	No
New Hampshire	Yes	Yes
New Jersey	Yes	Yes
New Mexico	Yes	Yes
New York	Yes	Yes
North Carolina	Yes	No
North Dakota	No	No
Ohio	Yes	Yes
Oklahoma	Yes	No
Oregon	No	No
Pennsylvania	Yes	Yes

State	Denies Employment Based on Criminal History	Denies Employment Based on Child Abuse
Rhode Island	Yes	Yes
South Carolina	Did not respond	Did not respond
South Dakota	Yes	Yes
Tennessee	Yes	Yes
Texas	Yes	Yes
Utah	Yes	Yes
Vermont	No	No
Virginia	Yes	Yes
Washington	Yes	Yes
Washington, DC	Yes	Yes
West Virginia	Yes	Yes
Wisconsin	Yes	Yes
Wyoming	Yes	Yes
Totals:		
Yes	44	32
No	6	18

Source: SAO analysis.

Susan Montee, CPA
Missouri State Auditor

November 2007

St. Louis County
Fire Protection Districts

Years Ended
December 31, 2006 and 2005

Report No. 2007-69

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

YELLOW SHEET

A review of audits of fire protections districts in St. Louis County has been completed. This review covered the reports for the years ended December 31, 2006 and 2005.

Fire protection districts in St. Louis County are required by law to have biennial audits performed if revenues exceed $50,000. The State Auditor received, reviewed and accepted 21 reports for the year ended December 31, 2006, and 22 reports for the year ended December 31, 2005. Only two of the 21 reports for the year ended December 31, 2006 and four of the 22 reports for the year ended December 31, 2005 were received after the June 30 statutory filing deadline.

The Kinloch Fire Protection District failed to comply with state law and did not have an audit performed or file annual reports. Based on bank records provided by the district, total receipts were $103,000 for the year ended December 31, 2006. No information was provided for the year ended December 31, 2005.

The Normandy Fire Protection District did not submit an annual report for the year ended December 31, 2006 and has indicated that in April 2007, the board voted to change its fiscal year end to June 30.

In 2006, 16 of 21 districts had increases in their General Fund balances; and the aggregate General Fund balance of all districts increased by 11.1 percent. In previous reviews, it was noted that several districts had large General Fund balances in relation to expenditures. For 2006, the ratio of unreserved, undesignated fund balance to expenditures increased for 11 of the 21 fire districts. Although many districts reserved a portion of their General Fund balance for capital improvements and future years' operations, five still had unreserved fund balances greater than one year's cost of operations. As noted in prior reports, the districts should annually re-evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

Six districts that have total General fund balance to expenditures ratios greater than one also have Capital Projects Funds with balances of over $1 million for the year ended December 31, 2006.

Based on the pension plan notes in the audit reports, eight of the 11 districts with defined benefit plans do not have enough estimated actuarial assets to cover the estimated actuarial liability (pension benefits) in their Pension Fund, resulting in an unfunded liability.

(over)

Fifteen districts have outstanding bond debt at December 31, 2006. Four of these districts issued general obligation bonds totaling over $7.5 million in 2006 and 2005. In addition to the outstanding bond debt, two districts have outstanding certificates of participation (COPS).

Also included in the report are over 60 specific recommendations made by independent auditors to improve the overall management of the fire districts. These recommendations included concerns regarding expenditure procedures, various accounting records and procedures, investments, capital assets, pledged securities, budgets, payroll and employee benefits. Of the 63 recommendations made during the 2005 audits, 22 were repeated in the 2006 reports.

All reports are available on our Web site: www.auditor.mo.gov

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY

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REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY

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STATE AUDITOR'S REPORTS

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in St. Louis County

Fire protection districts in St. Louis County are required by Section 321.690, RSMo, to be audited. We have conducted a review of these independent audits of the fire protection districts in St. Louis County. The objectives of this review were to:

1. Evaluate the impact of, and the districts' compliance with, statutory audit requirements and the State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in St. Louis County.

2. Notify the various fire protection districts and independent auditors of any specifically identifiable reporting deficiencies that should be considered and corrected in future audit reports.

3. Summarize and evaluate the financial data presented for the various fire districts and any comments for improvements made by the independent auditors.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report. The work for this review was substantially completed by October 2007.

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The State Auditor's office has reviewed fire protection districts' audit reports for several years and noted many improvements. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. The format of this report includes an executive summary and a scope and methodology section describing what work was performed. The previous report included information obtained from the fire districts and cities in St. Louis County comparing salaries and pay levels, numbers of employees, and numbers and types of vehicles. It also included a schedule of budgetary compliance based on information provided by the districts. Such information was not obtained and included in this report. We solicit from the readers of this report any suggestions for changes or requests for other new information that may benefit those involved with the St. Louis County fire protection districts.

Sincerely,

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
Audit Staff:	Terese Summers
	Emily Bias

EXECUTIVE SUMMARY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY
EXECUTIVE SUMMARY

Section 321.690, RSMo, requires all fire protection districts with revenues in excess of $50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than $50,000, the State Auditor may exempt the district from the audit requirement, if the appropriate reports are filed.

The Kinloch Fire Protection District failed to comply with state law and did not have an audit performed or file annual reports documenting that annual revenues were less than $50,000. Based on bank records obtained from the district, approximately $103,000 was received for the year ended December 31, 2006. No information was provided for the year ended December 31, 2005.

The Normandy Fire Protection District did not submit an annual report to the State Auditor's Office for the year ended December 31, 2006. An audit report was submitted for the year ended December 31, 2005, and the district indicated a biennial report would be filed by June 30, 2008. However, the district also indicated their fiscal year had been changed to June 30, and thus to comply with Section 321.690, RSMo, a report for the 18 months ended June 30, 2007, rather than the two years ended June 30, 2008, is required.

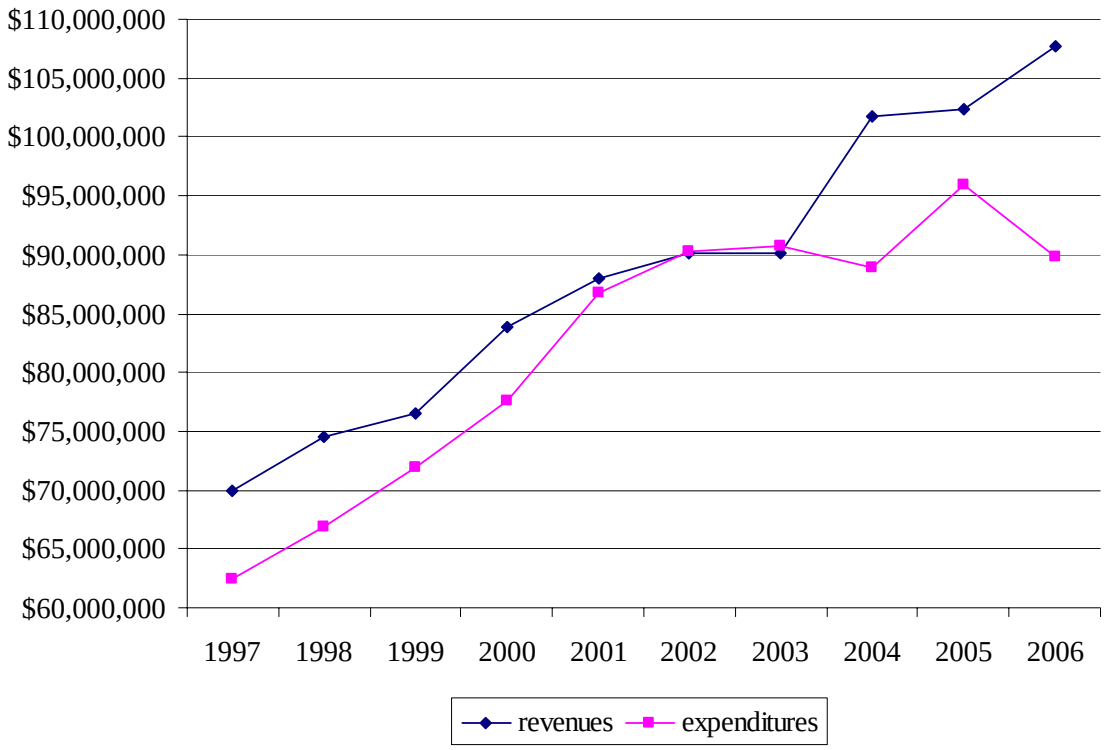
For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all 21 reports received for the year ended December 31, 2006 and all 22 reports received for the year ended December 31, 2005. However, instances of noncompliance including the lack of follow up to previous recommendations and the lack of complete and adequate footnote disclosures were still noted. These problems were communicated to the applicable fire protection district auditors. In addition, 14 districts did not submit copies of engagement letters to the State Auditor as required by 15 CSR 40-4.010.

The timeliness of reporting has improved for the last two years. Only two of 21 reports for the year ended December 31, 2006, and four of 22 reports for the year ended December 31, 2005, were received after the respective statutory deadline. The following table shows the districts that failed to meet the statutory deadline each year.

District	2006 Report Received	2005 Report Received
Maryland Heights	July 9, 2007	September 11, 2006
Metro North	September 7, 2007	October 10, 2006
Normandy		September 11, 2006
Spanish Lake		July 17, 2006

While not only required by statute, timely audits also provide information to the board and district taxpayers on the financial status of the district and ways to improve the management of the district. Fire district board members should ensure that audits are completed by the statutory deadline.

In 2006, 16 of 21 districts had increases in their General Fund balances, and the aggregate General Fund balances of all districts increased by 11.1 percent. Overall, revenues have continued to increase while expenditures have decreased. One district had a voter approved increase in its General Fund tax levy. The following graph shows how revenues have increased at a greater rate than expenditures in the General Funds of the fire districts.



Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances to provide an adequate cash flow. However, 17 districts have fund balance to expenditures ratios greater than one which indicates the total fund balance is greater than one year's cost of operations (in 2005, 18 districts had ratios greater than one). In addition, although a large number of these districts have reserved or designated a portion of their 2006

fund balances for new firehouses, additional equipment, future years' operations and other uses, five still have unreserved, undesignated fund balances greater than one year's cost of operations (in 2005, four districts had ratios greater than one). This is reflected in the table below.

Fund Balances to Expenditures Ratio

	2004		2005		2006	
District	Total	Unreserved/ Undesignated	Total	Unreserved/ Undesignated	Total	Unreserved/ Undesignated
Affton	1.44	1.34	1.10	0.99	1.51	1.41
Black Jack	1.23	0.92	1.35	0.77	1.69	0.97
Community	1.30	0.66	1.32	0.76	1.28	0.74
Creve Coeur	2.47	1.57	2.62	0.88	2.80	0.95
Eureka	0.77	0.77	0.70	0.70	0.69	0.69
Fenton	1.58	1.35	1.56	1.31	1.77	1.56
Florissant Valley	2.30	0.84	2.06	0.38	2.56	0.87
Lemay	1.02	1.02	1.15	1.15	1.23	1.23
Maryland Heights	1.96	0.95	1.43	0.62	2.00	0.91
Mehlville	1.42	1.42	1.09	0.98	1.70	0.59
Metro North	0.90	0.90	0.81	0.81	0.77	0.77
Metro West	0.97	0.03	1.32	0.23	1.74	0.63
Mid-County	0.87	0.87	0.87	0.60	1.36	1.10
Monarch	1.15	1.15	1.19	1.19	1.48	0.44
Normandy	1.29	0.43	1.35	0.55	na	na
Pattonville/Bridgeton Terrace	1.45	0.72	1.43	0.92	1.48	0.81
Riverview	1.42	0.42	1.65	0.65	1.45	0.18
Robertson	1.70	0.90	1.53	0.74	1.80	0.94
Spanish Lake	0.86	0.86	0.98	0.98	0.96	0.96
Valley Park	1.16	0.97	1.46	1.16	1.10	0.72
West County EMS	1.29	0.21	1.37	0.71	1.70	1.07
West Overland	1.83	0.83	1.62	0.73	0.94	0.27

During the year ended December 31, 2006, the ratio of unreserved, undesignated fund balance to expenditures has increased for 11 of the 21 fire districts. In addition, two fire districts have had unreserved/undesignated ratios greater than one for the last several years. As noted in previous reports, the districts should annually re-evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

Thirteen of the 17 districts had increases in their Ambulance Fund balances in 2006 resulting in an aggregate increase of approximately 23 percent. Two districts had voter approved increases in their Ambulance Fund levy. In addition, West Overland made a large transfer from its General Fund to the Ambulance Fund to help eliminate the negative Ambulance Fund balance. While most Ambulance Fund balances appear reasonable, eight districts have fund balances greater than one year’s expenditures. Fire protection districts should assess their need for large balances.

Ten of the 21 districts had increases in their Dispatching Fund balance in 2006. However, the aggregate increase was less than 10 percent and appears to be caused by timing differences of payments for dispatching services. Seven districts had fund balances greater than one year's expenditures. Districts should continue to assess their need for large balances.

Revenues of the Fiduciary Funds increased 38 percent in 2006. The increase was in large part due to increased investment income and appreciation in investments. The accounting presentation for the Metro North Fire Protection District was changed and the monies held in trust for the employees were not presented along with the investment earnings on those funds in 2006.

Based on the pension plan notes in the audit reports, 8 of the 11 districts with defined benefit plans do not have enough estimated actuarial assets to cover the estimated actuarial liability (pension benefits) in their Pension Fund, resulting in an unfunded liability. The remaining districts have defined contribution plans, in which no liability typically exists above that of the assets accumulated. The table below focuses on the unfunded liabilities of the district's with defined benefit plans.

Defined Benefit Plan Funding Progress

District	Estimated Actuarial Value of Assets	Estimated Actuarial Liability	Estimated Unfunded Liability	Projected Funded Ratio
Affton	$4,322,516	6,886,608	(2,564,092)	62.8%
Black Jack	6,632,276	8,601,797	(1,969,521)	77.1%
Creve Coeur	5,129,900	6,962,631	(1,832,731)	73.7%
Eureka	5,697,363	5,437,757	259,606	104.8%
Fenton	20,018,373	20,018,373	0	100.0%
Florissant Valley	9,803,531	12,773,976	(2,970,445)	76.7%
Mehlville	37,450,236	43,334,723	(5,884,487)	86.4%
Metro West	27,334,854	34,924,467	(7,589,613)	78.3%
Mid-County	649,916	1,216,022	(566,106)	53.4%
Pattonville/Bridgeton Terrace	18,887,276	21,309,047	(2,421,771)	88.6%
Valley Park	2,462,251	2,387,696	74,555	103.1%
West Overland	**	**	**	**

Note: Creve Coeur's is a supplemental plan. **Information for West Overland was not included in their audit report.

In 6 of these 11 districts, the funded ratio is less than 80 percent. Although all but three districts have increased their projected funded ratio in the last two years, it appears many of these districts are having problems adequately funding their liability, and the sustainability of their pension fund itself may be in question.

There are 14 districts that have Capital Projects Funds which are funded with proceeds from bonds (see subsequent paragraph), certificates of participation (COPS) [Affton and Mehlville have issuances of COPS] and/or transfers from other district funds. Each district's Capital Projects Fund is used to account for these financial resources to be used for the acquisition, construction, and/or renovation of major capital assets. Several districts currently have commitments to purchase or have already purchased fire trucks, ambulances, and other equipment. In addition, several districts have begun to or have plans to renovate their old fire houses or construct new or additional fire houses. The balances in these funds should be considered when analyzing the fund status of the district. Six districts that have total General Fund balance to expenditures ratios greater than one also have Capital Projects Funds with balances of over $1 million for fiscal year ended December 31, 2006.

Fifteen districts have outstanding bond debt at December 31, 2006. Four of these districts issued general obligation bonds totaling over $7.5 million in 2006 and 2005. The bond principal and interest payments are to be funded by a dedicated tax. When districts are setting their debt service levies each year, they should ensure amounts available and to be collected are sufficient only to meet necessary obligations. In addition to the outstanding bond debt, two districts have outstanding certificates of participation (COPS).

Districts realized an increase in land and buildings and an overall increase in the net Capital Assets Fund balances. Several districts are buying land and building new firehouses. One district, West County, sold a building.

Assessed valuations have increased slightly (less than 2 percent) from 2005 to 2006. The combined tax levies have increased less than 1 percent.

Audit fees decreased for seven districts and increased for thirteen districts from 2005 to 2006. One district’s audit fees remained the same.

The compensation paid to directors decreased slightly for eight districts, increased slightly for ten districts, and remained the same for two districts. One audit did not report the compensation paid to the directors for the year ended December 31, 2005. Director compensation is based on the number of meetings attended and the number of meetings held varies by district.

Independent auditors made specific recommendations to improve the overall management of the fire districts. In total, over 60 recommendations were made to the various districts in 2006. Recommendations included concerns regarding expenditure procedures, various accounting records and procedures, investments, capital assets, pledged securities, budgets, payroll and employee benefits, and other various policies and procedures. Of the 63 recommendations made during the 2005 audits, 22 were repeated in the 2006 audits. Each fire district should review all of the recommendations and their applicability to their individual district and implement these recommendations in an efficient and timely manner. Also, consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

SCOPE AND METHODOLOGY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY
SCOPE AND METHODOLOGY

Scope

For the two years ended December 31, 2006, there were 23 fire protection districts in St. Louis County. Audit reports were received for 21 districts for the year ended December 31, 2006 and for 22 districts for the year ended December 31, 2005. The Normandy Fire Protection District did not submit an audit report to the State Auditor's Office for the year ended December 31, 2006. The Kinloch Fire Protection District did not file annual reports documenting that annual revenues were less than $50,000 or submit an audit report for either year. Based on bank records obtained from the district, the district received approximately $103,000 for the year ended December 31, 2006.

During our review we: 1) considered Section 321.690, RSMo (Appendix A), 15 CSR 40-4 (Appendix B), and audit reports submitted to the State Auditor by the various fire districts for the years ended December 31, 2006 and 2005, 2) reviewed the supporting working papers of various independent auditors' reports for the year ended December 31, 2006, and 3) obtained completed questionnaires from each of the fire protection districts regarding audit fees.

Methodology

We compiled the following schedules to accomplish the objectives of this report:

- Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format. The General Fund is the general operating fund of the district and is used to account for all resources except those accounted for in other funds.

- Schedule 2 presents revenues, expenditures, and fund balance for the Ambulance Funds in a combined format. This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted for ambulance operations. In addition, ambulance fees are charged by 17 of the 18 districts which offer ambulance services.

- Schedule 3 presents revenues, expenditures, and fund balance for the Dispatching Funds in a combined format. This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted to dispatch operations. This is commonly accomplished by means of a contractual agreement with outside entities which provide dispatching services for several districts.

- Schedule 4 presents additions, deductions, and fund balance for Pension Funds in a combined format. This fiduciary fund accounts for assets held in trust by the fire district or by an outside agency for the payment of retirement benefits and long-term disability benefits to eligible fire fighters. The funds' primary sources of revenue are property taxes and investment income.

- Schedule 5 presents revenues, expenditures, and fund balance for the Capital Project Funds in a combined format. This fund is used to account for the revenues and expenditures needed to finance the acquisition or construction of capital assets and improvements. The primary sources of revenues for this fund are bond proceeds, certificate of participation proceeds, investment income, and transfers from other funds.

- Schedule 6 presents the operations of the Debt Service Funds for the year ended December 31, 2006 and 2005, the amount of bonds outstanding (principal only), and the debt obligations of the districts for 2007 (principal and interest). This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest. The legal debt limit for a fire protection district is five percent of the fire protection district's assessed valuation. The reports submitted show that all fire protection districts with outstanding debt were within their statutory limits.

- Schedule 7 presents the capital asset balances of the districts at December 31, 2006 and 2005. The schedule represents capital assets acquired or constructed for general governmental purposes that are reported as expenditures in the fund that financed the acquisition or construction and capitalized at historical cost or estimated historical cost if actual historical cost is not available.

- Schedule 8 presents the assessed valuations of the individual fire protection districts as well as combined tax levies for each of the districts' various funds for the years ended December 31, 2006 and 2005.

- Schedule 9 is a listing of the audit fees and the name of the audit firm for each fire protection district for the years ended December 31, 2006 and 2005. This information was obtained from a questionnaire sent to the districts.

- Schedule 10 is a listing of total compensation paid to the fire district directors by each district during the years ended December 31, 2006 and 2005. The independent audit reports included the names of the principal officeholders during the years ended December 31, 2006 and 2005 and the compensation received by each official in the performance of his or her duty as established by Sections 321.190 and 321.603, RSMo.

- Schedule 11 is a summary of the various comments contained in the independent auditor's reports on compliance and internal control and in the management letters submitted to the State Auditor for the year ended December 31, 2006. These comments apply to individual fire protection districts unless otherwise noted. These comments extracted from the reports and management letters were not verified by the State Auditor's Office via additional audit procedures for accuracy, validity, or completeness.

The numbers presented in the schedules are from the individual fund financial statements in the audit reports. Interfund and equity transfers are included in the revenue and expenditure numbers on Schedules 1 through 6. Schedules 1, 2, 3, 5 and 6 represent governmental type funds and are accounted for on the modified accrual basis of accounting. The modified accrual basis recognizes revenues in the period in which they become available and measurable. Expenditures

are recognized in the accounting period in which the fund liability is incurred. Schedule 4 represents a fiduciary fund and is accounted for on the accrual basis of accounting. The accrual basis recognizes revenues when they are earned and expenses when they are incurred. In compliance with GASB Statement 34, the district reports also include a Government Wide Statement of Net Assets and a Government Wide Statement of Activities presented using the economic resources measurement focus and the accrual basis of accounting.

Limitations

Data presented in the schedules was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures. In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information. Reasons for some problems in comparison are:

1) The Pension Fund is presented differently by the fire districts. Ten districts offer defined contribution plans and seven offer defined benefit plans. Three districts offer both types and another offers a defined contribution plan and a supplemental defined benefit plan.

   Pension Revenue Funds for Affton, Community, Mehlville, Pattonville/Bridgeton Terrace, and Spanish Lake Fire Protection Districts were not included in the Schedule 4 noted above. These funds are revenue funds which present the pension levy taxes received and the payments to the fiduciary Pension Fund presented in Schedule 4. In three of these districts (Affton, Mehlville, and Spanish Lake) revenues equaled expenditures and no fund balance was presented for this revenue fund; however, the remaining two districts did have fund balances at year end in these funds. Information pertaining to these fire district funds can be obtained from the applicable fire district.

   In addition, four districts' (Lemay, Metro North, Monarch, and West County) audit reports do not include monies held in trust for employees in their fiduciary pension funds.

2) Some districts may have major bond issues or certificate of participation issues to finance capital improvements or major asset purchases. The proceeds from these monies are placed in a Capital Improvement Fund. Other districts save for these expenditures instead of issuing related debt by transferring monies to a Capital Improvement Fund or reserving the monies in the General Fund.

3) Some districts collect user fees and others may not.

4) Some districts have significant transfers to and from funds which causes disparity in comparison.

5) Some districts have reallocated expenses from the General Fund to the Ambulance Fund in an attempt to more accurately represent the actual use. This

has caused increases in General Fund balances and decreases in Ambulance Fund balances.

In addition, the medical self-insurance/benefit funds, internal service funds, of the Eureka, Lemay, and Monarch Fire Protection Districts have not been presented in the schedules noted above. Information pertaining to these fire district funds can be obtained from the applicable fire district.

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
GENERAL FUNDS

	Year Ended December 31,								
	2005					2006			
District	Beginning Fund Balance	Adjustments*	Revenues	Expenditures	Ending Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance
Affton	$ 4,733,972	37,148	3,462,170	3,923,264	4,310,026	0	3,787,858	3,230,196	4,867,688
Black Jack	4,810,788	0	5,373,122	4,333,838	5,850,072	0	6,036,194	4,418,536	7,467,730
Community	6,127,008	0	6,323,760	5,375,435	7,075,333	0	5,478,177	5,496,336	7,057,174
Creve Coeur	17,204,255	0	7,779,968	6,906,797	18,077,426	0	7,923,811	6,844,806	19,156,431
Eureka	1,509,754	0	2,060,530	2,101,455	1,468,829	0	2,546,891	2,370,667	1,645,053
Fenton	6,671,626	0	5,073,555	4,583,193	7,161,988	0	5,173,679	4,453,688	7,881,979
Florissant Valley	7,066,138	64,399	4,795,518	3,899,493	8,026,562	247,933	5,697,551	3,930,170	10,041,876
Lemay	1,259,345	0	1,653,634	1,351,834	1,561,145	0	1,709,059	1,467,359	1,802,845
Maryland Heights	9,543,912	0	5,214,381	6,072,056	8,686,237	0	5,195,848	4,624,217	9,257,868
Mehlville	14,960,714	0	14,073,347	13,873,903	15,160,158	0	11,768,414	9,975,943	16,952,629
Metro North	1,290,096	0	1,754,088	1,679,322	1,364,862	0	1,737,562	1,752,534	1,349,890
Metro West	7,585,878	0	8,203,571	6,814,389	8,975,060	0	9,266,648	6,647,770	11,593,938
Mid-County	1,726,327	0	1,727,066	1,847,190	1,606,203	0	2,908,408	1,913,778	2,600,833
Monarch	10,188,049	0	8,999,777	8,754,735	10,433,091	0	10,954,225	8,636,353	12,750,963
Normandy**	3,108,131	0	2,928,831	2,565,601	3,471,361	**	**	**	**
Pattonville/Bridgeton Terrace	9,166,036	0	7,331,315	6,783,256	9,714,095	0	8,781,498	7,462,972	11,032,621
Riverview	2,586,488	0	2,338,719	1,861,217	3,063,990	0	2,092,709	2,106,277	3,050,422
Robertson	5,270,370	133,781	2,542,414	3,135,037	4,811,528	0	4,009,050	3,149,086	5,671,492
Spanish Lake	1,962,173	0	2,207,175	2,104,190	2,065,158	0	2,214,094	2,181,923	2,097,329
Valley Park	1,827,837	0	1,839,124	1,489,207	2,177,754	0	1,966,374	1,976,852	2,167,276
West County EMS	6,638,744	21,320	5,204,019	5,009,310	6,854,773	0	7,058,463	5,222,683	8,882,739
West Overland	2,325,266	0	1,398,690	1,420,969	2,302,987	0	1,390,812	1,905,822	1,787,977
Total	$ 127,562,907	256,648	102,284,774	95,885,691	134,218,638	247,933	107,697,325	89,767,968	149,116,753

* Prior period adjustments made by the CPA firms.

****** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE
SPECIAL REVENUE-AMBULANCE

	Year Ended December 31,								
	2005					2006			
District	Beginning Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance
Affton	$ 1,935,113	0	1,327,343	1,301,662	1,960,794	0	1,463,893	1,256,266	2,168,421
Black Jack	0	0	0	0	0	0	0	0	0
Community	1,475,838	0	1,536,310	1,472,416	1,539,732	0	2,816,006	1,560,655	2,795,083
Creve Coeur	0	0	4,304,170	4,304,170	0	0	4,309,380	4,309,380	0
Eureka	737,365	0	1,351,763	1,234,195	854,933	0	1,312,462	1,329,756	837,639
Fenton	3,017,626	0	3,050,296	2,689,823	3,378,099	0	3,226,377	2,716,534	3,887,942
Florissant Valley	(429,396)	418,342	4,187,171	3,906,290	269,827	157,813	4,873,752	3,988,717	1,312,675
Lemay	432,901	0	830,824	870,305	393,420	0	785,633	789,839	389,214
Maryland Heights	(856,215)	0	3,362,654	1,447,221	1,059,218	0	2,607,546	1,891,340	1,775,424
Mehlville	5,310,010	0	7,836,405	6,865,059	6,281,356	0	5,926,530	5,328,384	6,879,502
Metro North	0	0	0	0	0	0	0	0	0
Metro West	4,968,065	0	4,363,353	5,239,735	4,091,683	0	5,509,766	5,414,051	4,187,398
Mid-County	0	0	174,728	174,728	0	0	241,735	241,735	0
Monarch	6,204,882	0	5,309,934	5,214,817	6,299,999	0	6,428,484	5,618,044	7,110,439
Normandy**	393,746	0	1,257,530	808,079	843,197	**	**	**	**
Pattonville/Bridgeton Terrace	2,863,882	0	2,455,524	2,327,076	2,992,330	0	2,637,393	2,295,714	3,334,009
Riverview	0	0	0	0	0	0	0	0	0
Robertson	303,087	124,352	1,482,812	1,551,499	358,752	0	2,228,453	1,502,236	1,084,969
Spanish Lake	0	0	0	0	0	0	0	0	0
Valley Park	697,142	0	613,728	605,397	705,473	0	631,475	582,986	753,962
West County EMS	2,784,313	9,015	2,386,892	2,331,596	2,848,624	0	2,837,172	2,498,065	3,187,731
West Overland	2,975	0	614,687	809,000	(191,338)	0	1,733,533	793,859	748,336
Total	$ 29,841,334	551,709	46,446,124	43,153,068	33,686,099	157,813	49,569,590	42,117,561	40,452,744

* Prior period adjustments made by the CPA firms.

****** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARTIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE-
SPECIAL REVENUE FUND-DISPATCHING

	Year Ended December 31,								
	2005					2006			
District	Beginning Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance
Affton	$ 105,837	0	114,304	131,504	88,637	0	125,534	142,477	71,694
Black Jack	0	0	219,971	219,971	0	0	265,699	265,699	0
Community	16,211	0	179,307	176,828	18,690	0	172,972	180,770	10,892
Creve Coeur	48,506	0	571,545	571,545	48,506	0	583,653	583,653	48,506
Eureka	53,920	0	79,034	56,430	76,524	0	93,445	113,209	56,760
Fenton	520,354	0	420,013	327,603	612,764	0	448,285	315,151	745,898
Florissant Valley	313,748	0	321,816	205,034	430,530	17,942	399,910	324,845	523,537
Lemay	67,007	0	81,886	48,648	100,245	0	71,203	51,443	120,005
Maryland Heights	233,149	0	301,130	416,832	117,447	0	315,803	400,549	32,701
Mehlville	1,606,194	0	139,164	693,281	1,052,077	0	476,827	637,532	891,372
Metro North	0	0	34,010	33,731	279	0	106,468	97,044	9,703
Metro West	338,553	0	664,294	677,140	325,707	0	725,190	776,671	274,226
Mid-County	19,117	0	52,956	71,448	625	0	59,243	46,421	13,447
Monarch	845,612	0	693,867	1,129,196	410,283	0	940,505	541,877	808,911
Normandy**	(1,023)	0	103,252	108,283	(6,054)	**	**	**	**
Pattonville/Bridgeton Terrace	20,172	0	282,401	160,607	141,966	0	330,112	352,617	119,461
Riverview	0	0	62,824	62,824	0	0	55,169	55,169	0
Robertson	34,688	0	104,598	130,559	8,727	0	169,098	131,564	46,261
Spanish Lake	68,629	0	88,420	82,593	74,456	0	87,514	118,145	43,825
Valley Park	43,082	0	60,215	56,025	47,272	0	63,089	57,611	52,750
West County EMS	316,235	2,274	305,812	299,381	324,940	0	347,140	317,293	354,787
West Overland	90,829	0	85,958	73,495	103,292	0	86,803	86,479	103,616
Total	$ 4,740,820	2,274	4,966,777	5,732,958	3,976,913	17,942	5,923,662	5,596,219	4,328,352

* Prior period adjustments made by the CPA firms.
****** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF ADDITIONS, DEDUCTIONS, AND FUND BALANCE-
FIDUCIARY FUNDS (PENSION FUNDS)

	Year Ended December 31,								
	2005					2006			
District	Beginning Fund Balance	Adjustments*	Additions	Deductions	Ending Fund Balance	Adjustments *	Additions	Deductions	Ending Fund Balance
Affton ***	$ 4,341,996	0	509,188	969,846	3,881,338	0	603,694	174,133	4,310,899
Black Jack	4,826,175	46,012	860,030	583,775	5,148,442	0	1,261,891	294,494	6,115,839
Community ***	8,933,298	0	1,271,335	155,368	10,049,265	0	1,982,558	64,073	11,967,750
Creve Coeur	21,656,542	98,817	2,218,136	764,245	23,209,250	0	3,741,400	406,847	26,543,803
Eureka	4,833,672	0	638,003	83,480	5,388,195	0	951,258	80,513	6,258,940
Fenton	16,399,318	0	1,432,374	295,308	17,536,384	0	2,648,411	321,349	19,863,446
Florissant Valley	7,207,692	0	1,513,609	10,510	8,710,791	35,886	1,913,184	68,066	10,591,795
Lemay **	140,331	0	169,433	154,668	155,096	0	139,240	160,319	134,017
Maryland Heights	12,733,442	0	1,742,071	322,894	14,152,619	0	2,107,212	1,141,537	15,118,294
Mehlville ***	39,034,787	-88,035	3,875,674	5,301,674	37,520,752	0	5,190,125	2,624,419	40,086,458
Metro North ****	3,820,664	0	373,537	422,317	3,771,884	-3,542,486	278,587	280,012	227,973
Metro West	22,556,408	0	2,539,744	820,956	24,275,196	0	3,793,977	878,325	27,190,848
Mid-County	1,190,759	0	328,331	68,369	1,450,721	0	479,933	520,173	1,410,481
Monarch **	0	0	1,615,022	1,615,022	0	0	1,759,978	1,759,978	0
Normandy *****	201,473	0	205,822	241,404	165,891	*****	*****	*****	*****
Pattonville/Bridgeton Terrace ***	14,963,271	0	2,067,390	553,886	16,476,775	0	3,020,479	609,988	18,887,266
Riverview	2,961,805	0	568,057	428,689	3,101,173	0	682,903	19,748	3,764,328
Robertson	6,726,311	0	1,026,565	212,710	7,540,166	0	1,604,053	706,499	8,437,720
Spanish Lake ***	5,054,811	0	539,015	878,349	4,715,477	0	487,941	24,275	5,179,143
Valley Park	2,174,828	0	286,400	155,506	2,305,722	0	416,624	17,400	2,704,946
West County EMS**	378,958	-40,378	919,764	807,385	450,959	0	941,319	881,697	541,350
West Overland	5,775,575	0	572,785	125,182	6,223,178	0	897,842	95,591	7,025,429
Total	$ 185,912,116	16,416	25,272,285	14,971,543	196,229,274	-3,506,600	34,902,609	11,129,436	216,360,725

* Prior period adjustments made by the CPA firms.

** Monies held for employees are not included in the financial statements.

*** Districts have a Pension Revenue Fund that is not included on this schedule.

**** In 2005, the monies held for the employees were included in the financial statements for Metro North Fire Protection District. In 2006 these amounts have been removed.

********* Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND FUND BALANCE-
CAPITAL PROJECT FUNDS

	Year Ended December 31,							
	2005					2006		
District	Beginning Fund Balance	Adjustments*	Revenues	Expenditures	Ending Fund Balance	Revenues	Expenditures	Ending Fund Balance
Affton	$ 1,566,551	(280,459)	19,246	378,414	926,924	33,082	148,724	811,282
Black Jack	6,679,563	0	2,242,812	3,307,285	5,615,090	241,462	1,889,327	3,967,225
Community	8,330,755	0	3,151,645	4,077,381	7,405,019	278,793	2,234,504	5,449,308
Creve Coeur	0	0	0	0	0	0	0	0
Eureka	46,462	0	148,215	11,782	182,895	145,145	138,059	189,981
Fenton	0	0	0	0	0	0	0	0
Florissant Valley	2,708,008	0	5,058,649	1,018,529	6,748,128	5,538,457	1,673,011	10,613,574
Lemay	0	0	0	0	0	0	0	0
Maryland Heights	0	0	0	0	0	0	0	0
Mehlville	0	0	0	0	0	0	0	0
Metro North	85,302	0	216	76,233	9,285	78,322	104,784	(17,177)
Metro West	6,394,900	0	112,489	3,756,536	2,750,853	2,681,323	1,072,315	4,359,861
Mid-County	1,146,837	0	20,399	409,598	757,638	28,656	196,506	589,788
Monarch	4,291,610	0	117,424	893,008	3,516,026	115,484	1,895,606	1,735,904
Normandy**	0	0	0	0	0	**	**	**
Pattonville/Bridgeton Terrace	0	0	0	0	0	0	0	0
Riverview	176,676	0	3,643	25,596	154,723	5,174	51,564	108,333
Robertson	858,465	0	17,382	78,418	797,429	10,398	406,180	401,647
Spanish Lake	318,582	0	291	79,551	239,322	524	36,269	203,577
Valley Park	0	0	0	0	0	0	0	0
West County EMS	2,915,904	0	79,017	319,119	2,675,802	128,078	355,250	2,448,630
West Overland	1,957,020	0	15,352	1,643,240	329,132	18,242	186,298	161,076
Total	$ 37,476,635	(280,459)	10,986,780	16,074,690	32,108,266	9,303,140	10,388,397	31,023,009

* Prior period adjustments made by the CPA firms.

****** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 6

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, FUND BALANCE, AND BOND OBLIGATIONS-
DEBT SERVICE FUNDS

	Year Ended December 31,									
	2005					2006				Outstanding Bonds at
District	Beginning Fund Balance	Adjustments*	Revenues	Expenditures	Ending Fund Balance	Revenues	Expenditures	Ending Fund Balance	2007 Obligations	December 31, 2006
Affton*	$ 0	0	0	0	0	0	0	0	0	0
Black Jack	1,308,113	0	905,152	614,530	1,598,735	979,595	810,871	1,767,459	837,431	9,575,000
Community	1,411,167	0	1,187,603	694,819	1,903,951	2,039,748	1,068,281	2,875,418	1,058,794	11,150,000
Creve Coeur	0	0	0	0	0	0	0	0	0	0
Eureka	723,381	0	2,282,791	2,515,730	490,442	473,438	297,805	666,075	269,072	2,275,000
Fenton	0	0	0	0	0	0	0	0	0	0
Florissant Valley	681,517	0	930,969	294,813	1,317,673	1,232,378	747,169	1,862,011	1,287,287	13,600,000
Lemay	257,190	0	97,694	159,580	195,304	9,220	160,030	44,494	0	0
Maryland Heights	0	0	0	0	0	0	0	0	0	0
Mehlville*	0	0	0	0	0	0	0	0	0	0
Metro North	113,736	0	61,392	61,851	113,277	66,715	55,810	124,182	64,200	320,000
Metro West	1,638,332	0	626,815	832,201	1,432,946	1,317,539	851,503	1,898,982	1,129,890	7,825,000
Mid-County	853,928	0	272,587	413,972	712,543	307,031	355,999	663,575	349,086	4,225,000
Monarch	665,429	0	659,905	581,600	743,734	678,535	595,118	827,151	629,331	3,400,000
Normandy**	73,085	0	26,069	70,104	29,050	**	**	**	**	**
Pattonville/Bridgeton Terrace	90,517	0	64,551	71,038	84,030	166,209	69,512	180,727	67,844	900,000
Riverview	302,525	0	126,879	130,267	299,137	90,958	131,112	258,983	125,413	560,000
Robertson	721,812	0	387,000	346,610	762,202	361,931	336,705	787,428	350,625	2,500,000
Spanish Lake	636,754	0	2,483,181	2,741,294	378,641	289,885	296,550	371,976	279,348	1,935,000
Valley Park	151,170	0	78,280	75,245	154,205	6,548	76,229	84,524	77,175	75,000
West County EMS	1,697,232	7,769	810,769	856,270	1,659,500	541,456	863,403	1,337,553	845,565	10,050,000
West Overland	762,630	0	168,621	333,365	597,886	459,545	331,837	725,594	333,814	2,195,000
Total	$ 12,088,518	7,769	11,170,258	10,793,289	12,473,256	9,020,731	7,047,934	14,476,132	7,704,875	70,585,000

* In addition to the bond obligations listed above, the Affton and Mehlville Fire Protection Districts have issued certificates of participation (COPS). As of December 31, 2006, Affton's outstanding COPS balance was $5,890,000, with a 2007 obligation of $470,766. Mehlville's outstanding COPS balance and 2007 obligation was $3,150,000 and $286,168, respectively.

****** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 7

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF CAPITAL ASSETS

	December 31, 2006				December 31, 2005			
District	Land and Building	Furniture and Equipment	Less Accumulated Depreciation	Total	Land and Building	Furniture and Equipment	Less Accumulated Depreciation	Total
Affton	$ 5,591,520	2,079,254	1,558,654	6,112,120	5,582,420	2,073,986	1,343,234	6,313,172
Black Jack	5,302,550	2,889,077	1,131,419	7,060,208	4,537,809	2,628,267	1,245,062	5,921,014
Community	6,201,905	3,087,103	1,992,584	7,296,424	4,494,862	2,709,199	1,693,184	5,510,877
Creve Coeur	9,838,592	3,631,673	3,480,070	9,990,195	9,838,592	3,211,569	3,071,065	9,979,096
Eureka	2,612,440	2,973,104	3,193,608	2,391,936	2,612,440	2,640,806	2,892,562	2,360,684
Fenton	3,892,918	3,023,496	3,362,488	3,553,926	3,869,298	2,943,958	3,082,398	3,730,858
Florissant Valley	2,827,071	3,063,585	1,497,149	4,393,507	3,368,033	3,101,380	3,055,790	3,413,623
Lemay	1,809,195	907,597	1,196,709	1,520,083	1,809,195	891,709	1,099,571	1,601,333
Maryland Heights	3,937,176	2,960,405	3,453,668	3,443,913	3,896,115	2,699,515	3,219,842	3,375,788
Mehlville	9,185,049	6,708,348	6,402,024	9,491,373	9,185,049	6,588,856	6,109,958	9,663,947
Metro North	276,997	760,228	525,057	512,168	203,997	745,383	475,060	474,320
Metro West	10,564,267	6,460,993	5,350,683	11,674,577	9,891,775	6,596,904	5,156,428	11,332,251
Mid-County	3,350,923	1,134,474	615,050	3,870,347	3,280,580	1,133,213	418,708	3,995,085
Monarch	13,673,167	6,876,725	8,674,304	11,875,588	11,872,902	6,733,101	7,858,166	10,747,837
Normandy*	*	*	*	*	767,546	1,772,224	1,058,510	1,481,260
Pattonville/Bridgeton Terrace	3,375,981	3,038,408	3,156,394	3,257,995	3,368,033	3,101,380	3,055,790	3,413,623
Riverview	1,231,502	1,472,458	1,831,269	872,691	1,212,627	1,387,033	1,895,037	704,623
Robertson	4,792,642	2,331,024	1,947,212	5,176,454	2,636,987	2,289,117	1,704,665	3,221,439
Spanish Lake	2,240,516	1,500,643	1,170,815	2,570,344	2,237,716	1,481,476	985,407	2,733,785
Valley Park	1,454,247	2,003,710	1,672,495	1,785,462	1,454,247	1,718,919	1,710,498	1,462,668
West County EMS	2,192,427	7,767,816	2,586,017	7,374,226	6,904,951	4,361,256	3,131,098	8,135,109
West Overland	2,047,809	1,214,679	967,131	2,295,357	1,995,415	1,160,160	905,003	2,250,572
Total	$ 96,398,894	65,884,800	55,764,800	106,518,894	95,020,589	61,969,411	55,167,036	101,822,964

***** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 8

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF ASSESSED VALUATION AND COMBINED TAX LEVIES
YEARS ENDED DECEMBER 31, 2006 AND 2005

			Combined Tax Levy per $100 of Assessed Valuation							
	Assessed Valuation		Residential		Agricultural		Commercial		Personal Proper	
District	2006	2005	2006	2005	2006	2005	2006	2005	2006	200
Affton	$ 477,147,207	473,654,515	0.9390	0.9420	0.9240	0.9240	1.0230	1.0230	1.0670	1.0
Black Jack	587,906,834	555,286,388	1.2080	1.2090	1.2970	1.3070	1.1660	1.2940	1.2970	1.3
Community	541,240,471	536,566,381	1.8910	1.5160	0.3530	0.2500	1.9780	1.7290	1.9830	1.7
Creve Coeur	1,206,485,072	1,185,373,057	0.9430	0.9670	0.8410	0.6160	1.0020	1.0490	1.0420	1.0
Eureka	321,044,144	301,810,811	1.1945	1.1986	1.1945	1.1986	1.1945	1.1986	1.1945	1.1
Fenton	896,744,869	879,918,617	0.7690	0.7670	0.9480	0.9790	0.9390	0.9280	0.9640	0.9
Florissant Valley	804,447,531	791,689,854	1.1240	1.1270	1.3320	1.3240	1.2940	1.2850	1.3070	1.3
Lemay	176,303,845	172,835,453	1.1630	1.1680	1.2900	1.2900	1.3450	1.2710	1.3900	1.3
Maryland Heights	631,661,055	607,811,070	1.2570	1.2670	1.2370	1.2390	1.3040	1.3180	1.3480	1.3
Mehlville	2,146,719,542	2,091,980,224	0.6930	0.8550	0.8800	1.1330	0.7040	0.8370	0.7280	0.9
Metro North	125,437,500	124,310,203	1.6688	1.6472	0.0530	0.0490	1.5829	1.6224	1.8230	1.8
Metro West	1,581,342,782	1,546,382,629	0.8950	0.8970	1.1900	1.0930	1.1100	1.0380	1.0870	1.0
Mid-County	131,519,000	128,652,504	2.3297	1.8597	0.1620	0.1920	2.4224	1.9504	2.4420	1.9
Monarch	1,838,790,751	1,779,756,402	0.0000	0.9330	0.0000	1.1940	0.0000	1.0730	0.0000	1.0
Normandy	195,661,302	190,721,829	1.7655	1.7421	1.6801	1.6609	1.7861	1.9230	1.9500	1.9
Pattonville/Bridgeton Terrace	748,479,438	729,376,925	1.3220	1.3230	1.4440	0.6390	1.4250	1.4050	1.4440	1.4
Riverview	145,952,741	143,504,447	1.5991	1.6145	1.8082	1.8202	1.7938	1.7796	1.8014	1.8
Robertson	315,706,851	306,590,333	1.6800	1.7620	1.6800	1.7620	1.6800	1.7620	1.6800	1.7
Spanish Lake	176,667,480	173,514,400	1.5870	1.6082	1.5773	0.4360	1.4177	1.6410	1.5870	1.6
Valley Park	213,156,383	209,770,507	1.1680	1.2090	1.3100	1.3460	1.1910	1.1950	1.3100	1.3
West County EMS	672,119,772	660,598,158	0.7820	0.8440	0.7760	0.8370	0.7860	0.8420	0.8400	0.9
West Overland	167,117,620	177,246,903	1.7970	1.1380	0.2670	0.0930	1.8070	1.1600	1.8270	1.2

Schedule 9

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF FEES FOR AUDIT SERVICES

District	2006 Audit Firm	2006 Audit Fees	2005 Audit Fees
Affton	Hochschild, Bloom & Co.	$ 9,500	10,400
Black Jack	Bergman Schraier & Co.	9,600	9,400
Community	Westerheide & Company	16,000	16,000
Creve Coeur	Bergman Schraier & Co.	14,200	13,800
Eureka	McCoy & Associates	8,375	9,650
Fenton	Ahrens & Hoelscher	8,300	7,650
Florissant Valley	Botz, Deal & Co.	8,250	7,900
Lemay	Sailor, Khan & Co.	7,400	6,800
Maryland Heights	McCoy & Associates	6,800	6,200
Mehlville	Hochschild, Bloom & Co.	13,000	12,500
Metro North *	Botz, Deal & Co.	7,500	8,850
Metro West	Hochschild, Bloom & Co.	12,500	12,000
Mid-County	Botz, Deal & Co.	6,550	6,100
Monarch	Hochschild, Bloom & Co.	15,450	14,950
Normandy**	**	**	**
Pattonville/Bridgeton Terrace ***	Botz, Deal & Co.	14,900	34,004
Riverview	Don Blair	2,500	2,400
Robertson	Botz, Deal & Co.	7,350	6,800
Spanish Lake	Kerber, Eck & Braeckel	7,100	6,750
Valley Park	Ahrens & Hoelscher	7,200	7,325
West County EMS	Schowalter & Jabouri	12,300	12,480
West Overland	McCoy & Associates	9,360	9,720

*In 2005 the audit was performed by McCoy & Associates.

**In 2005 the audit was performed by McCoy & Associates. There was no audit for the year ended December The district did not provide the cost of the 2005 audit.

***In 2005 the audit was performed by Schowalter & Jabouri.

Schedule 10

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF COMPENSATION PAID TO DIRECTORS BY DISTRICT

District		2006	2005
Affton	$	10,967	14,950
Black Jack		31,850	30,150
Community		32,000	32,000
Creve Coeur		16,492	27,608
Eureka		7,900	7,000
Fenton		14,600	14,000
Florissant Valley		31,800	26,024
Lemay		25,200	24,499
Maryland Heights		31,983	*
Mehlville		5,301	10,469
Metro North		30,800	30,800
Metro West		26,000	25,600
Mid-County		31,733	30,256
Monarch		29,445	26,388
Normandy**		**	30,839
Pattonville/Bridgeton Terrace		31,350	31,750
Riverview		31,000	28,866
Robertson		31,337	32,000
Spanish Lake		30,800	31,900
Valley Park		14,300	16,600
West County EMS		24,717	28,913
West Overland		31,917	30,800

* This information was not reported in the Maryland Heights Fire Protection District report.
****** Normandy Fire Protection District did not submit a report for the year ended December 31, 2006.

Schedule 11

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY
SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS
IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 2006

Expenditures/Purchasing/Liabilities

- A district was missing invoices for two consecutive months.
- A district recorded invoices when paid instead of when received and liabilities were estimated by management.
- Because certain expenditures were not adequately supported and verified, a district paid personal expenses of an employee.
- A district board was not adequately reviewing invoices.
- An annual physical inventory of medical supplies was not conducted.
- The purchase of fire turnout gear was accounted for as a capital expenditure.

Accounting Records and Procedures

- Two districts did not have a written accounting procedures manual.
- A district's policies and procedures for posting audit adjustments were not performed consistently.
- Interfund activity was not reconciled monthly.
- Signature cards at the bank had not been updated for the changes in the board for the checking and payroll accounts.
- General ledgers for some of the funds were not in balance by immaterial amounts.
- Fund balance accounts in the general ledger for the individual funds were not closed out for prior year activity.
- Two districts needed to implement GASB 43 and 45 concerning post employment benefits.
- A district did not have controls over external financial reporting. The district prepared internal statements; however, they did not include notes or GASB 34 adjustments or management discussion and analysis for external financial reporting.

- In two districts, third party service providers had not obtained audits.

- A general ledger was not provided with the monthly financial statements and the accountant for a district had to recreate the general ledger for the audit.

- A district's policies and procedures for recording and reconciling cash and investment activity were not properly planned or performed. Various accounting errors in amounts material to the financial statements occurred including the understatement of tax revenues and taxes receivable, erroneous postings to fund balance accounts, erroneous postings to certificates of deposit accounts, and omitted investment reconciliations.

- There was no subsequent review or approval of entries made to the general ledger.

- A district does not use accounting software to process receipts.

- Outstanding checks were not written off or turned over to the state.

- There was a lack of segregation of duties.

- The board needed to implement a program of overseeing and monitoring the district's internal control.

- A district did not have all the components of its internal controls documented in writing.

- A district did not perform a risk assessment.

- Bank reconciliations were not reviewed by the Treasurer.

<u>Revenues</u>

- A district was not charging for permits or inspections.

- A district's petty cash system was used to process building permit revenues.

- A district did not maintain accounts receivable records for ambulance fees or taxes.

- A district was not using prenumbered documents when they issued permits.

- Cash received was not reconciled to the general ledger and deposit.

- Ambulance billing and collection procedures were not well documented in an accounting manual.

- A district should consider revising its current collection policy for ambulance calls.

- Internal controls could be improved relative to ensuring all billable ambulance runs are actually billed in accordance with the rates and terms approved by the district, that all billed runs are either collected or otherwise made subject to collection procedures, that uncollectible runs are adjusted or written off in accordance with district policy, and that the billing and collection of ambulance runs is accurately and timely reflected in the district's accounting records.

Investments

- In two districts no written investment policy was adopted.

- Interest on certificates of deposit was not recorded and added to the investment balance until maturity.

- A district owned stock which is not allowed by Missouri law.

- A district could have increased its investment earnings by investing in accounts such as those issued by the federal government.

- A district failed to identify ownership of stock and include it in the financial statements for five years.

- Investment policies were not followed.

Capital Assets

- Some assets were not entered into the depreciation system.

- The depreciation schedule did not allocate depreciation by function.

- The capital asset policy was not properly implemented in regards to disposals. Capital assets were not reported to the finance department upon disposition.

Budgetary Procedures

- Expenditures exceeded the budgetary appropriations in various funds.

- Expenditures over budgeted amounts should be investigated and explained.

- A board did not adopt budget amendments as necessary throughout the year.

- Changes to the budget were not adequately documented and approved by the board.

- The budget amount for interest was much less than the actual amount received and the

budget amount for inspections and permit fee income was much less than actual amounts received.

- The budget amount for salaries should be reviewed due to the change in the way overtime is paid.

- A district amended every fund after the end of the year to match the budget to actual figures.

Payroll and Employee Benefits

- A district did not require timesheets to be completed by the administrative staff.

- A district did not compute sick pay liability.

- A district had not engaged an actuary to determine the potential liability the district would incur in connection with adopting a postemployment healthcare plan.

- A district was operating under an old employee manual which did not include updates for benefit changes.

- A district did not have a written policy on compensated absences.

- The payroll summary report should be used each month to record payroll transactions. All withholdings and deductions should be posted to the general ledger in detail. Deductions from paychecks to reimburse for expenses should be posted as reductions to the appropriate expense accounts. Payroll withholdings should be posted to individual liability accounts to insure all subsequent remittances are made properly.

- Employees who process payroll had the capability to make data changes to the payroll processing file.

Pledged Securities

- Three districts' policies and procedures for reviewing the adequacy of securities pledged to collateralize its deposits were not properly planned or performed.

APPENDICES

Appendix A

Missouri Revised Statutes

Chapter 321
Fire Protection Districts
Section *321.690*

Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 merged with S.B. 346, A.L. 1998 H.B. 1847)

Rules of
Elected Officials
Division 40—State Auditor
Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

Title		Page
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15 CSR 40-4.020	Standards for Auditing and Financial Reporting	3
15 CSR 40-4.030	Contents of Audit Reports	3
15 CSR 40-4.040	Scope of Audit	4

Title 15—ELECTED OFFICIALS
Division 40—State Auditor
Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

15 CSR 40-4.010 Requirements for Districts

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of noncompliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.020 Standards for Auditing and Financial Reporting

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.030 Contents of Audit Reports

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.040 Scope of Audit

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

Auth: section 321.690, RSMo (Cum. Supp. 1993). Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

Susan Montee, CPA
Missouri State Auditor

November 2007

Fourteenth Judicial Circuit

City of Glasgow, Missouri Municipal Division

Report No. 2007-68

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

YELLOW SHEET

An audit was conducted by our office of the Fourteenth Judicial Circuit, city of Glasgow, Missouri Municipal Division.

The city of Glasgow Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The Court Clerk/City Collector is responsible for receiving, recording, and depositing monies. As a result, the accounting and bookkeeping duties are not adequately segregated. While the City Clerk prepares disbursement checks and performs month-end bank reconciliations, no independent reconciliations of receipts and deposits are performed. In addition, the composition of receipt slips issued is not reconciled to the composition of bank deposits.

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FOURTEENTH JUDICIAL CIRCUIT
CITY OF GLASGOW, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
Glasgow, Missouri

We have audited certain operations of the city of Glasgow Municipal Division of the Fourteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Glasgow Municipal Division of the Fourteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Terese Summers, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

FOURTEENTH JUDICIAL CIRCUIT
CITY OF GLASGOW, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Accounting Controls and Procedures

Accounting and bookkeeping duties are not adequately segregated, and the composition of receipt slips issued is not reconciled to the composition of bank deposits.

A. Accounting and bookkeeping duties are not adequately segregated and no independent reconciliations of receipts and deposits are performed. The Court Clerk/City Collector is responsible for receiving, recording, and depositing monies. While the City Clerk does prepare disbursement checks and perform month-end bank reconciliations, no independent reconciliations of receipts and deposits are performed.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, depositing, and recording monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. The composition of receipt slips issued is not reconciled to the composition of bank deposits. Cash, checks, and money orders are accepted for payment of fines and court costs and monies are deposited into the city's bank account. Receipt slips issued by the municipal division indicate the method of payment received; however, a composition reconciliation is not performed.

   To adequately account for collections and reduce the risk of loss or misuse of funds, the composition of collections should be reconciled to the composition of deposits.

WE RECOMMEND the city of Glasgow Municipal Division:

A. Adequately segregate the duties of receiving, depositing, and recording monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a periodic documented independent comparison of receipt slips issued to amounts deposited.

B. Reconcile the composition of collections to the composition of deposits.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk/City Collector, and the City Clerk provided the following responses:

A. We are now implementing a procedure where the City Clerk initials all municipal court receipts issued to ensure that receipt slips compare to the amount deposited.

B. The receipt slips that we issue for municipal court are always noted if payment was cash, check, or money order. Utility receipt slips are also noted if they are paid in cash. We will implement a better procedure for smaller miscellaneous collections as to whether it was paid in cash, check, or money order. This will allow us to reconcile the composition of collections to the composition of deposits.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

FOURTEENTH JUDICIAL CIRCUIT
CITY OF GLASGOW, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Glasgow Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Ronald Schaefer
Court Clerk/City Collector	Debbi Haskamp
City Clerk	Elizabeth Atkinson*

* Stephanie Lewis served as City Clerk prior to January 2007.

Financial and Caseload Information

	Year Ended June 30,	
	2007	2006
Receipts	$ 5,840	9,700
Number of cases filed	79	127

Susan Montee, CPA
Missouri State Auditor

November 2007

Thirteenth Judicial Circuit

City of Centralia, Missouri
Municipal Division

Report No. 2007-67

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

November 2007

YELLOW SHEET

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Centralia, Missouri Municipal Division.

The city of Centralia Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

Although the municipal division maintains a listing of bonds collected and disbursed, bond liabilities are not reconciled monthly to the city's records of bond monies held in trust.

The municipal division provides prenumbered bond forms to the Centralia Police Department for use in documenting bonds received. However, neither the police department nor the municipal division account for the numerical sequence of the bond forms. In addition, neither the police department nor the municipal division adequately account for the numerical sequence and ultimate disposition of tickets issued.

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THIRTEENTH JUDICIAL CIRCUIT
CITY OF CENTRALIA, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Associate Circuit Judge
Centralia, Missouri

We have audited certain operations of the city of Centralia Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended March 31, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Centralia Municipal Division of the Thirteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Terese Summers, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Accounting Controls and Procedures

The numerical sequence of bond forms is not accounted for and bond open items are not reconciled to the city's records. In addition, neither the police department nor the municipal division adequately account for the numerical sequence and ultimate disposition of tickets issued.

A. The following concerns relating to bonds were noted:

1. The municipal division provides prenumbered bond forms to the Centralia Police Department for use in documenting bonds received. However, neither the police department nor the municipal division account for the numerical sequence of bond forms.

   To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, the numerical sequence of bond forms should be accounted for.

2. Bond monies received by the municipal division are transmitted to the city for deposit into the city's General Fund. Although the municipal division does maintain a listing of bonds collected and disbursed, bond open items (liabilities) are not reconciled monthly to the city's records of bond monies held in trust.

   As of March 31, 2007, we identified approximately $1,400 in bond open items using the municipal division's bond listing. In comparison, the city's records identified a balance of approximately $700, which is $700 less than the open items list. The Court Clerk indicated that in the past, bonds were not tracked very well; however, the court is in the process of improving bond records and reconciliations.

   Reconciliation of bond open items to city records on a monthly basis is necessary to ensure proper accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

B. Neither the police department nor the municipal division adequately account for the numerical sequence and ultimate disposition of tickets issued. The police department maintains a log of ticket books assigned to officers and a copy of each ticket issued is maintained in a case file. However, the cases are filed by

defendant name and no records are maintained to track the numerical sequence of tickets issued or to record the ultimate disposition of all tickets. In addition, the municipal division records each ticket received from the police department; however, the numerical sequence is not reviewed.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured that all tickets issued are properly submitted to the court. A log listing each ticket number, the date issued, and the defendant's name would ensure all tickets issued are submitted to the municipal division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Centralia Municipal Division:

A.1. Work with the police department to ensure records are maintained to account for the numerical sequence of bond forms.

2. Reconcile monthly listings of bond open items to monies held in trust by the city.

B. Work with the police department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

A.1. The court has established a system to account for the numerical sequence of bond forms.

2. The court has established a system which will allow them to account for bond monies, and which will account for those monies still being held in trust by the city.

B. Judge Schneider is planning to meet with the prosecutor and the police chief to discuss the issue of accounting for all traffic ticket numbers. This meeting is currently scheduled for November 14.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF CENTRALIA, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Centralia Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality, the county, or the state of Missouri, as applicable.

Personnel

Associate Circuit Judge	Leslie Schneider*
City Clerk/City Collector/Court Clerk	Kathy Colvin
Assistant Court Clerk	Heather Lockett

* Christopher Kelly served as the Associate Circuit Judge prior to January 2007. Carol England served as the Associate Circuit Judge from January 2007 to April 2007.

Financial and Caseload Information

	Year Ended March 31,	
	2007	2006
Receipts	$ 80,970	64,940
Number of cases filed	1,202	789

Susan Montee, CPA
Missouri State Auditor

October 2007

Thirteenth Judicial Circuit

City of Fulton, Missouri
Municipal Division

Report No. 2007-66

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Fulton, Missouri Municipal Division.

The city of Fulton Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The current Court Clerk does not reconcile the composition of the receipt slips to the composition of the bank deposits. Checks and money orders are not restrictively endorsed and bank reconciliations are not prepared for the municipal division's bank account. In addition, the duties of receiving, recording, depositing, and disbursing monies collected by the court, as well as reconciling the municipal division's account, are not adequately segregated.

Fines, court costs, and fees are not being disbursed in accordance with state law. These fees have been allowed to accumulate in the court's account since January 2007. As of July 2007, a total of $36,890 remained in the account that should be paid to either the city or to the state as required. In addition, the Court Clerk does not file a monthly report with the city of all cases heard in court and the related fines and court costs collected.

A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained, and the current Court Clerk does not monitor or review the open cases to follow up on uncollected amounts. In addition, closed case files are not available for review and the court's computer system maintains information for all cases processed by the court and all financial activities of the court; however, court data is not backed up to prevent loss of information. Also, the Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets.

The Court Clerk does not ensure all overtime parking tickets issued are received from the Meter Enforcement Officer with the ticket log. Monies received from overtime parking tickets are not deposited intact and in a timely manner, and the overtime parking collections are not kept in a secure location until the time of deposit. Payments of overtime parking tickets are not posted to the parking ticket log in a timely manner.

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THIRTEENTH JUDICIAL CIRCUIT
CITY OF FULTON, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Associate Circuit Judge
Fulton, Missouri

We have audited certain operations of the city of Fulton Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Fulton Municipal Division of the Thirteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	James Samek
	Heather Stiles

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Policies and Procedures

Checks and money orders are not restrictively endorsed, the composition of the receipt slips is not reconciled with the composition of the bank deposits, and the numerical sequence of receipt slips is not always accounted for properly. Duties are not properly segregated and bank reconciliations are not prepared. Furthermore, fees are not turned over to the state and the city monthly in accordance with state law, and the Court Clerk does not file a monthly report with the city of all cases heard in court. Accounts receivable records are not complete and there are no procedures in place to monitor or review open cases to follow up on uncollected amounts. Finally, case files were not available for review, and computer backup disks of the court information system are not prepared and stored at a secure off-site location.

A. The following concerns relating to receipts were noted:

1. Checks and money orders are not restrictively endorsed. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

2. The current Court Clerk does not reconcile the composition of the receipt slips to the composition of the bank deposits. According to the clerk, if cash, check, or money order is not specified when making an entry into the computerized court accounting system, the system automatically records the transaction as a cash transaction. Because the clerk does not reconcile the composition of the receipt slips to the composition of the bank deposits, she doesn't detect and correct these entry errors. For example, a deposit dated June 11, 2007, showed that $69.50 was deposited in cash, while court receipts indicated cash receipts of $846.50. Information was obtained from the bank which indicated $69.50 was the correct amount of cash deposited, and the remaining $777 was actually paid with check or money order and not correctly entered into the computer system by the current Court Clerk.

   To ensure all receipts are deposited intact, the composition of each collection should be accurately recorded and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

3. The numerical sequence of receipt slips is not always accounted for properly. The former Court Clerk would account for the numerical

sequence of receipt slips monthly by reviewing a report which indicated each receipt slip by number, and a second report which indicated each receipt number which was voided. The current Court Clerk has not reviewed these reports, nor taken any steps to account for the numerical sequence of receipt slips by any other means. Accounting for the numerical sequence of receipt slips is necessary to ensure proper recording and accountability of collections.

B. The duties of receiving, recording, depositing, and disbursing monies collected by the court as well as reconciling the municipal division's account are not adequately segregated. The former Court Clerk performed all of these duties, and now the current Court Clerk is responsible for these same duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Although the Associate Circuit Judge indicated she reviews the court dockets and individual case files, internal controls could be improved by implementing an independent, documented comparison of the court docket to recorded receipts and bank statements and a periodic review of bank reconciliations.

C. Bank reconciliations are not prepared for the municipal division's bank account. The former Court Clerk prepared bank reconciliations monthly; however, the last reconciliation she prepared prior to her resignation was for the month of January 2007. The current Court Clerk was hired in March 2007 and has not prepared a bank reconciliation in the five months she has been in the position. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with the bank account and to detect errors on a timely basis.

D. Fines, court costs, and fees are not being disbursed in accordance with state law. In addition, the Court Clerk does not file a monthly report with the city of all cases heard in court and the related fines and court costs collected. Crime Victim's Compensation (CVC) fees, Law Enforcement Training (LET) fees, and Peace Officer Standards and Training Commission (POSTC) fees have been assessed and collected by the court for violations of municipal ordinances, except for cases dismissed by the court. Fines, court costs, and fees were turned over to the city and state monthly by the former Court Clerk. However, since January 2007, these fees have been allowed to accumulate in the court account. As of July 2007, a total of $36,890 remained in the account that should be paid to either the city or to the state as required.

Although the former clerk filed a monthly report with the city, it was just a listing of the fines and court costs collected, and did not include a listing of the cases heard in court. The current Court Clerk is not turning in any reports to the city. The current clerk indicated that she had not received any training concerning these reports; therefore, these reports have not been completed.

Section 595.045, RSMo, requires the court to turn over 95 percent of the CVC fees to the state and 5 percent to the city monthly. Section 488.5336 requires the court to transmit LET and POSTC fees monthly to the city and state, respectively.

Section 479.080, RSMo, states that all fines and court costs shall be paid to and deposited monthly into the city treasury, and requires the Court Clerk to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Associate Circuit Judge, and filed with the City Administrator. This listing should indicate information such as the defendant's name, any fine imposed, and the amount of court costs.

E. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. In addition, the current Court Clerk does not monitor or review the open cases to follow up on uncollected amounts. Defendants are allowed to pay fines and court costs over a period of time. When defendants make payments, the payments are posted to a manual record of payments, which is attached to the case file, and entered into the computer system. The computer system tracks the remaining balance. Initially, the current Court Clerk could not provide a computerized report of all cases with an outstanding balance. The current Court Clerk indicated that she was not properly trained on the court's computerized accounting system, and, therefore, did not know if this report existed.

The actual case files were counted and it was determined that there were 116 cases with outstanding warrants as of July 2007. While looking for a different report, the current clerk found and printed a Warrants Outstanding Report as of July 2007; however it showed that 124 warrants were outstanding. The current Court Clerk had not updated the computer system to reflect the status of 8 cases which should not have been on the outstanding warrants report. The current clerk maintains a manual Fines Due Listing and an electronic report to track the cases for which payments are being made and warrants have not been issued. These two listings were not in agreement. The current Court Clerk could not provide a comprehensive control ledger which showed the total amount owed by defendants. Finally, the current Court Clerk indicated that she did not have any procedures in place to monitor these records to follow-up or review these open cases.

One complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants would allow the municipal division to properly monitor the amounts due. In addition, proper and timely follow-up action of amounts due to the court helps maximize court revenues. The court should review those cases which are outstanding and take action to collect any amounts determined to be collectible.

F. Closed case files were not available for review. A case file selected for review could not be located. The current Court Clerk pulled case information up on the court's computerized court accounting system and found that the case had been disposed of and was closed; however the file could not be located. In addition, no closed case files could be located by the current clerk. We could not determine if the closed case files had been destroyed or had just been mis-filed.

Retention of court records is essential to establishing accountability for the Court Clerk's activity and in demonstrating compliance with state law. Effective control of records requires all documents and records be safeguarded against loss due to fire, theft, or misplacement, be accessible to the appropriate court employees and outside officials, and upon reasonable request, be accessible to the public.

G. The court's computer system maintains information for all cases processed by the court and all financial activities of the court. Accordingly, it is imperative that the court have sufficient backup and recovery procedures to ensure the court can efficiently continue operations if the computer system is down for an extended period of time. However, court data is not backed up to prevent loss of information. The current Court Clerk had not prepared a backup disk in the first five months she held the position.

Backups of computer information provide a means of recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that any lost data can be recovered.

WE RECOMMEND the city of Fulton Municipal Division:

A.1. Restrictively endorse checks and money orders immediately upon receipt.

2. Reconcile the composition of receipt slips issued to the composition of deposits.

3. Account for the numerical sequence of receipt slips issued.

B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies should be investigated promptly.

C. Ensure monthly bank reconciliations are prepared.

D. Pay all fines and court costs collected to the city treasury at least monthly and remit CVC, LET, and POSTC fees monthly in accordance with state law. In

addition, the Court Clerk should prepare monthly reports of cases heard in court and file these reports with the city in accordance with state law.

E. Maintain a comprehensive control ledger of the amount owed by defendants. In addition, procedures should be established to adequately monitor and collect amounts due the court.

F. Ensure all records of the court actions are properly retained and available for review.

G. Prepare backup disks and ensure backup disks are stored in a secure, off-site location.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

Many of the concerns identified by the State Auditor have been addressed by the implementation in August 2007 of the state-wide electronic Judicial Information System (JIS) in the City of Fulton Municipal Court. The City of Fulton Municipal Court is the first municipal court to become part of the statewide system, as a pilot project through the Office of the State Courts Administrator. The system will track all cases filed with the court, and all payments received by the court. As noted in the Auditor's Report, the City of Fulton Municipal Court Clerk began her employment in March, 2007. The previous court clerk resigned in December, 2006, and terminated her employment in January, 2007. The previous court clerk was not available to train the new court clerk, and the court went without a court clerk for three months.

A.1. The Municipal Court Clerk is now endorsing all checks when received with the statement "For Deposit Only" and the City of Fulton stamp.

2. The information which is being entered into JIS shows the type of payment received, and a report can be generated reconciling the payments received with the deposits made.

3. With the implementation of JIS, the current paper numbered receipts will no longer be necessary. JIS assigns a number to each payment entered, and generates a receipt for the individual making payment. In those rare occasions where a separate receipt is given, the JIS number is entered in the receipt book for the separate receipt which was issued.

B. The City of Fulton has a policy of each department depositing all monies it receives with the City Finance Department, which compares the checks, money orders, and cash received against the deposit information. Traditionally, this practice has not been followed with the municipal court. With the arrival of the new Associate Circuit Judge and a Chief Financial Officer for the City, the City's standard practice will now be followed with the municipal court. This will include the Finance Department's

verification of the month-end bank account reconciliation done by the Municipal Court Clerk.

C. The court has its own bank account, and the Municipal Court Clerk is now preparing monthly bank reconciliations. The Office of the State Courts Administrator has obtained the Municipal Court's records for January through August, 2007, and will be preparing this information for the Municipal Court.

D. The fines and court costs collected are now being deposited in the court's bank account on a daily basis. These monies are being disbursed monthly, in accordance with state law. The Office of the State Courts Administrator reviewed the court's records to determine the monies owed for the time period of January through August, 2007. The City has already disbursed the monies owed through July, 2007. A partial disbursal has been made for August, with the disbursal for the remainder of August and for September still being calculated. Monthly reports of cases heard will be generated through JIS and provided to the City Clerk, in accordance with state law.

E. The new JIS system is capable of producing reports showing the amounts owed by defendants and the outstanding warrants. The Municipal Court Clerk will run these reports at least monthly, to ensure that appropriate action is taken to collect monies due the court and execute warrants.

F. The City of Fulton recently moved the office of the Municipal Court Clerk from the Callaway County Courthouse to Fulton City Hall. In that process, the missing closed files were located. All court records are now properly filed in their new location in City Hall, and are available for review.

G. With the implementation of JIS, the Municipal Court Clerk will no longer be maintaining independent computer records for municipal court cases. The Office of the State Courts Administrator backs up information on JIS daily.

2. Ticket Accountability

The Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets. The Police Department tracks the ticket numbers assigned to each officer, but no one accounts for the tickets once they are issued, voided, or destroyed. Police officers return their tickets to their direct supervisor for review. The tickets are then entered into the computer system and onto one of two manual ticket logs. Municipal offenses are entered onto one log and state offenses are entered on another log. However, these logs are not reviewed to ensure all tickets are accounted for, and the disposition of the tickets is not logged. The Records Clerk for the Police Department indicated both the former and current court clerks have provided copies of completed court dockets which indicate the disposition of cases; however, these dockets are merely filed and are not used to account for the disposition of the tickets.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the Municipal Division and the Police Department cannot be assured that all tickets assigned and issued are properly submitted to the division for processing. A log listing ticket books assigned, each ticket number, the date issued, and the violator's name would ensure all tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Fulton Municipal Division work with the Police Department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

The Associate Circuit Judge who hears the Fulton Municipal Court cases discussed this issue with the police chief. He responded that there may have been some communication problem as his agency does log all tickets into the computer and they are kept there in numerical order and when the clerk enters tickets she can see if any are missing and ask the officer about those tickets. This log also tracks the destination of each ticket, and all tickets which are not filed for prosecution are accounted for.

AUDITOR'S COMMENT

Although the Police Department has procedures to enter all tickets received from police officers into the computer system, based on information gathered during the audit and recently confirmed, no one is accounting for the numerical sequence of tickets.

3. Overtime Parking Ticket Procedures

The Court Clerk does not ensure all overtime parking tickets issued are received from the Meter Enforcement Officer with the ticket log. Furthermore, overtime parking collections are not deposited intact and in a timely manner. Collections are also not kept in a secure location until the time of deposit. Finally, overtime parking collections are not posted to the parking ticket log in a timely manner.

The city issues overtime parking tickets for vehicles parked within approximately a two-block radius of the county courthouse, and one city owned parking lot, for more than the posted two-hour time limit. The following concerns were noted related to parking tickets and applicable procedures:

A. The Court Clerk does not ensure all overtime parking tickets issued are received from the Meter Enforcement Officer with the ticket log. The officer writes tickets Monday through Friday. Weekly, she brings the clerk a copy of the ticket log, which lists the ticket number, the date issued, and the vehicle license plate number, and the court's copies of the tickets issued. The clerk puts these tickets in a box in her desk and matches them to tickets only when they are paid.

Without properly ensuring all overtime parking tickets are turned over with the ticket log, the Municipal Division cannot be assured that all tickets issued are properly submitted to the court. The clerk should promptly ensure that all tickets issued are posted to the log, and that any unissued or voided tickets are returned to her.

B. Monies received from overtime parking tickets are not deposited intact and in a timely manner. In addition, the overtime parking collections are not kept in a secure location until the time of deposit.

The former Court Clerk deposited overtime parking ticket collections monthly. The last deposit made by the former clerk was on January 23, 2007. At the time of our audit, the current clerk had only made two deposits of overtime parking collections, one deposit of $144 cash was made in March 2007, and another deposit of $845 (including $695 cash) was made on July 6, 2007. We performed a cash count on July 24, 2007, and observed overtime parking ticket payment envelopes sitting on the clerk's desk and in a box in the clerk's desk drawer. On this date, 114 tickets totaling $680 ($625 cash) were on hand. These tickets had been issued during the period from January 23, 2007 through July 23, 2007, and paid between February 1, 2007 and July 23, 2007.

The Court Clerk indicated that the February to June payments were not included in the July 6th deposit because of the manner in which deposits are prepared. Apparently, when the box in the clerk's desk drawer becomes full, the clerk simply pulls some tickets off of the top to process and deposit and leaves the remaining collections in the box.

To reduce the risk of loss, theft, or misuse of funds, monies should be deposited intact in a timely manner, preferably daily. In addition, receipts should be kept in a secure location until deposited.

C. Payments of overtime parking tickets are not posted to the parking ticket log in a timely manner. Overtime parking tickets can be paid in person at the court, by mail, or by dropping the envelope with the ticket in a special drop-box which is picked up by the Meter Enforcement Officer and delivered to the Court Clerk. The Court Clerk receives a ticket log from the Meter Enforcement Officer which indicates the tickets issued and the date issued. The log has columns for the clerk to record the date and amount paid. However, the current Court Clerk has not posted payments to the ticket log when received. For example, when a cash count

was performed on July 24, 2007, we found that payments for 55 tickets which had been deposited on July 6, 2007, had not been recorded. Also, we noted another 114 tickets that had been paid, but not recorded on the log or deposited.

Payments should be posted to the parking ticket log in a timely manner to ensure all records are complete and accurate.

WE RECOMMEND the city of Fulton Municipal Division:

A. Account for the numerical sequence of the overtime parking tickets issued.

B. Deposit all monies intact on a timely basis, preferably daily. In addition, all collections should be kept in a secure location until deposited.

C. Post payments to the overtime parking ticket log in a timely manner.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

A. The parking officer turns in all parking ticket information to the Municipal Court Clerk. The Municipal Court Clerk will review the information provided to ensure that all ticket numbers are accounted for, as well as any payments made. Once entered in JIS, parking tickets issued will be assigned a case number for tracking in that system.

B. The Municipal Court Clerk is depositing all monies received to the court's bank account on a daily basis. Parking tickets are kept in a locked drawer until receipted into JIS, and the money is put into a locked cash box until the daily deposit is made.

C. Overtime parking ticket payments will be posted in JIS when received.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF FULTON, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Fulton Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality, the county, or the state of Missouri, as applicable.

Personnel

Associate Circuit Judge	Joe D. Holt*
Court Clerk	Sherry Young**

* Carol England took office as Associate Circuit Judge in January 2007.
** Sherry Young resigned her position in January 2007, and Susan Slaughter was hired as Court Clerk in March 2007. A city employee handled Court Clerk duties in the interim.

Financial and Caseload Information

	Year Ended December 31,	
	2006	2005
Receipts	$105,590	73,300
Number of cases filed	1,157	777
Overtime parking tickets issued	1,949	2,017

Susan Montee, CPA
Missouri State Auditor

October 2007

Fourteenth Judicial Circuit

City of Huntsville, Missouri Municipal Division

Report No. 2007-65

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

An audit was conducted by our office of the Fourteenth Judicial Circuit, city of Huntsville, Missouri Municipal Division.

The city of Huntsville Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The Court Clerk is primarily responsible for receiving, recording, and depositing fines, court costs, and bonds into the municipal division's bank account and disbursing all monies collected each month. As a result, the duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Although the City Treasurer does have the responsibility of reconciling the municipal division's bank account each month, it appears these reconciliations were not thorough. In addition, no one independent of the receiving, recording, or depositing processes reconciles the amount deposited with the cases filed or the receipt slips issued by the Court Clerk.

The method of payment is not consistently indicated on receipt slips. A ledger or listing of bonds received and disbursed is not maintained and a listing of open items is not prepared periodically and reconciled to the book balance. Case file records are not maintained, and a comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Additionally, neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate dispositions.

Crime Victim's Compensation fees (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly in accordance with state law. POSTC training monies received by the city from the state are maintained in the municipal division's account. The city does not track POSTC monies received and disbursements are not accounted for separately to ensure the fees are used only for the training of law enforcement officers. In addition, bad check restitution monies received have not been distributed.

The Court Clerk does not file a monthly report with the city of all cases heard in court and court personnel indicated required traffic offenses have not been reported to the Missouri Department of Revenue. Also, a schedule of fines and court costs is not posted at the Violations Bureau offices. These three procedures are all required by state law.

All reports are available on our Web site: www.auditor.mo.gov

FOURTEENTH JUDICIAL CIRCUIT
CITY OF HUNTSVILLE, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
Huntsville, Missouri

We have audited certain operations of the city of Huntsville Municipal Division of the Fourteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended March 31, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Huntsville Municipal Division of the Fourteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Christina Davis
Audit Staff:	Heather Stiles
	Liang Xu

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

FOURTEENTH JUDICIAL CIRCUIT
CITY OF HUNTSVILLE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls and Procedures

The method of payment is not consistently indicated on receipt slips. Duties are not adequately segregated, and reconciliation procedures need to improve. A ledger or listing of bonds received and disbursed is not maintained, and a listing of open items is not prepared periodically and reconciled to the book balance. Case file records are not maintained. A comprehensive control ledger showing the total amounts owed by defendants is not maintained.

A. The method of payment (cash, checks, and money orders) is not consistently indicated on receipt slips. Duplicate receipt slips are issued by the Court Clerk for monies collected for fines, court costs, and bonds. One copy is given to the payee and one copy is maintained by the Court Clerk. Instances were noted where receipt slips did not indicate the method of payment.

   To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment should be noted on the receipt slips when the slips are prepared and the composition of collections should be reconciled to the composition of deposits.

B. The Court Clerk is primarily responsible for receiving, recording, and depositing fines, court costs, and bonds into the municipal division's bank account and disbursing all monies collected each month. As a result, the duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Although the City Treasurer does have the responsibility of reconciling the municipal division's bank account each month, it appears these reconciliations were not thorough. We noted a $618 deposit in December 1999 that was deposited into the wrong bank account and this error went undetected until we requested an open items listing be prepared in August 2007. A thorough and adequate reconciliation could have detected this error in a more timely manner. In addition, no one independent of the receiving, recording, or depositing process reconciles the amount deposited with the cases filed or the receipts written by the Court Clerk.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. The Municipal Judge indicated she does not review financial information. Internal controls could be improved by implementing an independent, documented comparison of the court docket to

recorded receipts and bank statements and a periodic review of bank reconciliations.

C. A ledger or listing of bonds received and disbursed is not maintained. A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. In addition, the bond ledger should be reconciled to the bonds held in trust to ensure all transactions involving bonds have been properly handled.

D. A listing of open items (liabilities) is not prepared periodically and reconciled to the book balance. A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. At our request, an open items listing was prepared as of August 31, 2007, and totaled $4,561 in identified liabilities. The reconciled bank balance was $5,139, resulting in an unidentified balance of $578. The Court Clerk believes this is related to monies received prior to January 1997.

Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. Any discrepancies or fluctuations noted should be promptly investigated.

E. Case file records are not maintained, with the exception of court dockets, for cases handled in the municipal division. Tickets are returned to the police department which are placed haphazardly in a box. The Missouri Supreme Court Operating Rule 8 requires municipal divisions to retain all case file records, including ticket logs and copies of tickets issued. Retention of municipal records is essential to establish accountability of municipal division activity and in demonstrating compliance with state law. Effective control of records requires all documents and records to be safeguarded against loss, be accessible to the appropriate municipal division employees, and upon reasonable request, be accessible to the public.

F. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time, and individual payment sheets are maintained. These payment sheets show the amounts due, payments made, and the balance for each defendant who owes money to the municipal division. However, a control ledger indicating the total amount owed by all defendants is not maintained.

A complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants would allow the municipal division to properly monitor the amounts due, ensure all payment sheets remain intact, and ensure deferred payments are processed correctly.

WE RECOMMEND the city of Huntsville Municipal Division:

A. Record the method of payment on all receipt slips issued and reconcile the composition of collections to the composition of deposits.

B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies noted should be investigated promptly.

C. Maintain a bond ledger to account for bond receipts, forfeitures, refunds and balances. In addition, the ledger should be reconciled to the bonds held in trust.

D. Prepare and maintain monthly listings of open items to document the reconciliation of these listings to monies held in trust.

E. Ensure case file information is properly retained in accordance with Missouri Supreme Court Operating Rule 8.

F. Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We will begin indicating the method of payment on all receipt slips and we will reconcile the composition of collections to the composition of deposits.

B. We will begin having an individual other than the Court Clerk reconcile the bank account records with other court documents and any unusual items or discrepancies will be investigated.

C. A bond ledger has been developed and will be used for completing bank reconciliations monthly and will be used to reconcile bonds held in trust.

D. Open items will be prepared monthly. The $578 unidentified balance has been turned over to the city as training funds and the account no longer has an unidentified balance.

E. Case files have been developed for all cases and will be maintained and retained for all cases heard in the municipal division.

F. We will develop a process to notify the Judge monthly of costs owed and this will include indicating the amounts owed, payments made, and date of last payment so that unpaid amounts can be followed up on timely.

2. Disbursement Procedures

Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly. POSTC training monies received by the city from the state are maintained in the municipal account, and bad check restitution monies received have not been distributed.

A. CVC and POSTC fees are not turned over to the state monthly in accordance with state law. CVC and POSTC fees have been assessed and collected by the division for violations of municipal ordinances, except for cases dismissed by the court. The fees are deposited into the municipal division's account, and the division remits these fees to the state periodically. For example, we noted instances where CVC and POSTC fees were remitted to the state once every two to five months. Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly.

B. POSTC training monies received by the city from the state are maintained in the municipal division's account. The city does not track POSTC monies received and disbursements are not accounted for separately to ensure the fees are used only for the training of law enforcement officers.

Section 488.5336, RSMo, requires law enforcement training monies to be used only for the training of law enforcement officers. The municipal division should transfer these monies to the city so they can be accounted for in accordance with state law.

C. Bad check restitution monies received have not been distributed. Bad check restitution monies totaling $3,394 were in the municipal division's account at August 31, 2007. Of that amount, $3,149 was for vendors, that according to court personnel, they stopped collecting restitution for in 2005. The monies for these vendors should be disbursed to them and any additional collections should be properly disbursed to the applicable vendors.

WE RECOMMEND the city of Huntsville Municipal Division:

A. Remit CVC and POSTC fees to the state monthly in accordance with state law.

B. Turn POSTC monies over to the city.

C. Disburse bad check restitution monies to the applicable vendors.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. We will begin submitting these payments on a monthly basis.

B. POSTC training monies have been turned over to the city and will be handled by the city.

C. All bad check restitution monies held were distributed on October 15, 2007. Restitution payments received will be distributed at the end of each month.

3. Ticket Accountability

Neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate disposition. A ticket book is assigned to each police car and officers issue tickets from the book assigned to each police car. No log is maintained to provide ticket issuance information. We noted 43 out of approximately 230 tickets that may have been issued from January 2005 to July 2007 that could not be accounted for.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured that all tickets assigned and issued are properly submitted to the division. A log listing ticket books assigned, each ticket number, the date issued, and the violator's name would ensure all tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Huntsville Municipal Division work with the police department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following response:

A spreadsheet has been developed to account for all tickets issued and their ultimate disposition.

4. Reporting and Posting of Fines and Court Costs

The Court Clerk does not file a monthly report with the city of all cases heard in court. Required traffic offenses have not been reported to the Missouri Department of Revenue. A schedule of fines and court costs is not posted at the Violations Bureau.

A. The Court Clerk does not file a monthly report with the city of all cases heard in court. The Court Clerk is required to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the City Clerk. This listing should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge). We noted that the Court Clerk's report has only provided the City Clerk with a listing of the fines and court costs collected.

Section 479.080, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court.

B. Court personnel indicated required traffic offenses have not been reported to the Missouri Department of Revenue (DOR).

Section 302.225, RSMo, requires that records of any pleas or findings of guilty on traffic violations under the laws of the state, county or municipal ordinance be reported to the DOR within seven days of the conviction date.

C. A schedule of fines and court costs is not posted at the Violations Bureau (VB) offices. Section 479.050, RSMo, and Supreme Court Rule No. 37.49 require a schedule which designates the offenses within the authority of the Court Clerk, and the amount of fines and costs to be imposed for each offense, be posted at the VB.

WE RECOMMEND the city of Huntsville Municipal Division:

A. Prepare monthly reports of cases heard in the court and file these reports with the city in accordance with state law.

B. Ensure all required traffic offenses are reported to the Missouri Department of Revenue in accordance with state law.

C. Ensure the schedule of fines and court costs is posted at the Violations Bureau.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A. The docket is being filed with the city as the monthly report.

B. We have begun submitting moving violations offenses to the Missouri Department of Revenue as required.

C. This schedule has been posted.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

FOURTEENTH JUDICIAL CIRCUIT
CITY OF HUNTSVILLE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Huntsville Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Stephanie Luntsford
Court Clerk/City Collector	Kathy Remole
City Clerk	Dixie Thomas
City Treasurer	Lori Boyd

Financial and Caseload Information

	Year Ended March 31,	
	2007	2006
Receipts	$7,130	6,930
Number of cases filed	44	77

Susan Montee, CPA
Missouri State Auditor

October 2007

Office of Lieutenant Governor

Report No. 2007-64

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

The following report is our audit of the Office of Lieutenant Governor.

The Lieutenant Governor has driven his assigned state-owned vehicle for official, commuting, and personal use. According to office personnel, the Lieutenant Governor reports his usage in accordance with instructions and guidance provided by the state's Office of Administration (OA).

On an annual basis, the mileage not identified as official or commuting mileage was reported to the OA as personal use and the Lieutenant Governor reimbursed the state for this use according to the methods and guidelines provided by the OA. However, our audit found that due to clerical errors the Lieutenant Governor had over-reimbursed for his personal mileage through August 2006. His office is currently working with OA to resolve the overpayment on the reimbursement for personal mileage through August 2007. Office personnel also indicated the Lieutenant Governor is now using his personal vehicle for much of the commuting and non-official use.

Although the Lieutenant Governor followed the guidance provided by the OA, there is no provision that exists in state law that allows any state official to use state vehicles for personal or political purposes. Furthermore, there are no provisions that allow non-official use as long as there is appropriate reimbursement.

We have recommended the Office of Lt. Governor, in conjunction with the OA and other state officials, pursue legislation regarding the proper use of state resources by elected and other state officials. Until state law allows non-official use of state resources, including vehicles, such resources should be used only for official state business.

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OFFICE OF LIEUTENANT GOVERNOR

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Peter Kinder, Lieutenant Governor
Jefferson City, MO 65102

We have audited the Office of the Lieutenant Governor. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2007, 2006, and 2005. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Review certain revenues and expenditures.

4. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the office; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by September 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in the audit of the office.

The accompanying Management Advisory Report presents our finding arising from our audit of the Office of Lieutenant Governor.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Jennifer L. Carter
	Joseph A. Adrian

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

State Vehicle

The Lieutenant Governor reimbursed the state for personal use of his state-owned vehicle; but there is no provision in state law which allows a state vehicle to be used for anything other than official use.

The Lieutenant Governor drives his assigned state-owned vehicle for official, commuting, and personal use. According to office personnel, the Lieutenant Governor reports his usage in accordance with instructions and guidance provided by the state's Office of Administration (OA). Based on the OA's guidance, a mileage log, indicating the date of travel, beginning and ending odometer readings, and the purpose of trip was not maintained. However, a calendar of the Lieutenant Governor's activities was maintained. From this calendar the office's Director of Administration prepared a spreadsheet to identify official and commuting mileage. The imputed value of the commuting mileage was recorded on the state accounting system for reporting purposes each pay period. In addition, on an annual basis, the mileage not identified as official or commuting mileage, was reported to the OA as personal use and the Lieutenant Governor reimbursed the state for this use according to the methods and guidelines provided by the OA.

However, our audit found that due to clerical errors the Lieutenant Governor had over reimbursed for his personal mileage through August 2006. His office is currently working with OA to resolve the overpayment on the reimbursement for personal mileage through August 2007. Also, based on our suggestion, in August 2007, the preparation of a mileage log for the Lieutenant Governor's vehicle was instituted. In addition, office personnel indicated that the Lieutenant Governor is now using his personal vehicle for much of the commuting and non-official use.

Prior to 2004, it had been a practice of the state to allow an elected official (primarily the Governor) to use state aircraft for other than official use and to reimburse the state for that use. For liability purposes, that use was eliminated in 2004. Reimbursements from elected or other state officials for personal use of state vehicles have not been noted on a frequent basis.

There is no provision that exists in state law that allows any state official to use state vehicles for personal or political purposes. Furthermore, there are no provisions that allow non-official use as long as there is appropriate reimbursement. Regarding state-owned vehicles, Section 301.260, RSMo, provides that "No officer or employee or other person shall use such a motor vehicle for other than official use." If the state intends to allow elected or other state officials to use state resources for anything other than business purposes, legislation should be pursued to clearly allow this practice and any

other related conditions, such as reimbursement, for such use. Until such provisions are approved, no state resource should be used for purposes other than official state business.

WE RECOMMEND the Office of Lieutenant Governor, in conjunction with the OA and other state officials, pursue legislation regarding the proper use of state-owned vehicles and other state resources by elected and other state officials.

AUDITEE'S RESPONSE

The procedures and policies regarding the use of a state vehicle were followed by the Office of Lieutenant Governor under the guidance and regulations of the Office of Administration. Non-official use was reimbursed fully to the state. Due to the over payment noted in your finding, the office had a credit balance with the state for personal mileage. Even though the Lieutenant Governor had been approved by the Office of Administration to use the state vehicle for non-official purposes, earlier this year prior to the audit, the Lieutenant Governor stopped using the state vehicle in situations that would require reimbursement for personal use. The Lieutenant Governor's official car is now being used by staff when they are on official state business to reduce staff travel costs and save taxpayer dollars by reducing mileage reimbursement amounts. We will take your recommendation under advisement.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

OFFICE OF LIEUTENANT GOVERNOR
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The lieutenant governor is required to meet the same qualifications as the governor. The lieutenant governor is elected for a four-year term**.**

Under the constitution, the lieutenant governor serves as the ex officio president of the Missouri Senate. In addition, upon the governor's death, conviction, impeachment, resignation, absence from the state or other disabilities of the governor, the powers, duties and emolument of the governor devolve upon the lieutenant governor until the end of the term or until the disability of the governor is removed.

By law, the lieutenant governor serves as a member of the Board of Public Buildings, the Board of Fund Commissioners, the Missouri Community Service Commission, the Missouri Housing Development Commission, the Missouri Rural Economic Development Council, the Special Health, Psychological, and Social Needs of Minority Older Individuals Commission, the Governor's Council on Physical Fitness and Health, the Statewide Safety Steering Committee, and the Second State Capitol Commission.

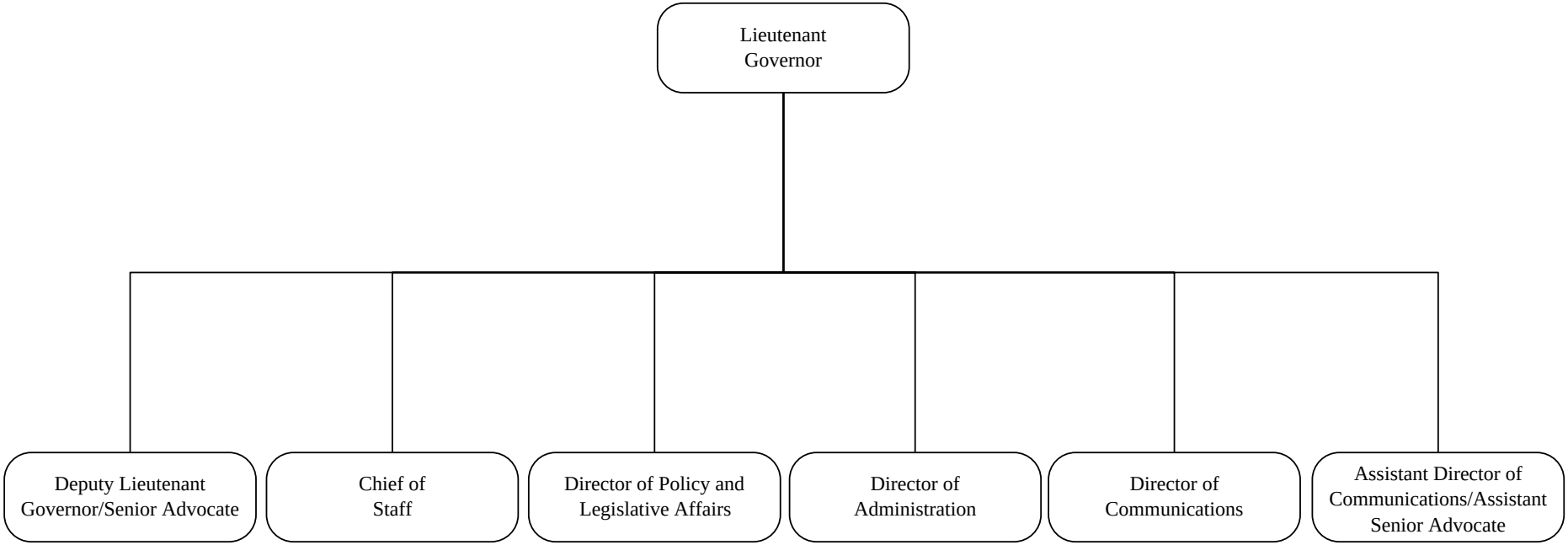
The lieutenant governor is the chair for the Missouri Rx Plan Commission, the Governor's Advisory Council for Veterans Affairs, the Missouri Tourism Commission, and the Missouri Development Finance Board. He also co-chairs the Personal Independence Commission. In addition, he serves as an advisor to the Department of Elementary and Secondary Education on early childhood education and the Parents-as-Teachers program. The lieutenant governor also serves as the state's official advocate for Missouri's elderly and acts in the role of the official ombudsman for all Missouri's citizens.

On January 10, 2005, Peter Kinder was inaugurated as the forty-sixth Lieutenant Governor of the State of Missouri. His term expires in January 2009.

At June 30, 2007, the office employed six full-time employees.

An organization chart follows:

OFFICE OF LIEUTENANT GOVERNOR
ORGANIZATION CHART
JUNE 30, 2007



Appendix A-1

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	$ 374,317	373,182	1,135
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	25,154	25,154	0
Veterans Remembrance Project	300,000	299,199	801
Expense and Equipment	50,417	49,230	1,187
Total General Revenue Fund	$ 749,888	746,765	3,123

Appendix A-2

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2006

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	$ 363,726	363,434	292
Expense and Equipment	49,867	47,973	1,894
Total General Revenue Fund	$ 413,593	411,407	2,186

Appendix A-3

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2005

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	$ 350,918	331,258	19,660
Expense and Equipment	62,875	57,974	4,901
Total General Revenue Fund	$ 413,793	389,232	24,561

Appendix B

OFFICE OF LIEUTENANT GOVERNOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Lieutenant Governor's office:					
Salaries and wages	$ 373,182	363,434	331,258	316,404	314,431
Travel, in-state	17,966	13,504	14,255	11,861	13,226
Travel, out-of-state	3,636	3,180	4,291	300	0
Supplies	13,633	7,956	7,329	5,518	15,567
Professional development	1,500	1,624	3,410	945	2,942
Communication services and supplies	8,122	8,156	6,969	7,326	11,699
Services:					
Professional	1,974	1,907	1,567	567	461
Maintenance and repair	1,372	1,740	4,088	1,626	1,886
Computer equipment	75	1,271	10,024	3,696	18,796
Motorized equipment	0	6,000	0	18,930	0
Office equipment	277	1,726	3,163	8,846	180
Building lease payments	25,154	0	0	0	0
Equipment rental and leases	130	180	2,112	777	573
Miscellaneous expenses	545	729	766	0	65
Total office expenditures	447,566	411,407	389,232	376,796	379,826
Veterans Remembrance Project:					
Communication services and supplies	248,819	0	0	0	0
Services:					
Professional	36,080	0	0	0	0
Maintenance and repair	900	0	0	0	0
Other equipment	13,400	0	0	0	0
Total project expenditures	299,199	0	0	0	0
Total	$ 746,765	411,407	389,232	376,796	379,826

Appendix C

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

	Furniture and Equipment	Motor Vehicles	Total
Balance, July 1, 2004	$ 98,395	18,930	117,325
Additions	1,870	0	1,870
Dispositions	(2,140)	0	(2,140)
Balance, June 30, 2005	98,125	18,930	117,055
Additions	1,271	6,000	7,271
Dispositions	(41,697)	(4,935)	(46,632)
Balance, June 30, 2006	57,699	19,995	77,694
Additions	13,400	0	13,400
Dispositions	(10,784)	0	(10,784)
Balance, June 30, 2007	$ 60,315	19,995	80,310

Susan Montee, CPA
Missouri State Auditor

October 2007

Village of Worth

Year Ended December 31, 2006

Report No. 2007-63

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

The following findings were included in our audit report on the Village of Worth, Missouri.

Prior to April 2007, minutes of board meetings were not always prepared. Current and any previous minutes did not always contain sufficient detail of matters discussed and actions taken. The village does not post notices of meetings or tentative meeting agendas as required by state law. In addition, village ordinances are not complete and up-to-date and ordinances have not been adopted to set the compensation of village officials.

The village does not publish or post semi-annual financial statements nor prepare annual budgets as required by state law. The village has not submitted annual financial reports to the State Auditor's Office since 1998 as required by state law. Also, the village deposits all state motor vehicle-related revenues into its checking account and does not separately account for these revenues as required by the Missouri Constitution.

The village does not have formal bidding or purchasing policies. Prior to April 2007, there was no documentation that the Board of Trustees reviewed or approved the payment of village expenditures prior to the disbursements being made. In addition, the village made several disbursements that were not adequately documented, or which do not appear to be a necessary or prudent use of village funds, including a check for $200 made out to cash, three checks to restaurants and a convenience store, and $400 to the village Booster Club to purchase a stove for the village Community Center.

The village does not prepare a ledger of receipts and disbursements and does not prepare bank reconciliations. There is no check register or other listing of receipts, disbursements, or cash balances. The village has accumulated a combined balance of $41,335 in its checking account and certificates of deposit, while total disbursements for 2006 were only $5,832. The board should review the overall financial condition and set the village tax rate to provide sufficient operating funds yet not create an excessive fund balance.

The village collector prepares individual property tax bills and marks these bills as paid when payment is received. However, a listing of taxes received is not prepared, making it difficult to trace specific payments to bank deposits. The village collector does not always deposit property taxes on a timely basis. The village collector does not prepare listings of uncollected delinquent taxes or ensure all tax book charges agree to total collections plus amounts remaining delinquent, and does not turn over the collection of delinquent taxes to the county collector as required by state law.

All reports are available on our website: www.auditor.mo.gov

VILLAGE OF WORTH, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Worth, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Worth, Missouri. The scope of our audit of the village included, but was not necessarily limited to, the year ended December 31, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the village, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

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provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Worth, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Board Meeting Minutes, Agendas, and Ordinances

The Board of Trustees did not maintain minutes of some meetings, minutes did not always contain sufficient detail, and some minutes were not signed. The board does not post notices of meetings or tentative agendas. Village ordinances are not up-to-date and complete, and the compensation paid to board members is not set by ordinance.

A. Prior to April 2007, minutes of board meetings were not always prepared. Current village officials provided a notebook with some minutes taken prior to April 2007, but the most recent minutes in this notebook were from May 2005. While current board members indicated meetings were not held monthly between May 2005 and April 2007, they also indicated that meeting minutes were most likely not prepared for some meetings. Minutes of the monthly board meetings have been prepared since April 2007. In addition, current and any previous minutes did not always contain sufficient detail of matters discussed and actions taken. Because of the lack of detail, it is difficult to determine if all votes and actions taken by the Board of Trustees were adequately documented and recorded.

   Section 610.020, RSMo, requires minutes of meetings to be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of board actions and decisions.

B. Some meeting minutes were not signed. Board minutes should be signed by the preparer and by the board chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

C. The village does not post notices of meetings or tentative meeting agendas. Section 610.020, RSMo, requires that a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body. The village should ensure that copies of agendas and meeting notices are retained to document compliance with state law.

D. The village ordinances are not complete and up-to-date. Village officials have custody of an ordinance book, but the ordinances are very old, not filed in an orderly manner, and not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Also, an index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help keep track of additions and changes made to the village ordinances.

E. The village has not adopted ordinances to set the compensation of village officials. Current board members indicate it has been the village policy to pay the village collector $50 per year. Also in 2006, the former board chairman was paid $200 to serve as the village treasurer; however, current board members believe that compensation has not normally been paid to the village treasurer. Section 80.240, RSMo, allows the board to appoint certain officials and to fix their compensation.

In 2007, the village approved to compensate a current board member for mowing the village land. This same board member was also compensated for mowing services in 2006, totaling $650; however prior board approval of this arrangement could not be located in the board minutes. There is no documentation that the board solicited any bids or proposals for mowing services. Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for compensation other than the compensation provided for the performance of his official duties.

To ensure compliance with state law, the board should establish the compensation of all village officials by ordinance. In addition, the board should refrain from providing additional compensation to board members for services beyond the performance of their official duties.

WE RECOMMEND the Board of Trustees:

A. Ensure detailed minutes of all meetings are prepared and retained.

B. Ensure meeting minutes are signed by the preparer and the board chairman to attest to their completeness and accuracy.

C. Ensure notices and tentative agendas of all board meetings are posted and retained.

D. Update and codify the village's ordinances and ensure a complete set of ordinances is maintained. In addition, the village should consider establishing an index of all village ordinances passed and rescinded, and ensure all ordinances are up-to-date and are being enforced.

E. Establish all officials' compensation by ordinance, and refrain from providing compensation to board members for services performed beyond their official duties.

AUDITEE'S RESPONSE

A. We agree and have been taking minutes since April 2007.

B&C. These recommendations will be implemented immediately.

D. We will contact an attorney and determine the best way to update the village ordinances.

E. We agree and will set all compensation by ordinance.

2. Financial Reporting, Budgets, and Restricted Revenues

The village does not post semi-annual financial statements nor submit annual financial reports to the State Auditor's Office as required by state law. The village does not prepare budgets and has not established a separate accounting for motor vehicle-related revenues.

A. The village does not publish or post semi-annual financial statements. Section 80.210, RSMo, requires that the Board of Trustees prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states that the village can be fined if the Chairman of the Board neglects to publish or post such statements.

B. The village has not submitted annual financial reports to the State Auditor's Office since 1998. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's Office within the time prescribed by the State Auditor (currently within four months of the end of the fiscal year for un-audited financial statements and within six months of the end of the fiscal year for audited financial statements).

C. The village does not prepare annual budgets. Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of village operations and provide a means to effectively monitor actual costs and revenues.

D. The village deposits all state motor vehicle-related revenues into its checking account and does not separately account for these revenues. Article IV, Section

30 of the Missouri Constitution requires that motor vehicle-related revenues apportioned by the State of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. In 2006, the village received $3,960 in state motor vehicle-related revenues and spent $2,350 for street lighting and $700 for street gravel. The village should establish a separate fund or separate accounting to ensure the motor vehicle-related revenues are spent in accordance with the state constitution.

WE RECOMMEND the Board of Trustees:

A. Publish or post semi-annual financial statements as required by state law.

B. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

C. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the village.

D. Ensure restricted revenues are used only for their intended purposes.

AUDITEE'S RESPONSE

A-D. We agree and will implement these recommendations. A village computer is being purchased which will aid in preparing village financial records.

3. Expenditures

The village does not have formal bidding or purchasing policies and board approval is not documented prior to the payment of village expenditures. In addition, the purpose of several expenditures was not documented, and some disbursements do not appear necessary or prudent uses of village funds.

A. The village does not have formal bidding or purchasing policies. While the village normally purchases only a few items each year, formal bidding or purchasing policies would help ensure that the village obtains goods and services at a reasonable price.

For example, the board purchased a used tractor in 2007 for $6,500. The board did not solicit bids for this purchase or otherwise document that a reasonable price was paid, such as calling other vendors for price quotes or documenting a market value for a similar piece of equipment. In addition, the board purchased tractor tires in 2007 for $174 without obtaining bids or price quotes.

Formal bidding and purchasing procedures would provide a framework for economical management of village resources and help ensure the village receives

fair value for all purchases. For purchases in which soliciting bids may not be practical, such as the purchase of used equipment, price quotes or other documentation of the fair market value of the item should be obtained to ensure a reasonable price is paid.

B. Prior to April 2007, there was no documentation that the Board of Trustees reviewed or approved the payment of village expenditures prior to the disbursements being made. Based on discussions with current and former board members, it appears that disbursements were made even though regular board meetings were not held prior to April 2007, and that the former board chairmen issued village checks without approval from the majority of the board. Prior to April 2007, only one signature was needed on checks (the board chairman's), but since April 2007, two board members are required to sign checks. Also, board minutes prepared since April 2007 indicate board approval of bills to be paid, but the individual bills are not listed.

Expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village. To adequately document the board's review and approval, a complete listing of all bills to be paid should be prepared and included with the board minutes.

C. The village made several disbursements that were not adequately documented, some which appear questionable or unnecessary for village operations, as follows:

1. In June 2006, a village check for $200 was made out to cash. The former board chairman indicated that this check was to reimburse his father-in-law for cleaning out ditches along village streets. In July 2006, $30 was paid to a board member, who indicated this payment was also for cleaning out ditches along village streets. In early 2007, $150 was paid to a village resident (currently a village board member) for snow removal on village streets. The village had no documentation to support the purpose of these payments.

2. During 2006 and 2007, three checks totaling $78 were made to local restaurants and a convenience store. The former village chairman indicated these were for personal purposes and were not for valid village purposes, and indicated he would reimburse the village for these amounts.

3. Current board members indicated the village purchases meat trays for the families of deceased village residents. In 2006, one such purchase for $32 was made. Such purchases do not appear to be a necessary or prudent use of village funds.

4. In December 2006, $400 was paid to the village Booster Club, the organization which runs the village Community Center. Current board

members indicated this was to purchase a stove for the Community Center. Board members indicated that the village does not pay rent for the use of the Community Center to hold village board meetings, so the stove purchase was made in lieu of paying rent. The village did not have documentation to support the purpose of this payment. In addition, a village board member is also a board member of the Booster Club, and there was no documentation that this board member abstained from the decision to purchase this stove.

It appears that some of these disbursements could have been prevented, or better documentation could have been obtained had regular board meetings been held, as noted in previous findings. Disbursements should only be made for reasonable and necessary purposes to operate the village, and the purpose of all disbursements should be adequately documented. In addition, the village should seek reimbursement from the former board chairman for the $78 disbursed to local restaurants.

WE RECOMMEND the Board of Trustees:

A. Establish formal bidding and purchasing policies and maintain documentation to ensure the city receives fair value for all major purchases.

B. Review and approve all expenditures of village funds prior to the disbursements being made.

C. Ensure expenditures made with village funds are reasonable and prudent uses of those funds and are necessary for village operations, and the purpose of all expenditures is adequately documented. In addition, the board should request reimbursement of $78 from the former board chairman for the disbursements made to local restaurants.

AUDITEE'S RESPONSE

A. We agree and will document all purchasing decisions in the minutes.

B. We agree and are already doing this.

C. We will ensure the purpose of all village expenditures is documented and will request reimbursement from the former board chairman. The purchase of meat trays for deceased residents has been done for years and we believe this is an appropriate use of village funds and will continue to do so.

4. Accounting Controls and Procedures

The village does not prepare a ledger of receipts and disbursements and does not prepare bank reconciliations. Summary financial information is not prepared for the Board of Trustees' review and approval. Invoices are not filed in an orderly manner, controls over property taxes need to be improved, and village officials are not bonded.

A. The village does not prepare a ledger of receipts and disbursements and does not prepare bank reconciliations. Duplicate deposit slips and check stubs are retained but there is no check register or other listing of receipts, disbursements, or cash balances. In addition, monthly bank statements are retained, and current board members indicate that they review the bank statements for accuracy, but bank reconciliations are not prepared. Ledgers of receipts and disbursements and monthly bank reconciliations are necessary to ensure all cash transactions are recorded and accounted for, and to ensure errors and omissions are detected and corrected in a timely manner.

B. Summary financial information is not prepared for the Board of Trustees' review and approval. Since April 2007, the board minutes include documentation of the village's checking account and certificates of deposit balances; however, a summary of all receipts and disbursements is not prepared. To adequately inform the board of all financial activity and to allow the board to monitor the financial condition of the village, monthly reports summarizing all village receipts, disbursements, and cash balances should be prepared and included with the monthly board minutes.

   In addition, at December 31, 2006, the village has accumulated a combined balance of $41,335 in its checking account and certificates of deposit, while total disbursements for 2006 were only $5,832. While accumulating funds for future use may be desirable, the board should review the overall financial condition and set the village tax rate to provide sufficient operating funds yet not create an excessive fund balance.

C. Invoices to support village disbursements are not filed in an orderly manner, making it difficult to locate invoices and to ensure invoices are maintained for each disbursement. Current board members maintain a file of some recent invoices for 2006 and 2007 which were not filed in any particular order, and older invoices are filed haphazardly in a filing cabinet. As noted in Management Advisory Report 3.C., invoices or other supporting documentation could not be located to support some disbursements. To ensure the propriety of all disbursements, invoices and other supporting documentation should be retained for each disbursement and filed in an orderly manner.

D. Our review noted the following concerns regarding controls over property taxes:

1. The village collector prepares individual property tax bills and marks these bills as paid when payment is received. However, a listing of taxes received is not prepared, making it difficult to trace specific payments to bank deposits. To ensure all property tax receipts are adequately accounted for and deposited, the village collector should prepare listings of property taxes as they are received and reconcile these listings to bank deposits.

2. The village collector does not always deposit property taxes on a timely basis. Most property taxes are collected in December and normally only one deposit is made in late December or early January. To reduce the risk of loss, theft, or misuse of funds, property tax receipts should be deposited on a timely basis.

3. The village collector does not prepare listings of uncollected delinquent taxes or ensure all tax book charges agree to total collections plus amounts remaining delinquent. In addition, the village does not turn over the collection of delinquent taxes to the county collector as required by state law.

   Section 80.480, RSMo, requires the village collector to prepare a list of delinquent taxes remaining uncollected on the first day of January of each year. This section also requires the board of trustees to examine and approve the list, credit the village collector for the amount of uncollected taxes, and turn over the collection of delinquent taxes to the county collector.

   To ensure all property tax transactions are accounted for and to ensure compliance with state law, the village collector should prepare an annual report as of January 1 summarizing total taxes charged, total collections, and a listing of delinquent taxes due, and ensure the total charges equal total collections plus amounts remaining delinquent. The village board should review and approve the report and the delinquent tax listings, and turn over the collection of delinquent taxes to the county collector.

E. No village officials are bonded. Section 80.250, RSMo, requires bond coverage of at least $1,000 each for the village collector and treasurer. Failure to properly bond all persons with access to assets exposes the village to risk of loss.

WE RECOMMEND the Board of Trustees:

A. Ensure a ledger is maintained or all receipts, disbursements, and cash balances, and ensure monthly bank reconciliations are prepared.

B. Ensure summary monthly financial information is prepared for board review and approval and is filed with the board minutes. In addition, the board should review the village's overall financial condition and set the village tax rate to provide sufficient operating funds but does not create an excessive fund balance.

C. Ensure invoices or other supporting documentation are maintained for each disbursement and are filed in an orderly manner.

D. Ensure the village collector:

1. Prepares listings of individual property tax receipts and reconciles the receipts to bank deposits.

2. Deposits receipts in a timely manner.

3. Prepares annual statements of property tax charges, collections, and amounts remaining delinquent as of January 1. In addition, the board should turn over the collection of delinquent taxes to the county collector as required by state law.

E. Obtain bond coverage for all officials with access to village assets.

AUDITEE'S RESPONSE

A-E. We agree and will implement these recommendations. Regarding Part B, we will review the village's finances and consider spending money for improvements to the village streets and ditches.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF WORTH, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The village of Worth is located in Worth County. The village was incorporated in 1911. The population of the village in 2000 was 94.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman, collector, and secretary/treasurer are appointed by the board from the members. The Board of Trustees during the year ended December 31, 2006, are identified below.

Board of Trustees	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
John Infante, Chairman (1)	January 1 to December 31	$200
Terry Bennett, Collector (2)	January 1 to December 31	100
Melbourne Fletchall, Member (3)	January 1 to April 30	0
Marlyn Bennett, Member (2) (3)	May 1 to December 31	0
Butch Hubbard, Member (3)	January 1 to April 30	0
Sharron Dozier, Member (3) (4)	May 1 to December 31	650
Leonard Roush, Member (3)	May 1 to December 31	0

(1) Compensation for serving as Secretary/Treasurer. Esther Roush was elected to the board and appointed Chairman in April 2007.

(2) Gary Hubbard was elected to the board in April 2007 to replace Marlyn Bennett and was appointed Collector. Terry Bennett was compensated for serving as Collector for 2005 and 2006.

(3) No elections were held in April 2006. Marlyn Bennett, Sharron Dozier, and Leonard Roush were appointed to fill the positions vacated by Melbourne Fletchall, Butch Hubbard, and a position that had been vacated in 2005.

(4) Appointed Secretary/Treasurer in April 2007. Compensation for mowing the village's land.

Assessed valuations and tax rates for 2006 were as follows:

ASSESSED VALUATIONS		
Real estate	$	121,444
Personal property		71,265
Total	$	192,709

TAX RATE PER $100 ASSESSED VALUATION		Rate
General Fund	$	.5000

A summary of the village's financial activity for the year ended December 31, 2006, is presented below:

RECEIPTS		
Property taxes	$	1,458
Franchise fees		1,195
Motor fuel and motor vehicle fees		3,960
Interest		988
Total Receipts		7,601
DISBURSEMENTS		
Street lighting		2,350
Gravel		700
Chemicals		100
Mowing and maintenance		910
Insurance		70
Trash hauling		671
Board compensation		300
Stove for community center		400
Miscellaneous		331
Total Disbursements		5,832
Receipts Over (Under) Disbursements		1,769
Cash Balance, January 1, 2006		39,566
Cash Balance, December 31, 2006	$	41,335

Susan Montee, CPA
Missouri State Auditor

October 2007

Twelfth Judicial Circuit

City of Wellsville, Missouri Municipal Division

Report No. 2007-62

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

The following finding was noted as a result of an audit conducted by our office of the Twelfth Judicial Circuit, city of Wellsville, Missouri Municipal Division.

The city of Wellsville Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

Monies received by the Wellsville Municipal Division are not always deposited on a timely basis. Some checks and money orders are not restrictively endorsed immediately upon receipt and monies are not maintained in a secure location prior to deposit. In addition, on July 13, 2007, the City Clerk/City Collector deposited $3,000 in proceeds from the sale of a police department vehicle into the municipal division bank account. These monies represent city funds and should be turned over to the city and be subjected to the budgetary and fiscal controls of the city.

The municipal division does not maintain a comprehensive accounts receivable control ledger. A comprehensive accounts receivable ledger is necessary to provide increased accountability and facilitate monitoring of amounts due to the court.

Fines and court costs due to the city's General Fund are not paid to the city treasury at least monthly as required by state law. During the two years ended March 31, 2007, only eight payments were made to the General Fund. No payments were made to the General Fund between July 2006 and July 2007. At June 30, 2007, the reconciled balance of the municipal division's bank account was approximately $16,500. In addition, some court fees are disbursed prior to collection.

Monthly bank reconciliations were not prepared timely and procedures have not been established to resolve old outstanding checks. In addition, the bank signature card for the municipal division's account has not been updated. To protect court assets, individuals no longer responsible for court business should be removed from the signature card. Also, monthly reports of all cases heard in court are not filed with the city as required by state law.

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WELFTH JUDICIAL CIRCUIT
CITY OF WELLSVILLE, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twelfth Judicial Circuit
and
Municipal Judge
Wellsville, Missouri

We have audited certain operations of the city of Wellsville Municipal Division of the Twelfth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended March 31, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Wellsville Municipal Division of the Twelfth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Terese Summers, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWELFTH JUDICIAL CIRCUIT
CITY OF WELLSVILLE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Collection Controls and Procedures

Deposits are not always made on a timely basis, checks and money orders are not restrictively endorsed immediately upon receipt, and monies are not maintained in a secure location prior to deposit. In addition, city monies totaling at least $3,000 were deposited into the municipal division bank account, and a comprehensive accounts receivable listing/record is not prepared.

A. Receipting and depositing procedures of the municipal division are in need of improvement.

1) Monies received are not always deposited on a timely basis. For example, the July 28, 2006, deposit totaling $1,962 included monies received between July 14 and July 26, 2006. The June 21, 2005, deposit totaling $555 included monies received between May 18 and June 20, 2005. January, February, and March 2007 deposits were made only once a month. More frequent deposits were made subsequent to March 2007 with three deposits made in June 2007.

2) Some checks and money orders are not restrictively endorsed immediately upon receipt, and monies are not maintained in a secure location prior to deposit. During the day, court receipts are collected by the City Clerk/City Collector who issues receipt slips and holds the monies in an unlocked desk drawer until picked up by the Court Clerk at the end of the day. Checks and money orders are not restrictively endorsed prior to being given to the Court Clerk.

Mail receipts and monies collected by the Court Clerk on court night in the form of checks or money orders are restrictively endorsed upon receipt. However, monies collected by the Court Clerk are maintained in an unlocked cabinet at the police department until the deposit is made.

In addition, the Court Clerk had documented that when she collected receipts from city hall on May 3, 2005, a cash receipt for $115 collected by the former City Clerk on April 29, 2005, could not be accounted for.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all receipts are accounted for properly, deposits should be made on a timely basis (preferably daily), checks and money orders should be restrictively endorsed

immediately upon receipt, and monies should be maintained in a secure location at all times prior to being deposited.

B. On July 13, 2007, the City Clerk/City Collector deposited $3,000 in proceeds from the sale of a police department vehicle into the municipal division bank account. According to the City Clerk/City Collector, the deposit was made to this bank account because monies from this account would be used to purchase a new vehicle in the future.

There is no authority for the municipal division to maintain custody of such receipts. These monies represent city funds and should be turned over to the city and be subjected to the budgetary and fiscal controls of the city council. The municipal division bank account should be used only to account for monies collected as a result of actions related to the court, which would be primarily fines, court costs, and bond receipts.

C. The municipal division does not maintain a comprehensive accounts receivable control ledger; rather, individual case files and receipt slips are used to identify balances due the court. Upon our request, an accounts receivable listing was prepared by the Court Clerk which indicated approximately $10,400 was due to the court as of July 2007. A comprehensive accounts receivable ledger is necessary to provide increased accountability and facilitate monitoring of amounts due to the court.

WE RECOMMEND the city of Wellsville Municipal Division:

A. Deposit all monies on a timely basis (preferably daily), restrictively endorse checks and money orders immediately upon receipt, and maintain monies received in a secure location prior to being deposited.

B. Ensure the municipal division bank account is used only for fines, court costs, and bonds relating to court operations. Moneys related to the sale of the police department vehicle should be paid to the city treasury immediately.

C. Maintain a comprehensive accounts receivable control ledger to properly account for and monitor the amounts due the court.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated:

A. Deposits are now being made weekly. The restrictive endorsement stamp has been given to the City Clerk/City Collector who is now endorsing checks and money orders as they are received. The Court Clerk and City Clerk/City Collector are considering alternatives as to how to better secure the monies.

B. This recommendation will be implemented.

C. This recommendation will be implemented. The Court Clerk is considering different ways to set up an accounts receivable ledger.

2. Disbursement of Fines and Court Costs

Fines, court costs, and interest collected are not disbursed to the city treasury's General Fund at least monthly, and some court fees are paid to the state and the city prior to receiving payment from the defendants. In addition, some fees appear to be inappropriately paid.

A. Fines and court costs due to the General Fund are not paid to the city treasury at least monthly as required by state law. Instead, monies are held in the municipal division's bank account until requested by the city. During the two years ended March 31, 2007, only eight payments were made to the city. These payments totaled approximately $4,000 for the year ended March 31, 2007, and approximately $20,000 for the year ended March 31, 2006. As of July 2007, no monies had been transferred to the city's General Fund since July 2006. At June 30, 2007, the reconciled balance of the municipal division's bank account was approximately $16,500.

In addition, interest earned on the municipal division's bank account has not been remitted to the city treasury. According to the City Clerk/City Collector's records, the municipal division's bank account has earned interest totaling approximately $1,500 from January 1999 through June 2007. There was no evidence to indicate that any of this money has ever been turned over to the city.

Section 479.080, RSMo, requires the municipal division to deposit fines and court costs into the city treasury at least monthly. Failure to disburse monies to the city on a monthly basis reduces the city council's ability to adequately monitor revenues and the city's overall financial condition.

B. Some court fees are disbursed prior to collection. In addition to court costs, which are due to the city's General Fund, fees are assessed for Peace Officers Standards and Training Commission (POSTC), Law Enforcement Training (LET), and Crime Victims' Compensation (CVC). The following concerns were noted regarding the distribution of these fees:

1) In some cases, POSTC, LET, and the state's portion of CVC fees are disbursed prior to collection by the municipal division. Defendants are allowed, with the approval of the Municipal Judge, to pay fines and court costs on an installment basis. Following court, the Court Clerk will determine the total number of cases for which fees will be assessed by reviewing the disposition of the cases noted on the court docket. The total

number of cases is then multiplied by the POSTC, LET, and CVC fees to determine the monthly disbursement amount for each of these respective fees. The Court Clerk includes the cases which will be paid on an installment basis when calculating monthly disbursement amounts even though some of the fees have not yet been collected at the time the fees are distributed to the city and the state.

2) Instances were noted of fees disbursed for POSTC, LET, and the state's portion of CVC, even though no monies will be received from the defendant. For example:

- In February 2006, a defendant was sentenced to community service. According to the case docket sheet, this service was performed in lieu of fines and court costs.

- According to the February 2007 court docket, a defendant was found not guilty on two charges. No fees were collected for this case.

Although no fees were collected for these cases, POSTC, LET, and CVC fees were disbursed to the applicable entities by the court.

By disbursing POSTC, LET and CVC fees prior to collection, the municipal division is using funds that should have been paid to the city treasury's General Fund. In some instances, the municipal division will not collect these fees which results in lost revenue to the city.

WE RECOMMEND the city of Wellsville Municipal Division review the reconciled balance of the municipal division bank account, identify all open items, such as bonds, and remit the remaining balance to the city treasury. Procedures should be established to ensure all fines, court costs, and interest received are disbursed to the city on a monthly basis. In addition, court costs should not be disbursed until collected.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated these recommendations will be implemented. The Court Clerk is considering ways to set up a monthly form which will improve the disbursement process.

3. Banking and Account Reconciliation Procedures

Monthly bank reconciliations were not prepared timely. Also, procedures have not been established to resolve old outstanding checks, and the signature card of the municipal division's bank account needs updating.

A. Monthly bank reconciliations were not prepared timely. Bank reconciliations for April 2006 through June 2007 were completed by the City Clerk/City Collector in July 2007 for the municipal division's bank account. In addition, the City Clerk/City Collector does not periodically reconcile deposits to receipt slips. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, cash balances reconcile to open items (liabilities), and to detect and correct errors timely. A periodic reconciliation of deposits to receipt slips is necessary to ensure all monies are properly accounted for and deposited.

B. Procedures have not been established to resolve old outstanding checks. According to the June 2007 bank reconciliation prepared by the City Clerk/City Collector, 6 checks totaling $125 have been outstanding for more than one year. Some of these checks have been outstanding for 4 to 7 years. In addition, 3 of these checks totaling $110 were payable to the state. These old outstanding checks create additional and unnecessary record keeping responsibilities.

   Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

C. The bank signature card for the municipal division's account has not been updated. The current signature card for the municipal division's bank account includes the Court Clerk and the former City Clerk whose employment with the city ended in July 2006. By leaving the former City Clerk's name on the signature card, she is authorized to conduct transactions on the account. To protect court assets, individuals no longer responsible for court business should be removed from the signature card.

WE RECOMMEND the city of Wellsville Municipal Division:

A. Along with the City Clerk/City Collector, ensure the municipal division's bank account is reconciled monthly. The City Clerk/City Collector should periodically reconcile deposits with receipt slips.

B. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

C. Ensure individuals no longer involved with court business are immediately removed from the signature card.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated:

A. The City Clerk/Collector has started preparing monthly bank reconciliations. She will begin periodically reconciling deposits with receipt slips.

B. This recommendation will be implemented.

C. The Court Clerk and City Clerk/Collector will implement this recommendation. The City Clerk/City Collector indicated she believes the city council will have to authorize the change and will discuss it with them.

4. Reporting

Monthly reports of all cases heard in court are not filed with the city. The Court Clerk does prepare a monthly report which reflects the amount collected for each type of violation. However, the report does not reflect all information required by state law and is not filed with the city. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the violations bureau (VB), including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

WE RECOMMEND the city of Wellsville Municipal Division prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated this recommendation will be implemented.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

TWELFTH JUDICIAL CIRCUIT
CITY OF WELLSVILLE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Wellsville Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Robert Fenlon*
Court Clerk	Lilliann Kolling
City Clerk/City Collector	Carolyn See**

* Vincent Garufi served as Municipal Judge prior to January 2006.
** Bonnie Stewart served as City Clerk and Carolyn See served as City Collector prior to August 2006. Effective August 2006 Carolyn See serves as City Clerk and City Collector.

Financial and Caseload Information

	Year Ended March 31,	
	2007	2006
Receipts	$ 13,740	19,380
Number of cases filed	119	157

Susan Montee, CPA
Missouri State Auditor

October 2007

LABOR AND INDUSTRIAL RELATIONS

Workers' Compensation Data Security Controls

Report no. 2007-61

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Missing Security Controls Leave Confidential Data and Technology Resources Susceptible to Unauthorized Access

This audit reviewed the management and control of information technology resources at the Department of Labor and Industrial Relations (DOLIR) Division of Workers' Compensation (DWC). Auditors found DOLIR and Information Technology Services Division (ITSD) management have not taken some of the measures necessary to maintain effective controls to protect the confidentiality, integrity and availability of data and the information technology resources supporting the mission and operations of DWC.

User account administration needs improvement

DOLIR's user account administration procedures lack key security control requirements commonly recommended by accepted standards. DOLIR and ITSD management have not implemented policies and procedures for periodically reviewing user access rights to the network or to DWC information systems and application data to ensure access rights remain appropriate. As a result, users have access to functions outside of the users' job duties, programmers have access to production data, and user account administration policies have not been developed. According to accepted standards, effective administration of users' computer access is essential to maintaining system security. (See page 6)

Physical security access controls have been inadequate

DOLIR and ITSD management have not established adequate policies and procedures for the physical security of DOLIR computer facilities. Auditors found oversight responsibilities for physical security have not been formally assigned and access to facilities has not always been properly controlled or monitored. As a result, access to the computer room has been provided to people who did not require the access levels issued based on their job titles, electronic door access card records have not always been updated when cards have been reissued, access to some secure locations has not been monitored, and a list of personnel authorized to access the offsite storage facility has not been maintained. (See page 9)

Some security controls need to be fully developed

DOLIR and ITSD management have developed and documented policies for specific security controls. However, management has not completed the process of establishing and documenting policies and procedures for some key security controls. Accepted standards state policies are necessary to set organizational strategic directions for security and assign resources for the implementation of security. (See page 11)

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Abbreviations

AICS	Automated Integrated Claim System
DOLIR	Department of Labor and Industrial Relations
DWC	Division of Workers' Compensation
GAO	Government Accountability Office
ITSD	Information Technology Services Division
MAEA	Missouri Adaptive Enterprise Architecture
OA	Office of Administration
RSMo	Missouri Revised Statutes

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Omar Davis, Director
Department of Labor and Industrial Relations
and
Dan Ross, Chief Information Officer
Office of Administration, Information Technology Services Division
Jefferson City, MO 65102

The Department of Labor and Industrial Relations (DOLIR) Division of Workers' Compensation (DWC) is responsible for working with employers and employees regarding workplace injuries and illnesses. The purpose of workers' compensation insurance is to provide financial assistance to workers injured on the job. The Office of Administration Information Technology Services Division (ITSD) is responsible for providing technical assistance to support DOLIR's technology resources. Our objective included determining whether DOLIR and ITSD management established adequate internal control policies and procedures and implemented effective security controls to ensure the confidentiality, integrity and availability of data and information collected and maintained by DWC.

DOLIR and ITSD management have not taken some of the measures necessary to maintain effective controls to protect the confidentiality, integrity and availability of data and the information and technology resources supporting the mission and operations of DWC. DOLIR management has not adequately reviewed or monitored user access rights which could allow inappropriate access to payment processing functions. DOLIR and ITSD have physical security access controls in place to help protect data and information technology resources from unauthorized access. However, management lacks assurance the controls have been working effectively since policies or procedures for reviewing and monitoring physical access controls have not been established or documented. We also found instances where security policies have not been developed and instances where procedures have been in place but the corresponding policies have not been documented.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report included Jeff Thelen, Jeff Roberts, Lori Melton, Frank Verslues, and Evans Owala.

Susan Montee, CPA
State Auditor

Introduction

The mission of the Department of Labor and Industrial Relations (DOLIR) is to promote economic security, promote safe and healthy workplaces, and protect wage earners and individuals against discrimination, according to the department's web site.[1] DOLIR employs about 950 persons who provide services to current and emerging businesses and to workers of Missouri. According to the division's web site,[2] the Division of Workers' Compensation (DWC) works with employers and employees regarding workplace injuries and illnesses. State law[3] requires many Missouri employers to carry workers' compensation insurance for employees. The purpose of workers' compensation insurance is to provide financial assistance to workers injured on the job. The DWC also provides mediation services to help employers and employees resolve disputes about medical treatment and lost wages.

The DWC uses the Automated Integrated Claim System (AICS) to process all documents and information pertaining to an injury and for storing and reporting data. Any injury which requires medical aid, other than immediate first aid with no lost time from employment, is required to be reported to the DWC by the insurance company, third-party administrator, or self insured employer using the first report of injury form. About 95 percent of these forms are submitted to the DWC electronically with the remaining 5 percent submitted on paper forms. The DWC received about 133,000 first report of injury forms in fiscal year 2007.

If an employee cannot resolve benefit problems with the employer or with the employer's insurance company, the employee may file a formal claim for compensation with the DWC. Claim forms are submitted on paper forms and entered in AICS by DWC personnel. By filing a claim, the employee begins an administrative law proceeding where an administrative law judge has the authority to decide issues in dispute. The DWC received about 28,000 claim forms in fiscal year 2007.

AICS maintains confidential data including social security numbers and injury information. AICS includes other system areas, such as Medical Services, Image Processing, File Tracking/Archives, Mediations, and Second Injury Fund.

[1] "About Us," *Department of Labor and Industrial Relations*, <http://www.dolir.missouri.gov/aboutus.htm>, accessed July 20, 2007.
[2] "Division of Workers' Compensation," *Department of Labor and Industrial Relations*, <http://www.dolir.missouri.gov/wc/>, accessed July 24, 2007.
[3] Workers' compensation laws are in Chapter 287, RSMo.

The DWC is also responsible for processing Second Injury Fund benefits. The Second Injury Fund compensates injured employees when a current work-related injury combines with a prior disability to create an increased combined disability. When an employee is eligible for benefits and a compromise settlement has been approved or an award has been issued, DWC processes payments to injured workers using AICS. In fiscal year 2007, DWC staff processed about $66 million in Second Injury Fund payments through AICS.

The Office of Administration, Information Technology Services Division (OA ITSD)[4] is responsible for providing technical assistance to support DOLIR's technology resources. DOLIR maintains ownership of its information systems and data, while ITSD provides the technical support. As part of the technology support function, OA ITSD has established the Missouri Adaptive Enterprise Architecture (MAEA)[5] to guide information technology decisions. DOLIR is required to follow MAEA standards and policies.

DOLIR and ITSD share the responsibility for managing security of data and information maintained by DWC. According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system[6] to protect the confidentiality, integrity, and availability of the system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction and availability ensures timely and reliable access to and use of information. According to DOLIR policies, most data obtained by the department is considered sensitive in nature and has restrictive release requirements.

[4] In this report, OA ITSD refers to the entire division, while ITSD refers to the section within OA ITSD that has been assigned specific responsibility for supporting DOLIR technology resources.

[5] The Enterprise Architecture includes standards, policies and guidelines established by OA ITSD. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and information. The domains are not fully developed, but define the principles which are needed to help ensure the appropriate level of protection for the state's information and technology assets.

[6] National Institute for Standards and Technology (NIST), Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*, February 2005, defines an information system as a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information.

Scope and Methodology

To determine whether DOLIR and ITSD management established internal control policies and procedures and implemented security controls, we conducted interviews with appropriate officials and staff; requested and reviewed available policies, procedures, and other applicable information; and performed testing.

We obtained data files from ITSD of user accounts having access to DOLIR's network as of February 2007, and of user accounts having access to AICS as of March 2007. We did not rely on the user account data to draw overall conclusions. Rather, we assessed specific department policies and controls, including controls specific to AICS, and did not perform specific procedures to determine data validity. To help ensure completeness of the data, we grouped the network accounts by division and compared the listing to the DOLIR organization chart and reviewed the AICS accounts for reasonableness and scanned for the names of employees.

We obtained a list from DOLIR management of all persons assigned active security cards able to access the DOLIR computer facility and the building housing the computer facility as of March 2007. This list also included each card holder's access levels. To determine whether assigned access to the computer facility was appropriate, we manually verified where each of the security card holders worked by checking employment records in the statewide accounting system for human resources or by locating the card holder's name on DOLIR's organization chart.

We based our evaluation on accepted state, federal, national and international standards and best practices related to information technology security controls from the following sources:

- Missouri Adaptive Enterprise Architecture (MAEA)
- National Institute of Standards and Technology (NIST)
- U.S. Government Accountability Office (GAO)
- IT Governance Institute Control Objectives for Information and related Technology (COBIT)
- International Organization for Standardization (ISO) / International Electrotechnical Commission (IEC)
- Information Security Forum Standard of Good Practice for Information Security

We requested comments on a draft of our report from the Director of the Department of Labor and Industrial Relations and the Chief Information Officer. We conducted our work between February and July 2007.

Missing Security Controls Leave Confidential Data and Technology Resources Susceptible to Unauthorized Access

DWC data and DOLIR information technology resources are susceptible to unauthorized access, use or disclosure. This situation has occurred because DOLIR and ITSD management have not (1) established adequate user account administration procedures, (2) established adequate policies and procedures for physical security, and (3) documented or implemented some key policies and procedures for internal controls, including security. Collectively, these weaknesses impair DOLIR's ability to ensure the confidentiality, integrity, and availability of data collected and maintained by DWC and to ensure information technology resources are properly protected.

User Account Administration Needs Improvement

According to accepted standards, effective administration of users' computer access is essential to maintaining system security. We found DOLIR's user account administration procedures lack key security control requirements commonly recommended by accepted standards. Specifically, DOLIR and ITSD management have not established or fully documented the following user account administration controls:

- User account reviews
- Limiting programmer access to production data
- Access to and security of the Second Injury Fund databases
- AICS user account administration

Informal user account reviews have not been adequate

DOLIR and ITSD management have not implemented policies and procedures for periodically reviewing user access rights to the network or to DWC information systems and application data to ensure access rights remain appropriate. According to the MAEA, agencies must periodically review user accounts. At a minimum, this review should include (1) levels of authorized access for each user and (2) identification of inactive, idle or orphaned accounts. Accepted standards also support regular review of all accounts and related privileges.

The ITSD network administrator occasionally sends out a listing of employee access rights to supervisors for review, according to an ITSD official. However, we found this process has not constituted a comprehensive review of user access to data and other information resources on the network and no documentation exists that supervisors' responses have been used to adjust user access rights. ITSD officials also provide quarterly reports to the DOLIR Security Administrator for verifying network user accounts but these reports have not included the information necessary to allow for a proper review or confirmation of user access rights. According to an ITSD official, AICS user access lists had been provided annually to DWC unit supervisors to review. However, the ITSD official could not provide the date of the last DWC review.

We performed a limited review of user access rights to the DOLIR network and to AICS. We did not find any problems with user access rights to the network. We did however, find four employees who had more than one AICS user account. According to an ITSD official, these employees had been assigned a new user account when transferring to another division, but the old accounts had not been deleted. We also found DWC supervisors did not know six employees had unnecessary access to the AICS delete and payment functions.

Without having documented policies and procedures and a process for reviewing and following up on users' access to data and information resources, management does not have reasonable assurance access rights remain commensurate with user's job duties and responsibilities resulting in an increased risk of inappropriate access.

Programmers have full access to production data

AICS application programmers have access to the computer system data and production environment, including access to Second Injury Fund payment processing functions. According to the MAEA, separation of duties provides process integrity while maintaining proper security and quality controls and must be established and documented so an individual does not have access to more than one critical task. Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, improper program changes implemented, or computer resources damaged or destroyed, according to GAO.

During our review of AICS user access, we found eight ITSD programmers have administrator rights as well as access to the AICS Second Injury Fund payment processing functions. An ITSD official said the programmers have administrator rights so they can change user access rights, including their own access rights. The official further explained programmers use this ability to change their access rights to mimic another user's rights when providing end user support. By having this capability, these programmers have access to all AICS menu options and all special access menus. In addition, no monitoring or periodic review of the programmers' activities has been performed, according to an ITSD official. Although necessary, temporary access authorizations outside of the normal scope of a user's duties should be granted sparingly and monitored carefully, consistent with the need to maintain separation of duties for internal control purposes, according to accepted standards.

Access to and security of the Second Injury Fund databases needs to be strengthened

ITSD officials have not fully secured the databases used to track the receipt of monies for the Second Injury Fund. The Second Injury Fund surcharge collection databases are used to track, bill and receipt monies collected from insurance companies and self-insured businesses operating in Missouri. At least 16 employees had access to the collection databases, including 8 application programming staff. However, only one employee has been responsible for data entry and tracking of collections, according to a DWC official. Accepted standards state user access rights to systems and data should be in line with defined and documented business needs and job requirements.

ITSD staff said the databases had been developed in 2003 under a tight deadline due to a memorandum of understanding, which transferred the responsibility for collecting Second Injury Fund surcharges from the Department of Insurance to DWC. As a result, common security features had not been included in the databases. Security must be considered in the design of an information system according to accepted standards. Experience has shown it is very difficult to implement security measures properly and successfully after a system has been developed so these measures should be integrated fully into the design and development of the system, according to accepted standards. ITSD officials said a new database is being developed that will be part of AICS and the necessary security features will be incorporated. This new database, including additional security features, should be implemented by December 2007, according to ITSD officials.

User account administration policies and procedures need to be documented

ITSD officials have not documented the controls for the configuration of group profiles or for the authorization, ownership, and use of privileged accounts. These policies and procedures are necessary to ensure system administrators are familiar with the procedures for adding, changing or removing group profiles and are knowledgeable of the requirements for processing changes to user profiles, according to accepted standards. In addition, controls over privileged user accounts should be documented for the proper oversight of security administration staff.

Although ITSD officials have implemented user account administration policies and procedures, the policies have not been fully documented. An ITSD official said management had not been aware the administrative account policies and procedures needed to be documented. Without adequate documentation, DOLIR and ITSD management cannot assure system administration staff are knowledgeable of requirements for providing consistent AICS user account support and control over privileged user accounts.

Physical Security Access Controls Have Been Inadequate

DOLIR and ITSD management have not established adequate policies and procedures for the physical security of DOLIR computer facilities. Specifically, we found oversight responsibilities for physical security had not been formally assigned and access to facilities has not always been properly controlled or monitored.

Management should define and implement procedures to grant, limit and revoke access to premises, buildings and areas according to business needs, including emergencies, according to accepted standards. Access to premises, buildings and areas should be justified, authorized, logged and monitored. This applies to all persons entering the premises, including staff, temporary staff, clients, vendors, visitors or any other third party, according to accepted standards.

Physical security oversight has not been adequate

The MAEA states responsibility for the physical and environmental security program needs to be formally assigned. Appropriate policies and procedures for physical security policies had not been documented and the responsibility for physical security had not been formally assigned to specific ITSD staff. Prior to the start of our audit, responsibility for monitoring physical access of the computer facility and overall responsibility for physical security had not been formally assigned, according to an ITSD official. During audit fieldwork, responsibility for physical security of the ITSD work area was assigned to an ITSD official. We found the following physical security issues at DOLIR that could have been prevented with adequate oversight:

- About 50 electronic door access cards, allowing 24 hours a day, 7 days a week access to the computer room, had been issued to people who did not require this level of access based on their job titles, according to an ITSD official.
- Cardholder records have not always been updated when cards have been reissued. We identified five cardholder records for terminated employees. A DOLIR official said the cards had been issued to new employees without updating the records. In addition, we found 10 card numbers where the cardholder records identified two different people in possession of the same card number.
- There are 103 different types of access levels, however, only 41 levels have been in use. An ITSD official said the number of access levels needs to be reduced to adequately review users' physical access.

Access to information technology resources has not been monitored

DOLIR policy states all staff not authorized for entry to the ITSD work area must sign a visitor's register before entering. However, contrary to this policy, we found the doors to the ITSD work area are only locked from 6:00 pm. to 7:00 am. During work hours, access to these doors has not been monitored and visitors have not been required to sign in.

The door to the computer room is locked and a computerized system is used for logging employee access. However, ITSD officials have not maintained an up-to-date visitor logbook to track visitors and consultants who have been in and out of the room. During a physical walk-through of the computer room in March 2007, we observed a visitor log book that had not been used since July 2006. An ITSD official said ITSD does not have any documented policies and procedures for temporary access by visitors to sensitive areas.

The MAEA requires agencies to create a physical security program. This program should ensure access to critical areas is controlled with door locks; guards or receptionists supervise the movement of people and materials; and administrative procedures, such as sign-in logs, identification cards or badges are in place. The MAEA further requires that visitors be properly controlled and escorted and a visitor's log should be kept and reviewed regularly.

Without documented policies and procedures on physical security access control, DOLIR and ITSD management cannot ensure adequate physical security controls are in place to restrict access to computer resources to only appropriate individuals.

Data stored offsite has not been adequately protected

ITSD officials did not have adequate controls to limit physical access to the offsite facility where backup media are stored. In addition, an offsite storage inventory log has not been kept up-to-date. An ITSD official said the responsibility for monitoring physical security at the offsite storage facility has not been assigned. As a result, critical backup resources have not been adequately protected from risk of loss either thorough purposeful or unintentional activities.

ITSD officials have not maintained a list of personnel authorized to access the offsite storage facility. An ITSD official said only four ITSD employees and one DOLIR employee should have access to this facility. However, during our audit, we were granted access to the facility by an additional DOLIR employee. There is no computerized system, such as a key card, in use to automatically log who enters the offsite storage facility. While this control weakness is not significant, it does place increased importance on

the adequacy of management's control policies and procedures over the distribution of door keys.

According to accepted standards, an organization should develop and keep current lists of personnel with authorized access to facilities containing information systems. The standards also require that designated officials within the organization review and approve the access list.

Inventory logs of the backup media sent to, and received from, the offsite storage facility are maintained in the DOLIR computer room. However, in May 2007, we found one of the inventory logs had not been updated for approximately 2 months. An up-to-date inventory log is necessary to provide proper controls over media stored offsite, according to accepted standards.

Without adequate physical and administrative controls, ITSD officials cannot assure the physical safety of the backup materials stored at the offsite facility.

Some Security Controls Need to be Fully Developed

A security program provides a framework for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of an agency's security controls. According to GAO, implementing a security program is essential to ensuring controls over information and information systems operate effectively on a continuing basis.

DOLIR and ITSD management have developed and documented policies for specific security controls. However, officials have not completed the process of establishing and documenting policies and procedures for some key security controls. Accepted standards state policies are necessary to set organizational strategic directions for security and assign resources for the implementation of security.

DOLIR and ITSD management have not established or documented policies or procedures for the following security controls:

- Data and information ownership
- System and data classification
- Security logging and monitoring
- Backup and offsite storage tests
- AICS user manual
- Data output

Data and information owners need to be formally documented

DOLIR management has appointed information owners who make decisions about data classification and system access rights. However, policies have not been documented regarding the identification of data and system resource owners and a listing of the owners has not been provided to ITSD. A list of information owners is needed to ensure requests ITSD receives for user access changes have been approved by appropriate DOLIR officials.

The MAEA states information owners are necessary to administer information security. It is important to document the ownership of data and information systems because owners make decisions about classifying and protecting information and systems, according to accepted standards. Without having documented policies and procedures establishing data and information ownership responsibilities, there is an increased risk data and information assets will not be properly protected against unauthorized access.

Systems and data have not been classified according to sensitivity and criticality

DOLIR management does not have assurance that information systems and data receive an appropriate level of protection. DOLIR and ITSD management have not established a framework for systems and data classification. The department's information security policy requires a systems and data classification framework. Such a framework examines the sensitivity of both the data to be processed and the system itself to identify when to classify information as confidential, public, or other established levels, according to accepted standards.

According to DOLIR policy, a framework for data and system classification should be established which promotes the integrity, confidentially, accountability, and availability of information. Also, accepted standards provide that a classification framework should include details about data ownership, definition of appropriate security levels and protection controls, and a brief description of data retention and destruction requirements, criticality and sensitivity. An ITSD official said ITSD would adopt a classification framework for DOLIR resources after one is formally incorporated into the MAEA. A draft technology standard on data classification has been issued by OA ITSD, but the standard had not been finalized as of July 2007.

Policies needed to log, report and review security activity

DOLIR management has not taken sufficient steps to ensure system security controls have functioned properly. Policies and procedures for logging appropriate security-related events and monitoring specific access are necessary when developing effective security programs. Accepted standards state a logging and monitoring function enables the early detection of

unusual or abnormal security activity[7] that may need to be addressed to ensure the approved security level is maintained.

System security logging is available on the DOLIR network to identify security events. However, policies and procedures for monitoring, reviewing and investigating the logs have not been established. ITSD officials said DOLIR does not have the resources available to log and monitor security-related events. A survey performed in 2005[8] stated proactive monitoring of system logs might facilitate detection of an incident before it becomes apparent externally. The survey also stated that automated processes for monitoring suspicious activity may be the most effective means of detection.

Determining what, when, and by whom specific actions have been taken on a system is crucial to establishing individual accountability, investigating security violations, and monitoring compliance with security policies, according to GAO.

No periodic test of backup data performed

ITSD officials have established policies and procedures for the backup and off-site storage of critical system data to meet the business continuity strategy of DOLIR. However, this policy does not address periodic tests of the offsite backup data. An ITSD official said files and folders have been successfully restored from backups, which management believes indicates the reliability of the backups. However, accepted standards state organizations should test backup information at an organization-defined frequency to ensure media reliability and information integrity. Without testing the full backups, management cannot be assured the entire system can be restored when necessary.

AICS user manual has not been documented

DOLIR management cannot ensure AICS users have adequate knowledge to allow effective and efficient use of the system to support DWC's business processes. A user or training manual explaining system data input, error handling and processing procedures has not been maintained. A DWC officialsaid employees receive training for AICS on the job and a formal training manual has not been needed. However, accepted standards state

[7] Security activity includes users attempting to access data they are not authorized to access, performing a task they are not authorized to perform, or accessing data they are authorized to access that is of a sensitive nature.

[8] "Insider Threat Study: Computer System Sabotage in Critical Infrastructure Sectors", *United States Secret Service, National Threat Assessment Center and CERT® Program, Software Engineering Institute at Carnegie Mellon University*, <http://www.cert.org/insider_threat/insidercross.html>, accessed July 9, 2007.

manuals for users should be documented to ensure the proper use and operations of applications.

ITSD officials have also not documented the transaction processing edits incorporated into AICS. An ITSD official said the edits are documented in the source code and there has never been a reason to formally document the edits separately. Without documentation of the edits, DOLIR management cannot ensure users understand and properly use the edits. This weakness reduces management assurance transactions are processed as intended impacting the ability to provide reliable and consistent information.

Policies needed to ensure application output is complete and accurate

DWC management has limited assurance data and reports from AICS are complete or accurate. The policies and procedures needed to provide this assurance have not been documented. An ITSD official said ITSD staff verify output to ensure requests have been processed correctly. This process includes verifying the criteria used for processing agrees to the criteria submitted by DWC and that record counts are complete. DWC officials have also established informal procedures for verifying the completeness and accuracy of special requests, according to DWC staff.

Documented policies and procedures should be established to assure the provider and relevant users review the accuracy of output reports and to ensure the processing of stored information is correct and appropriate to the circumstances, according to accepted standards.

Conclusions

DOLIR and ITSD management have not taken necessary steps to fully implement effective internal control policies and procedures and effective security controls to prevent the unauthorized access, use and disclosure of data. DOLIR management does not have assurance access to data and other information resources is appropriate because user account access has not been adequately monitored or reviewed. ITSD management does not have assurance the DOLIR computer facilities are adequately secured because oversight responsibilities had not been formally assigned and access to facilities has not always been properly controlled or monitored. DOLIR's control environment is missing important security components because management has not documented policies and procedures for some key security controls. Faced with the challenge of protecting systems and resources from continuing threats, vulnerabilities, and data breaches, DOLIR and ITSD management should support establishing and documenting the controls necessary to ensure the confidentiality, integrity, and availability of data and information collected and maintained by DWC.

Recommendations

We recommend the Department of Labor and Industrial Relations management work with Information Technology Services Division officials to:

2.1 Ensure user account administration is fully documented and access is granted appropriately. At a minimum, management should implement user access reviews and document policies and procedures by taking the following actions:

- Ensure supervisors review user access rights and notify ITSD if changes are necessary.
- Establish and document policies and procedures to ensure adequate segregation of incompatible duties. These policies and procedures should limit programmer access to the production environment to temporary situations and ensure activity performed by programmers is periodically monitored.
- Limit access to the Second Injury Fund databases to only those staff that require access as part of their regularly assigned duties.
- Document the controls in place over the configuration of group profiles and the authorization, ownership and use of privileged accounts.

2.2 Establish policies and procedures regarding the physical security of computer facilities. At a minimum, management should implement controls and document policies and procedures by taking the following actions:

- Perform a comprehensive review of cardholder records to ensure access is granted consistent with the assigned duties and responsibilities of the cardholder. In addition, review access levels and delete unnecessary levels to simplify security administration.
- Ensure the established physical security policy is upheld and access is limited to the ITSD work area. In addition, maintain an up-to-date log of visitors who enter the computer facility.
- Protect critical backup resources from the risk of loss by maintaining both a current list of personnel authorized to access the offsite storage facility and a current inventory of offsite backup media.

2.3 Ensure policies and procedures are established and documented for all key security controls. At a minimum, management should implement controls and document policies and procedures by taking the following actions:

- Document the appointed owners who makes decisions about data classification and access rights for all information resources (data and systems).
- Establish a system and data classification framework to ensure all systems and data are classified in terms of criticality and sensitivity.
- Establish and document policies and procedures to log, monitor, report, and review appropriate security activity and security violations.
- Establish and document policies to periodically test backup data to ensure media reliability and information integrity.
- Document a user manual for AICS to ensure the proper use and operations of applications. This manual should include descriptions of the transaction edits available.
- Document policies and procedures required to validate data output to ensure data has been processed and reported completely and accurately.

Agency Comments

2.1

- *DOLIR concurs with the recommendation and will establish procedures for supervisors to monitor and determine on a scheduled basis access rights for users of the AICS.*
- *ITSD-DOLIR concurs with the recommendation and will comply by establishing documented policies and procedures to adequately segregate and limit programmer access to the production environment of the AICS.*
- *DOLIR concurs with the recommendation and has taken steps to determine what staff should have "Modify Authority Only" and who should have "View Copy Only" authority to the Second Injury Fund database. ITSD-DOLIR concurs with the recommendation and will comply by limiting access to the Second Injury Fund Access database to staff who maintains the database as part of her/his assigned duties.*
- *ITSD-DOLIR concurs with the recommendation and will comply by establishing documented policies and procedures for the configuration of group profiles and privileged user accounts.*

2.2

- *ITSD-DOLIR concurs with the recommendation and will comply by conducting internal reviews of cardholder (ITSD and non-ITSD staff) access to ITSD workspace to include the computer room. Additionally, ITSD-DOLIR will limit/simplify the number of access levels.*
- *ITSD-DOLIR concurs with the recommendation and will comply by establishing documented policies and procedures to limit access to ITSD-DOLIR workspace. The policies will include assigning an*

ITSD-DOLIR staff responsibility for physical security and logging of visitors who enter ITSD-DOLIR workspace(s).

- *ITSD-DOLIR concurs with the recommendation and will comply by establishing documented policies and procedures to address offsite backup storage. The policies will address authorization by personnel to offsite storage and the inventory of offsite backup media.*

2.3

- *DOLIR concurs with the recommendation and will determine information owners responsible for making decisions about data classification and system access rights and provide such list to ITSD-DOLIR to ensure that user access changes are appropriately approved.*
- *DOLIR concurs with the recommendation and will work with ITSD-DOLIR to determine the most appropriate policy based on accepted standards to classify information and to promote the integrity, confidentiality, accountability and availability of information in the AICS. DOLIR will implement the appropriate policy in a timely manner.*
- *ITSD-DOLIR concurs with the recommendation and will comply by establishing documented policies and procedures to log, monitor and report appropriate activities and security violations.*
- *ITSD-DOLIR concurs with the recommendation and will comply by evaluating the technical aspects of this type of testing and determine the internal and external costs. Once costs are determined, ITSD-DOLIR will seek funding to conduct the testing on a regular basis. Once funding is secured, a policy will be developed and implemented. This testing must be performed in a way to not disrupt the ongoing production work of any systems.*
- *DOLIR concurs with the recommendation and will develop an AICS user manual that will allow efficient and effective use of the AICS and will support business processes. Notwithstanding the need to ensure proper use of AICS applications, DOLIR must also consider that the DWC is planning to either make significant changes to the AICS or replace the AICS system altogether in the near future. Therefore, DOLIR must examine the cost effectiveness of developing a user manual for the current AICS or waiting to develop a user manual for any system that is developed.*
- *DOLIR concurs with the recommendation and will document, using accepted standards, the policies and procedures that are currently used to assure data and reports from the AICS are complete and accurate.*

Susan Montee, CPA
Missouri State Auditor

October 2007

Office of Secretary of State

Report No. 2007-60

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

The following report is our audit of the Office of Secretary of State.

The Office of Secretary of State is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the Secretary of State: 1) to be custodian of the state seal, 2) to keep a register of the official acts of the governor, 3) to be custodian of records and documents, and 4) to perform such duties in relation to elections and corporations as provided by law.

We had no findings on the Office of Secretary of State. In addition, the Office of Secretary of State has implemented all the findings regarding the Help America Vote Act Grants (HAVA) noted in our prior State of Missouri Single Audit report issued for the year ended June 30, 2005.

All reports are available on our website: www.auditor.mo.gov

YELLOW SHEET

OFFICE OF SECRETARY OF STATE

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Robin Carnahan, Secretary of State
Jefferson City, MO 65102

We have audited the Office of the Secretary of State. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2007, 2006, and 2005. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Review certain revenues and expenditures.

4. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operations. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in the audit of the office.

No findings resulted from our audit of the Office of the Secretary of State.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Jennifer L. Carter
	Brian S. Huff
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FOLLOW-UP ON PRIOR AUDIT FINDING

OFFICE OF SECRETARY OF STATE
FOLLOW-UP ON PRIOR AUDIT FINDING

An integral part of the Office of Secretary of State's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of the Secretary of State on the finding in the Schedule of Findings and Questioned Costs of our prior State of Missouri Single Audit report issued for the year ended June 30, 2005. There was not a finding in the State of Missouri Single Audit report issued for the year ended June 30, 2006.

Help America Vote Act Grants

A. The Office of Secretary of State (SOS) did not adequately monitor subrecipients or advise them of applicable grant administration requirements. Formal written policies and procedures for monitoring subrecipients were not developed prior to distributing grant funds to subrecipients, and monitoring policies and procedures were still being developed. In addition, the SOS had not developed a system to ensure subrecipients obtain audits in accordance with Office of Management and Budget Circular No. A-133, when applicable, and submit these audit reports to the SOS for review. Also, applicable compliance requirements, such as cash management, financial, or performance reporting requirements, equipment and property management requirements, and A-133 audit requirements were not adequately communicated to subrecipients.

B. The SOS did not require subrecipients to implement procedures for minimizing the time elapsing between the transfer of funds from the state and subsequent disbursement by the subrecipients.

C.1. The SOS had not performed a physical inventory of its capital assets on an annual basis as required by state regulations. Physical inventories had not been performed for over two years.

2. Capital assets, totaling over $800,000, were not recorded in the capital asset records. In addition, the SOS reconciliation of the general ledger capital assets account to the capital asset subsystem for June 30, 2005, had not been completed as of December 31, 2005.

D.1. Although the maintenance of effort base year calculation was prepared on the state fiscal year, the 2004 calculation for maintenance of effort was prepared and reported on a calendar year basis. According to SOS personnel, federal guidance did not specify if the state was to calculate the base year expenditures on the state fiscal year or the federal fiscal year or how and when to report maintenance of effort. The SOS had not clarified these issues with the federal program staff.

2. Although SOS personnel indicated they check vendors and subrecipients on the Excluded Parties List System (EPLS) maintained by the General Services Administration for suspension or debarment before payments are approved for federal grant programs, the review was not documented.

3. Federal reports were not always complete, and the supervisory review of the reports was not documented. In addition, the annual financial status report was prepared as of December 31, 2004; however, the grant award document requires an annual financial status report as of September 30 of each year.

Recommendation:

The Secretary of State:

A. Develop formal written policies and procedures to monitor subrecipient activities. Specific compliance requirements including cash management, reporting, and equipment/property management should be fully communicated to the subrecipients. In addition, the SOS needs to ensure subrecipient monitoring is performed and documented.

B. Establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.

C.1. Conduct an annual physical inventory of the capital assets, reconcile the physical inventory to the capital asset records, and resolve any discrepancies. Also, the documentation of the physical inventories should be retained to show compliance with state regulations.

2. Ensure all capital assets are recorded in the capital asset records. Additionally, the annual reconciliation between the general ledger capital assets and the capital assets subsystem should be completed in a timely manner.

D.1. Clarify procedures for calculating and reporting maintenance of effort with the federal program staff and submit amended financial status reports if necessary.

2. Document the reviews of vendors and subrecipients for suspension and debarment.

3. Document reviews of federal grant reports, ensure that reports are complete and accurate, and ensure that reporting is performed in compliance with the terms of the grant awards.

Status:

A-D. Implemented.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

OFFICE OF SECRETARY OF STATE
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Office of Secretary of State is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the Secretary of State: 1) to be custodian of the state seal, 2) to keep a register of the official acts of the governor, 3) to be custodian of records and documents, and 4) to perform such duties in relation to elections and corporations as provided by law.

To accommodate the responsibilities of record keeping, registration, and administration, the Secretary of State's office is divided into several functional areas: Business Services, Elections, Securities, State Library, Records Services, and administrative services. Some areas are composed of separate sections which perform specific functions.

Business Services Division: This division is comprised of three sections: Commissions, Corporation, and Uniform Commercial Code (UCC). The Commissions section maintains the oath of office and official signature of each notary, as well as their official bond. This section also performs various other duties including authenticating official acts of the governor, maintaining bonds and oaths of office for state officials, and registering trademarks and service marks. The Corporations section handles the registration and maintenance of the over 300,000 entities doing business in Missouri. This section receives articles of incorporation for all Missouri corporations and issues a certificate of authority to out-of-state corporations. The UCC section is responsible for the perfecting of personal property liens and other creditor interest. These liens are "perfected" by filing a financing statement in the accepted national format.

Elections Division: This division administers all statewide elections for both candidates and issues, prepares statewide ballots for primary, general, and certain special elections, and handles initiative petitions, including the oversight of signature verification. The division also assists the 116 local election authorities in interpreting and administering state election laws and promulgates rules governing elections and electronic voting systems. Additionally, the division cooperates with other officials, schools, and civic organizations to provide materials to support voter registration, responsibility and education, and is responsible for bringing Missouri into compliance with federal law, specifically the Help America Vote Act of 2002 (HAVA).

Securities Division: This division is responsible for protecting investors from unfair practices and fraudulent investment schemes, and for ensuring that firms and individuals that sell securities comply with the state securities laws. The division is composed of three sections: Investor Education, Enforcement, and Registration. The Investor Education section creates and promotes investor education initiatives designed to educate and assist both current and future investors. The Enforcement section receives and investigates complaints. Each year this section initiates around 300 investigations, many of which result in cease and desist orders, licensing revocations, civil injunctions and penalties, or criminal prosecution. In addition, the section's audit unit performs random examinations of the offices of broker-dealers and investment advisers to ensure compliance with the securities laws. The Registration section regulates the registration of individuals, firm, and securities. Before granting each registration, this section

conducts an application review process to determine if applicants are sufficiently qualified to participate in the securities business. In addition, this section reviews proposed securities offerings to ensure the offerings are "fair, just, and equitable."

Missouri State Library: The library is responsible for providing library and reference services to Missouri state government; providing library services to the blind and physically disabled; and promoting the development and improvement of library services throughout the state. To fulfill these responsibilities, the library is composed of three sections: Library Development, Reference Services, and the Wolfner Library. The Library Development section provides assistance on general library issues and needs, promotes the organization and development of library services, manages statewide projects, and maintains statistics on library services in the state. The Reference Services section delivers library services to meet the information and research needs of state government through current awareness, library materials collections in multiple formats, monthly publications, and online databases provided at the state employee's desktop. The Wolfner Library serves as the public library for Missourians unable to use standard print because of a visual or physical disability. Wolfner services are available to qualified Missourians at no charge.

Records Services Division: This division is responsible for managing both current and historical records of the state to ensure those records are accessible to Missouri citizens, and is also responsible for assisting local governments in records preservation and management. The division is composed of three sections: Archives, Local Records, and Records Management. The Archives section is the official repository for state records of permanent and historical value. The Local Records section advises, educates, and encourages the custodians of local public records in the use of sound records management and archival practices. The Records Management section helps state agencies to effectively and efficiently manage their official records; provides state agencies storage for inactive records; and provides state agencies and local governments micro graphics and digital imaging services.

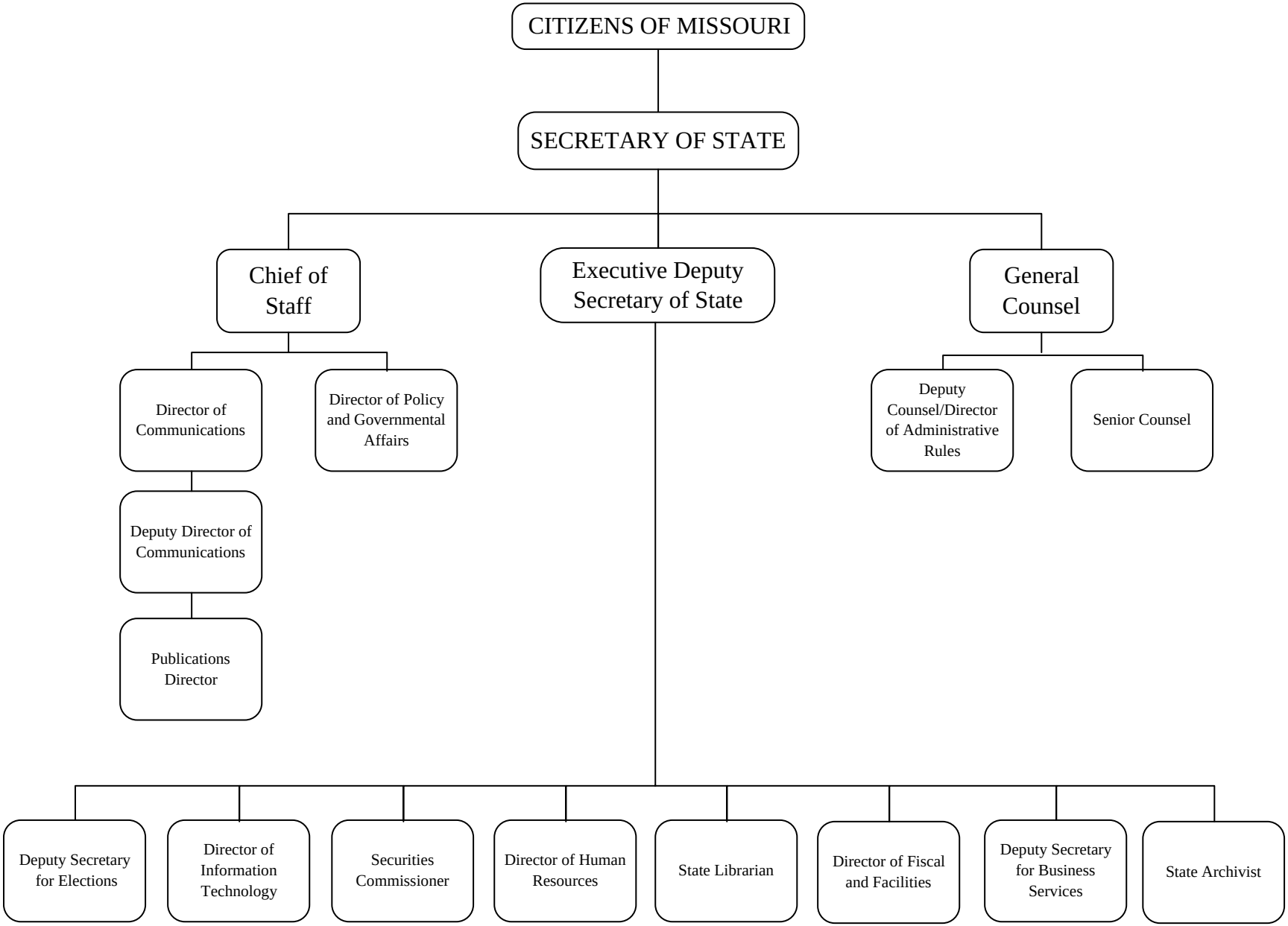
Administrative Services: Administrative services include five divisions: Fiscal and Facilities, Human Resources, Information Technology, Publications, and Administrative Rules. The Fiscal and Facilities Division provides fiscal, budget, procurement, and facilities management support and general office services. The Human Resource Division supports personnel recruitment, compensation, benefits, training, and performance evaluation for the office. The Information Technology Division coordinates, develops, implements, and supports information technology solutions for the office. The Publications Division handles a variety of printing and graphic arts responsibilities for the office, including the publication of the Official Manual. The Administrative Rules Division publishes rulemakings proposed by state agencies, the Missouri Register and the Missouri Code of State Regulations.

On January 10, 2005, Robin Carnahan was inaugurated as the state's thirty-eighth Secretary of State of Missouri. Her term expires in January 2009.

At June 30, 2007, the office employed approximately 262 full-time and 9 part-time employees.

An organization chart follows:

OFFICE OF SECRETARY OF STATE
ORGANIZATION CHART
JUNE 30, 2007



Appendix A-1

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
FEDERAL FUNDS
YEAR ENDED JUNE 30, 2007

	Records - Federal Fund	National Endowment for the Humanities Save America's Treasures Grant Fund	Election Administration Improvement Fund	Election Improvements Revolving Loan Fund	Federal Funds Fund	Total Federal Funds (Memorandum Only)
RECEIPTS						
Federal grants	$ 0	130,397	0	0	3,527,860	3,658,257
Investment income	0	0	1,335,327	20	0	1,335,347
Refunds	0	0	8,232	0	4,569	12,801
Miscellaneous	0	0	0	0	5,496	5,496
Total Receipts	0	130,397	1,343,559	20	3,537,925	5,011,901
DISBURSEMENTS						
Personal service	0	86,877	187,898	0	407,145	681,920
Employee fringe benefits	0	37,039	75,687	0	186,417	299,143
Expense and equipment	0	0	1,178,658	0	204,435	1,383,093
Public assistance grants	0	0	0	0	2,750,833	2,750,833
Federal election reform	0	0	18,854,018	0	0	18,854,018
State match	0	0	644,639	0	0	644,639
Miscellaneous	0	6,307	0	0	0	6,307
Total Disbursements	0	130,223	20,940,900	0	3,548,830	24,619,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	174	(19,597,341)	20	(10,905)	(19,608,052)
TRANSFERS						
Transfers from:						
Budget Reserve Fund	0	6,301	0	0	0	6,301
General Revenue Fund	0	0	121,203	0	0	121,203
State Election Subsidy Fund	0	0	3,960,068	0	0	3,960,068
Total Transfers	0	6,301	4,081,271	0	0	4,087,572
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	0	6,475	(15,516,070)	20	(10,905)	(15,520,480)
CASH AND INVESTMENTS, JULY 1	0	0	34,945,531	14	101,414	35,046,959
CASH AND INVESTMENTS, JUNE 30	$ 0	6,475	19,429,461	34	90,509	19,526,479

Appendix A-1

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
OTHER FUNDS
YEAR ENDED JUNE 30, 2007

	Technology Trust Fund	Local Records Preservation Fund	Investor's Restitution Fund	Missouri State Archives-St. Louis Trust Fund	Library Networking Fund	Investor Education and Protection Fund	State Document Preservation Fund	Wolfner Library Trust Fund	Total Other Funds (Memorandum Only)
RECEIPTS									
Fees	$ 2,303,136	1,616,680	0	0	0	0	0	0	3,919,816
Penalties	0	0	0	0	0	77,289	0	0	77,289
Investment income	193,590	192	0	2	23,100	319,840	551	10,108	547,383
Donations	0	0	0	14	0	0	15,448	9,007	24,469
Court awards	0	0	0	0	0	195,765	0	0	195,765
Refunds	0	21,435	0	0	0	0	0	0	21,435
Recovery costs	0	0	795,698	0	0	49,322	0	0	845,020
Miscellaneous	7,884	0	0	175	0	100	0	0	8,159
Total Receipts	2,504,610	1,638,307	795,698	191	23,100	642,316	15,999	19,115	5,639,336
DISBURSEMENTS									
Personal service	153,012	883,622	0	0	0	367,985	8,302	0	1,412,921
Employee fringe benefits	60,370	377,357	0	0	0	153,445	635	0	591,807
Expense and equipment	2,435,829	469,093	0	0	0	199,075	304	2,168	3,106,469
Library networking	0	0	0	0	705,887	0	0	0	705,887
Local records grant program	0	282,058	0	0	0	0	0	0	282,058
Investors restitution	0	0	218,509	0	0	0	0	0	218,509
Cost allocation plan	31,670	24,330	0	0	3,090	5,968	16	68	65,142
Total Disbursements	2,680,881	2,036,460	218,509	0	708,977	726,473	9,257	2,236	6,382,793
RECEIPTS OVER (UNDER) DISBURSEMENTS	(176,271)	(398,153)	577,189	191	(685,877)	(84,157)	6,742	16,879	(743,457)
TRANSFERS									
Transfers from General Revenue Fund	38,628	0	0	0	650,000	0	0	0	688,628
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(137,643)	(398,153)	577,189	191	(35,877)	(84,157)	6,742	16,879	(54,829)
CASH AND INVESTMENTS, JULY 1	3,873,560	1,235,650	6,626,433	0	118,148	1,275,888	7,110	213,656	13,350,445
CASH AND INVESTMENTS, JUNE 30	$ 3,735,917	837,497	7,203,622	191	82,271	1,191,731	13,852	230,535	13,295,616

Appendix A-2

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
FEDERAL FUNDS
YEAR ENDED JUNE 30, 2006

	Records - Federal Fund	National Endowment for the Humanities Save America's Treasures Grant Fund	Election Administration Improvement Fund	Election Improvements Revolving Loan Fund	Federal Funds Fund	Total Federal Funds (Memorandum Only)
RECEIPTS						
Federal grants	$ 17,978	66,172	0	327,117	3,239,644	3,650,911
Investment income	0	0	1,921,536	232	0	1,921,768
Refunds	0	0	0	88	1,855	1,943
Miscellaneous	0	0	322	0	7,231	7,553
Total Receipts	17,978	66,172	1,921,858	327,437	3,248,730	5,582,175
DISBURSEMENTS						
Personal service	0	0	0	0	394,857	394,857
Employee fringe benefits	0	0	0	0	165,401	165,401
Expense and equipment	17,749	66,172	0	0	156,543	240,464
Public assistance grants	0	0	0	0	2,467,923	2,467,923
Federal grant programs	1,075	0	0	0	0	1,075
Federal election reform	0	0	24,649,863	327,551	0	24,977,414
State match	0	0	603	0	0	603
Unemployment benefits	0	0	0	0	788	788
State office building rent	0	0	0	0	79,321	79,321
Total Disbursements	18,824	66,172	24,650,466	327,551	3,264,833	28,327,846
RECEIPTS OVER (UNDER) DISBURSEMENTS	(846)	0	(22,728,608)	(114)	(16,103)	(22,745,671)
TRANSFERS						
Transfers from State Election Subsidy Fund	0	0	4,254,173	0	0	4,254,173
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(846)	0	(18,474,435)	(114)	(16,103)	(18,491,498)
CASH AND INVESTMENTS, JULY 1	846	0	53,419,966	128	117,517	53,538,457
CASH AND INVESTMENTS, JUNE 30	$ 0	0	34,945,531	14	101,414	35,046,959

Appendix A-2

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
OTHER FUNDS
YEAR ENDED JUNE 30, 2006

	Technology Trust Fund	Local Records Preservation Fund	Investor's Restitution Fund	Library Networking Fund	Investor Education and Protection Fund	State Document Preservation Fund	Wolfner Library Trust Fund	Total Other Funds (Memorandum Only)
RECEIPTS								
Fees	$ 2,295,335	1,725,965	0	0	0	0	0	4,021,300
Penalties	0	0	0	0	9,045	0	0	9,045
Investment income	123,103	0	0	11,697	246,359	123	7,665	388,947
Donations	0	0	0	0	0	4,466	10,882	15,348
Court awards	0	0	0	0	613,809	0	0	613,809
Settlements	0	0	0	0	16,500	0	0	16,500
Refunds	0	14,544	0	0	0	0	0	14,544
Recovery costs		0	16,142	4,895	18,294	0	0	39,331
Miscellaneous	3,006	0	0	0	0	0	0	3,006
Total Receipts	2,421,444	1,740,509	16,142	16,592	904,007	4,589	18,547	5,121,830
DISBURSEMENTS								
Personal service	80,362	866,316	0	0	200,506	0	0	1,147,184
Employee fringe benefits	32,496	356,594	0	0	80,429	0	0	469,519
Expense and equipment	1,348,520	328,384	0	0	102,629	0	0	1,779,533
Library networking	0	0	0	415,866	0	0	0	415,866
Local records grant program	0	314,878	0	0	0	0	0	314,878
Investors restitution	0	0	19,708	0	0	0	0	19,708
Unemployment benefits	0	0	0	0	5,500	0	0	5,500
State office building rent	9,977	76,029	0	0	17,461	0	0	103,467
Cost allocation plan	33,215	25,082	0	791	44,508	308	380	104,284
Total Disbursements	1,504,570	1,967,283	19,708	416,657	451,033	308	380	4,359,939
RECEIPTS OVER (UNDER) DISBURSEMENTS	916,874	(226,774)	(3,566)	(400,065)	452,974	4,281	18,167	761,891
CASH AND INVESTMENTS, JULY 1	2,956,686	1,462,424	6,629,999	518,213	822,914	2,829	195,489	12,588,554
CASH AND INVESTMENTS, JUNE 30	$ 3,873,560	1,235,650	6,626,433	118,148	1,275,888	7,110	213,656	13,350,445

Appendix A-3

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
FEDERAL FUNDS
YEAR ENDED JUNE 30, 2005

	Records - Federal Fund	National Endowment for the Humanities Save America's Treasures Grant Fund	Election Administration Improvement Fund	Election Improvements Revolving Loan Fund	Federal Funds Fund	Total Federal Funds (Memorandum Only)
RECEIPTS						
Federal grants	$ 120,158	0	0	232,185	2,476,767	2,829,110
Investment income	0	0	1,133,088	128	0	1,133,216
Refunds	3,847	0	0	0	3,139	6,986
Miscellaneous	0	0	0	0	3,285	3,285
Total Receipts	124,005	0	1,133,088	232,313	2,483,191	3,972,597
DISBURSEMENTS						
Personal service	0	0	0	0	416,677	416,677
Employee fringe benefits	0	0	0	0	163,572	163,572
Expense and equipment	18,013	0	0	0	154,188	172,201
Public assistance grants	0	0	0	0	1,647,584	1,647,584
Federal grant programs	105,355	0	0	0	0	105,355
Federal election reform	0	0	10,202,366	232,185	0	10,434,551
Unemployment benefits	0	0	0	0	6,250	6,250
State office building rent	0	0	0	0	70,997	70,997
State office building maintenance and repair	0	0	0	0	16,590	16,590
Total Disbursements	123,368	0	10,202,366	232,185	2,475,858	13,033,777
RECEIPTS OVER (UNDER) DISBURSEMENTS	637	0	(9,069,278)	128	7,333	(9,061,180)
TRANSFERS						
Transfers from State Election Subsidy Fund	0	0	116,038	0	0	116,038
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	637	0	(8,953,240)	128	7,333	(8,945,142)
CASH AND INVESTMENTS, JULY 1	209	0	62,373,206	0	110,184	62,483,599
CASH AND INVESTMENTS, JUNE 30	$ 846	0	53,419,966	128	117,517	53,538,457

Appendix A-3

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
OTHER FUNDS
YEAR ENDED JUNE 30, 2005

	Technology Trust Fund	Local Records Preservation Fund	Investor's Restitution Fund	Library Networking Fund	Investor Education and Protection Fund	State Document Preservation Fund	Wolfner Library Trust Fund	Total Other Funds (Memorandum Only)
RECEIPTS								
Fees	$ 2,339,971	1,718,739	0	0	0	0	0	4,058,710
Penalties	0	0	0	0	1,950	0	0	1,950
Investment income	60,001	0	0	6,934	126,402	112	4,040	197,489
Donations	0	0	0	439,433	0	142	7,290	446,865
Court awards	0	0	0	0	518,096	0	0	518,096
Refunds	0	9,448	0	0	0	1,659	0	11,107
Recovery costs	0	0	1,166	0	24,550	0	0	25,716
Miscellaneous	23	250	11,600	0	0	0	0	11,873
Total Receipts	2,399,995	1,728,437	12,766	446,367	670,998	1,913	11,330	5,271,806
DISBURSEMENTS								
Personal service	71,214	890,704	0	0	96,720	550	0	1,059,188
Employee fringe benefits	27,592	351,426	0	0	40,013	126	0	419,157
Expense and equipment	2,168,899	262,643	0	0	87,723	0	0	2,519,265
Library networking	0	0	0	45,779	0	0	0	45,779
Local records grant program	0	274,472	0	0	0	0	0	274,472
Investors restitution	0	0	3,000	0	0	0	0	3,000
State office building rent	8,931	63,584	0	0	15,628	0	0	88,143
State office building maintenance and repair	2,086	14,858	0	0	3,652	0	0	20,596
Cost allocation plan	33,270	24,873	662	1,132	3,237	58	86	63,318
Leasing operations	0	248	0	0	0	0	0	248
Total Disbursements	2,311,992	1,882,808	3,662	46,911	246,973	734	86	4,493,166
RECEIPTS OVER (UNDER) DISBURSEMENTS	88,003	(154,371)	9,104	399,456	424,025	1,179	11,244	778,640
TRANSFERS								
Transfers from General Revenue Fund	0	2,667	0	0	60,530	0	0	63,197
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	88,003	(151,704)	9,104	399,456	484,555	1,179	11,244	841,837
CASH AND INVESTMENTS, JULY 1	2,868,683	1,614,128	6,620,895	118,757	338,359	1,650	184,245	11,746,717
CASH AND INVESTMENTS, JUNE 30	$ 2,956,686	1,462,424	6,629,999	518,213	822,914	2,829	195,489	12,588,554

Appendix B

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF RECEIPTS
GENERAL REVENUE FUND

	Year Ended June 30,		
	2007	2006	2005
Securities	$ 12,799,045	11,827,268	11,225,064
Business services	10,216,331	10,959,599	11,659,713
Archives	75,175	40,139	63,883
Administrative rules	21,578	25,794	28,711
Elections	5,989	9,213	5,584
Missouri state library	601	1,136	875
Fiscal and facilities	164	91	2,260
Miscellaneous	5,877	9,604	132
Total	$ 23,124,760	22,872,844	22,986,222

Appendix C-1

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	$ 7,012,804	7,012,804	0
Expense and Equipment	2,458,950	2,458,950	0
Elections Public Notice	1,600,000	1,158,154	441,846
Refunds of securities, corporations, uniform commercial code and miscellaneous collections	90,000	85,964	4,036
Remote Electronic Access for Libraries Program	2,959,250	2,959,250	0
Absentee Ballots	50,000	35,364	14,636
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	881,462	881,462	0
Aid to Public Libraries	3,001,744	3,001,744	0
Literacy Investment for Tomorrow Program	69,450	69,450	0
Leasing	313,607	313,607	0
Election Printing	21,395	21,395	0
Official Manual	10,000	582	9,418
Total General Revenue Fund	18,468,662	17,998,726	469,936
NATIONAL ENDOWMENT FOR THE HUMANITIES SAVE AMERICA'S TREASURES GRANT FUND			
Document Preservation Grant - Personal Service	228,060	86,877	141,183
Total National Endowment for the Humanities Save America's Treasures Grant Fund	228,060	86,877	141,183
ELECTION ADMINISTRATION IMPROVEMENT FUND			
Personal Service	190,000	187,898	2,102
Expense and Equipment	6,316,229	1,178,658	5,137,571
Federal Election Reform	25,012,756	18,854,018	6,158,738
State Match	885,000	644,639	240,361
Total Election Administration Improvement Fund	32,403,985	20,865,213	11,538,772
FEDERAL FUNDS FUND			
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	66,535	65,483	1,052
Personal Service	551,712	407,145	144,567
Expense and Equipment	227,574	138,952	88,622
Allotments, grants and contributions from the Federal Government or from any sources may be deposited in the State Treasury for the use of the Missouri State Library	4,567,000	2,750,833	1,816,167
Total Federal Funds Fund	5,412,821	3,362,413	2,050,408
TECHNOLOGY TRUST FUND			
Personal Service	250,000	153,012	96,988
Expense and Equipment	2,756,637	2,427,275	329,362
Payment of real property leases, related services, utilities, systems furniture structural modification, and related expenses - Expense and Equipment	8,554	8,554	0
Total Technology Trust Fund	3,015,191	2,588,841	426,350

Appendix C-1

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
LOCAL RECORDS PRESERVATION FUND			
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	64,634	64,634	0
Personal Service	953,431	883,622	69,809
Expense and Equipment	513,649	404,459	109,190
Local Records Preservation Grants	400,000	282,058	117,942
Total Local Records Preservation Fund	1,931,714	1,634,773	296,941
INVESTOR'S RESTITUTION FUND			
Investor's Restitution	220,000	218,509	1,491
Total Investor's Restitution Fund	220,000	218,509	1,491
LIBRARY NETWORKING FUND			
Library Network Grants	1,000,001	705,887	294,114
Total Library Networking Fund	1,000,001	705,887	294,114
INVESTOR EDUCATION AND PROTECTION FUND			
Payment of real property leases, related services, utilities, systems furniture structural modification, and related expenses - Expense and Equipment	19,010	19,010	0
Personal Service	377,324	369,172	8,152
Expense and Equipment	210,364	180,065	30,299
Total Investor Education and Protection Fund	606,698	568,247	38,451
STATE DOCUMENT PRESERVATION FUND			
Expense and Equipment	189,260	304	188,956
Personal Service	172,598	8,302	164,296
Total State Document Preservation Fund	361,858	8,606	353,252
WOLFNER LIBRARY TRUST FUND			
Expense and Equipment	14,500	2,168	12,332
Total Wolfner Library Trust Fund	14,500	2,168	12,332
Total All Funds	$ 63,663,490	48,040,260	15,623,230

Appendix C-2

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2006

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	$ 6,746,060	6,746,059	1
Expense and Equipment	2,421,166	2,421,166	0
Elections Public Notice	100,000	0	100,000
Refunds of securities, corporations, uniform commercial code and miscellaneous collections	96,000	92,112	3,888
Overtime	1,400	1,135	265
Remote Electronic Access for Libraries Program	2,959,250	2,959,250	0
Absentee Ballots	50,000	34,308	15,692
Aid to Public Libraries	3,001,744	3,001,744	0
Literacy Investment for Tomorrow Program	69,450	69,450	0
Leasing	209,247	199,264	9,983
Election Printing	21,395	19,970	1,425
Official Manual	525,000	380,871	144,129
Total General Revenue Fund	16,200,712	15,925,329	275,383
RECORDS - FEDERAL FUND			
Re-Grant Program	42,000	18,824	23,176
Total Records - Federal Fund	42,000	18,824	23,176
NATIONAL ENDOWMENT FOR THE HUMANITIES SAVE AMERICA'S TREASURES GRANT FUND			
Document Preservation Grants	66,172	66,172	0
Total National Endowment for the Humanities Save America's Treasures Grant Fund	66,172	66,172	0
ELECTION ADMINISTRATION IMPROVEMENT FUND			
Federal Election Reform	62,719,963	24,649,863	38,070,100
State Match	4,411,630	603	4,411,027
Total Election Administration Improvement Fund	67,131,593	24,650,466	42,481,127
ELECTION IMPROVEMENTS REVOLVING LOAN FUND			
Federal Election Reform	396,220	327,551	68,669
Total Election Improvements Revolving Loan Fund	396,220	327,551	68,669
FEDERAL FUNDS FUND			
Personal Service	530,492	394,857	135,635
Expense and Equipment	227,574	156,543	71,031
Allotments, grants and contributions from the Federal Government or from any sources may be deposited in the State Treasury for the use of the Missouri State Library	3,903,067	2,467,923	1,435,144
Total Federal Funds Fund	4,661,133	3,019,323	1,641,810
TECHNOLOGY TRUST FUND			
Personal Service	80,905	80,362	543
Expense and Equipment	2,922,496	1,348,520	1,573,976
Total Technology Trust Fund	3,003,401	1,428,882	1,574,519
LOCAL RECORDS PRESERVATION FUND			
Personal Service	916,763	866,316	50,447
Expense and Equipment	397,727	328,384	69,343
Local Records Preservation Grants	426,274	314,878	111,396
Total Local Records Preservation Fund	1,740,764	1,509,578	231,186

Appendix C-2

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2006

	Appropriation Authority	Expenditures	Lapsed Balances
STATE ELECTIONS SUBSIDY FUND			
Special Election Costs	400,000	302,012	97,988
Total State Elections Subsidy Fund	400,000	302,012	97,988
INVESTOR'S RESTITUTION FUND			
Investor's Restitution	55,000	19,708	35,292
Total Investor's Restitution Fund	55,000	19,708	35,292
MISSOURI STATE ARCHIVES-ST LOUIS TRUST FUND			
Document Preservation	12,000,000	0	12,000,000
Personal Service	171,704	0	171,704
Expense and Equipment	183,515	0	183,515
Total Missouri State Archives-St. Louis Trust Fund	12,355,219	0	12,355,219
LIBRARY NETWORKING FUND			
Library Network Grants	550,001	415,866	134,135
Total Library Networking Fund	550,001	415,866	134,135
INVESTOR EDUCATION AND PROTECTION FUND			
Personal Service	228,158	200,506	27,652
Expense and Equipment	170,864	102,629	68,235
Total Investor Education and Protection Fund	399,022	303,135	95,887
WOLFNER LIBRARY TRUST FUND			
Expense and Equipment	14,500	0	14,500
Total Wolfner Library Trust Fund	14,500	0	14,500
Total All Funds	$ 107,015,737	47,986,846	59,028,891

Appendix C-3

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2005

	Appropriation Authority	Expenditures	Lapsed Balances *
GENERAL REVENUE FUND			
Personal Service	$ 6,754,859	6,711,725	43,134
Expense and Equipment	2,483,907	2,482,186	1,721
Elections Public Notice	1,600,000	580,513	1,019,487
Refunds of securities, corporations, uniform commercial code and miscellaneous collections	145,000	139,776	5,224
Remote Electronic Access for Libraries Program	2,959,250	2,959,250	0
Absentee Ballots	75,000	71,630	3,370
Aid to Public Libraries	4,001,744	4,001,744	0
Literacy Investment for Tomorrow Program	69,450	69,450	0
Leasing	228,925	198,822	30,103
Election Printing	21,395	19,980	1,415
Grant Match - Expense and Equipment	8,135	8,125	10
Official Manual	10,000	9,998	2
Total General Revenue Fund	18,357,665	17,253,199	1,104,466
RECORDS - FEDERAL FUND			
Missouri Historical Records Advisory Board Program	106,939	82,277	24,662
Re-Grant Program	42,000	41,091	909
Total Records - Federal Fund	148,939	123,368	25,571
NATIONAL ENDOWMENT FOR THE HUMANITIES SAVE AMERICA'S TREASURES GRANT FUND			
Document Preservation Grant	146,172	0	146,172
Total National Endowment for the Humanities Save America's Treasures Grant Fund	146,172	0	146,172
ELECTION ADMINISTRATION IMPROVEMENT FUND			
Federal Election Reform	63,764,824	10,202,366	53,562,458
State Match	118,540	0	118,540
Total Election Administration Improvement Fund	63,883,364	10,202,366	53,680,998
ELECTION IMPROVEMENTS REVOLVING LOAN FUND			
Federal Election Reform	232,385	232,185	200
Total Election Improvements Revolving Loan Fund	232,385	232,185	200
FEDERAL FUNDS FUND			
Personal Service	530,322	416,677	113,645
Expense and Equipment	227,574	154,188	73,386
Allotments, grants and contributions from the Federal Government or from any sources may be deposited in the State Treasury for the use of the Missouri State Library	2,750,000	1,647,584	1,102,416
Total Federal Funds Fund	3,507,896	2,218,449	1,289,447
TECHNOLOGY TRUST FUND			
Personal Service	80,905	71,214	9,691
Expense and Equipment	2,922,496	2,168,899	753,597
Total Technology Trust Fund	3,003,401	2,240,113	763,288
LOCAL RECORDS PRESERVATION FUND			
Personal Service	916,663	890,704	25,959
Expense and Equipment	397,727	262,643	135,084
Local Records Preservation Grants	521,043	274,472	246,571
Leasing	274	240	34
Total Local Records Preservation Fund	1,835,707	1,428,059	407,648

Appendix C-3

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2005

	Appropriation Authority	Expenditures	Lapsed Balances *
INVESTOR'S RESTITUTION FUND			
Investor's Restitution	55,000	3,000	52,000
Total Investor's Restitution Fund	55,000	3,000	52,000
LIBRARY NETWORKING FUND			
Library Network Grants	450,001	45,779	404,222
Total Library Networking Fund	450,001	45,779	404,222
INVESTOR EDUCATION AND PROTECTION FUND			
Personal Service	125,658	96,720	28,938
Expense and Equipment	163,464	87,723	75,741
Total Investor Education and Protection Fund	289,122	184,443	104,679
STATE DOCUMENT PRESERVATION FUND			
Expense and Equipment	12,183,515	0	12,183,515
Personal Service	171,704	550	171,154
Total State Document Preservation Fund	12,355,219	550	12,354,669
WOLFNER LIBRARY TRUST FUND			
Expense and Equipment	14,500	0	14,500
Total Wolfner Library Trust Fund	14,500	0	14,500
Total All Funds	$ 104,279,371	33,931,511	70,347,860

* The lapsed balances included the following withholdings made at the Governor's request.

	Year Ended June 30, 2005
General Revenue Fund	
Leasing	10,000

Appendix D

OFFICE OF SECRETARY OF STATE
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Salaries and wages	$ 9,108,834	8,289,236	8,187,590	7,971,141	8,555,738
Travel, in-state	149,172	166,291	151,996	146,873	164,063
Travel, out-of-state	93,819	66,977	52,432	41,074	54,502
Fuel and utilities	30,182	26,998	22,319	23,521	25,676
Supplies	707,316	1,119,033	787,895	871,433	816,476
Professional development	198,095	159,641	137,763	151,719	143,960
Communication service and supplies	358,788	269,841	306,942	301,216	301,489
Services:					
Professional	8,136,674	9,505,105	7,478,413	5,914,750	7,333,896
Housekeeping and janitorial	9,146	10,271	12,462	12,510	11,181
Maintenance and repair	1,638,569	1,298,708	1,304,524	908,563	794,363
Equipment:					
Computer	1,247,670	542,752	2,786,994	741,754	842,557
Motorized	86,288	39,450	5,489	20,437	7,500
Office	197,660	8,377	5,845	90,734	11,145
Other	194,238	82,594	180,665	69,925	48,287
Property and improvements	68,984	5,618	529,942	109,235	109,387
Building lease payments	1,374,695	217,588	209,095	208,668	196,098
Equipment rental and leases	55,299	44,320	39,010	37,010	8,747
Miscellaneous expenses	42,061	31,012	24,325	19,285	38,362
Refunds	87,212	94,151	140,129	110,417	84,204
Program distributions	24,255,558	26,008,883	11,567,681	6,645,954	6,313,782
Total Expenditures	$ 48,040,260	47,986,846	33,931,511	24,396,219	25,861,413

Appendix E

OFFICE OF SECRETARY OF STATE
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

All Funds	Furniture and Equipment	Motor Vehicles	Total
Balance, July 1, 2004	$ 5,896,967	191,012	6,087,979
Additions	1,217,298	7,700	1,224,998
Dispositions	(417,077)	0	(417,077)
Balance, June 30, 2005	6,697,188	198,712	6,895,900
Additions	335,241	39,450	374,691
Dispositions	(201,471)	0	(201,471)
Balance, June 30, 2006	6,830,958	238,162	7,069,120
Additions	728,367	86,288	814,655
Dispositions	(920,201)	(69,316)	(989,517)
Balance, June 30, 2007	$ 6,639,124	255,134	6,894,258

Fund of Acquisition	Balance June 30, 2007
General Revenue Fund	$ 3,598,043
Election Administration Improvement Fund	819,136
Federal Funds Fund	42,660
Technology Trust Fund	2,089,905
Local Records Preservation Fund	319,601
Wolfner Library Trust Fund	24,913
Total All Funds	$ 6,894,258

Susan Montee, CPA
Missouri State Auditor

October 2007

DEPARTMENT OF SOCIAL SERVICES

CHILD SUPPORT DELINQUENCIES

Report no. 2007-59

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Unpaid Child Support Owed By Non-custodial Parents Is Often Incorrect

The Department of Social Services, through its Family Support Division (the division), oversees the collection of child support owed to custodial parents, and tracks the amount of unpaid child support (arrears). As of June 30, 2006, the division's computerized system showed approximately 240,000 IV-D cases had IV-D arrears totaling approximately $2.2 billion. Because of the importance of having accurate arrears information, we focused review efforts on determining (1) the accuracy of division records regarding arrears owed by non-custodial parents, and (2) the misstated amount and reasons for incorrect arrears balances.

Arrears often misstated

Incorrect arrears balances existed on approximately 27 percent of IV-D child support cases with arrears over $1,000, as of June 30, 2006. In addition, incorrect arrears balances existed on 22 of 35 cases reviewed that had arrears greater than $100,000 on that date. In total, overstatements ranged from approximately $1 to $455,000, and understatements ranged from approximately $10 to $55,000, on 79 of 244 cases reviewed.

Errors occurred on the cases with misstated balances because (1) obligations, judgments, payment or credits had not been recorded accurately or not at all; and (2) arrears balances transferred to the new computerized system in 1997 and 1998 were incorrect. (See page 5)

Errors and omissions caused inaccuracies

Our review disclosed arrears balances on 46 of 79 misstated cases occurred because (1) a judgment had not been recorded accurately, or not at all, (2) the obligation amount, or amount due, had not been recorded correctly, (3) division personnel had made errors when previously making adjustments to account balances on the Missouri Automated Child Support System (MACSS), (4) the pay history recorded on MACSS was incomplete or non-cash credits had not been recorded, and (5) the 10-year statute of limitations made some large amounts of arrears uncollectible. (See page 6)

Inaccurate data transferred to computerized system

Incorrect account balances occurred on 29 of 79 misstated cases because of errors at conversion. From 1997 through 1998, the division implemented a new computerized case management system. When automatically transferring case data on the old computer system to the new computerized system, account balances were transferred but the pay history detail remained on the old system. Therefore, if data entry errors or omissions causing a misstated arrears balance existed on the old system, the misstated balance would have been transferred to the new computerized system, and would have remained misstated until personnel reviewed the case file and records on the old computer system, and made corrections. (See page 8)

Incorrect arrears can cause improper or insufficient enforcement actions and affect federal reporting

Improper enforcement actions can be taken when arrears balances are overstated, and conversely, appropriate enforcement actions may not be used when arrears balances are understated. In addition, the department is required to report certain financial information annually to the federal Office of Child Support Enforcement that includes information on IV-D arrears. If the amount of unpaid child support reported is incorrect, it could affect the state's eligibility for incentive payments. (See page 10)

Not terminating judicial orders of support could cause arrears errors	Although state law and division policy set forth criteria to terminate judicial support orders, state law has not clearly identified who shall terminate those orders when support is no longer due. The division has taken the position that circuit court clerks have this responsibility. However, court clerks are no longer responsible for IV-D cases and opinions differ on who has that responsibility. (See page 11)

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Abbreviations

CFR	Code of Federal Regulations
IV-D	Title IV-D of the Federal Social Security Act
MACSS	Missouri Automated Child Support System
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Deborah E. Scott, Director
Department of Social Services
Jefferson City, MO 65102

The Department of Social Services, through its Family Support Division (the division), oversees the collection of child support payments owed to custodial parents, and tracks the amount of unpaid child support (arrears). As of June 30, 2006, the division's computerized system showed approximately 240,000 IV-D cases with IV-D arrears totaling approximately $2.2 billion. Because of the importance of having accurate arrearage information on the department's computerized system, we focused review efforts on determining (1) the accuracy of division records regarding arrears owed by non-custodial parents, and (2) the misstated amount and reasons for incorrect arrears balances.

We found arrears shown on the division's computerized system, owed by non-custodial parents, have not always been accurate. Statistical sampling results disclosed incorrect arrears balances on 27 percent (57 of 209) of sampled cases. Therefore, out of a sampling universe of 187,033 IV-D cases, we estimate errors existed on approximately 51,000 cases on June 30, 2006. Overstatements on 35 cases totaled approximately $132,000, and understatements on 22 cases totaled approximately $39,000. Errors occurred on the majority of cases with misstated balances because (1) obligations, judgments, payments or credits had not been recorded accurately or not at all; and (2) arrears balances transferred to the new computerized system in 1997 and 1998 were incorrect.

We also found state law and division policy set forth criteria for terminating judicial orders of support and division policy places that responsibility on circuit court clerks instead of division personnel. However, we found division personnel have ended judicial orders originating in Missouri, opinions differ on who should end those orders, and state law has not clearly defined where responsibility should be placed.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel and key contributors to this report included Robert Spence, Brenda Gierke Richardson, and Ryan F. Redel.

Susan Montee, CPA
State Auditor

Introduction

The Family Support Division (the division)[1] administers the state's child support program, which includes collecting child support payments from non-custodial parents and sending those payments to families. Orders for child support come from one of two sources. A judicial order for child support is obtained by a parent or custodian from a court, or an administrative order for child support is issued by the division on behalf of a parent or custodian. A IV-D case is a case where the custodial parent is receiving public assistance or simply applies for child support enforcement services pursuant to Title IV-D of the federal Social Security Act. A non IV-D case is a case where child support enforcement services are not provided by the division, and no action is taken to collect unpaid support. Total arrears on a case may contain IV-D arrears and non IV-D arrears.

The division maintains case files that include support order documents which contain pertinent information on the case such as the amount and frequency of the support obligation. The division also maintains electronic records[2] of that information, including the amount of child support owed, payments received and paid out, and the amount of arrears when non-custodial parents fail to make payments as ordered. Total arrears for a case represents the amount owed less the amount collected, as recorded on MACSS. If the amounts owed, or the amounts paid or credited are not recorded accurately on MACSS, arrears balances will be misstated until corrections are made. When a child support payment is missed, and the arrears balance on a IV-D case reaches a threshold required for a specific enforcement action, MACSS automatically initiates that action. As of June 30, 2006, the division had a total of 369,020 IV-D cases on MACSS. Of these MACSS cases, 240,453 were IV-D cases with IV-D arrears totaling approximately $2.2 billion.

Scope and Methodology

We interviewed division child support enforcement officials at the central office in Jefferson City and managers located at field offices. We reviewed state and federal laws related to the importance of accurate account balances; and division policy related to arrears, adjustments to arrears balances, and termination of support orders. We contacted circuit court clerks in seven Missouri counties to determine their procedures for terminating judicial orders of support.[3]

[1] A division within the Department of Social Services.

[2] The Missouri Automated Child Support System (MACSS) is the electronic case management and tracking system that tracks payments, disbursements and unpaid amounts. Case information and account balances on existing cases were transferred to MACSS from the previous computer system in 1997 and 1998.

[3] Adair, Andrew, Caldwell, Greene, Grundy, Jackson, and Pike counties.

To determine the universe of IV-D cases with arrears, the division provided electronic file data containing IV-D case numbers and associated IV-D arrears balances, as of June 30, 2006. From that file data, a computer program randomly selected a statistical sample of 209 cases from a testing population of 187,033 IV-D cases with arrears totaling more than $1,000.[4] Using the same electronic data file, we also judgmentally selected an additional 35 IV-D cases with arrears greater than $100,000 for separate review. Approximately 89 percent of the 209 sample cases, and 77 percent of the judgmentally selected cases had at least one dependent under the age of 22 on June 30, 2006. We used RAT-STATS, a package of statistical software tools to assist in performing our random sample and to evaluate the results.[5]

To determine the accuracy of arrears balances on MACSS on June 30, 2006, we compared arrears balances on MACSS to arrears balances on debt recalculation worksheets provided by field office managers. To determine why arrears balances did not agree, we compared amounts owed and paid, as recorded on MACSS, to amounts owed and paid on the debt recalculation worksheets and support order documents provided by field office managers.

When field office personnel prepared debt recalculation worksheets for us and discovered misstated arrears balances, they updated records and made corrections to MACSS records. We verified corrections made by reviewing case records on MACSS, and confirmed adjustments made with field office managers. We also reviewed MACSS records documenting the reason arrears balances had been misstated, and contacted field office managers for further explanation, when necessary.

We conducted data reliability testing and determined that 99 percent of case information in support order documents had been correctly recorded onto MACSS. Data elements not recorded correctly on MACSS did not impact arrears balances because the errors related to non-financial data.

We requested comments on a draft of our report from the Director of the Department of Social Services. We conducted our review from November 2006 through May 2007.

[4]We excluded cases with arrears balances of $1,000 or less from our study population.

[5]The U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services uses this software in conducting federal audits.

Unpaid Child Support Owed by Non-custodial Parents Often Incorrect

Incorrect arrears balances likely existed on approximately 27 percent of IV-D child support cases with arrears over $1,000, on June 30, 2006. In addition, incorrect arrears balances existed on 22 of 35 cases reviewed that had arrears greater than $100,000. In total, overstatements ranged from approximately $1 to $455,000, and understatements ranged from approximately $10 to $55,000, on 79 of 244 cases reviewed. The misstatements occurred, in part, when (1) obligations, judgments, payments or credits had not been recorded accurately, or not at all, (2) the correct account balances did not always convert to the new computer system in 1997 and 1998, and (3) out-of-state and administrative orders had not been ended when support was no longer due.[6] As a result, incorrect arrears balances can cause improper or insufficient enforcement actions, and can affect the state's eligibility for federal incentive payments.

We also found arrears could be overstated if dependents are not emancipated or judicial orders of support are not terminated in a timely manner. State law and division policy set forth criteria for terminating judicial orders of support and division policy places that responsibility on circuit court clerks instead of child support personnel. However, division personnel have terminated Missouri judicial orders. Opinions differ on who has authority to end judicial orders because state law has not clearly defined where responsibility should be placed.

Arrears Often Misstated

Our review of 209 IV-D child support cases, with arrears greater than $1,000 on June 30, 2006, disclosed the unpaid balance on 57 sampled cases (27 percent) had been misstated. Overstatements on 35 cases ranged from approximately $1 to $35,000, and totaled approximately $132,000. Understatements on 22 sampled cases ranged from approximately $10 to $13,000, and totaled approximately $39,000. Details on the 57 cases are reported in Appendix I, page 20. Based on statistical sampling results, we estimate arrears balances on approximately 51,000 (27 percent) IV-D child support cases had been misstated,[7] out of a study population of 187,033 cases with arrears greater than $1,000.

We also reviewed 35[8] judgmentally selected cases with arrears greater than $100,000 on June 30, 2006, and found 22 (63 percent) cases had incorrect arrears balances on that date. Of the 35, 14 had overstatements ranging from

[6]We found multiple problems contributed to misstated account balances on many cases reviewed. However, we are reporting what we considered to be the primary reason, or the only reason, for the misstatement.

[7]See statistical sampling results in Appendix III, page 23.

[8]These cases had not been randomly selected by the computer to be included in our sample of 209 cases.

approximately $1,200 to $455,000, and totaled approximately $1.5 million. Eight cases had understatements ranging from approximately $200 to $55,000, and totaled approximately $142,000. Details on the 22 cases are reported in Appendix II, page 22.

Errors and omissions caused inaccuracies

Our review disclosed arrears balances on 46 of 79 cases had been misstated because (1) a judgment had not been recorded accurately, or not at all, (2) the obligation amount, or amount due, had not been recorded correctly, (3) division personnel had made errors when previously making adjustments to account balances on MACSS, (4) the pay history recorded on MACSS was incomplete or non-cash credits had not been recorded, (5) the 10-year statute of limitations[9] made some large amounts of arrears uncollectible, and (6) other miscellaneous errors. For example:

- On 12 cases, a court had set arrears which changed the total unpaid account balance. However, division personnel had not adjusted MACSS records to reflect the judgment. Judgments on 5 of the 12 cases had been ordered by other states, and records of those out-of-state judgments were in case files. Some examples include the following:
  - Personnel did not update MACSS records when a June 2006 judgment set arrears at $84,347, thereby reducing arrears by approximately $309,000. In response to our audit work, in January 2007, personnel made corrections to MACSS records.
  - Personnel did not record an April 2003 judgment reducing arrears to $19,239 until March 2007, when personnel decreased arrears approximately $48,000.
- MACSS had incorrect obligation amounts for another eight cases. Some examples included:
  - Calculating the obligation as a weekly amount instead of a bi-weekly amount on one case, causing an overstatement.
  - Not decreasing a modified obligation amount and not recording the judgment decreasing arrears set by the court in April 2006.

[9] Pursuant to Section 516.350, RSMo, as each support payment becomes due, it becomes a separate judgment that is collectible during the following 10 years. If this "judgment" remains unpaid for 10 years, unless revived, the law presumes the judgment has been satisfied.

- On 11 cases, division personnel had made errors in the past while making financial adjustments on MACSS, which caused arrears to be misstated. For example:

  - In February 2004, personnel made an error while making an adjustment based on an out-of-state judgment. Personnel increased arrears $12,820 on this case in January 2007 to correct this error.

  - On another case, personnel documented that an adjustment in May 2003 had been done in error. That erroneous adjustment decreased the account balance by $1,086. Division personnel reversed this transaction and made a second $10,000 adjustment to correct the arrears balance in April 2007.

- While preparing the debt recalculation worksheets for SAO auditors, division personnel discovered incomplete or inaccurate pay histories on three cases which had overstated arrears balances. As a result, personnel made adjustments in 2007 to reconcile MACSS records to the financial records on child support records in Illinois, Nebraska, and Alaska. For example:

  - The obligation to pay support on the Illinois case ended in 2005, but personnel had not terminated it on MACSS.

  - Arrears continued to accrue on a Nebraska order after it had ended in January 2006.

  - Payments made in 1999 and 2003 had been recorded on Alaska child support records, but not on MACSS.

- A non-cash credit[10] had not been recorded for a lump sum social security payment to the family in 2005. In March 2007, field office personnel made corrections to MACSS records. According to a division official, misstated arrears balances because of incomplete pay histories, cannot always be avoided since there are instances when Missouri may not be notified of non-cash credits.

- On one case, IV-D arrears had been overstated approximately $455,000 because personnel had not updated MACSS and reduced arrears subject to the 10-year statute of limitations. Approximately $308,000 of this amount has been uncollectible since December 2001 and could have been

[10] Direct payments to families that have not been recorded on accounting records.

removed from MACSS. As a result of our review, field office personnel made adjustments reducing arrears by the total amount of uncollectible arrears in March 2007.[11]

MACSS does not track statute of limitation periods and automatically adjust arrearage balances affected by it. Rather, personnel must calculate the uncollectible amount and complete a manual adjustment to reduce the total amount owed.[12] According to one office manager that had a case with nearly $500,000 of uncollectible arrears, policy has not addressed how to identify cases where the statute of limitations has made arrears uncollectible. According to the manager, personnel have no way of knowing which cases have arrears that are uncollectible because of the statute of limitations. This situation is usually discovered when recalculating debt for various reasons, or when a case review is done prior to closing. A division official told us the division plans to correct this situation once MACSS records are 10 years old by automating MACSS to identify and remove arrears on MACSS that are subject to the statute of limitations.[13]

Other errors

Arrears balances on 10 other cases had been misstated because personnel had not updated MACSS or terminated the obligation when (1) a dependent had gone to live with the non-custodial parent, (2) a parent died, (3) emancipation of dependents occurred, and (4) arrears accrued as IV-D after the non-custodial parent started receiving Supplemental Security Income from the Social Security Administration. As a result of our review, personnel made adjustments to correct arrears balances on the 10 cases.

Inaccurate data transferred to MACSS

Incorrect account balances occurred on 29 of 79 cases because of errors at conversion.[14] From 1997 through 1998 the division implemented MACSS, the new computerized case management system. When case data on the old computer system was automatically transferred to MACSS, account balances were transferred but the pay history detail remained on the old system, according to a division official. Therefore, if data entry errors or omissions causing a misstated arrears balance existed on the old system, the misstated balance would have been transferred to MACSS, and would have

[11] Adjustments made in 2007 to MACSS records for examples in this report were prompted by our review.

[12] Policy Manual Section V, Chapter 2.

[13] Automating MACSS to identify and remove arrears subject to the statute of limitations will not correct the situation on cases where arrears accrued on the previous computer system because only the account balance was transferred to MACSS, not individual accruals.

[14] At our request, division personnel corrected the arrears balances on the 29 cases.

remained misstated until personnel reviewed the case file and records on the old computer system, and made corrections.

Division not always terminating out of state and administrative orders when support no longer due

Of the 79 cases with incorrect arrears balances, child support personnel had not terminated judicial orders on 3 cases, or an administrative order on 1 case, when child support was no longer due.

- In March 2002, the state where a judicial order originated closed its case and ended enforcement because the custodial parent could not be located. According to MACSS, in January 2004, Missouri knew the other state had ended the order, but personnel did not end the order on MACSS. In response to our review of this case, field office personnel ended the order effective August 2001, and made appropriate adjustments to reduce IV-D arrears in April 2007.

- On another out-of-state judicial order, the dependent had been emancipated in July 2003 and the case had been closed. Missouri had been notified, but personnel did not terminate the order and reclassify the IV-D arrears as non IV-D.

- Personnel recorded a July 2000 out-of-state judicial order on MACSS in December 2003 when the custodial parent requested services. In March 2006, the custodial parent requested Missouri close the case before returning to the state where the order originated. However, personnel did not end the order, and IV-D arrears continued to accrue.

According to division policy, child support personnel are to end out-of-state obligations and close out-of-state orders in MACSS when the applicable state's termination of support criteria are met.[15]

Administrative order also not terminated

Personnel did not terminate the support obligation on one case with an administrative order in a timely manner. On that case, the dependent had gone to live with the non-custodial parent in 2003. Although support was not due for the time period the dependent lived with the non-custodial parent, the obligation continued to accrue during this time period. Those accruals were not abated until we requested a debt recalculation during our review. In February 2007 field office personnel ended the support obligation, retroactive to June 1, 2006 and reduced arrears on MACSS.

Child support policy states when it is determined the last, or only, dependent on an administrative order is no longer eligible for current support,

[15]Policy Manual Section V, Chapter 12.

personnel will end the child support obligation on MACSS, effective the date the child no longer met criteria for support.[16]

Incorrect arrears can cause improper, insufficient enforcement actions and affect federal reporting

Enforcement action is usually triggered by the amount of unpaid support. Child support policy states, "MACSS automatically initiates some enforcement actions when the arrearage balance for an order on a IV–D case reaches a threshold required for a specific enforcement remedy. Therefore, it is imperative that arrearage information in MACSS be accurate." In discussing enforcement actions, a division official agreed that improper enforcement actions could be taken when the true arrears balance is overstated. Conversely, appropriate enforcement actions may not be used when the true balance is understated.

No policy on ensuring accuracy of arrears balances

As of May 2007, the division had not established policy for ensuring the accuracy of arrears balances. However, federal guidance for intercepting income tax refunds require IV-D agencies establish procedures to verify and ensure the accuracy of amounts before referring for state and federal tax offset.[17] Despite this guidance, a policy official told us child support personnel are not required to "recalculate" arrearages to ensure accuracy when they are submitted for tax offset.

Parents can request review of financial records

According to a division official, a parent can request child support personnel review financial records when he/she believes the arrears balance is incorrect, but policy states manual arrears calculations should be limited to non-MACSS periods. If the issue is not resolved informally, the parent can request a formal administrative hearing. However, a policy official told us policy does not explicitly state a non-custodial parent can request an informal recalculation just because he/she believes it to be incorrect.

Financial specialists recalculate arrears when cases are referred

With the recent implementation of the new workflow structure, which began in January 2006, each field office has one or more financial specialists—personnel considered to be experts in financial records on MACSS. Cases with arrears are to be referred to the specialists for review when a debt recalculation has never been done, when a parent complains about the accuracy of the arrears balance, or when a child support technician has concerns about the accuracy of the balance, according to a division official. Enforcement action is supposed to stop until a financial review has been completed.

[16]Policy Manual Section V, Chapter 12.

[17]45 CFR Section 303.72 and Section 303.102.

However, the division has not established policy for case referral, procedures specialists should follow, and no systematic method to review all cases with arrears has been implemented. The specialists are supposed to (1) review financial information on the old system, (2) review order documents in case files, (3) complete a debt recalculation of charges and credits since issuance of the order, and (4) make appropriate corrections on MACSS so that appropriate enforcement actions are used.

In discussing this issue, an official stated the division prepared a July 2007 report showing financial specialists reviewed and corrected account balances on approximately 15,000 cases that had been referred to financial specialists since January 2006. The adjustments caused a net increase in arrears of approximately $5.5 million.

Federal reporting consequences for overstating arrears

The federal Office of Child Support Enforcement requires state agencies to report certain data annually, including the total amount of IV-D child support that remains uncollected. According to a division official, reporting overstated amounts of uncollected child support to the federal oversight agency is "not good" because if the amount of unpaid support reported is incorrect to the extent it affects the reliability of data used by the federal office to measure performance and award incentives, it could affect the state's eligibility for incentive payments for the affected measure.

In federal fiscal year 2005, federal incentives paid to Missouri totaled $10.2 million. The amount of federal incentives paid to a state is based on multiple measures and factors, which includes cases with unpaid support, and cases with unpaid support where a payment had been received during the fiscal year. Since 2001, total federal dollars available to pay incentives to the states has been capped, so Missouri is now competing with other states for a share of those dollars.

Not Terminating Judicial Orders of Support Could Cause Arrears Errors

Our review of sampled cases did not disclose any cases in which IV-D arrears had been misstated because personnel had not ended judicial orders of support originating in Missouri. However, IV-D arrears, or non IV-D arrears could be misstated if dependents are not emancipated, or judicial orders of support are not terminated in a timely manner. Division policy, which mirrors language in state law, sets forth criteria for terminating judicial orders of support.[18] In addition, division policy also states circuit court clerks are responsible for ending Missouri judicial orders, not child support personnel. However, we found division personnel terminated

[18]Policy Manual Section V, Chapter 12.

judicial orders of support originating in Missouri on 29 of 244 cases reviewed, and we found conflicting opinions exist on this issue.

Not terminating judicial orders causes inaccurate records

Not terminating judicial orders and removing the obligation amount from MACSS when support is no longer due causes arrears to continue accruing. If an emancipation date has been recorded, arrears continue to accrue non IV-D, and if an emancipation date has not been recorded, the arrears continue to accrue IV-D. Although the division is not responsible for collecting non IV-D monies, when non IV-D arrears continue to accrue, division records are incorrect and the overstatement can cause problems for non-custodial parents and circuit court clerks. For example:

- On one of our test cases where the order had not been terminated, but emancipation dates had been recorded for each of three dependents, arrears have continued to accrue non IV-D since 1999, the year the last dependent reached age 22. Accruals since 1999 totaled approximately $12,971, as of June 30, 2006, when the dependents were age 28, 33 and 35 years old.[19]

- On another test case, child support personnel emancipated the dependent in November 2001. However, emancipation should have occurred in August 2001, when support was no longer due. This error caused arrears to accrue IV-D, when, according to division policy the unpaid amount should have been accruing non IV-D for those 3 months. As a result of our review of this case, personnel made corrections on MACSS and reclassified the accruals for the 3 months as non IV-D arrears. Since August 2001 arrears continue to accrue non IV-D.[20]

Division personnel did not terminate these orders because division policy states circuit court clerks are responsible for terminating judicial orders of support. As a result, the monthly obligation will continue to accrue non IV-D on cases like these until the judicial order is terminated and the obligation removed from MACSS, even though the dependents are well past the age of emancipation.

Inaccurate arrears causes more problems

Inaccurate arrears can cause problems for court clerks and non-custodial parents. For example, three of seven circuit court clerks we contacted told us they have had problems when non IV-D arrears are overstated because a

[19] This test item and the associated arrears were not included as an error in this report because it involves non IV-D monies only.

[20] This test item and the associated misstatements were included as an error in this report because it involves misstated IV-D monies. This case is test item number 29 in Appendix I.

support order had not been ended, and two of those clerks said they have had to manually recalculate the amount of unpaid support when abstractors or lenders made inquiries.

Policy and state law provide criteria to terminate orders

According to division policy,[21] for child support orders entered before August 13, 1988, that are silent on the subject of when support terminates, statutory criteria applies. For orders that state support continues:

- "until 21 unless otherwise emancipated," or
- "until 21, unless otherwise legally emancipated," or has a similar qualifying clause, or
- "until 18," or "until 21," or another age, with no qualifying language

the support obligation continues until the age specified in the order, or until age 22, if the child meets educational requirements. Otherwise, current statutory criteria applies.

Division policy also states, for orders entered on or after August 13, 1988, statutory authority applies unless the court order states a termination date with no qualifying clause. For example, if the court order states "until age 21," with no qualifications, support continues until age 21.

Section 452.340.3, RSMo, states the support obligation shall end when the child:

- dies;
- marries;
- enters active duty in the military;
- becomes self-supporting, provided that the custodial parent has relinquished the child from parental control by express or implied consent;
- reaches age 18, unless the provisions of the order specifically extend the support order past the child's 18th birthday because the child is unmarried, insolvent and physically or mentally incapacitated from supporting himself; or
- reaches age 22,[22] if the child meets educational requirements.

Section 452.340.11, RSMo, states support orders "shall be deemed terminated without further judicial or administrative process" when:

[21] Policy Manual Section V, Chapter 12.

[22] Senate Bill 25, effective August 28, 2007, lowers the age when child support is no longer due from 22 to 21.

- the child reaches age 22 according to birthdates in the order, and the order does not require support past the age of 22 because the child is physically or mentally incapacitated from supporting himself, and insolvent and unmarried; or

- sworn statements or affidavits attesting the dependent has reached age 22, or has been emancipated, are filed with the court which entered the order, or the division.

Opinions differ on terminating judicial orders of support

Our review disclosed child support personnel had terminated judicial orders of support on 29 of 244[23] cases reviewed.[24] In discussing termination of judicial orders with officials, and reviewing policy guidance and statutes, we found opinions differed on whether judicial orders could be terminated by the division. For example:

- One division official told us division personnel have the authority to end judicial support orders when criteria for terminating support has been met. However, the official told us circuit court clerks in some counties have told division personnel they are not authorized to end judicial orders of support. The official could not identify all counties where circuit clerks have told child support personnel not to end judicial orders because the division does not maintain a list of these counties. However some of those counties include Adair, Andrew, Caldwell, Greene, Jackson[25] and Pike County, according to the official.[26]

- According to another division official, the division does not have the authority to end judicial support orders because of the division's interpretation of Section 454.557, RSMo. With its interpretation, the division has taken the most conservative approach for ending judicial support orders, according to the official. However, that section of law deals in situations where public assistance has been provided to families, thereby creating debt owed to the state, and does not address statutory criteria for terminating support. Furthermore, the division has chosen to disregard another subsection of this same law, which says in all cases where the child is 22 years old, unless a court orders support to continue, a current obligation shall not be recorded (maintained) on the division's

[23]Includes the 209 sampled cases and the 35 cases with arrears greater than $100,000.

[24]Twenty-six of the 29 orders originated in Missouri.

[25]We found the division had terminated two judicial orders of support that originated in Jackson County.

[26]Another source told us the circuit court clerk in Grundy County had told division personnel not to terminate judicial orders of support.

automated system. As discussed on page 13, state statutes and division policy set forth criteria when child support is no longer due. However, the statutes have not identified who has the authority and responsibility to terminate judicial orders of support and remove the obligation from the automated system, ending further accruals of unpaid support. Also, division policy[27] has not addressed the portion of Section 452.340.11, RSMo, which discusses how and when a child support obligation shall be terminated, and clearly sets forth criteria and procedures for terminating a parent's obligation to make child support payments. The division has taken the position that section of law applies only to circuit court clerks and makes the clerks responsible for ending judicial orders of support. However, court clerks we contacted offered differing opinions on terminating judicial orders.

We contacted circuit court clerks in seven Missouri counties[28] that reportedly told child support personnel not to end judicial orders of support. Clerks in five of the seven counties told us they did not remember telling child support personnel not to end judicial support orders, and clerks in four of these five counties told us they did not care if division personnel end judicial orders of support originating in their counties. Six of seven court clerks contacted told us they have not been responsible for IV-D cases for several years and would not know when a support order should be ended.

Clerks in six of seven courts (not Adair County) require a parent to provide something in writing, such as a notarized letter or an affidavit, attesting the dependent is emancipated before a judicial order can be ended. The courts in Jackson and Andrew counties require a judge to terminate judicial orders of support. Jackson County circuit court judges require a parent file a "Motion to Terminate", which must be approved by the judge before a judicial order of support can be ended. According to a court official, the filing of this motion can cost as much as $137 in filing fees. Andrew County circuit court judges require a parent to file, at no cost, an Affidavit of Emancipation which has to be approved and signed by the judge before a judicial order of support can be ended.

As discussed on page 12, clerks in three of the seven counties told us they have experienced problems with overstated arrears balances when judicial orders have not been ended in a timely manner. Two clerks told us they had to make adjustments on MACSS to correct the total amount of unpaid

[27] Policy Manual Section V, Chapter 12.
[28] Adair, Andrew, Caldwell, Greene, Grundy, Jackson, and Pike counties.

support. The third clerk told us she lacks authority to end judicial support orders or to make corrections reducing arrears.

Conclusions

As of June 30, 2006, we estimate misstated arrears balances existed on approximately 27 percent of child support cases with arrears greater than $1,000. Ensuring arrears balances on IV-D cases are correct should be a high priority for the division because misstated balances can cause improper or insufficient enforcement actions.

Except for incorrect balances transferred to MACSS at the time of conversion, most misstatements occurred because the division did not record judgments and modified obligation amounts accurately, or staff had made errors when previously adjusting the account balance. The failure to record judgments or support order modifications, when they occur, or making errors while adjusting balances, results in incorrect arrears balances because MACSS calculates arrears balances based on the amount due and the amount paid, as recorded on MACSS. Limiting manual recalculations to non-MACSS periods will not detect such things as unrecorded judgments and modifications, or other errors which occurred after conversion to MACSS.

When non-custodial parents are ordered to pay support payments, and they are not made, arrears increase quickly and, the amount that is uncollectible can also increase because of the statute of limitations. Devising a method to identify and review cases with arrears greater than $100,000 could dramatically, and immediately, decrease total arrears reported to the federal oversight agency by removing the uncollectible amounts. The division's plan to automate MACSS to remove the uncollectible amount of arrears, if implemented, would correct some of the overstated account balances.

The division has taken action to review cases when concerns arise regarding the accuracy of arrears balances, and in July 2007, the division reported it had reviewed and made adjustments on approximately 15,000 cases that had been referred to financial specialists. However, the division has not taken corrective action since the conversion to MACSS, approximately 10 years ago, to systematically identify cases with misstated arrears and make necessary corrections.

Division policy stresses the importance of accurate arrears balances, and federal regulations require IV-D agencies to develop procedures to ensure the accuracy before starting certain enforcement actions. Accurate arrears balances are needed because improper enforcement actions could be taken when the true arrears balance is overstated, or appropriate enforcement actions may not be used when the true balance is understated. However, the

division has not established adequate procedures to verify and ensure the accuracy of unpaid child support balances. Having financial specialists in field offices review records and make corrections to misstated arrears balances is a step in the right direction, but does not meet federal requirements to develop procedures to ensure accuracy of arrears balances. The division needs to develop procedures and implement a corrective action plan to systematically review and correct arrears balances on IV-D cases.

The department reports the total amount of unpaid IV-D child support to the federal oversight agency annually, and if the amount reported is overstated, it could affect the state's eligibility for incentive payments if the amount is incorrect to the extent it affects the reliability of data used by the federal office to measure performance and award incentives. Because Missouri is now competing with other states for a share of those dollars, it is imperative that Missouri's child support records be as accurate as possible.

Clarifying state law to clearly identify who shall be responsible for terminating judicial support orders and obligations on the automated system would provide uniformity and consistency, and ensure arrears do not continue to accrue when child support is no longer due. As it stands now, division policy states circuit court clerks have the responsibility to terminate judicial support orders, but the court clerks have told us they are no longer responsible for IV-D support orders and would not be in the position to know when an order should be terminated. In addition, most court clerks we talked to told us they do not care if division personnel terminate support orders originating in their courts once statutory criteria has been met. Until state law is clarified, the division should identify courts where judges have stated they do not want division personnel terminating judicial orders, and amend policy to require division personnel to terminate judicial support orders originating in all other courts once statutory criteria has been met.

Recommendations

We recommend the General Assembly:

2.1 Clarify state law to clearly identify who has the authority and responsibility to terminate judicial orders of support and end further accruals of unpaid support on the automated system, when child support is no longer due.

We recommend the Director of the Department of Social Services:

2.2 Establish procedures to ensure the accuracy of arrears balances and compliance with federal regulations and the spirit of division policy.

2.3 Amend policy to require division personnel to terminate judicial orders of support when dependents reach age 22, or the statutory age of emancipation, unless the court orders support beyond age 22.

2.4 Identify courts where judges require court action to end a support obligation. Terminate judicial orders of support originating in all other Missouri courts once dependents have reached age 22, or the statutory age of emancipation, and end further accruals of unpaid support.

Agency Comments

Department of Social Services comments

2.1 This recommendation is not for the Family Support Division (FSD).

2.2 The division agrees with this recommendation. The division has sought and will continue to seek improvement in the accuracy of arrearage balances in the automated system. In January 2007, FSD implemented a statewide work structure that provides for financial specialists. These staff receive specialized financial training and focus their work efforts on ensuring accurate arrearage balances. As of July 2007, financial reviews had been completed on 67,926 cases for the purpose of ensuring accurate balances. These reviews were initiated during the course of normal business or at the request of an enforcement specialist or customer who raised a question concerning the arrearage balance. The division is committed to providing additional training to staff and to ensuring financial reviews are completed on all cases to help ensure accuracy.

However, despite the arduous efforts of division staff, the division also recognizes that factors beyond the control of the division can necessitate adjustments to arrearage balances. Entry of new or modified court orders, payments not made through the Family Support Payment Center, changes in custody of a child, changes in a child's educational status, arrearage settlements and satisfactions of judgments are just a few examples of factors beyond the control of the division that can necessitate adjustments to arrearage balances. To the extent that the division is aware of such factors, it can make necessary adjustments to balances. The division relies on parents and the courts to report these circumstances to help ensure updated arrearage balances. The division is committed to working with Missouri's courts to improve communications and data sharing in accordance with sections 452.347 and 454.412, RSMo, which require the courts to provide the division with a copy of any order establishing or modifying child support within 14 days of issuance and to provide the support order data elements for the automated child support system.

2.3 The division disagrees with this recommendation. The General Assembly has not granted the division administrative authority under chapter 454 of the statutes to "terminate" judicial orders. Only a court can terminate its order.

Absent specific authority in section 454.557, RSMo, FSD is not authorized to end judicial child support obligations for children between the ages of 18 and 22 who meet termination of support criteria provided in section 452.340, RSMo. Subdivision 454.557.1(2), RSMo, provides that a current support obligation shall not be recorded in the automated system, "In a IV–D case with a support order entered by a court ***when the court that issued the support order terminates such order and notifies the division.****" (emphasis added) Further, inconsistencies between section 452.340 and section 454.557, RSMo, prevent the division from ending support obligations when a child meets the maximum statutory age of emancipation, which is now 21 (Senate Bill 25, signed into law on July 13, 2007, and effective August 28, 2007).*

In 1998, after statewide implementation of the automated child support system, the division worked with the Office of State Courts Administrator and circuit clerks to develop agreed upon procedures for circuit clerks and division staff regarding the division of responsibilities for adding and updating data in the automated system. Those procedures, based on the agreed upon interpretation of state law, remain in effect today and clearly state that circuit clerks update the automated system to end judicial obligations for Missouri orders.

2.4 The division disagrees with this recommendation. The division believes this recommendation is inconsistent with state law for reasons stated in response to recommendation 2.3. Further, the 115 counties and the city of St. Louis have multiple judges within jurisdictions who decide support matters.

Misstatements on Sampled Cases

Table I.1 displays the IV-D portion of misstated arrears on sampled cases, as of June 30, 2006.

Table I.1: Misstatements on Cases with Arrears Greater Than $1,000

Sampled Cases	Amount
Overstated	
1	$ 35,432
2	15,560
3	9,936
4	9,690
5	7,538
6	6,408
7	5,441
8	4,966
9	4,440
10	4,123
11	3,922
12	3,900
13	3,609
14	2,905
15	2,432
16	1,703
17	1,550
18	1,541
19	1,438
20	973
21	740
22	587
23	580
24	418
25	337
26	308
27	303
28	302
29	300
30	261
31	241
32	239
33	100
34	1
35	1

Appendix I
Misstatements on Sampled Cases

Sampled Cases	Amount
Understated	
36	$ (12,820)
37	(9,522)
38	(7,360)
39	(2,278)
40	(2,246)
41	(1,424)
42	(1,044)
43	(648)
44	(400)
45	(290)
46	(250)
47	(210)
48	(146)
49	(108)
50	(100)
51	(100)
52	(89)
53	(74)
54	(50)
55	(50)
56	(23)
57	(10)
Total Overstated	$ 132,224
Total Understated	(39,242)

Source: SAO analysis of sampled cases.

Misstatements on Cases with Arrears Greater Than $100,000

Table II.1 displays the IV-D portion of misstated arrears on cases with arrears greater than $100,000, as of June 30, 2006.

Table II.1: Misstatements on Cases with Arrears Greater Than $100,000

Test Cases		Amount
Overstated		
	1	$ 454,647
	2	454,050
	3	309,409
	4	89,026
	5	65,892
	6	53,280
	7	35,099
	8	26,752
	9	18,100
	10	8,250
	11	8,220
	12	2,856
	13	1,484
	14	1,165
Understated		
	15	$ (54,691)
	16	(44,272)
	17	(12,860)
	18	(11,532)
	19	(11,086)
	20	(4,153)
	21	(2,800)
	22	(183)
Total Overstated		$ 1,528,327
Total Understated		(141,578)

Source: SAO analysis of test cases.

Statistical Sampling Results For Study Population

To measure the number of child support cases with misstated account balances, we reviewed a probability sample of 209 cases from a study population of 187,033 cases with arrears balances greater than $1,000 on June 30, 2006. We based sample size on a 90 percent confidence level, plus or minus 5 percent precision, and an expected error rate of 23 percent.

Based on our sample size of 209 from a study population of 187,033, we are 90 percent confident that 51,009 cases, or 27 percent of the study population, had incorrect account balances on June 30, 2006. We are 90 percent confident the error rate is between 22 and 33 percent. Table III.1 displays sample results for 209 cases reviewed.

Table III.1: Statistical Sampling Results for Study Population

Sample Evaluation	
Universe Size	187,033
Sample Size	209
Cases with Incorrect Account Balances	
Quantity Identified in Sample	57
Projected Quantity in Universe	51,009
Percent	27%
Confidence Limits	
Lower Limit Quantity	41,588
Lower Limit Percent	22%
Upper Limit Quantity	61,345
Upper Limit Percent	33%

Source: RAT-STATS evaluation.

Susan Montee, CPA
Missouri State Auditor

October 2007

TAX CREDIT

Analysis of Wood Energy Tax Credit Program

Report no. 2007-58

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Wood Energy Tax Credit Provides Environmental and Economic Benefits, But Is More Costly than Anticipated

This audit reviewed the cost-benefit to the state for the Wood Energy tax credit. The tax credit has contributed environmental and economic benefits to Missouri; however, those benefits cost at least three times more annually than estimated. The Department of Natural Resources (DNR) manages this tax credit program. It was established as a production incentive for qualified wood producing facilities to produce processed wood products using Missouri forest product residue. As of June 30, 2007, $28.6 million in credits had been issued and $26.4 million redeemed. State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. This audit was performed as part of this ongoing work.

Emissions reduced

The Wood Energy tax credit provided financial support to charcoal producers facing increased costs from emission fees and installation of emission control devices. EPA statistics show air pollution levels caused by charcoal producers have decreased in Missouri since the mid 1990's and required installation of the emissions control devices. The Wood Energy tax credit, along with the Charcoal Producer's tax credit, were available resources for charcoal producers to offset additional funds spent on the required emissions control devices. (See page 8)

Tax credit helps wood products industry

The Wood Energy tax credit has helped support the charcoal and wood products industries in Missouri. Charcoal and wood energy firms that supplied sales data in survey responses showed increased sales and some workforce expansion since reinstatement of the tax credit in 1997. Representatives from charcoal producers responding to our survey also reported shifting production to Missouri due to the tax credit and depending on the credit to help support their operations. (See page 10)

Tax credit issuances more than expected

Actual annual tax credit issuances have been three to four times expected issuances since reinstatement of the tax credit in 1997. This result occurred because charcoal producers received a tax credit that is computed at four times the $5 per ton compensation discussed in the legislation establishing the credit. DNR officials included this conversion factor in the regulations covering the tax credit because analysis supported it took 4 units of wood residue to produce 1 unit of charcoal. The officials concluded the tax credit's authorizing laws, which states the tax credit shall be $5 per ton of processed material, were unclear whether processed material meant input or output material and attempted to clarify that in the regulations. (See page 11)

Performance measure does not reflect changes resulting from credit

DNR officials are using wood residue that is diverted from waterways and landfills as the performance measure to evaluate the cost-benefit of the tax credit in budgetary documents, but this measure is not accurately evaluated and fails to consider other program benefits. According to a DNR publication, the charcoal industry has traditionally used wood residue as a raw material for charcoal production. As a result, much of the diverted wood residue that was reported as a benefit would have occurred without

	the credit. In addition, one of the original purposes of the credit was to create wood energy product commercial operations that at the time did not exist in the state. The performance measure does not address this purpose. (See page 12)
Limited verification of application data	DNR personnel have not adequately validated the product sales and wood residue information provided by tax credit applicants. DNR personnel limit verification of sales and wood residue information to calling one purchaser per application and have not required applicants to provide documentation of the source of wood residue claimed. (See page 14)

All reports are available on our website: auditor.mo.gov

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Abbreviations

DNR	Department of Natural Resources
EPA	Environmental Protection Agency
DOR	Department of Revenue
PM10	Large Particulate Matter
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
USC	United States Code
USDA	United States Department of Agriculture
VOC	Volatile Organic Compounds

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Missouri State Auditor

Honorable Matt Blunt, Governor
and
Joint Committee on Tax Policy
and
Doyle Childers, Director
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State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. The audit objectives included (1) evaluating the environmental and economic impact of the Wood Energy tax credit program, and (2) reviewing the adequacy of internal controls in place to ensure compliance with statutory requirements for the tax credit program.

We found the Wood Energy tax credit provides environmental and economic benefits to Missouri; however, those benefits cost at least three times more annually than estimated. In addition, improvements are needed in the performance measure used by the Department of Natural Resources to evaluate the cost-benefit of the tax credit, because the measure does not reflect changes resulting from the credit. Improvements are also needed in the review of tax credit applications and notification regarding awarded credits.

We conducted our work in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception of the external impairment of access to redemption data from income tax returns which limited our ability to conduct our work, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report included Jon Halwes, Kelly Davis, Dana Wansing, and Darius Dashtaki.

Susan Montee, CPA
State Auditor

Introduction

The Wood Energy tax credit program started in 1986. It had an initial expiration date of June 30, 1991 that a 1991 senate bill extended to June 30, 1995. A 1996 house bill reauthorized the program effective January 1, 1997. The credit is established under Sections 135.300-135.311, RSMo and has no expiration. The Department of Natural Resources (DNR), Energy Center[1] manages this tax credit program which is established as a production incentive for qualified wood producing facilities to produce processed wood products[2] using Missouri forest product residue.[3] Our review did not identify any other states with a similar tax credit.

Tax credits can generally be broken into three categories. Some are established to create a certain economic benefit, some are established to induce certain social benefits and others are created for both an economic and social benefit. The Wood Energy tax credit program was originally created to provide an economic benefit. Since its renewal the tax credit has transitioned to both a social and economic benefit.

The wood energy producer receives $5 per ton of processed Missouri wood material (residue). The calculation of the tax credit is $5 per ton of wood products sold except for charcoal for which the credit is $5 per ton of charcoal sold adjusted by a multiplier of four.[4] The program's reauthorization in 1996 added charcoal products which had previously been excluded.[5] The processing facility must be located in Missouri. Producers apply to the DNR for the tax credits under rules established under 10 CSR 140-4.010. The tax credit application must include:

- The number of tons of processed wood products produced during the preceding calendar year.[6]
- The name and address of the person to whom processed products were sold and the number of tons sold to each person.[6]
- Information on other state or federal financial assistance for wood energy activities during the tax year covered by the application.

[1] Formerly the Division of Energy.

[2] Wood pellets, cubes, flour, and any product that results from thermal, chemical, or mechanical processes that sufficiently alter the wood residue to be used as an energy source.

[3] Any residue that results from normal timber harvest or production to include slash, sawdust, shavings, edgings, slabs, leaves, and bark.

[4] Wood used is inferred at 4 tons of wood residue per ton of wood charcoal produced. The formula used to calculate the tax credit for charcoal is based on the amount of forest industry residue required to produce one ton of charcoal.

[5] Legislative records did not explain why charcoal was excluded from the initial law and included in the reauthorized law.

[6] Required under 135.311, RSMo.

- A listing of the processed wood products produced by the company.
- An explanation of the types of Missouri forest industry residue used and how processed.

Applications are not due by a specific date and generally cover the preceding calendar year. A DNR official said most applications come in the first quarter of each year. The department certifies to the Department of Revenue (DOR) each applicant that qualifies as a wood energy producing facility.

The tax credits are assignable under provisions of Section 135.309, RSMo, and the credits can be carried forward for 4 years to offset future tax liability. The tax credits may be redeemed against income tax due under Chapter 143, RSMo, except for payroll withholding taxes.

Section 620.1300, RSMo, requires the State Auditor's office (SAO) to analyze the cost-benefit impact to evaluate the effectiveness of all state tax credit programs.

Tax Credits Used and Products Produced

Since reauthorization in 1996, $28.3 million in Wood Energy tax credits have been issued and $26.1 million, redeemed leaving $2.2 million outstanding at June 30, 2007. Table 1.1 shows the tax credits awarded and wood residue used from January 1, 1997 to June 30, 2007 by type of processed wood product.

Table 1.1: Processed Wood Products Produced 1997 to 2007

Product	Wood Residue Used in Tons	Tax Credits Awarded	Percentage of Awards
Wood Char	1,327,666	$26,553,284	93.9
Wood Pellets	284,047	1,420,236	5.0
Wood Flour	41,962	209,814	0.8
Wood Waste	16,959	84,795	0.3
Totals	1,670,634	$28,268,128	100.0

Source: DNR Wood Energy database and SAO analysis.

During this period, two charcoal production companies have been awarded 66 percent of issued credits. Approximately 12 wood energy producers apply for the credit annually.

Charcoal Production and Wood Residue Can Affect Air and Water Quality

Charcoal facilities release emissions which increase the amount of large particulate matter (PM10) and Volatile Organic Compounds (VOC) in the air. According to the Environmental Protection Agency (EPA) website,[7] increased VOC levels contribute to ozone problems which can lead to health problems. Also this website[8] reports increased PM10 levels can contribute to respiratory problems such as aggravated asthma, and development of chronic bronchitis.

In 2000, a DNR publication[9] reported the following information regarding air pollution issues impacting the charcoal industry. The publication reported citizens in Missouri communities surrounding charcoal kilns frequently complained of health problems, smoke, and soot caused by the kiln emissions. In 1994, a group of citizens petitioned the EPA to monitor the levels of charcoal kiln pollution. These petitions led the EPA to measure particulate matter near one facility. The results showed some of the highest levels of particulate matter ever recorded in the state.

The publication also reported the EPA found larger charcoal kilns to be in violation of federal law[10] and assessed penalties of $750,000 in 1997. Later in 1997, the charcoal industry agreed to control air pollutant emissions as part of a settlement to abate the fine. Because charcoal kiln emissions are flammable, an emissions control device called an afterburner can be used to eliminate much of the charcoal smoke and emissions. Regulations[11] required charcoal producers to start installing afterburners in 1998 and all producers to have afterburners installed by the end of 2005.

Water pollution from wood residue

Water leaching through large sawdust piles can cause water pollution. A DNR official said such water leaching can cause changes in the color of the water, odor, an increase in the amount of organic chemicals in the water and can be harmful to fish and other aquatic life.

Scope and Methodology

To evaluate the impact of the Wood Energy tax credit program on the state, we reviewed federal and state laws, state regulations, and DNR procedures. We discussed the operation of the program and internal controls with DNR

[7] "Health and Environment,"<www.epa.gov/air/ozonepollution/health>, accessed on August 13, 2007.
[8] "Particulate Matter,"<www.epa.gov/oar/particlepollution>, accessed on August 13, 2007.
[9] Yronwode, Peter, "From the Hills to the Grills," *Missouri Resources Magazine*, Spring 2000, <www.dnr.mo.gov/magazine/2000-spring.pdf>, accessed on June 7, 2007.
[10] 42 USC 103 and 116.
[11] 10 CSR 10-6.330.

staff to determine if proper controls were in place to ensure compliance with state laws and regulations.

To evaluate steps other states have taken to address environmental concerns of wood residue, we performed Internet research for state laws and procedures covering this issue.

To evaluate program performance, we reviewed the cost-benefit data reported by DNR to the legislature as part of the annual state budget process. We also reviewed for other state or federal assistance programs covering wood energy activities.

To evaluate the environmental and economic impact to the state we surveyed wood energy producers[12] for information about sales, work force size, and annual emissions control costs. In addition, to evaluate the environmental impact, we discussed changes in water and air pollution in Missouri with state agency personnel. We discussed the use of forest products for charcoal production with federal agency personnel. We also analyzed EPA air emissions data.

We obtained database files from DNR officials that reported the amount of tax credits issued to wood energy producers, credits redeemed, and tons of wood residue used in products produced since the reauthorization of the tax credit in 1996. We determined this database information to be complete and reliable for purposes of our analysis. We reviewed a sample of applications submitted during fiscal years 2005 to 2007 and analyzed the documentation supporting the tax credits issued.

We obtained aggregate totals of annual tax credit redemptions from the DOR. We were not provided detailed redemption information. The Director of the department denied us access due to the department's interpretation of the Missouri Supreme Court decision in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). These external impairments limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals.

We requested comments on a draft of our report from the Director of the Department of Natural Resources. We conducted our work between April 2007 and July 2007.

[12] Producers applying for and receiving tax credits for fiscal years 2004 to 2007.

Wood Energy Tax Credit Provides Environmental and Economic Benefits, But Is More Costly Than Anticipated

The Wood Energy tax credit program has likely contributed environmental and economic benefits in Missouri. However, the program has cost more than originally estimated.

DNR has not established performance measures for the program which reflect changes resulting from the tax credit or considered all economic and environmental areas affected by the program. As a result, the General Assembly has not received an accurate analysis of the tax credit's impact on the state. In addition, program monitoring to ensure the accuracy of information supporting tax credit applications is limited and not well documented. Tax credit applicants also do not receive formal notification of credits awarded. These weaknesses result in less assurance awarded credits met eligibility criteria and cause an unneeded burden on tax credit recipients when they are using or assigning their tax credits.

Emissions Reduced

The Wood Energy tax credit provided financial support to charcoal producers facing increased costs from emission fees and installation of emission control devices. The emission control devices have resulted in improved air quality in the state.

EPA statistics show PM10 and VOC air pollution levels caused by charcoal producers have decreased in Missouri since the mid 1990's.[13] Table 2.1 shows the percentage change of charcoal kiln emissions by facility reviewed between 1996 and 2001. The latest published EPA compiled air pollutant data is from 2001.

Table 2.1: Change in Charcoal Kiln Emissions between 1996 and 2001

	Percent Change	
Facility[1]	**PM10 Level**	**VOC Level**
A	-97	N/A[2]
B	-69	-41
C	-74	-51
D	-87	-75
E	-85	-71
F	-91	-93
G	-72	-47
H	-98	-96
I	-21	50[3]
J	-38	-89
K	-83	-67

[1] Data used is specific to company and location.

[2] 2001 VOC data was not available for this facility.

[3] This facility built additional kilns and increased production causing VOC levels to increase.

Source: EPA data and SAO analysis.

[13] EPA Emission Trends database.

Total charcoal kiln PM10 emissions for the 11 facilities went from 14,574 tons per year (tpy) in 1996 to 2,653 tpy in 2001, an 82 percent decrease. Total VOC emissions for the 10 facilities went from 14,794 tpy in 1996 to 5,775 tpy in 2001, a 61 percent decrease.

Tax credits provided financial support

The Wood Energy tax credit along with the Charcoal Producer's tax credit, were available resources for charcoal producers to offset additional funds spent on afterburners required to reduce air pollution emissions. The fiscal note for the 1998 house bill authorizing the Charcoal Producer's tax credit[14] states that some of the charcoal producers eligible to receive this credit may also be eligible for the Wood Energy tax credit. The fiscal note also listed reduced emissions fees and sales tax exemptions on emissions control devices as additional incentives for charcoal producers to install devices.

In addition, a DNR publication[15] states the Wood Energy tax credit was passed as an incentive for charcoal producers to install emissions control equipment. While afterburners were not required when the legislature renewed the tax credit and added charcoal as an eligible product, producers faced increasing costs from higher emissions fees and the prospect of increased emissions regulation. A DNR official said he believed the increased costs facing the charcoal industry was a factor in the introduction of charcoal as an eligible product for the Wood Energy tax credit.

Afterburner costs impact industry

Tax credits received by charcoal producers help offset afterburner costs. Annual afterburner costs varied for charcoal producers responding to our survey. Six of eight responding charcoal producers provided information on the costs. Three producers reported estimated annual costs between approximately $90,000 and $140,000. Two other producers estimated costs to be as high as $600,000 annually. One producer used a furnace instead of an afterburner for emissions controls. The producers cited the increasing costs of propane needed to run the afterburners as a significant economic hardship for the industry.

[14] The Charcoal Producer's tax credit was passed in 1998 and is authorized by Section 135.313, RSMo. Charcoal producers were eligible for a tax credit on income taxes otherwise due, as an incentive to implement safe and efficient environmental controls. The tax credit was equal to 50 percent of the purchase price of the best available control technology equipment connected with the production of charcoal or, if the taxpayer manufactures the equipment, 50 percent of the manufacturing cost of the equipment, to and including the year the equipment is put into service. The credit could be claimed for a period of eight years beginning with the 1998 tax year.

[15] See footnote 9.

Analysis of Wood Energy tax credit data shows the average annual tax credit received by two companies[16] covered approximately 30 percent of their expenses related to emissions controls. The average tax credit for two other companies[16] offset between 70 and 96 percent of their afterburner costs. For one company,[16] the tax credit only offset 11 percent of the company's annual afterburner costs.

Tax Credit Helps Wood Products Industry

The Wood Energy tax credit has helped support the charcoal and wood products industries in Missouri. Even with the increasing costs of emissions control devices the Wood Energy tax credit has helped some charcoal businesses to expand and invest more in Missouri production including hiring more employees.

Charcoal and wood energy firms that supplied sales data in survey responses showed increased sales and some workforce expansion since reinstatement of the tax credit in 1997. Table 2.2 shows the change in sales and staffing for these companies.

Table 2.2: Wood Energy Producer Economic Data

Company[1]	1996 Sales	2006 Sales	Percent Change	1996 Staffing	2006 Staffing	Percent Change
A	$33,600,000	$111,100,000	231	117	117	0
B	39,000,000	71,817,000	84	80	300	275
C	285,000	3,425,000	1,102	10	30	200
D	525,713	2,069,763	294	8	9	13
E	1,319,400	1,903,864	44	65	65	0
F	586,444[2]	997,185	70	6	6	0
G	244,831	602,677	146	5	5	0
H[3]	96,553	426,530	342	10	17	70
I	76,600	52,352	-32	n/a	n/a[4]	n/a
J[5]	n/a	n/a	n/a	n/a	7	n/a
K[5]	n/a	n/a	n/a	4	15	275
Total	$75,734,541	$192,394,371	154	305	564	85

[1] Company letter designations do not correspond to designations in Table 2.1.

[2] Sales data is as of 2002 when charcoal production for the facility began.

[3] Sales and staffing are as 2003, the first year of operation for the company.

[4] Staffing information not available for only the company's wood product business.

[5] Two firms did not wish to provide sales data.

Source: Wood Energy tax credit recipient survey responses and SAO analysis.

[16] The companies covering 30 percent of the costs had estimated annual afterburner costs of $90,000 and $600,000. The companies covering 70 to 96 percent of their costs had estimated annual afterburner costs between $90,000 and $140,000. The company covering 11 percent of the costs had estimated annual afterburner costs of $600,000.

One large charcoal producer has employed 220 more employees since 1996. All other charcoal producers surveyed maintained at least the same level of employment.

Producers report credit helped influence business decisions

Representatives from charcoal producers responding to our survey reported shifting production to Missouri due to the Wood Energy tax credit and depending on the credit to help support their operations. One representative said since the renewal of the tax credit his company had invested over $28 million in its Missouri plant. A representative for another company said his company had moved production to Missouri to take advantage of the tax credit and wood residue in Missouri. Another survey respondent said his company would not be able to support its charcoal operation without the tax credit. One producer said without the credit his company would not have installed the required emissions control devices forcing the end of its charcoal business.

Tax Credit Issuances More Than Expected

Actual annual tax credit issuances have been three to four times expected issuances since reinstatement of the tax credit in 1997, based on analysis of DNR tax credit data. The fiscal note for the house bill reinstating the Wood Energy tax credit, passed in 1996, estimated approximately $800,000 in issued credits would be claimed annually for 160,000 tons of charcoal products produced from wood residue. Our analysis of DNR Wood Energy tax credit data shows average annual claims, for the tax years 1997 to 2006 have been approximately 132,000 tons for charcoal products with the average annual tax credit claims being $2.7 million. While the average actual tons claimed has been less than the fiscal note estimate the annual tax credits issued far exceeded the amount the fiscal note estimated. This result occurred because charcoal producers received a tax credit that is computed at four times the $5 per ton compensation discussed in the legislation.

DNR established conversion factor

The legislation reinstating the tax credit did not discuss a conversion factor of four for charcoal products, but the issue is covered in the regulations[17] DNR established to manage the tax credit program. The tax credit statute states the tax credit shall be $5 per ton of processed material. However, records show DNR officials' analysis during the rulemaking process determined the statute did not define processed material. As rulemaking proceeded, records further show the officials evaluated whether the credit for charcoal should be based on the output weight of the charcoal or the input weight of the Missouri forestry industry residue.

[17] 10 CSR 140-4.010.

The initially proposed regulation said the tax credit for charcoal would be two times the tons of charcoal sold.[18] During the comment period, the charcoal industry presented EPA research showing the factor should be four times the weight of the charcoal sold to reflect the four units of wood residue required to produce one unit of charcoal. A DNR official said this research resulted in the factor of four in the final regulations. This regulation was approved by the General Assembly's Joint Committee on Administrative Rules without additional comment or hearing. Our analysis identified a 2001 EPA study that still supported this computation.

Performance Measure Does Not Reflect Changes Resulting From Credit

DNR is using wood residue that is diverted from waterways and landfills as the performance measure to evaluate the cost-benefit of the Wood Energy tax credit, but this measure is not accurately evaluated and fails to consider other program benefits.

Beginning with cost-benefit information in the department's 2005 budget request, DNR has annually reported the amount of wood residue used in producing wood products awarded tax credits as the program's benefit. DNR officials said this measure has been used because it reflects their believed goal of the tax credit which is to divert wood residue from Missouri waterways. However, the measure has not evaluated changes due to the tax credit. According to a DNR publication,[19] the charcoal industry has traditionally used wood residue as a raw material for charcoal production. As a result, much of the diverted wood residue which was reported as a benefit would have occurred without the credit.

Performance measurement allows an organization to measure what has happened, according to an article published by the Foundation on Performance Measurement.[20] A performance measure that reflects what is happening helps management determine where a program is going and if changes are needed. A performance measure should also reflect the goals of the program. According to the fiscal note for the 1985 house bill establishing the Wood Energy tax credit, one of the original purposes of the credit was to create wood energy product commercial operations which at that time did not exist in the state. The performance measure does not address this purpose.

[18] Based on molecular weight calculations.

[19] See footnote 9.

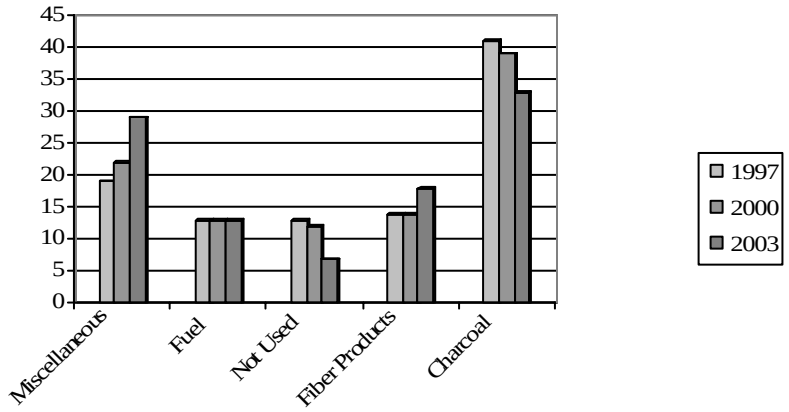
[20] Shaw, Alastair, "A Guide to Performance Measurement and Non-Financial Indicators," February 1, 1999, www.fpm.com/journal/mattison.htm, accessed on August 2, 2007.

More wood residue diverted, but not due to tax credit

Since 1996 wood residue diverted has increased; however, the Wood Energy tax credit has not been responsible for the change. In addition, no studies exist to show the extent to which wood residue is harming Missouri waterways or any improvement since the passage and renewal of the tax credit.

Analysis of comprehensive United States Department of Agriculture (USDA) studies[21] of the Missouri timber industry assessing the production and use of all Missouri wood products shows more wood residue has been diverted to useful products since the renewal of the tax credit. Figure 2.1 shows the percentage of wood residue diverted to various products in 1997, 2000, and 2003.[22]

Figure 2.1 Percentage of Wood Residue Diverted by Product



Source: USDA data.

As shown, an increased amount of residue has been diverted to fiber products such as pulp and particle board and other products such as livestock bedding and mulch. However, these items are not eligible products for the Wood Energy tax credit. The amount of wood residue diverted to tax credit eligible charcoal products decreased by approximately 27 percent between 1997 and 2003. An official from the Missouri Department of

[21] Piva, Ronald, Jones, Shelby G., Barnickol, Lynn W., Trieman, Thomas B.; *Missouri Timber Industry-An Assessment of Timber Product Output and Use, 1997*; USDA; Piva, Ronald and Trieman, Thomas B., *Missouri Timber Industry-An Assessment of Timber Product Output and Use, 2000;* USDA; Piva, Ronald and Trieman, Thomas B., *Missouri Timber Industry-An Assessment of Timber Product Output and Use, 2003;* USDA.

[22] Data has been collected for the 2006 USDA report on the Missouri Timber Industry. The data is being compiled and is expected to be released in 2008.

Conservation who conducted the studies in conjunction with the USDA said the decrease is due to a reduced number of charcoal producers in Missouri.[23]

One charcoal producer said his plant obtains wood char from a company associated plant in another state to increase charcoal production because his plant is currently producing the maximum amount of wood char possible under state emissions limits. This process may explain some of the increased sales reported by the producers in Table 2.2. The amount of wood residue diverted to tax credit eligible fuel products remained the same from 1997 to 2003 based on the USDA studies.

No studies indicate water quality improving due to wood residue diversion

No comprehensive studies have been conducted to show the extent of water quality improvement due to the diversion of wood residue. A DNR official said overall water quality in Missouri has improved with the passage of federal programs;[24] however, none of these programs relate specifically to water pollution from wood residue. This official said Missouri has experienced some water quality problems caused by water leaching through large sawdust piles at sawmills. However he said these problems have usually been confined to very small streams and become less of a problem as tributary inflow dilutes the contaminants.

Limited Verification of Application Data

DNR personnel have not adequately validated the product sales and wood residue information provided by tax credit applicants. State law[25] requires Wood Energy tax credit applicants to submit detailed information to support the amount of tons claimed including the name, address and the amount sold to each product purchaser. Tax credit applicants are also only allowed to claim the credit for Missouri wood residue. DNR personnel limit verification of sales and wood residue information to calling one purchaser per application and have not required applicants to provide documentation of the source of wood residue claimed. In addition, DNR has not maintained documentation of verification calls made.

Our review of applicant files disclosed some applicants sell to more than a hundred different organizations, while some sell to only a few. The DNR staff person responsible for reviewing the applications said the verification procedures were in place before he took over the duties and he has continued with that approach. He also said no documentation is typically

[23] A Missouri Department of Conservation official cited increased regulations as possible reason for reduced number of charcoal producers.
[24] 33 USC 42 "Clean Water Act" and 30 USC 1234 "Surface Mining and Reclamation Act".
[25] Section 135.311, RSMo.

kept of the contacts performed other than checking the item off an application review checklist completed for each applicant. Sound business practices dictate verification of a sufficient amount of the sales data and the source of wood residue used for production is critical to ensure tax credit claims meet compliance requirements.

Tax credit recipients do not receive clear documentation about awarded credits

Wood energy producers awarded tax credits have not received a certificate or other official prenumbered document acknowledging the award. Once DNR staff approve an application, a letter and the approved application are sent from DNR to the DOR stating the tax credit application has been approved. According to DNR officials, a copy of this letter is sent to the tax credit applicant to notify the applicant the tax credit application has been certified to DOR.

The Wood Energy tax credit statute is unclear as to whose responsibility it is to provide recipients documentation of the issued tax credit. The statute does not state whether any agency should provide information to the tax credit applicant. Neither DNR nor DOR officials believe it is their agency's responsibility to provide the notification. DNR officials said they believe the Wood Energy tax credit statute[26] only gives them authority to certify the tax credit to DOR. The statute states DNR will certify to DOR that the tax credit application has been approved.

Instructions for Missouri DOR tax form MO-TC, used for claiming tax credits, states for the Wood Energy tax credit a certificate approved by the issuing agency is to be attached to the form. DNR officials believe only DOR had the authority to directly issue award information to the applicant. A DOR official said DOR has not provided any documentation or notification to the tax credit applicants because the department's responsibility relates only to the redemption of the credits and not issuing them. The official said department staff only verifies tax credit information when someone calls to confirm credits issued are available for redemption.

Two of the 11 tax credit recipients responding to our survey said they would like to receive a certificate or other official notification when the tax credit is approved. One survey respondent said his company had experienced difficulty when trying to assign awarded tax credits because of the limited documentation provided.

[26] See footnote 25.

Conclusions

The Wood Energy tax credit has contributed to environmental improvements and provided some economic benefit to the wood products industry in Missouri. Air emissions from charcoal kilns in Missouri have significantly decreased, contributing to improvement in air quality in affected communities. The tax credit has helped charcoal producers offset the costs of emission control programs which may have allowed some smaller producers to remain in business. Many tax credit recipients have experienced an increase in sales and have hired additional employees since the renewal of the tax credit.

While the tax credit is providing benefits to the state, annual tax credits issued and redeemed are at least three times more than the original estimates when the General Assembly reauthorized the tax credit. This cost increase occurred because DNR officials established a higher tax credit rate for charcoal products in state regulations based on input weight to create the wood product (charcoal) rather than the output weight. The tax credit statute states the tax credit shall be $5 per ton of processed wood material. The officials interpreted the phrase to mean the input weight, but it is not clear that was the legislative intent of the wording.

DNR's performance measure for the tax credit has not evaluated changes that have occurred with the establishment of the credit and has not considered other economic and environmental areas the credit influences. The performance measure also does not reflect the original goal of the tax credit to develop a wood products industry in Missouri. The performance measures should evaluate this goal, the change in residue diverted since reauthorization of the credit as well as consider the air quality improvements the credit has helped fund. The General Assembly needs complete and accurate performance information on the tax credit to evaluate its need or possible changes.

Sales and wood residue information reported by tax credit applicants has not adequately been verified and details of work performed have not been adequately documented. Verifying sales data by contacting a representative sample of purchasers for each applicant rather than only one would provide more assurance about the validity of reported sales. Verifying wood residue information would provide DNR more assurance only usage of Missouri wood residue is being claimed for the tax credit. Documentation of all verification work is necessary to show appropriate oversight of the application process.

Vague or incomplete statutory language and DNR interpretation of that language has resulted in tax credit applicants not receiving clear notification of awarded credits.

Recommendations

We recommend the Director of the Department of Natural Resources:

2.1 Work with the General Assembly to clarify in the Wood Energy tax credit law whether processed wood material is intended to be defined as input material or output material and change the program's regulations as necessary.

2.2 Revise performance measures used to evaluate the Wood Energy tax credit to reflect environmental and economic impact changes resulting from or contributed to by the credit.

2.3 Develop improved application review procedures which would include:

- Contacting a representative sample of wood energy purchasers based on a percentage of purchasers reported by the applicant.
- Verifying the wood residue source information provided.
- Documenting in sufficient detail verification work performed.

2.4 Establish a process to issue tax credit certificates for awarded credits.

Agency Comments

2.1 We have testified before the Joint Committee on Tax Credits regarding the Wood Energy Tax Credit and will bring this particular issue to their attention for their recommendation to the rest of the General Assembly.

2.2 Besides the total tonnage of wood waste diverted into other uses, the Department also tracks and reports the number of companies which make such products. In recent history this number has been relatively stable. The audit notes that a key purpose of the Wood Energy Tax Credit is to develop this industry and so tracking the number of companies should be a valid measure.

However, we will examine other possible measurements in consultation with other professionals and academicians.

The Department believes that creating objective data to determine the environmental and economic outcomes had the tax credits not been enacted may be unusually challenging.

2.3 Approximately .05 FTE (100 hours per year) is allocated to the administration of the Wood Energy Tax Credit program for which the department receives no funding. Expanding the job responsibilities of

this position will reduce work being done in areas involving biomass to energy projects.

- *Contacting a representative sample of wood energy purchasers based on a percentage of purchasers reported by the applicant.*

  We will work with Department auditors to establish a justifiable protocol for determining the appropriate sample size of purchases to review to ensure compliance with the law.

- *Verifying the wood residue source information provided.*

  We will seek additional documentation from the companies producing processed wood products as to the source of their wood residue. Final verification that waste wood purchased from third parties in Missouri was actually harvested in Missouri may prove difficult and expensive.

- *Documenting in sufficient detail verification on work performed.*

  We have implemented a new documentation protocol.

2.4 The current statutes only authorize the department to certify to the Department of Revenue that the applicant qualifies as a wood energy-producing facility and not the amount of the credit (RSMo 135.311(3). However based on assurances from the Auditor that additional statutory authority is not essential, the Energy Center is preparing to issue the certificates.

Wood Energy Tax Credit Activity

Table I.1 lists the Wood Energy tax credits issued and redeemed July 1, 1986 to June 30, 2007.

Table I.1: Wood Energy Tax Credits Issued and Redeemed by Fiscal Year

Fiscal Year	Tax Credits	
	Issued[1]	Redeemed
1986 to 1996[1]	$344,919	$303,761
1997	0	41,158
1998	698,428	70,304
1999	1,954,014	252,148
2000	5,787,844	3,869,135
2001	2,458,470	4,154,777
2002	2,185,021	2,673,412
2003	2,543,998	3,642,570
2004	2,728,651	1,205,443
2005	3,348,890	3,700,285
2006	3,462,455	3,728,100
2007	3,100,358	2,709,211
Total	$28,613,048	$26,350,304

[1] The final fiscal note for House Bill 1237 from 1996 reported the issuance of $344,919 in tax credits from 1986 to 1995. No detail on redeemed credits prior to 1996 could be located by DNR or DOR staff. It is assumed all credits were redeemed, so 1986 to 1996 redeemed amount reflects the issued credits of $344,919 less 1997 redeemed amounts. The data was not available by fiscal year.

Source: Fiscal note 1996 House Bill 1237, DNR wood energy database, and DOR.

Tax Credit Review Status

Table II.1 shows the statewide tax credit programs and the State Auditor's office review status of each program.

Table II.1: Tax Credit Programs and Review Status

Program	Administering Department	Report Number for Review
Wood Energy	Natural Resources	2007-58
New Generation Cooperative Incentive	Agriculture	2007-06
Agricultural Product Utilization Contributor	Agriculture	2007-05
Community Development Corporation/Bank	Economic Development	2005-55
(Capital) Small Business Investment	Economic Development	2005-54
Certified Capital Companies (CapCo)	Economic Development	2004-56
New Enterprise Creation	Economic Development	2004-56
Adoption (Special Needs)	Revenue	2004-13
Community College New Jobs Training Bonds	Economic Development	2003-32
Brownfield Jobs/Investment	Economic Development	2002-33
Brownfield Remediation	Economic Development	2002-33
Historic Preservation	Economic Development	2002-33
Qualified Research Expense	Economic Development	2002-33
Seed Capital	Economic Development	2002-33
Youth Opportunities and Violence Prevention	Economic Development	2002-33
Film Production	Economic Development	2001-13
Rebuilding Communities	Economic Development	2001-13
Small Business Incubator	Economic Development	2001-13
Winery and Grape Growers	Economic Development	2001-13
Affordable Housing Assistance	Economic Development	To Be Reviewed
Bank Franchise	Revenue	To Be Reviewed
Bank Tax Credit for S Corporation Shareholders	Revenue	To Be Reviewed
Brownfield Demolition	Economic Development	To Be Reviewed
BUILD Missouri Bonds	Economic Development	To Be Reviewed
Business Facility	Economic Development	To Be Reviewed
Cellulose Casings	Revenue	To Be Reviewed
Charcoal Producers	Natural Resources	To Be Reviewed
Children in Crisis	Revenue	To Be Reviewed
Development	Economic Development	To Be Reviewed
Disabled Access	Revenue	To Be Reviewed
Domestic Violence	Social Services	To Be Reviewed
Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Enterprise Zone	Economic Development	To Be Reviewed
Examination Fees and Other Fees	DIFP[2]	To Be Reviewed
Family Development Account	Economic Development	To Be Reviewed
Family Farm[1]	Agriculture	To Be Reviewed
Guarantee Fee	Economic Development	To Be Reviewed
Homestead Preservation	Revenue	To Be Reviewed

Appendix II
Tax Credit Review Status

Program	Administering Department	Report Number for Review
Life and Health Guarantee Association	DIFP[2]	To Be Reviewed
Maternity Home	Social Services	To Be Reviewed
MDFB Development and Reserve	Economic Development	To Be Reviewed
MDFB Export Finance	Economic Development	To Be Reviewed
MDFB Bond Guarantee Credit	Economic Development	To Be Reviewed
MDFB Infrastructure Development	Economic Development	To Be Reviewed
Missouri Health Insurance Pool	DIFP[2]	To Be Reviewed
Missouri Low Income Housing	Economic Development	To Be Reviewed
Missouri Property and Casualty Guarantee Association	DIFP[2]	To Be Reviewed
Missouri Quality Jobs	Economic Development	To Be Reviewed
Neighborhood Assistance	Economic Development	To Be Reviewed
Neighborhood Preservation	Economic Development	To Be Reviewed
New Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Pharmaceutical	Revenue	To Be Reviewed
Pregnancy Resource Center[1]	Social Services	To Be Reviewed
Property Tax	Revenue	To Be Reviewed
Residential Treatment Agency[1]	Social Services	To Be Reviewed
Retain Jobs	Revenue	To Be Reviewed
Shared Care	Health and Senior Services	To Be Reviewed
Sponsorship and Mentoring Program	Elementary and Secondary Education	To Be Reviewed
Transportation Development	Economic Development	To Be Reviewed

[1] New tax credit in fiscal year 2007. No activity reported on Appendix III.

[2] Department of Insurance, Financial Institutions and Professional Registration

Source: SAO

Tax Credit Redemptions

Table III.1 shows the redeemed tax credits for fiscal years 2004 through 2007 for all state tax credit programs. We did not audit the information.

Table III.1: Tax Credit Redemptions by Program

	Fiscal Year			
Program	**2004**	**2005**	**2006**	**2007**
Adoption (Special Needs)	$1,995,882	2,582,546	2,460,245	2,931,967
Affordable Housing Assistance	7,554,503	7,702,860	4,080,564	10,497,793
Agricultural Product Utilization Contributor	1,964,872	1,639,541	1,857,235	2,248,989
Bank Franchise	1,596,458	2,543,523	2,413,631	1,771,165
Bank Tax Credit for S Corporation Shareholders	1,233,830	941,460	1,451,903	1,248,932
Brownfield Jobs/Investment	2,134,891	1,726,687	1,476,143	1,701,409
Brownfield Remediation/Demolition	16,101,975	10,627,870	10,611,324	16,733,274
BUILD Missouri Bonds	9,667,000	3,770,557	5,402,416	6,958,318
Business Facility	7,826,417	4,546,330	5,892,727	6,066,136
Cellulose Casings	429,480	382,540	341,315	574,180
Certified Capital Companies	13,564,932	13,371,610	13,164,904	13,121,442
Charcoal Producers[1]	0	384,609	70,151	180,987
Children in Crisis	n/a	n/a	n/a	168,128
Community Development Corporation/Bank	1,632,669	2,021,628	34,870	2,958
Community College New Jobs Training Bonds	8,061,584	6,847,304	5,771,777	4,920,374
Development	562,622	2,487,152	4,518,483	2,100,685
Disabled Access	87,401	56,761	36,549	11,813
Domestic Violence	475,283	515,035	525,348	696,670
Dry Fire Hydrant	13,169	17,228	805	3,737
Enhanced Enterprise Zone	n/a	9,809,254	5,922,720	6,646,873
Enterprise Zone	19,766,366	15,485,501	14,759,891	13,202,069
Examination Fees and Other Fees[2]	5,844,206[3]	4,962,341[3]	5,413,885	4,881,750
Family Development Account	27,488	12,875	9,237	11,761
Film Production	423,857	322,079	788,596	1,240,972
Guarantee Fee	0	11,224	73,009	68,607
Historic Preservation	66,089,980	74,532,355	103,134,226	132,841,728
Homestead Preservation	n/a	n/a	n/a	2,932,514
Life and Health Guarantee Association[2]	177,712	302,516	4,910	0
Maternity Home	982,747	743,636	760,674	983,509
MDFB Bond Guarantee Credit	0	594,034	0	276,241
MDFB Development and Reserve	0	1,500	0	500
MDFB Export Finance	0	0	0	0
MDFB Infrastructure Development	10,020,578	25,953,799	21,858,725	24,706,809
Missouri Business Modernization and Technology (Seed Capital)	288,174	164,894	60,313	82,977

Appendix III
Tax Credit Redemptions

Program	Fiscal Year 2004	2005	2006	2007
Missouri Health Insurance Pool[2]	3,687,665	3,688,639	5,497,999	3,672,701
Missouri Low Income Housing	36,916,831	65,392,601	61,963,799	81,646,784
Missouri Property and Casualty Guarantee Association[2]	16,823,462	16,959,512	6,019,763	5,754,394
Missouri Quality Jobs	n/a	n/a	0	1,715,530
Neighborhood Assistance	10,217,628	9,286,880	10,009,497	13,924,340
Neighborhood Preservation	4,001,293	8,461,503	4,627,368	5,549,062
New Enterprise Creation	3,259,307	2,504,561	1,534,647	1,048,997
New Enhanced Enterprise Zone	n/a	n/a	n/a	5,188
New Generation Cooperative Incentive	3,466,068	3,334,935	4,990,666	4,136,380
Pharmaceutical	524,527	142,373	1,672	n/a[4]
Property Tax	95,237,314	99,455,570	96,090,703	93,118,747
Qualified Research Expense	2,038,230	1,626,864	1,006,688	487,320
Rebuilding Communities	1,415,889	1,694,006	1,764,167	1,390,803
Retain Jobs	n/a	0	2,882,995	4,285,366
Shared Care	39,109	33,574	39,247	105,757
Small Business Incubator	167,360	246,807	322,278	179,368
Small Business Investment (Capital)	49,478	109,050	58,189	66,720
Sponsorship and Mentoring Program	0	0	0	0
Transportation Development	3,678,532	3,545,219	980,806	910,421
Winery and Grape Growers	260,397	179,323	69,564	174,736
Wood Energy	1,205,443	3,700,285	3,728,100	2,709,211
Youth Opportunities and Violence Prevention	3,272,225	3,211,185	3,256,950	4,893,591
Total	$364,784,834	418,634,136	417,741,674	485,590,683

[1] The tax credit discussed in Footnote 14 on page 9.

[2] Redemptions are on a calendar year rather than fiscal year and based on tax year credit was applied against.

[3] Until the fiscal year 2007 budget process the amount reported by the Department of Insurance, Financial Institutions and Professional Registration for this credit was only the examination fee portion and not the other taxes and fees for which credits were also redeemed.

[4] The Pharmaceutical tax credit expired in 2001 and tax credits are no longer being redeemed.

Source: Office of Administration, DOR, and tax credit administering agencies.

Susan Montee, CPA
Missouri State Auditor

October 2007

Twelfth Judicial Circuit

City of Vandalia, Missouri Municipal Division

Report No. 2007-57

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

The following finding was noted as a result of an audit conducted by our office of the Twelfth Judicial Circuit, city of Vandalia, Missouri Municipal Division.

The city of Vandalia Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

Accounting and bookkeeping duties are not adequately segregated and no independent reconciliations of receipts and deposits are performed. The City Finance Officer does compare the city's Municipal Court Fund balance to the municipal division's check register balance approximately twice per year; however, this review does not include a reconciliation of receipts and deposits. In addition, the method of payment is not indicated on receipt slips. As a result, the composition of monies received cannot be reconciled to amounts deposited.

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TWELFTH JUDICIAL CIRCUIT
CITY OF VANDALIA, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twelfth Judicial Circuit
and
Municipal Judge
Vandalia, Missouri

We have audited certain operations of the city of Vandalia Municipal Division of the Twelfth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended February 28, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Vandalia Municipal Division of the Twelfth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Terese Summers, CPA
	Liang Xu

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Accounting and bookkeeping duties of the municipal division are not adequately segregated. In addition, the method of payment is not indicated on receipt slips, receipts are not always deposited intact, and the composition of receipts is not reconciled to the composition of bank deposits.

A. Accounting and bookkeeping duties are not adequately segregated and no independent reconciliations of receipts and deposits are performed. All accounting duties, including receiving, recording, depositing, and disbursing monies, as well as performing month-end reconciliations of the municipal division's bank account are performed by the Court Clerk. While the City Finance Officer does compare the city's Municipal Court Fund balance to the municipal division's check register balance approximately twice per year, this review does not include a reconciliation of receipts and deposits.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited and an independent review of month-end reconciliations.

B. The method of payment (cash, check, and money order) is not indicated on receipt slips. As a result, the composition of monies received cannot be reconciled to amounts deposited. The municipal division accepts cash, checks, and money orders for fines, court costs, restitution, and bond receipts.

   In addition, while receipts are generally deposited intact, we noted one instance when this did not occur. A receipt for $25 collected on December 14, 2006, was not deposited until December 19, 2006. However, two receipts totaling $1,005 collected on December 15, 2006, were deposited on that same day. Other receipts reviewed were deposited intact.

   To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment received should be indicated on all receipt slips,

receipts should be deposited intact, and the composition of receipts should be reconciled to the composition of bank deposits.

WE RECOMMEND the city of Vandalia Municipal Division:

A. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a periodic documented independent comparison of receipt slips issued to amounts deposited and an independent review of month-end reconciliations.

B. Indicate the method of payment on all receipt slips issued, deposit all monies intact, and reconcile the composition of receipts to the composition of bank deposits.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, and Finance Officer provided the following responses:

A. The city will consider ways to segregate the duties of receiving and depositing monies and/or periodically conduct a documented independent review of month-end reconciliations, with the personnel and resources available to the city.

B. The city intends to comply in all respects.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

TWELFTH JUDICIAL CIRCUIT
CITY OF VANDALIA, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Vandalia Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Robert Fenlon
Court Clerk	Denise Laird
City Finance Officer	Sharon Myers

Financial and Caseload Information

	Year Ended February 28,	
	2007	2006
Receipts	$ 19,330	27,470
Number of cases filed	198	332

Susan Montee, CPA
Missouri State Auditor

October 2007

Missouri Higher Education Loan Authority

Report No. 2007-56

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

The following report is our audit of the Missouri Higher Education Loan Authority (MOHELA)

Since the MOHELA was created in 1981, it has generally reinvested its operating surpluses in additional student loans, resulting in the accumulation of a substantial amount of marketable assets. At June 30, 2006, the MOHELA's net assets totaled about $234 million, with operating revenues exceeding operating expenses by over $25 million in fiscal year 2006, The MOHELA's authorizing statutes do not include provisions that identify the amount of liquid assets necessary for operations nor specify how any surpluses are to be used.

During 2007, a law was enacted that will require the MOHELA to distribute $350 million to the state over the next six years, primarily for various capital improvement projects at the state's public colleges and universities. The $230 million initial distribution was transferred to the state on September 14, 2007. However, a class-action lawsuit has been filed against the MOHELA contending that this plan is an illegal diversion of MOHELA assets. This lawsuit is currently pending. Regardless of how this litigation is resolved, the MOHELA has a fiduciary responsibility to identify any available surplus funds and use them to further its public mission.

The MOHELA has paid or will pay almost $2.3 million in severance benefits to four former executives who either resigned or whose employment was terminated in recent years. Approximately $2 million of this amount represented severance pay to these individuals. These severance benefits were excessive and do not appear to have been an appropriate use of monies. The related separation agreements included: total severance payments up to 2.8 times the applicable individual's annual salary, health insurance payments, pension benefits, and other lump sum payments. Recent board decisions indicate that any future severance benefits paid to executives will be substantially reduced. However, based on past board practices, there is no assurance that severance benefits paid to outgoing executives might differ from those outlined in formal or informal employment arrangements.

From fiscal year 2001 through fiscal year 2004, five MOHELA executives (including the four discussed previously) received annual performance bonuses totaling almost $1.5 million. The performance bonuses paid to executives for fiscal year 2004 ranged from $112,500 to $157,500, and were computed based on 45 percent of those individuals' annual base salaries for that year. In addition, the executives' base salaries in fiscal years 2001 and 2004 were increased temporarily during the first three months of those periods. These temporary salary increases totaled $65,000 and $82,500 in fiscal years 2001 and 2004, respectively. This additional compensation was "in consideration for upcoming extraordinary activities required of the Employee in the next quarter …"

Other benefits provided to the top executives from October 2000 to June 2004 that appeared excessive included:

- A combined total of up to 480 hours (twelve weeks) of vacation leave and personal time off each year, with a provision allowing the individual to convert any unused leave/time off to cash at the end of each fiscal year. During the time period reviewed, three of the five executives chose to convert their unused vacation leave and/or personal time off to cash at a cost of more than $200,500, which represented approximately 1,300 hours of leave/time off.

- A MOHELA provided car or a car allowance starting at $750 per month and adjusted each year by the increase of the Consumer Price Index. From fiscal years 2001 through 2004, over $146,000 was paid in car allowances to these five employees.

- Life insurance policies with premiums of $50,000 annually for each executive (with coverage totaling from $800,000 to $1.7 million and a cash surrender value), and eligibility for a no-cost executive retiree medical insurance plan upon retirement.

In late 2000, the MOHELA entered into a contract with a general contractor to build a new headquarters building at an amount not to exceed approximately $11 million. The MOHELA could produce no documentation to support how this contractor was selected and it appears competitive bids were not solicited related to these services. The MOHELA also paid over $400,000 for architectural services related to this project for which competitive proposals were not solicited. In addition, the MOHELA allowed the construction manager of a parking lot expansion project to submit two bids and perform construction work on the project, which violates state law.

After the MOHELA moved into its new headquarters building in April 2002, it paid over $1.25 million in lease payments for an 18-month period for a leased building it had previously occupied, but no longer needed. The authority's lease on the old building did not expire until October 2003. A five-year lease on the previous headquarters building had been signed and the authority was unable to get out of the lease agreement, which required a lease payment of approximately $69,600 per month, plus a monthly fee for utilities. The MOHELA was unable to find another company to sublease the leased property, so it was used to store old office furniture and equipment during the remainder of the lease period.

The MOHELA had no formal procurement policy prior to March 31, 2007. As a result, during the past three fiscal years, various expenditures were noted in which competitive bids (or competitive proposals, in the case of professional services) were not solicited and/or retained including, but not limited to: attorney services, $1,752,483; public relations and marketing, $924,254; office supplies, $716,779; automated loan data exchange services, $455,016; computer equipment, $444,073; bulk mail services, $218,296; promotional items, $199,758; and the services of a strategic planning consultant totaling more than $233,800. MOHELA officials indicated that some of these services were obtained from sole source providers; however, documentation justifying these situations was not maintained. In addition, the MOHELA did not go through a formal request for proposal process to procure trustee bank services during 2003. The trustee bank currently receives fees totaling about $750,000 annually for its services.

In the past three years, the MOHELA has incurred the following expenditures that do not appear to be a reasonable or prudent use of its funds:

- More than $46,000 was expended on the annual MOHELA Board retreats. Two of these annual retreats (in November 2004 and 2005) were held at a luxury resort south of Branson. The cost of the November 2004 retreat totaled at least $12,334, and included $6,605 in room charges (guest room charges ranged from $319 to $409 per night), $4,421 in catering charges, and $1,308 in other charges. More than $1,500 was spent related to alcoholic beverages. The cost of the November 2005 retreat totaled at least $16,596, and included $11,685 in room charges, $3,871 in catering charges, and $1,040 in room service and other charges. The November 2006 annual retreat was held in St. Louis and at least $17,398 in costs were incurred related to this retreat, including $3,403 in meeting room and lodging costs, $8,120 in catering charges (including over $1,200 for alcoholic beverages), and $5,875 in meal and entertainment expenses at a local dinner theatre.

- Over $688,000 was spent on gift cards and bonuses provided to employees during the Christmas holiday seasons. In addition, at least $28,716 was expended on annual employee holiday parties during the past three years, with those costs including $2,741 for 645 drink tickets and $2,545 for a 20 percent hotel service charge (related to the December 2004 party), $575 for a disc jockey, and $500 for a magic show. The parties were planned for approximately 275 to 320 guests.

The MOHELA did not have a complete listing of its property items, with its accounting records only including those items costing over $10,000. In addition, periodic physical inventories are not performed, and most items are not identified with a tag or other device identifying them as MOHELA property. Also, adequate records had not been established to authorize and account for the disposition of property items, even though the authority disposed of over 1,200 property items with an original cost totaling over $3.8 million from July 1, 2003 through December 31, 2006. Many of these items were disposed of during or around October 2003, when the lease on the prior headquarters building expired. Further, it has been MOHELA's policy to offer any surplus or unneeded property items for sale to its employees (or members of their immediate families), rather than selling such items through a public auction, which is the common practice in the public sector.

The MOHELA did not always receive adequate supporting documentation prior to paying invoices. One of the examples noted included a $198,514 payment to a financial consulting firm hired in 2006 to review the financial feasibility of the Lewis and Clark Discovery Initiative. In addition, we noted over $19,300 in other payments made without adequate or detailed supporting documentation. Also, a review of some procurement card purchases disclosed that adequate supporting documentation was not always submitted to support these expenditures. In some instances, receipt slips were not submitted for items purchased. In other instances, only a credit card charge slip was submitted, rather than a detailed invoice or receipt slip.

Several internal audits could not be completed and the reports issued in a timely manner due to management's delay in providing formal responses to the auditors. This resulted in the MOHELA Board not receiving the internal audit reports timely and a delay in the implementation of some audit recommendations. The MOHELA paid an outside auditing firm over $345,000 for these internal audit-related services.

The MOHELA has taken steps to address many of the issues mentioned above.

In recent years, the MOHELA Board closed its meetings on numerous occasions, which may constitute a violation of state law. Section 173.365, RSMo, in referring to the MOHELA, states, "Each meeting of the authority for any purpose whatsoever shall be open to the public" (emphasis added).

The State Auditor's Office (SAO) requested access to the closed meeting minutes of the MOHELA Board, considering a review of these records as pertinent and necessary for the completion of all planned/required audit work. The board decided not to provide the closed meeting minutes and litigation is currently pending regarding this matter. Because we have not been allowed to review the board's closed meeting minutes, this has limited the scope of our work necessary to complete this audit and prevented us from considering any pertinent information contained in those minutes in our findings and conclusions.

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MISSOURI HIGHER EDUCATION LOAN AUTHORITY

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the Missouri Higher Education Loan Authority
and
Raymond H. Bayer, Jr., Executive Director and Chief Executive Officer
Missouri Higher Education Loan Authority
Chesterfield, MO 63005

Except as discussed in paragraph two below, we have audited the Missouri Higher Education Loan Authority. The authority had engaged Deloitte & Touche LLP, Certified Public Accountants (CPAs), to perform financial statement audits of the authority for the years ended June 30, 2006 and 2005. To minimize any duplication of effort, we reviewed the reports and substantiating working papers of this CPA firm. The scope of our audit included, but was not limited to, the years ended June 30, 2006 and 2005, and included certain activities/transactions dating back to 2000. The objectives of our audit were to review:

1. Payroll and personnel policies and practices, including executive severance benefits, employee pension plans, and other benefits.

2. Expenditures and related procurement policies and practices.

3. Compliance with certain legal provisions.

4. The authority's operating results and the provisions applicable to any surpluses generated.

5. Records and controls related to property/fixed assets.

6. Controls, policies, procedures, and regulations related to significant financial and support functions.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the authority; and testing selected transactions. Information contained in the MOHELA Board's meeting minutes for closed sessions was not provided to us. Because of this

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limitation imposed by the authority on the scope of our audit, we could not audit certain potential transactions or information related to transactions. In April 2007, we filed litigation to secure access to the MOHELA Board's closed meeting records and that litigation is currently pending. Assuming a positive outcome, it is our intent to perform additional audit work which could result in additional audit results being subsequently reported.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, except for certain legal matters cited in this report, providing an overall opinion on compliance with legal provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Except to the extent that we were prevented from reviewing any relevant and necessary information as a result of the MOHELA Board's refusal to provide the records which are currently being litigated, our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the authority's management and was not subjected to the procedures applied in the audit of the authority.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Higher Education Loan Authority.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MISSOURI HIGHER EDUCATION LOAN AUTHORITY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Identification and Use of Any Surpluses

The Missouri Higher Education Loan Authority (MOHELA) has accumulated a substantial amount of marketable assets. Through normal operations, these assets can generate significant amounts of liquid assets, such as cash. The MOHELA's authorizing statutes do not include provisions that identify the amount of liquid assets necessary for operations nor specify how any surpluses are to be used.

Since the MOHELA was created in 1981, it has generally reinvested its operating surpluses in additional student loans, resulting in the accumulation of a substantial amount of net assets. At June 30, 2006, the authority's net assets (total assets minus total liabilities) were approximately $234 million, with operating revenues exceeding operating expenses by over $25 million in fiscal year 2006. While a portion of the authority's net assets are restricted or invested in fixed assets (and are not available for distribution), the authority has accumulated a substantial amount of marketable assets, the sale of which can generate significant amounts of cash for operations and other programs. The MOHELA's authorizing statutes (Sections 173.350 to 173.450, RSMo) do not include any provisions establishing a means or mechanism to identify the extent of any surplus funds or which specify how such funds, if distributed, should be used.

As discussed more fully in the History, Organization, and Statistical Information section of this report, during the 2007 legislative session, the General Assembly passed legislation that includes provisions which will require the MOHELA to distribute $350 million to the state over the next six years, primarily for various capital improvement projects at the state's public colleges and universities. This plan (the Lewis and Clark Discovery Initiative) will require the MOHELA to sell some of its loans to help fund the distributions, with the first distribution of $230 million scheduled to occur by September 15, 2007. Thereafter, quarterly distributions of $5 million are to be made through September 30, 2013.

This legislation became effective August 28, 2007; however, on August 9, 2007, a class-action lawsuit was filed (on behalf of two individuals with student loans) in the Cole County Circuit Court against the MOHELA contending that this plan is an illegal diversion of MOHELA assets. The lawsuit is asking that the court bar the authority from financing this capital improvements plan and declare the related legislation illegal. While this lawsuit is currently pending, the MOHELA transferred the $230 million initial distribution to the state on September 14, 2007.

Regardless of how this litigation is resolved, action is needed to ensure any available surpluses are used in the future to further MOHELA's public mission. The MOHELA has a fiduciary responsibility to identify any available surplus funds and use them in an

appropriate manner. In addition, the General Assembly should consider adding appropriate provisions to the MOHELA's authorizing statutes to provide some guidance regarding the identification and appropriate use of future surpluses, rather than leaving those decisions to the discretion of the public officials at the time their availability may be determined. Those legally authorized uses should closely correlate with the MOHELA's mission, which is, in part, to eliminate barriers for students so they can access higher education.

WE RECOMMEND the MOHELA, in the future, identify the extent of any surplus funds and distribute such monies in a manner consistent with its mission. In conjunction with this, the authority should work with the General Assembly to add appropriate provisions to its authorizing statutes.

AUDITEE'S RESPONSE

The Authority's net assets fall into two categories: (1) restricted net assets; and (2) unrestricted net assets. With respect to restricted net assets, the Authority has little or no latitude in how such assets are either invested or used. Rather, the restricted assets have already been pledged or otherwise encumbered by bond documents that impose stringent limitations on the investment and use of such assets. Such limitations are consistent with standard credit underwriting requirements for student loan asset-backed securities.

The Authority's unrestricted assets can only be used in accordance with its enabling legislation (the Missouri Higher Education Loan Authority Act, Sections 173.350, RSMo, et seq.), which clearly stipulates acceptable uses. Generally, almost all of the Authority's unrestricted net assets are reinvested into student loans. The Authority maintains a very limited amount of unrestricted net assets in the form of "cash," which it uses to fund ongoing operations.

The Authority believes that the Missouri Higher Education Loan Authority Act provides clear and specific guidance for the use of unrestricted net assets. The initial court ruling in the lawsuit referenced in the Management Advisory Report supports the Authority's position in this regard.

2. Executive Severance Packages

The MOHELA has paid or will pay almost $2.3 million in severance benefits to four former executives who either resigned or whose employment was terminated during fiscal years 2004 through 2006. Approximately $2 million of this amount represented severance pay to these individuals.

Section 173.370, RSMo, states, "the authority may appoint an executive director . . . who shall serve at its pleasure." In the public sector, such statutory language would generally indicate the entity/agency would not be liable or bound to pay that official any substantial compensation or severance benefits after employment is terminated. However, in recent years, the MOHELA entered into employment agreements with its top administrative official and other executives, which included substantial severance benefits if their

employment was involuntarily terminated without cause or if the executive voluntarily terminated for good reason.

According to MOHELA officials, due to concerns regarding executive turnover/retention, the MOHELA Board entered into employment agreements with its Executive Director/Chief Executive Officer (CEO) and four other top executives in October 2000. These initial agreements were subsequently amended and eventually replaced by annual letters of appointment; but they always included some separation (severance) provisions or agreements.

Between November 2003 and January 2006, four of these five executives left the employment of MOHELA, either by resignation or involuntary termination. Severance benefits paid to these former executives or on their behalf are presented in the following table:

	Executive #1	Executive #2	Executive #3	Executive #4	Total
Severance pay	$ 502,000	650,000	221,154	630,000	2,003,154
Pension buy-out	0	0	0	151,221	151,221
Personal time off pay-out	0	0	0	22,885	22,885
Vacation leave pay-out	0	0	9,616	26,923	36,539
Car allowance	7,356	0	0	0	7,356
Outplacement services	0	0	0	14,000	14,000
Health insurance premiums	26,089	0	13,962	8,352	48,403
TOTAL	$ 535,445	650,000	244,732	853,381	2,283,558

The following is information regarding each of the former MOHELA executive's severance benefits:

Executive #1 – This individual's employment was terminated in November 2003, after over 21 years of service. At the time of termination, this individual was serving as Executive Director and CEO at an annual salary of $255,922. The employment agreement in effect at the time of termination provided for severance benefits; however, a different separation agreement was entered into and signed in March 2004. The following severance benefits were paid to or on behalf of this individual:

- A total of $502,000 in payments equal to this individual's bi-weekly salary through November 2005 (almost two years of regular pay). This amount includes $59,059 in salary payments made to this individual from the date of termination in November 2003 through February 2004, prior to the signing of the separation agreement.

- $7,356 in payments for the individual's monthly car allowance (over $700 per month) through December 2004.

- $26,089 in COBRA health insurance premiums through November 2005.

In addition, the separation agreement provided that this former executive would begin receiving pension benefits of $8,350 per month ($100,200 per year) for life effective March 2004. Further, the separation agreement provided that after the expiration of the COBRA benefits in November 2005, retiree medical plan benefits (of up to $315,000) would be provided to the former executive and spouse until the individuals become Medicare eligible, at which time, the medical plan will become secondary.

The separation agreement in place prior to the March 2004 separation agreement provided for more severance pay and more benefits than this former executive received in the final agreement.

Executive #2 – This individual resigned in October 2004, after over 14 years of service. At the time of resignation, this individual was serving as Executive Vice President/Chief Financial Officer (CFO) at an annual salary of $232,757. This official's employment agreement provided for severance benefits; however, a different agreement was reached at the time of resignation. The new separation agreement provided that this individual would receive 52 bi-weekly payments of $12,500, totaling $650,000 (approximately 2.8 times this individual's annual salary).

The separation agreement in place prior to the final agreement provided for more severance pay and more benefits than this executive received in the final agreement.

Executive #3 – This individual's employment was terminated in October 2005, after over 22 years of service. At the time of termination, this individual was serving as Associate Director at an annual salary of $250,000. It appears the separation agreement in effect at the time of termination was executed. The following severance benefits were paid to or on behalf of this individual:

- A total of $221,154 in 23 bi-weekly payments equal to this individual's bi-weekly salary through February 2007. The separation agreement provided that the former executive would receive the ending bi-weekly salary for the number of pay periods equal to the employee's years of service.

- $13,962 in COBRA health insurance premiums over the same 23 bi-weekly pay periods through February 2007.

- A $9,616 payment for accumulated vacation leave (80 hours).

Executive #4 – This individual's employment was terminated in January 2006, after over 13 years of service. At the time of termination, this individual was serving as Executive Director/CEO and General Counsel at an annual salary of $350,000. The employment agreement in effect at the time of termination provided for severance benefits; however, a different agreement was entered into and signed in October 2006. The following severance benefits were paid to or on behalf of this individual:

- A total of $630,000 in payments equal to this individual's bi-weekly salary through October 2007. This amount includes approximately $280,000 in salary payments made to this individual from the date of termination in January 2006 until the settlement agreement was signed in October 2006.

- A $151,221 lump sum payment representing a buy-out of this individual's future pension benefits.

- A $14,000 payment in lieu of providing job placement services.

- $8,352 in COBRA health insurance premiums through July 2007.

- A $49,808 payment for accumulated vacation leave and personal time off (296 total hours).

The separation agreement that was in place prior to the final agreement provided for less severance benefits than this former executive actually received.

Because we were not allowed to review records related to closed meetings of the MOHELA Board, there was not adequate documentation available to explain why the separation agreements were changed after the applicable individuals' terminations/resignation or whether the payment of any severance benefits was justified.

The severance benefits paid to these former executives were excessive and do not appear to have been an appropriate use of monies. The MOHELA has a fiduciary responsibility to ensure that these public funds are used effectively and consistent with its mission. Recent board decisions indicate that any future severance benefits paid to executives will be substantially reduced. The current Executive Director/CEO is working under the terms of a signed offer letter, which provides for three months of severance pay if he is involuntarily terminated without cause. No other current MOHELA executives have in place an employment agreement or similar document nor have they been promised any severance benefits upon termination. However, based on past board practices, there is no assurance that severance benefits paid to outgoing executives might not differ from those outlined in formal or informal employment arrangements.

WE RECOMMEND the MOHELA refrain from paying excessive severance benefits to its outgoing executives in the future. If any severance benefits are provided, they should be limited and consistent with those benefits agreed to prior to resignation/termination.

AUDITEE'S RESPONSE

The Authority's current board members are committed to not pay severance benefits to any employee in excess of what the employee is entitled to receive. No severance agreements of any kind are in place for current employees, with one exception: As noted in the Management Advisory Report, the current Executive Director has an agreement which calls for three months of severance pay in the event that he is terminated without cause. The Authority's current board members have indicated a strong preference of maintaining solely employment-at-will relationships with all employees, including the Executive Director.

3. Other Payroll and Personnel-Related Matters

MOHELA executives have received excessive benefits and additional compensation in recent years, including almost $1.5 million in performance bonuses over a four-year period. In addition, the MOHELA has expended over $688,000 on gift cards and holiday bonuses to its employees during the past three years. The authority has also not established adequate procedures to ensure its employees have paid their state income taxes or have valid driver's licenses.

A. In addition to the substantial severance benefits discussed in this report, the five top MOHELA executives discussed in that finding were eligible (pursuant to the employment agreements) for certain additional executive staff benefits over and above their stated salaries. These additional benefits included:

1. From fiscal year 2001 through fiscal year 2004, these executives were eligible to receive annual performance bonuses between 40 and 50 percent of their annual base salaries each year. The bonus amounts were dependent on certain pre-established annual performance goals/targets being met. Performance bonuses were paid to these top executives for the following fiscal years:

Fiscal Year	Number of Executives Receiving Performance Bonuses	Total Performance Bonuses Paid
2001	5	$ 206,925
2002	5	388,584
2003	5	503,454
2004	3	382,500
TOTAL		$ 1,481,463

Note – Only three executives received performance bonuses for fiscal year 2004 because the other two executives who had been previously eligible were terminated or in the process of leaving authority employment.

The performance bonuses paid to the three applicable executives for fiscal year 2004 ranged from $112,500 to $157,500, and were computed based on 45 percent of those individuals' annual base salaries for that year (ranging from $250,000 to $350,000). This percentage factor was based on the following performance goals/targets (and point values):

- Expenses compared to monthly average amount of loans owned and serviced less than .725 percent (25 points)
- Operating expenses less than 2 percent over budget (25 points)
- Purchase at least $750 million in loans (15 points)
- Results of an annual assessment of the executives (10 points)
- No reported material findings in the annual external audit (25 points)

It appears most of these performance goals/targets would not have been difficult to attain, and all three executives received the maximum points available, except for the fourth goal/target due to the annual assessments not being completed. Therefore, each executive received 90 points. That number was divided by 2 to arrive at the 45 percent factor used in computing the performance bonuses for each executive.

The authority could not locate documentation related to the goals/targets or the calculation of the performance bonuses for fiscal years 2001 through 2003.

In addition to the abovementioned performance bonuses, when the employment contracts were signed in 2001 and 2004, those agreements provided for the executives' base salaries to be increased temporarily by specified additional amounts during the first three months of the agreement. These temporary salary increases totaled $65,000 and $82,500 in fiscal years 2001 and 2004, respectively.

According to the employment agreements, this additional compensation was "in consideration for upcoming extraordinary activities required of the Employee in the next quarter of the initial term." There was no other documentation to indicate the extent and nature of the extraordinary activities that would be required of these executives in the upcoming quarter. The current Executive Director/CEO indicated these additional/extraordinary activities related to reorganizations which occurred around the time of these agreements.

2. Other executive staff benefits provided from October 2000 to June 2004 which appeared excessive included the following:

- 240 hours (six weeks) of vacation leave each year, with a provision allowing the individual to convert any unused leave to cash at the end of each fiscal year. In contrast, other MOHELA employees could

receive a maximum of 120 to 160 hours (three to four weeks) of vacation leave each year and did have the option of converting unused balances to cash at their employment anniversary dates.

- 240 hours (six weeks) of personal time off (PTO) each year (some officials initially received a lesser amount, with the amount increasing in subsequent years), with a provision allowing the individual to convert any unused time off to cash at the fiscal year end. In contrast, other MOHELA employees receive a maximum of 72 hours of PTO each year. They had the option of converting any unused PTO over 72 hours to cash at the end of the fiscal year.

- A MOHELA car provided to the executive, or a car allowance starting at $750 per month and adjusted each year by the increase of the Consumer Price Index. From fiscal years 2001 through 2004, over $146,000 was paid in car allowances to these five employees.

- Life insurance policies with premiums of $50,000 annually for each executive (with coverage totaling from $800,000 to $1.7 million). In addition to a death benefit, these policies provided a cash surrender value. In contrast, the life insurance coverage provided other MOHELA employees was limited to two times their annual salaries, up to a maximum of $200,000 in term life insurance, with no cash surrender value.

- Eligibility for a no-cost executive retiree medical insurance plan upon retirement. In contrast, there is no retiree health insurance plan for other MOHELA employees. Retiring employees can obtain COBRA health insurance coverage, but they are required to pay the cost of this health insurance.

During the time period reviewed, three of the five executives chose to convert their unused vacation leave and/or PTO to cash at the end of one or more years. The related payments totaled $200,544 and represented approximately 1,300 hours of leave/time off.

As similarly noted with the severance benefits, actions have been taken in more recent years to reduce the benefits provided to top executives to a more reasonable level. The performance bonuses and many of the benefits discussed above were discontinued or reduced in fiscal year 2005, when the existing employment agreements for the remaining executives were converted to annual appointments. The current Executive Director/CEO's benefit package is generally comparable to most other MOHELA employees.

B. During the past three years, the authority has spent over $688,000 on gift cards and bonuses during the Christmas holiday season. In December 2004, each employee received a $200 gift card regardless of his/her position or title. In December 2005 and 2006, each employee received extra compensation of $1,500 and $1,000, respectively. The amounts paid were pro-rated for those individuals employed less than one year. The total annual cost of these gifts cards and holiday bonuses was:

December	Total Paid
2004	$ 51,440
2005	382,690
2006	254,500
Total	$ 688,630

It should be noted that the current Executive Director/CEO did not accept the $1,000 bonus in December 2006.

Providing gifts and holiday bonuses to employees is generally not considered an acceptable practice in the public sector. Considering its public mission, these gifts/payments do not appear to be a necessary or appropriate use of MOHELA's funds.

C. The MOHELA does not ensure its employees have paid their state income taxes, nor does it perform an on-going check to ensure employees who are required to travel have valid drivers' licenses.

Section 105.262.1, RSMo, requires "as a condition of continued employment with the state of Missouri, all persons employed full time, part time, or on a temporary or contracted basis by the executive, legislative, or judicial branch shall file all state income tax returns and pay all state income taxes owed." In addition, the state's vehicle policy requires that an operator of a state vehicle must have a valid driver's license. The authority ensures employees have a valid driver's license the first time they use a MOHELA vehicle; however, no on-going or periodic check is performed.

The above provisions are good business practices to follow to ensure employees' compliance with state laws/policies.

WE RECOMMEND the MOHELA:

A. Refrain from providing excessive benefits or additional compensation to its executives.

B. Discontinue the practice of providing gifts or holiday bonuses to its employees.

C. Establish procedures to ensure employees are paying their state income taxes and are not driving MOHELA vehicles without a valid driver's license.

AUDITEE'S RESPONSE

A. The current board members have taken steps to ensure that all employees receive the same level of benefits regardless of whether or not they hold an executive level title. The Authority does not anticipate offering either excessive or additional compensation to executives. No bonus arrangements with executives are contemplated.

B. The Authority currently has no plans to offer holiday gifts or bonuses during the upcoming holiday season.

C. The Authority's employees are not employees of the State of Missouri and thus the cited statute and policy are inapplicable. The Authority believes, however, that confirming payment of state income taxes and ensuring that only licensed drivers are operating the Authority's vehicles are sound practices. Accordingly, to the extent that such practices are legal and reasonably feasible, the Authority will seek to implement this recommendation.

4. Construction Projects and Property Management

The MOHELA did not solicit competitive bids related to the construction of its new headquarters building, as well as some other real property-related costs/services. In addition, when the authority moved into its newly constructed building in 2002, it was still obligated to pay over $1.25 million in lease payments on the building it had previously occupied. The construction manager on one of its projects was allowed to bid and perform work on the project it was managing, which is a violation of state law. Further, contract documentation was not retained.

Between late 2000 to early 2007, the MOHELA constructed a new headquarters building (completed in April 2002 at a total cost of approximately $11.2 million, including construction costs, architectural and legal fees, and other costs related to the project), and also incurred expenditures on two smaller projects, a parking lot addition (completed in June 2006 at cost of about $250,000) and the renovation of a portion of its headquarters building (completed in January 2007 at a cost of about $158,000). In addition, the authority has hired a real estate property manager to handle various on-going contracts (lawn care, maintenance, etc.), as well as act as liaison for any construction projects. We noted the following concerns related to these projects or services:

A. In late 2000, the MOHELA entered into a contract with a general contractor to build a new headquarters building at an amount not to exceed $10,998,220. Construction of this building was substantially completed in the spring of 2002, with the authority moving into the new building in April 2002. According to MOHELA's accounting records, at least $10.3 million was paid to this contractor related to this project.

The MOHELA could produce no documentation to support how this contractor was selected and it appears competitive bids were not solicited related to these construction services. The MOHELA officials who were involved in the decisions related to this construction project are no longer employed by the authority; however, the current Executive Director stated he was reasonably sure that competitive bids were not obtained related to this construction contract. While the general contractor subcontracted some of the work (i.e., electrical, installation of sprinkler system, HVAC, plumbing, etc.) and the contractor was required to solicit competitive bids for this work, the records were incomplete regarding the extent of subcontracted work, any bids that were solicited, and the amounts paid to subcontractors.

In addition to the construction costs incurred on this building, the MOHELA paid over $400,000 for architectural services related to this construction project. It appears that competitive proposals were not solicited related to these architectural services either.

The solicitation of competitive bids/proposals on major construction projects is a commonly accepted practice in the public sector. Such a process or procedure is necessary to ensure the public entity receives fair value by contracting with the lowest and best bidder. The authority maintained more documentation to support the procurement of the construction-related services of the two smaller subsequent projects and it appears did a better job of soliciting competitive bids/proposals for those projects. However, we noted competitive proposals were not obtained for the survey and engineering work related to the parking lot expansion project.

B. After the MOHELA moved into its new headquarters building in April 2002, it paid over $1.25 million in lease payments for an 18-month period for a leased building it had previously occupied. The authority's lease on the old building did not expire until October 2003.

According to authority officials, a five-year lease on the previous headquarters building had been signed and the authority was unable to get out of the lease agreement, which required a lease payment of approximately $69,600 per month, plus an additional monthly fee for utilities. The MOHELA was unable to find another company to sublease the leased property, so it was used to store old office furniture and equipment during the last year and a half of the lease period.

According to the current Executive Director/CEO, when the MOHELA made the decision to construct the new headquarters building, it was believed that it would be relatively easy to sublease this office space; however, this did not occur due to what that official perceived as a local economic downturn in the latter part of 2001. This official indicated that the new headquarters building was constructed during the middle of the lease term because the authority needed the additional space the new building would provide (80,000 square feet in the new building versus 45,000 in the leased building) and enhanced computer capabilities.

Whether the construction of the new headquarters building could have been delayed could not be determined; however, as a result of this situation, the MOHELA paid over $1.25 million in lease payments on building space it did not need during the last year and a half of the lease period.

C. Since 2002, the MOHELA has hired a private real estate property manager to serve as a consultant in the care and maintenance of its current headquarters building. There is no documentation to indicate that competitive bids or proposals were solicited for these real estate property management services when they were initially procured in 2002, and no efforts have been made to rebid these services since that time. The authority has paid over $170,000 to this property manager since 2002.

The current Executive Director indicated that he believes that bids/proposals were not obtained for these services because the authority had utilized the services of this consultant when acquiring the land for the new headquarters building, and it had developed a good working relationship with this company.

MOHELA officials should consider periodically rebidding these real estate property management services, if they continue to use these services on an ongoing basis.

D. The MOHELA allowed the construction manager of the parking lot expansion project to submit two bids and perform construction work on the project, which violates Chapter 8, RSMo.

Section 8.683, RSMo, states that a public owner shall not permit the construction manager on a project to bid on or perform any of the actual construction on a project for which he/she is acting as construction manager. A public owner is defined to include, among other things, any authority of the state.

The construction manager for the parking lot expansion project submitted the lowest of the three bids for the asphalt work and was awarded the job at a cost of $51,545. The construction manager also submitted a bid for the concrete work; however, it was not the lowest bid, so the construction manager was not awarded the job.

As construction manager, this contractor, along with MOHELA's real estate property manager, evaluated the various bids on the parking lot expansion project and made recommendations to the authority as to who should be awarded the project. The construction manager should not have been allowed to submit bids for any of the work on this project since state law does not allow construction managers to bid or do work on the projects they have been hired to manage. Such a prohibition would also be a good guideline to follow to ensure the construction manager's independence.

E. Copies of contracts with the architectural firm and consulting firm (hired at a cost of about $400,000 and $50,000, respectively) for services related to the MOHELA headquarters building project could not be located. The current Executive Director believed that there might not have been a contract with the consulting firm; however, he was certain that the MOHELA would have had a contract with the architect.

Without the preparation and maintenance of formal contracts, there is not adequate documentation to support what services were to be performed or how the companies were to be compensated. Written contracts or agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, the Secretary of State (SOS) has established record retention schedules that require public entities to retain construction/capital improvement-related contracts for 10 years after susbstantial completion. A retention period of 10 years appears to be a good guideline to follow to ensure documention is properly retained.

The MOHELA established a procurement policy in March 2007, which includes provisions regarding the procurement/bidding of construction services, the acquisition of real property, and the entering of long-term leases.

WE RECOMMEND the MOHELA:

A&B. Ensure competitive bids/proposals are solicited for construction projects in accordance with its current procurement policy. In addition, the authority should be more diligent in planning and timing future construction projects to correspond with current and applicable financial obligations.

C. Consider periodically rebidding the real estate property management services, if the authority continues to use these services on an ongoing basis.

D. Ensure construction managers are not allowed to bid or perform any construction work on the projects they have been hired to manage.

E. Ensure contracts and other documentation related to its construction projects are prepared and retained.

AUDITEE'S RESPONSE

A&B. The Authority has taken numerous actions to address these concerns. In March 2007, the Authority implemented a formal written procurement policy, which covers capital projects, construction projects and real property acquisition or leases as well as other goods and services. The procurement policy requires competitive bidding and appropriate financial planning for future construction projects. The procurement policy also includes and requires compliance with the Authority's Policy Governance Manual guidelines related to construction projects. The relevant Policy Governance Manual sections, as approved by the board, are as follows: Section 4.5.3 ("The Executive Director shall not acquire real property, lease real property or voluntarily encumber real property without prior approval by the Board"); Section 4.5.4 ("The Executive Director shall not make a long term lease on property unless prior approval of the Board"); and Section 4.5.6 ("The Executive Director shall not begin capital projects without a realistic operational plan" that has been approved by the board).

C. The Authority concurs.

D. The Authority has no current plans to undertake any construction projects. If in the future the Authority undertakes a construction project, it will take all reasonable steps to ensure that the project complies with applicable laws and regulations, as well as the Authority's own policies and procedures.

E. As noted above (A & B), the Authority has taken numerous actions to address this issue.

5.	**Expenditures**

Competitive bids/proposals were not solicited for various expenditures noted and written contracts to support some expenditures were not prepared. Other expenditures were noted which did not appear to be a necessary or prudent use of authority funds. Also, some expenditures were not properly accounted for and/or supported by adequate documentation. In addition, a formal, documented marketing plan has not been established to support expenditures incurred in promoting the authority's services/products.

A. The MOHELA had no formal procurement policy prior to March 31, 2007. As a result, during the past three fiscal years, various expenditures were noted in which competitive bids (or competitive proposals, in the case of professional services) were not solicited and/or retained. Examples include the following:

Item	Cost
Attorney services	$1,752,483
Various public relations and marketing services	924,254
Office supplies	716,779
Automated loan data exchange services	455,016
Computer equipment	444,073
Internal auditing services	345,656
Marketing sponsorship	275,000
Bulk mail services	218,296
Promotional items	199,758
Computer security services	45,241
Collection agency services	24,833

MOHELA officials indicated that some of these services were obtained from sole source providers; however, documentation justifying these situations was not maintained. Also, office supplies were last bid in fiscal year 2003, but not rebid since that time. MOHELA officials indicated that office supplies were not rebid and computer equipment bids were not documented because the authority did not have a procurement policy in place; therefore, rebidding products/services and maintaining bid documentation was not required.

In addition, we noted that the MOHELA did not go through a formal request for proposal (RFP) process to procure trustee bank services during 2003. While a competitive analysis was performed of these services, it was only done on a select few companies and it was not based on current information for all the companies considered. The trustee bank currently receives fees totaling about $750,000 annually for its services.

Further, the bulk mail services and computer security services noted above were not supported by written contracts or agreements for the three fiscal years ending June 30, 2007.

The procurement of competitive bids/proposals for significant expenditures helps ensure that the authority receives fair value by contracting with the lowest and/or best bidders. In addition, written contracts or agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid.

In March 2007, the MOHELA established a formal procurement policy. This policy requires the competitive procurement of goods and services that cost over an established threshold, and includes various provisions, including when advertising for bids/proposals is required and the exceptions to the policy (i.e., emergency or sole source procurements).

B. In the fall of 2004, two separate consultants were interviewed and subsequently hired by the MOHELA Board to assist the authority with strategic planning and corporate governance. One consultant was retained specifically to work with senior management in developing/planning the strategic direction of the organization, and for these services this consultant was paid over $233,800 during fiscal years 2005 and 2006. The other consultant was retained to help rewrite the board's policy governance manual and continue to help update and revise it over time. This consultant was paid over $52,000 from fiscal year 2005 through March 2007.

Similar to some other expenditures noted in this report, the MOHELA did not go through a formal RFP process when procuring these consulting services. In addition, the authority did not enter into written contracts with either of these two consultants. The authority paid for these services as each project/work phase was completed or as a monthly retainer.

The strategic planning consultant was invited to make a presentation to the board in the fall of 2004, based on the recommendation of a board member (a current MOHELA executive) who had previously worked with the consultant in the capacity of employer/employee and as a contracted consultant. According to that MOHELA official, he recommended the consultant because this individual's knowledge/skills were exceptional and he was uniquely qualified in the area of strategic planning.

The corporate governance consultant was asked to also give a presentation at the same board meeting based on having worked for the authority in the past. According to the MOHELA official, both consultants were subsequently hired because the board felt that by having both consultants work together the authority would get the best strategic planning package. However, there was no mention of this hiring decision in the board's open meeting minutes.

We were told that no contracts were signed with these consultants because it was believed that it would be easier to terminate these consulting arrangements, if desired. However, written contracts with consultants are desirable to clarify the terms of the agreement, including the services (or deliverables) to be provided by the consultant and the manner and amount of compensation to be paid.

C. In the past three years, the MOHELA has incurred the following expenditures that do not appear to be a reasonable or prudent use of its funds:

- More than $46,000 was expended on the annual MOHELA Board retreats. These retreats were attended by board members, executive staff, and, in some cases, board members' spouses. While authority business was conducted at each of these retreats, the extent and nature of some of the costs incurred at these events were questionable.

Two of these annual retreats (in November 2004 and 2005) were held at a luxury resort south of Branson. The cost of the November 2004 retreat totaled at least $12,334, and included $6,605 in room charges, $4,421 catering charges, and $1,308 in other charges. According to the documentation available, the guest room charges were for two nights and ranged from $319 to $409 per night. In addition, more than $1,500 was spent related to alcoholic beverages. The cost of the November 2005 retreat totaled at least $16,596, and included $11,685 in room charges, $3,871 in catering charges, and $1,040 in room service and other charges. The expenditures noted above related to these two retreats do not include any transportation expenses incurred or reimbursed to MOHELA board members or officials in traveling to and from these functions.

While the November 2006 annual retreat was held in St. Louis, we noted at least $17,398 in costs were incurred related to this retreat, including $3,403 in meeting room and lodging costs, $8,120 in catering charges, and $5,875 in meal and entertainment expenses at a local dinner theatre. The catering expenses included over $1,200 for alcoholic beverages. The amount paid to the dinner theatre involved 50 people which included various board members, MOHELA executives/staff, clients, and some spouses.

- At least $28,716 was expended on annual employee holiday parties during the past three years, and included $15,842, $4,975, and $7,899 incurred on parties held in December 2004, 2005, and 2006, respectively. The parties were planned for approximately 275 to 320 guests, and the costs incurred included $2,741 for 645 drink tickets and $2,545 for a 20 percent hotel service charge (related to the December 2004 party), $575 for a disc jockey, and $500 for a magic show.

- $13,126 was expended for fitness center memberships and weight loss program fees for various employees.

- $9,385 was expended in December 2006 for 387 holiday wreaths which were distributed to various colleges and universities, lending institutions, and board members. In addition, more than $1,700 was expended on greeting cards.

- Over $7,320 was expended in the fall of 2005 for an employee picnic/outing at Six Flags. The costs incurred paid for a catered meal, 96 parking passes, and entrance to the park for 231 people.

- $4,135 was expended in October 2005 for two top executives' memberships and other charges to a local luncheon club. Varying amounts were paid in other months relating to these memberships.

- $2,419 for three catered senior staff meetings.

- $2,183 for 65 college representatives to attend a catered meal during a Federal Student Aid conference in Las Vegas. This included $240 in costs to transport the college representatives to and from the restaurant.

In addition to the expenditures listed above, we noted various other expenditures that might be considered questionable. These included small gift cards for some employees, various meals for employees that were not on travel status, holiday gifts to board members, and flowers for grieving employees. Additionally, the MOHELA paid for two massage therapy students to perform free massages at an annual student financial aid personnel fall conference. We were told the massages were intended to be a means or inducement to attract current and potential customers to the authority's booth at the conference.

The public places a fiduciary trust in MOHELA officials to expend authority funds in a necessary and appropriate manner. The MOHELA should ensure its funds are spent only on items which are necessary to support its mission and maintain its operations/activities.

D. Some expenditures were not accurately reflected on the authority's accounting records.

1) As noted above, various instances were noted in which food or meal expenses were incurred (besides those incurred by MOHELA employees while traveling on business). However, the MOHELA has not established a separate account within its accounting system to track these types of food/meal expenses; therefore, the authority was unable to provide us information regarding the extent of such expenses. Currently, the MOHELA charges all food/meal purchases, including catered meals, meal charges at local restaurants, etc., as well as business-related travel meals, to the travel and entertainment expense account in its accounting system.

   The MOHELA should establish a separate account to track food/meal expenditures incurred locally to better monitor such expenses. While a certain level of food/meal expenses may be justified, the authority needs to be able to assess these costs in terms of their importance compared to its other operational needs.

2) Some procurement card expenditures were not charged to the correct expenditure code. For example, the holiday wreaths and card purchases noted above, research books, guides purchased for the members of the MOHELA Board to assist them in their duties/responsibilities, and office supplies paid with procurement cards were all charged to the travel and entertainment expenditure account code.

Expenditure misclassifications can negatively affect the budget process and result in inaccurate and inconsistent presentation of financial activity. Such misclassifications can also impact MOHELA's ability or efforts to monitor certain types of expenditures. The MOHELA should ensure that items purchased with procurement cards are charged to the correct expenditure code.

E. Various concerns were noted regarding the documentation required and/or maintained to support some expenditures.

1) The MOHELA did not always receive adequate supporting documentation prior to paying invoices. One of the examples noted included a $198,514 payment to a financial consulting firm hired in 2006 to review the financial feasibility of the Lewis and Clark Discovery Initiative. This payment was made in August 2006 and related to a progress billing through May 31, 2006. Though required by the related contract, a detailed invoice was not provided by the consulting firm or required by the authority prior to payment.

The related contract provided that the consultant would bill only for hours worked on the project and certain reimbursable expenditures; however, the invoice submitted to the authority did not document the hours worked on the project through the progress billing date. The billing reflected only the total amount billed for the project and the total amount of reimbursable expenses owed at that date. However, it should be noted that the final invoice, in the amount of $60,771, related to this contract work included detailed time and expense documentation as provided by the contract.

In addition, the strategic planning consultant discussed previously was paid varying amounts (from $12,000 to $72,000) in different months from January 2005 through January 2006 for various services; however, the related invoices provided little or no detail, and it was unclear how the amounts owed were determined.

In addition, we noted over $19,300 in other payments made without adequate or detailed supporting documentation, including the costs related to the December 2005 board retreat mentioned above.

The MOHELA should ensure adequate documentation is required and maintained to support and ensure the appropriateness of goods/services being billed and paid from authority funds.

2) Procurement cards are assigned to various MOHELA executives and staff, and these cards can be used to charge business expenses incurred. Expense reports must be filled out to support any procurement card purchases and any expenses over $10 must be supported by a receipt.

A review of some procurement card purchases disclosed that adequate supporting documentation was not always submitted to support these expenditures. In some instances, receipt slips were not submitted for items purchased. In other instances, only a credit card charge slip was submitted, rather than a detailed invoice or receipt slip. Although the authority only requires the credit card charge slips to support the costs being charged, detailed invoices or receipt slips would improve MOHELA's ability to review these charges and provide more documentation of the items being purchased.

The MOHELA should require employees to submit detailed invoices/receipt slips to support any procurement card expenditures incurred. Without adequate supporting documentation, the authority cannot ensure the expenses being charged are reasonable, necessary, and in accordance with established policies.

3) The MOHELA does not issue cell phones to employees, but instead pays a monthly cell phone allowance to various employees who need a cell phone to meet their job responsibilities. As of February 2007, the MOHELA paid almost $3,000 per month (or about $36,000 annually) to 28 employees in cellular phone allowances ranging from $40 to $200 per month. There was no standard calculation used or other documentation maintained to support how the individual cell phone allowances were determined.

According to a MOHELA official, cell phone allowances are provided because it is believed that doing so is more cost-effective than providing cell phones to those employees. The allowances the individual employees receive are based on the amount of usage needed, the employee's position, and if the employee would need to be easily contacted through different media types (i.e., a blackberry).

The MOHELA should periodically review the cell phone allowances paid to ensure they are reasonable and approximate the actual expenses incurred. This review should also be documented.

F. The MOHELA does not have a formal, documented marketing plan. In addition, the authority has not performed an analysis or other studies to determine the best way(s) to promote or advertise its services/products.

The Business Development Department is responsible for the authority's marketing/advertisement efforts, and had a fiscal year 2007 budget of more than $250,000 for promotional/marketing purposes. That department has not developed a formal, documented marketing plan and has not performed any analyses or other studies to determine how to invest its marketing monies. The lack of a plan or other guidance could result in ill-advised marketing expenditures. We noted that during the last three years, this department paid

more than $250,000 (out of a total marketing budget of about $850,000 during those three years) for radio advertisements on two radio stations during broadcasts of St. Louis Cardinal baseball games. To determine the effectiveness of this marketing effort, a special 1-800 telephone number and a special Internet website address were created to track the number of inquiries resulting from these advertisements. According to an official of that department, that special telephone number and website received only 5-10 inquiries in total. These radio advertisements were discontinued after the 2006 baseball season, at least in part, because of these tracking results.

A study(ies) should be conducted to help the authority determine the most beneficial use of its marketing dollars and establish a well-informed, formal marketing plan.

WE RECOMMEND the MOHELA:

A&B. Ensure competitive bids or proposals are solicited for the purchase of goods and services, including services of consultants, in accordance with the current procurement policy. Recurring purchases should be periodically rebid. If the purchase is a sole source situation, the related circumstances should be fully documented. In addition, the authority should ensure written contracts are prepared to formalize any purchase or service agreements entered into.

C. Ensure expenditures are limited to those which are a necessary and prudent use of authority funds.

D. Establish a separate expenditure code to account for, and monitor the extent of, food/meal expenditures incurred (other than those incurred by employees while traveling on business). In addition, the authority should ensure procurement card purchases are charged to the correct expenditure code.

E. Ensure adequate supporting documentation is submitted prior to paying all invoices, including those for procurement card purchases. In addition, cell phone allowances should be periodically reviewed and evaluated to ensure they approximate the actual expenses incurred by the applicable employees.

F. Determine the extent of resources it should invest in its marketing efforts and establish a formal marketing plan.

AUDITEE'S RESPONSE

A&B. The Authority has taken numerous actions to address these concerns. In March 2007, the Authority implemented a formal written procurement policy, which requires competitive bids for the purchase of goods and services. The policy requires the usage of a purchasing justification form. The policy also includes specific documentation requirements for each type of solicitation required under the policy. As it relates to sole

source procurement, the policy requires that a written justification be prepared containing narrative comments stating the reason the purchase is considered a sole source selection, a description of the selection process, and an explanation of how the price was determined to be reasonable. The policy permits sole source procurement in the following circumstances: an emergency situation as determined by the appropriate member of senior management and approved by the CEO, CFO or Controller; proprietary supplies or services available only from the manufacturer or a single distributor; a determination, based on past procurement experience, that only one distributor or servicer services the region in which supplies are needed; supplies or services are available at a discount from a single distributor or servicers for a limited period of time; the parts are required to maintain the validity of a warranty; additions to a system must be compatible with the original equipment; factory authorized maintenance must be utilized in order to maintain validity of a warranty; the materials are copyrighted and are only available from the publisher or a single distributor; or the services of a particular provider are unique, e.g., attorneys, entertainers or authors. The Authority will ensure written contracts are prepared for all appropriate purchase and service agreements. The Authority has designated an internal procurement officer to monitor compliance with the procurement policy.

C. The Authority concurs.

D. The Authority has established a separate expenditure code (4171 Local Food/Meals) to account for and monitor the extent of food/meal expenditures incurred locally. The code and all expenditures incurred under it will be monitored monthly by accounting and department management. In addition, expenditures under the new code will be analyzed and evaluated at least annually as a part of the budgeting process.

E. The Authority requires submission of appropriate supporting documentation prior to paying invoices and except for a few instances noted in the Management Advisory Report has received detailed supporting invoices or other appropriate documentation for purchases. As noted in the Management Advisory Report, the Authority has already demonstrated instances requiring more detailed documentation for purchases. This is the result of the implementation of additional management requirements to ensure all future purchases have the appropriate level of documentation. As further noted in the Management Advisory Report, the Authority requires receipts for procurement card purchases over $10. In addition, because the Authority uses an online, secure procurement card product, the Authority's accounting management, staff with procurement cards, and their approving supervisors, have access to extensive online detail of procurement card expenses. The Authority is currently reviewing the cell phone allowance policy and at a minimum will evaluate to ensure that current allowances approximate actual expenses incurred by the employee.

F. The Authority currently maintains and manages a Sales Plan and an overall, comprehensive budget. These two mechanisms drive the Authority's marketing practices. The Authority is currently finalizing an overarching Marketing plan for all business development and marketing activities on behalf of the Authority. It is expected that this plan will be completed no later than October 31, 2007.

6. Property Records and Related Controls

Various concerns were noted regarding the MOHELA's capital asset/property records and related procedures. The MOHELA does not adequately account for or track many property items it owns, and periodic physical inventories of these assets are not performed. In addition, most of the items are not identified with a tag or other device identifying authority ownership. Furthermore, adequate records and procedures have not been established to account for and authorize the disposition of property items, and concerns were noted regarding the sale of such property items.

A. The MOHELA has not established adequate records to account for, track, and control the property items it owns. At the time of our review, the authority did not have a comprehensive listing of its property items, with its accounting records only including those capital assets costing at or above its current capitalization threshold of $10,000. Based on this criteria, as of January 2007, only 86 property items were included on the capital asset listing, with those mainly consisting of its headquarters building and parking lot, vehicles, and large computer equipment items.

The only items costing under $10,000 that were being tracked were laptop computers assigned to various employees and computer equipment issued to staff working from their homes. However, we noted the listing maintained of laptop computers was not up-to-date, with two former employees (who left employment during fiscal year 2006) still shown as being assigned those equipment items. In addition, while the MOHELA began tracking computer equipment issued to staff working from their homes in March 2007, other office furniture and equipment items purchased for these employees' home offices were not being tracked.

In addition to these recordkeeping concerns, periodic physical inventories are not performed of any of the property items recorded or being tracked, and most items are not identified with a tag or other device identifying them as MOHELA property. Only laptop computers were tagged in this manner.

15 CSR 40-2.031 requires state agencies to account for property and equipment items costing over $1,000. In addition, this regulation requires agencies to ensure that controls are adequate over property items under this threshold if they are considered attractive and subject to theft or misuse. Other property items under the $1,000 threshold amount not considered sensitive are required to have a tag designating the agency's ownership. Further, each agency is required to perform

an annual physical inventory of its property items and reconcile this inventory to its records. These provisions would suggest that the authority's records and controls related to its capital assets should be reevaluated and improved.

Adequate capital asset records and procedures are necessary to secure better internal controls, safeguard assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage. If the MOHELA decides to maintain the capitalization threshold at $10,000, it should establish adequate controls over property items below that level.

B. The MOHELA has not established adequate records and procedures to account for the disposition of capital asset/property items or to ensure such dispositions have been properly authorized. In addition, concerns were noted regarding the sale of these items.

At the time of our review, no formal policy/procedures related to the disposal of property items existed nor was documented supervisory/management approval required. According to authority officials, when a property item with an original cost of $10,000 or more is disposed of, the accounting department is notified (either verbally or by e-mail) by the applicable division and the asset is removed from the capital asset listing. No other documentation or approval authorizing the disposition is required. In addition, no record or documentation is maintained for any items disposed of which cost below the current $10,000 capitalization threshold.

According to MOHELA's records, from July 1, 2003 through December 31, 2006, the authority disposed of over 1,200 property items with an original cost totaling more than $3.8 million. Most of these items were recorded on the property records before fiscal year 2002, when the current capitalization threshold was raised to $10,000. No records were maintained to document the manner in which these assets were disposed of (i.e., sold, discarded, given away, etc.). It appears many of these items were disposed of during or around October 2003, when the lease on the prior headquarters building expired. Although a MOHELA official could not recall whether any of these assets were sold, that official did indicate that most of the disposed items were old and had little or no value. We could not verify the validity of this statement. We were further told that the authority found someone to remove the old/worthless property items from the building for no charge; however, that authority official could not remember who removed the items.

In the past few years, some items have been sold and it is MOHELA's informal policy to offer any surplus or unneeded property items for sale to its employees (or members of their immediate families) and not the general public. The MOHELA has held two furniture and equipment sales in recent years (in April 2002 and August 2006) and one sale of fleet vehicles (spring of 2006). According to an authority official, the furniture and equipment items sold were priced

between $5 and $40 and some items were given away due to them having very little value. Since the original purchase price of most of these items was less than $10,000, they were not on MOHELA's capital asset listing and the records related to those items disposed of in this manner were minimal or nonexistent. We were told that the proceeds from each of the furniture/equipment sales were minimal and were given to charity. Regarding the sale of vehicles, six vehicles were sold to employees at prices consistent with the Kelley Blue Book values at the time.

The MOHELA official stated that the policy to sell surplus/unneeded property items to employees rather than through a public auction is based on the belief that the cost of an auction would exceed any additional proceeds received from the sale of the assets. In addition, we were told it is simpler to only deal with employees when selling vehicles rather than someone from the general public. However, in the public sector the generally accepted practice of disposing of surplus/unneeded property items is through a public auction. Handling such sales in this manner helps to ensure sales proceeds are maximized and avoids the appearance of impropriety or favoritism.

The MOHELA should establish formal written policies and procedures related to the disposition of capital assets to ensure they are properly handled, approved, and recorded. In addition, the authority should consider selling any assets being disposed of through a public auction.

An internal audit issued in February 2007 also reported concerns regarding MOHELA's capital asset records and related procedures, including the current capitalization level, the lack of periodic physical inventories and identifying tags, and inadequate documentation of property dispositions. As of June 2007, MOHELA officials indicated that improvements are underway in this area.

WE RECOMMEND the MOHELA ensure:

A. Adequate and up-to-date capital asset/property records are maintained which include all pertinent information for each property item, including those items under the capitalization threshold. Assets should be properly tagged or otherwise identified as MOHELA property and a periodic physical inventory should be conducted and reconciled with the records.

B. Adequate records and procedures are established related to the disposition of property items. This should include preparing formal written policies in this area, including the requirement of management/supervisory approval of all dispositions. In addition, the authority should consider handling the sale of unneeded property items through public auction.

AUDITEE'S RESPONSE

A. The Authority has previously tracked and tagged some computer devices and capitalized fixed assets. In June 2007, the Authority completed a physical inventory of all appropriate furniture, equipment, fixtures, computers and other property including items under the capitalization threshold. The Authority is in the process of implementing updated technology initiatives to further improve asset tracking. This technology will include asset tagging to ease in an annual inventory process.

B. The Authority has already developed and implemented a new form to track asset acquisitions, transfers and dispositions, which require accounting management and supervisory approval. Automated solutions for this form and process are also under consideration and review in conjunction with the technology initiatives discussed above. Management is in the process of developing formal written policies to further clarify fixed asset controls and procedures including the appropriate methods for disposition of fixed assets.

7. Internal Audits

Several internal audits could not be completed and the reports issued in a timely manner due to management's delay in providing formal responses to the auditors. This resulted in the MOHELA Board not receiving the internal audit reports timely and a delay in the implementation of some audit recommendations.

In September 2004, the MOHELA decided to outsource its internal audit function and hired an outside auditing firm to provide these services. This auditing firm performed an initial risk assessment, and, as a result, several areas considered high risk were targeted for internal audit. The firm subsequently conducted eight internal audits related to information technology, human resources, various student loan processes, and various financial areas. The MOHELA ultimately paid this auditing firm over $345,000 for these internal audit-related services.

After the auditing firm finished fieldwork related to each audit, a draft report was sent to the authority official primarily responsible for the subject area being audited, along with a letter requesting that management responses be prepared and submitted to MOHELA's Executive Director/CEO within 30 days. That official would then be responsible for approving the responses and returning them to the auditing firm for consideration and inclusion in the final report. However, as reflected in the following table, these management responses were not prepared and returned to the auditors in a timely manner in five of the eight audits, causing delays of up to two years in getting the final audit reports completed and issued.

Title of Internal Audit	Date of Draft to MOHELA	Date of MOHELA Response	Date of Final Report
Review of Travel and Entertainment Expenses	01/14/05	08/04/06	10/13/06
Review of Capital Expenditures	01/04/05	01/19/07	02/02/07
Review of Purchasing, Accounts Payable and Cash Disbursements	01/14/05	01/19/07*	02/02/07
Review of Information Technology General Controls	11/14/05	7/11/06	10/13/06
Review of Loan Purchase Process and Master Promissory Note Verification Process	08/10/05	08/22/06	10/13/06

* Original responses were submitted on 10/02/06 and revised responses were submitted on 01/19/07.

MOHELA officials indicated the management responses were not submitted in a timely manner primarily due to the turnover of top executives. Though these draft audit reports were available to authority management internally, they were not given to members of the MOHELA Board until the reports were finalized. While some of the recommendations were implemented before the final audit reports were issued, some of the recommendations were only recently implemented and some have not been implemented as of June 2007.

Internal audits can be valuable management tools to ensure compliance with established policies and procedures, as well as to identify ineffective or inefficient operations. Therefore, internal audit reports and the related recommendations should be given a high level of consideration and priority, and steps should be taken to implement the recommendations in a timely manner.

In 2006, the MOHELA decided to reestablish its internal audit function and phase out its relationship with the outside auditing firm. Subsequently, the authority hired an internal auditor in May 2006, who currently reports any findings directly to the board. As of February 2007, all of the outsourced internal audit reports had been finalized and issued, and the internal audit function is now handled internally.

WE RECOMMEND the MOHELA ensure internal audits are given the appropriate level of management attention so they can be completed and issued on a timely basis. In addition, efforts should be made to ensure any related audit recommendations are addressed and implemented in a timely manner.

AUDITEE'S RESPONSE

The Authority has expanded the Policy Compliance and Internal Audit Department from one employee to six employees, including the addition of an auditor with a Certified Internal Auditor designation. Additionally, the Authority has established an Audit Committee of three board members who meet directly with the Authority's Internal Auditor as well as the external auditor. The Authority has also implemented an Internal Audit Report process for simultaneously submitting reports to the Authority's board members and Executive Director. Finally, the Executive Director's report to the board dated September 7, 2007, reflected that the Authority's Policy Compliance and Internal Audit Department has implemented audit follow-up procedures which will be performed on all prior external and internal audits and results reported to the board.

8. Vehicle Usage and Related Controls

Controls over the usage of MOHELA's vehicles could be improved. Complete and accurate usage/mileage records have not been maintained and no periodic review and analysis of miles driven and costs incurred related to these vehicles has been performed.

As of January 2007, the MOHELA owned ten vehicles, two of which are headquarters pool vehicles and eight that are assigned to Business Development Department staff due to their job duties requiring extensive travel to colleges and universities to promote the authority's services/products. A review of the usage and controls over these vehicles noted the following concerns:

A. Complete and accurate usage logs have not been maintained for some of these vehicles and no periodic supervisory review of the records has been performed.

Prior to June 2006, vehicle logs were not maintained for any of MOHELA's vehicles. Due to an internal audit recommendation, MOHELA's travel policy was revised and vehicle usage logs were established effective June 1, 2006. However, our review of these logs indicated they are not being maintained adequately.

We noted instances in which the total trip miles or ending odometer readings were not recorded, differences between the ending odometer reading of one trip and the beginning odometer reading of the next trip, and errors in calculating the total miles for some trips. The driver and destination/purpose of the trips were not consistently recorded on the pool vehicle logs. In addition, for one assigned vehicle, no detailed trip information was recorded in the log for five of seven months from June 2006 through December 2006; only the beginning and ending odometer readings for each month were recorded. Many, if not all, of these errors or recordkeeping deficiencies could have been discovered and corrected if there had been a periodic supervisory review of these usage logs.

Complete and detailed vehicle logs, reviewed periodically by a supervisor, are necessary to provide assurance that vehicles are used only for authorized purposes and that the vehicle logs are accurate and reliable. MOHELA's travel policy has recently been updated and now requires the name of the driver, date(s) used, beginning and ending odometer readings, destination, and purpose of use to be recorded for all trips in authority vehicles.

B. No periodic review and cost-benefit analysis of the mileage driven in the authority-owned vehicles is performed. Because no vehicle usage/mileage logs or similar records were maintained prior to June 1, 2006, the MOHELA has not tracked total miles driven or costs incurred each year for any of its vehicles. Without tracking this information, it is difficult to conclude whether it is cost-beneficial for the authority to own and maintain these vehicles rather than allowing its employees to drive their personal vehicles and be reimbursed for any business mileage incurred.

A periodic review and analysis of mileage driven and costs incurred for each authority-owned vehicle should be performed to ensure the use and ownership of these vehicles is appropriate and cost-beneficial.

WE RECOMMEND the MOHELA:

A. Ensure complete and accurate mileage/usage logs are maintained for all vehicles and include all necessary information as required by the current policy. In addition, a supervisory review of these records should be performed periodically to ensure they are properly maintained.

B. Conduct a periodic review and cost-benefit analysis of the mileage driven and costs incurred for each of its vehicles.

AUDITEE'S RESPONSE

A. Procedures have been implemented to ensure that Authority car mileage is logged on a day-to-day basis versus quarterly. These procedures should address any documentation issues that may have occurred in the past. Mileage information will be reviewed periodically.

B. When the most recent large fleet vehicle purchase was conducted in fiscal year 2006, the Authority purchased used vehicles (mostly 2005 Chevy Impalas) with over 20,000 miles. As a result, the cost of these used vehicles ranged from $11,950 to $15,000 each. Historically all but two of these vehicles have been assigned to business development staff, who travel extensively as a part of their duties. While no formal cost-benefit analysis has been performed on the eight vehicles for use by business development staff, the Authority is confident the cost was justified by the extensive use of the vehicles and the nature of those staff positions. The other two vehicles (a 2002 Ford Taurus and a 2005 Chevy Venture van) are used by many of the Authority's staff, who are required to

travel periodically on Authority business. The Authority has reviewed the usage of all of the fleet vehicles on at least an annual basis. The Authority will continue to monitor the usage and cost of these vehicles.

9. Closed Board Meetings

The MOHELA Board's closure of some of its meetings may constitute a violation of state law.

During the past several years, according to the open meeting minutes, the MOHELA Board closed its meetings on at least 21 occasions, apparently believing that the matters discussed were of the nature that allowed the meetings to be closed pursuant to Section 610.021, RSMo, of the Missouri Sunshine Law. However, the closure of these meetings may not be in accordance with state law, including that section of the Sunshine Law.

Section 173.365, RSMo, in referring to the MOHELA, states, "Each meeting of the authority **for any purpose whatsoever** shall be open to the public" (emphasis added). The Sunshine Law generally allows public governmental bodies to close meetings based on certain criteria; however, it appears exceptions to the open meetings requirement are superseded by other laws requiring open meetings/records. Section 610.021, RSMo, of the Sunshine Law states "**Except to the extent disclosure is otherwise required by law**, a public governmental body is authorized to close meetings, records, and votes. . . " (emphasis added). Therefore, given this language and the requirement in Section 173.365, RSMo, that all meetings of the MOHELA Board are required to be open to the public, it does not appear the board is currently authorized to close any of its meetings.

In February 2006, the Missouri Attorney General's Office (AGO) filed a lawsuit against the MOHELA alleging that the board had violated the Sunshine Law in 2006. While this lawsuit was primarily targeting actions of the board in January 2006, related to the termination of its Executive Director/CEO, the AGO's legal filings argued that the MOHELA Board was prohibited from holding closed meetings pursuant to Section 173.365, RSMo. That lawsuit was settled in late December 2006, when the MOHELA Board agreed that various procedures and communications in January 2006 constituted violations of the Sunshine Law and it agreed to comply with the Sunshine Law in the future. However, it is our understanding this settlement was not intended to resolve the question of whether the MOHELA Board can legally close some meetings.

Since the settlement of this lawsuit, the MOHELA Board has continued to hold closed meetings, having gone into executive session at least two times as of June 2007.

It should be noted that during the initial survey phase of the audit, the State Auditor's Office (SAO) requested access to the closed meeting minutes of the MOHELA Board, considering a review of these records as pertinent and necessary for the completion of all planned/required audit work. On March 27, 2007, the SAO was formally advised that the board had decided not to provide the closed meeting minutes, based on the advice of legal

counsel. On April 2, 2007, the SAO issued a subpoena demanding that these records be produced. The closed meeting minutes were not subsequently produced, and on April 12, 2007, the SAO filed a lawsuit in the Cole County Circuit Court to resolve this matter. This litigation is currently pending. Because we have not been allowed to review the board's closed meeting minutes, this has limited the scope of our work necessary to complete this audit and prevented us from considering any pertinent information contained in those minutes in our findings and conclusions.

WE RECOMMEND the MOHELA comply with Section 173.365, RSMo, and discontinue holding meetings that are closed to the public. If the board desires the legal authority to close its meetings pursuant to Section 610.021, RSMo, the board should pursue the necessary legislative change(s).

AUDITEE'S RESPONSE

The Authority conducts its affairs in strict compliance with the Sunshine Law's requirements. Section 610.021 of the Sunshine Law authorizes the Authority to close its meetings in relation to attorney-client communications, personnel matters, and other enumerated matters. Section 173.365, RSMo, provides that "[t]he proceedings and actions of the authority shall comply with all statutory requirements respecting the conduct of public business by a public agency." The Authority believes that this provision incorporates the Sunshine Law and, therefore, provides further support for the Authority to hold closed meetings. Moreover, Section 173.420, RSMo, provides, in relevant part, that nothing in the statutes governing the Authority "shall be construed as a restriction upon any powers which the authority might otherwise have under any laws of this state, but shall be construed as cumulative of any such powers." Accordingly, the Authority's governing legislation empowers it to close meetings in reliance on applicable Sunshine Law exemptions and other state laws protecting attorney-client communications. For the foregoing reasons, the Authority submits that it may hold meetings—including closed meetings—in accordance with the applicable provisions of the Sunshine Law.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MISSOURI HIGHER EDUCATION LOAN AUTHORITY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Missouri Higher Education Loan Authority (MOHELA) was created by the General Assembly of the state of Missouri through the passage of House Bill 326, which was signed into law on June 15, 1981. The MOHELA was established as a "public instrumentality and body corporate", and according to the authorizing legislation, was created "in order to assure that all eligible postsecondary education students have access to student loans that are guaranteed or insured, or both." The statutes relevant to the MOHELA are Sections 173.355 to 173.445, RSMo, and MOHELA's official stated mission is to eliminate barriers for students so they can access higher education. The MOHELA is statutorily assigned to the Missouri Department of Higher Education (DHE) and is required to file a report of its financial activity and indebtedness with the department annually.

The MOHELA owns and services student loans established by the Higher Education Act under the Federal Family Education Loan Program (FFELP), as well as supplemental (non–FFELP) loans. The authority handles the following types of student loans:

- Subsidized Stafford loans (loans made to students meeting certain financial needs tests, in which the government makes interest payments while the student is enrolled)
- Unsubsidized Stafford loans (loans made to students without regard to financial need, in which the government does not make interest payments)
- PLUS loans (loans to parents of dependent students, graduate students, or professional students)
- Consolidation loans (loans to borrowers to consolidate certain existing federal education loans)
- Supplemental/alternative (non-FFELP) loans (loans made to students who have reached the maximum available funding under FFELP)

The MOHELA issues bonds (taxable and tax-exempt) to finance the purchase of student loans. Tax-exempt bonds are used to purchase loans of Missouri residents or students of Missouri schools and result in lower interest rates for borrowers. The authority also provides other types of interest rate reduction such as reduction for borrowers in the public service field and reductions for borrowers paying through auto-debit directly from their bank accounts. In addition, the MOHELA also forgives loans based on certain criteria and provides various scholarship monies.

Since fiscal year 2001, the MOHELA has forgiven over $33 million in student loans, which represents the extent of this activity since its inception. In recent years, the MOHELA has transferred monies annually to the DHE to support the Gallagher Program (a grant/scholarship program), including at least $50,000 each year since fiscal year 2001 (over $295,000 was transferred for this program in fiscal year 2004). In addition, beginning in fiscal year 2007, MOHELA has chosen to pay default fees (a fee paid to the loan guarantor) which must be paid on guaranteed loans by either the borrower or the lender. As of March 2007, the MOHELA had paid default fees of over $2.4 million to the DHE (the MOHELA's primary guarantor).

Currently, the MOHELA can directly lend monies for PLUS, consolidation, and supplemental loans. However, the MOHELA does not have the statutory authority to directly issue Stafford loan monies. The authority services Stafford loans for lenders and purchases them from the lenders shortly before the borrowers start the repayment process. Since the MOHELA only buys these types of loans, and does not issue them, the authority is considered to be in the secondary student loan market.

The MOHELA is recognized as one of the largest nonprofit student loan secondary markets in the country by statistics gathered and maintained by the U.S. Department of Education. It is a leading holder and servicer of student loans with more than $5 billion in assets, and annual loan purchases in excess of $1.5 billion. In addition, the MOHELA has been granted "Exceptional Performer" status by the U.S. Department of Education, which allows the authority to obtain a 99 percent guarantee on defaulted loans, instead of the standard 97 percent.

During the 2007 legislative session, the Missouri General Assembly passed, and the Governor subsequently signed, Senate Bill 389 which became effective on August 28, 2007. The bill calls for the MOHELA to distribute $350 million to the state over the next six years to be used primarily for various construction projects at public colleges and universities throughout the state of Missouri. This plan, commonly referred to as the Lewis and Clark Discovery Initiative (LCDI), requires the MOHELA to sell some of its loans to fund the distributions. The first distribution of $230 million was scheduled to occur no later than September 15, 2007. On September 14, 2007, the MOHELA transferred the initial distribution of $230 million to the state of Missouri. A $5 million distribution is scheduled for the end of each quarter thereafter from December 31, 2007 through September 30, 2013. The authority can delay any of these payments if it will adversely affect either the services and benefits provided to borrowers or its own economic viability. In addition, the MOHELA will be credited any interest earned on these funds while they are being held by the state.

As of June 30, 2007, approximately $1.5 billion in student loans had been sold by the authority in anticipation of the LCDI. The student loans sold by the MOHELA generally represented loans that have a number of years left before they are liquidated, and the entities that have purchased these loans receive the annual interest that will be paid on them. In essence, MOHELA is selling the rights to the future interest revenues on these loans. This has allowed the MOHELA to sell these loans at a premium and realize a profit on these sales.

The MOHELA is governed by a seven-member board, the members of which serve five-year terms. This board is composed of five members appointed by the Governor, subject to the advice and consent of the Senate. Of these appointed members, two are representatives of higher education institutions (one public and one private) in Missouri, two are representatives of lending institutions in Missouri, and one is a representative of the public. The other two members are designated by statute, a member of the Missouri Coordinating Board for Higher Education (CBHE) and the Missouri Commissioner of Higher Education. In addition, the board has an emeritus member. Board members serve without compensation; however, they receive reimbursement for any expenses incurred in performing their duties. As of June 30, 2006, the Board consisted of the following members:

Name	Position	Term Ends	Sector	
Dr. Karen M. Luebbert	Chair	October 2008	Private Higher Education Representative	(1)
John W. Greer	Vice-Chair	October 2007	Lending Institution Representative	
Marilyn K. Bush	Treasurer	October 2006	Lending Institution Representative	(2)
Dr. James E. Ricks	Member	October 2009	Public Higher Education Representative	(3)
Dr. John F. Smith	Member	October 2010	Public Representative	(4)
Dr. Gregory G. Fitch	Member	No term limit	Commissioner of Higher Education	(5)
Gregory E. Upchurch	Member	No term limit	CBHE Designate	(6)
Allan W. Purdy	Member	No term limit	Emeritus	(7)

(1) Dr. Karen M. Luebbert resigned in October 2006. Dr. Robert H. Spence was appointed to fill this position in February 2007.

(2) Marilyn K. Bush resigned in September 2006, and was replaced in that month by W. Thomas Reeves. Mr. Reeves was elected Board Treasurer in November 2006.

(3) Dr. James E. Ricks resigned in September 2006, and was replaced in that month by Randy L. Etter. Mr. Etter was elected Board Secretary in November 2006; this position had previously been vacant.

(4) Dr. John F. Smith was elected Board Chair in November 2006.

(5) Dr. Gregory G. Fitch left the MOHELA Board when he resigned as Commissioner of Higher Education in June 2006. Dr. Fitch was replaced by Dr. Charles J. McClain from August to September 2006. Dr. Robert Stein replaced Dr. McClain in December 2006.

(6) Gregory E. Upchurch was elected Vice-Chair in November 2006.

(7) Allan W. Purdy was a member of the original board and served until he retired in 2004.

The MOHELA Board appointed Raymond H. Bayer, Jr. in June 2006 to serve as the Executive Director and Chief Executive Officer (CEO). Prior to that appointment, Mr. Bayer had served as interim Executive Director and CEO beginning in January 2006 to replace Michael J. Cummins. Other top administrative officials have been hired by the authority and are responsible for various duties/functions. The individuals who served in these positions and their annual salaries as of June 30, 2006, were as follows:

Name	Position	Annual Salary	
Raymond H. Bayer, Jr.	Executive Director and CEO	$ 275,000	
Matthew McIntyre	Associate General Counsel	130,000	(1)
Quentin Wilson	Associate Director of Student Access & Success/Interim Chief Financial Officer (CFO)	155,000	(2)
William Shaffner	Associate Director of Business Development	133,250	
Mary Stewart	Associate Director of Loan Servicing Division	128,125	
Christian Lee	Vice President of Contract Services	113,881	
Susan Crump	Vice President of Administration	86,780	
Marvin Geiger	Vice President of Information Systems	153,996	(3)

(1) Matthew McIntyre resigned in April 2007. James Matchefts was hired as General Counsel to replace Mr. McIntyre in May 2007.

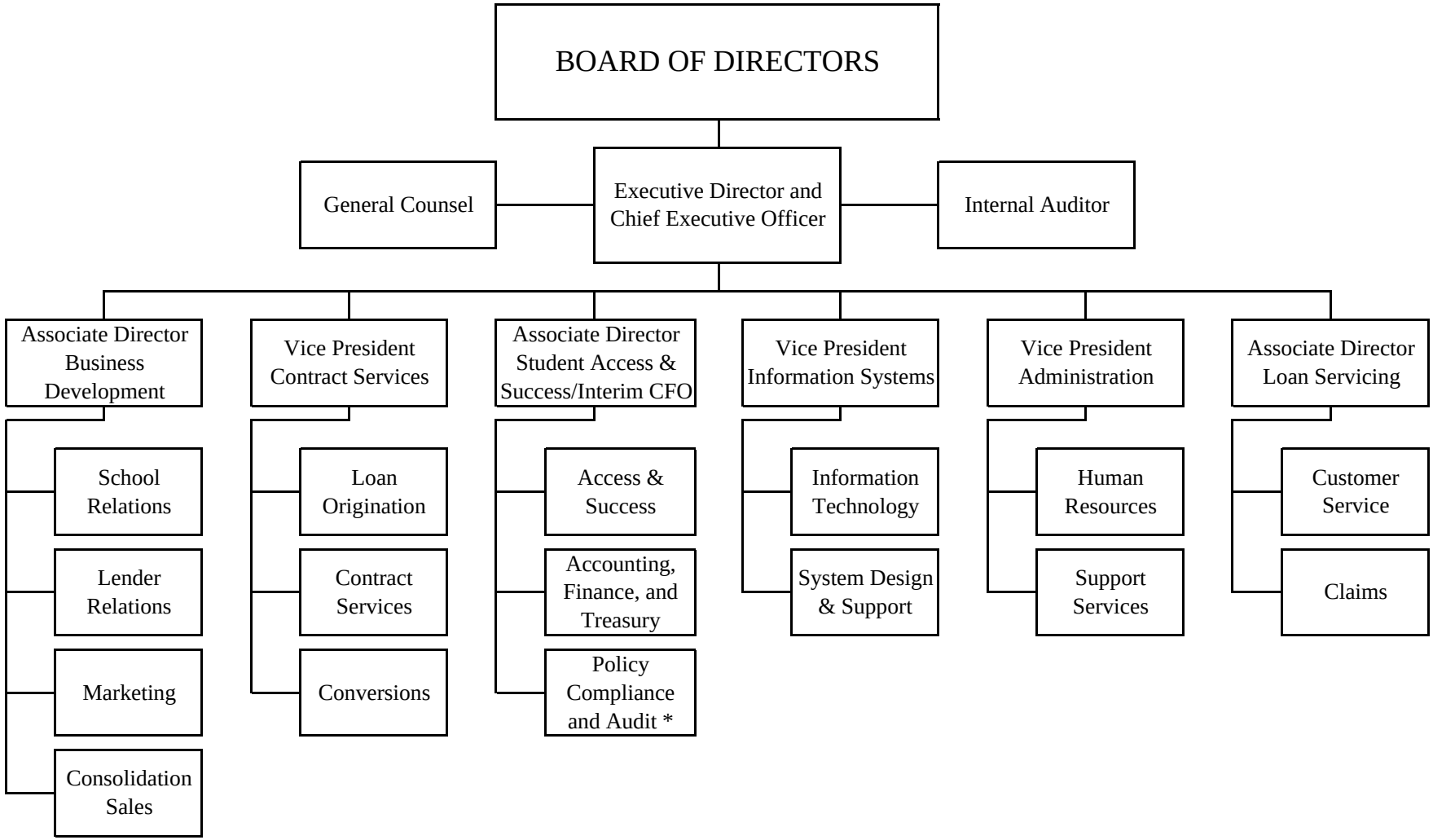
(2) Scott Giles was promoted to the Chief Financial Officer position in October 2006.

(3) Marvin Geiger resigned in July 2006 and was replaced in that month by Harry Lohse.

As of June 30, 2006, the authority employed 256 full-time and 4 part-time employees.

An organization chart and financial information follow.

MISSOURI HIGHER EDUCATION LOAN AUTHORITY
ORGANIZATION CHART
JUNE 30, 2006



* Dual reporting role (also reports to the CEO)

Appendix A

HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005
(In thousands)

ASSETS	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents:		
Restricted	$ 36,134	$ 30,282
Unrestricted	282,480	95,996
Total cash and cash equivalents	318,614	126,278
Investments held by Trustee—unrestricted		2,159
Investments held by Trustee—restricted	4,460	3,138
Total investments held by Trustee	4,460	5,297
Student loans receivable	50,629	43,917
Accrued interest receivable:		
U.S. Secretary of Education:		
Interest subsidy	8,732	5,400
Special allowance	35,079	19,024
Investments held by Trustee	752	362
Student loans receivable	87,889	60,799
Miscellaneous receivables and prepaid expenses	1,685	4,254
Deferred charges	235	266
Total current assets	508,075	265,597
LONG-TERM ASSETS:		
Investments held by Trustee:		
Restricted	2,585	2,585
Unrestricted	5,840	3,084
Total investments held by Trustee	8,425	5,669
Student loans receivable (less allowance for doubtful loans—$4,642 in 2006 and $3,286 in 2005)	5,187,545	4,326,188
Prepaid pension expense	3,225	3,413
Deferred charges—at cost less accumulated amortization of $2,573 in 2006 and $2,349 in 2005	4,933	4,032
Capital assets—at cost less accumulated depreciation of $3,998 in 2006 and $3,270 in 2005	14,470	14,413
Total long-term assets	5,218,598	4,353,715
TOTAL	$5,726,673	$4,619,312

LIABILITIES AND NET ASSETS	2006	2005
CURRENT LIABILITIES:		
Line of credit	$ 706,600	$ 85,200
Bonds payable—net	2,747	46,562
Accrued interest payable	21,146	13,782
Other liabilities	12,528	11,034
Total current liabilities	743,021	156,578
LONG-TERM LIABILITIES:		
Bonds payable—net	4,726,768	4,221,813
Arbitrage rebate payable	22,972	32,443
Total long-term liabilities	4,749,740	4,254,256
Total liabilities	5,492,761	4,410,834
NET ASSETS:		
Invested in capital assets	14,470	14,413
Restricted	129,839	112,310
Unrestricted	89,603	81,755
Total net assets	233,912	208,478
TOTAL	$5,726,673	$4,619,312

Source: The MOHELA's audited financial statements.

Appendix A

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003
(In thousands)

ASSETS	2004	2003
CURRENT ASSETS:		
Cash and cash equivalents:		
Restricted	$ 30,393	$ 30,743
Unrestricted	587,473	240,955
Total cash and cash equivalents	617,866	271,698
Investments held by Trustee—unrestricted	4,795	503
Student loans receivable	32,677	26,281
Accrued interest receivable:		
U.S. Secretary of Education:		
Interest subsidy	4,853	4,421
Special allowance	5,977	4,022
Investments held by Trustee	696	480
Student loans receivable	50,140	43,916
Miscellaneous receivables and prepaid expenses	923	1,610
Deferred charges	282	262
Total current assets	718,209	353,193
LONG-TERM ASSETS:		
Investments held by Trustee:		
Restricted	5,723	5,723
Unrestricted	2,927	8,733
Total investments held by Trustee	8,650	14,456
Student loans receivable (less allowance for doubtful loans—$2,173 in 2004 and $1,423 in 2003)	3,775,830	2,953,062
Prepaid pension expense	3,800	3,936
Deferred charges—at cost less accumulated amortization of $2,093 in 2004 and $1,875 in 2003	4,272	3,442
Capital assets—at cost less accumulated depreciation of $2,905 in 2004 and $3,025 in 2003	14,899	15,453
Total long-term assets	3,807,451	2,990,349
TOTAL	$4,525,660	$3,343,542

LIABILITIES AND NET ASSETS	2004	2003
CURRENT LIABILITIES:		
Bonds payable—net	$ 9,458	$ 45,150
Accrued interest payable	8,113	7,220
Other liabilities	6,327	5,407
Total current liabilities	23,898	57,777
LONG-TERM LIABILITIES:		
Bonds payable—net	4,278,041	3,090,044
Arbitrage rebate payable	37,415	44,972
Total long-term liabilities	4,315,456	3,135,016
Total liabilities	4,339,354	3,192,793
NET ASSETS:		
Invested in capital assets	14,899	15,453
Restricted	113,523	87,794
Unrestricted	57,884	47,502
Total net assets	186,306	150,749
TOTAL	$4,525,660	$3,343,542

Source: The MOHELA's audited financial statements.

Appendix A

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

STATEMENTS OF NET ASSETS
JUNE 30, 2002 AND 2001
(In thousands)

ASSETS	2002	2001
CURRENT ASSETS:		
Cash and cash equivalents:		
Restricted	$ 5,744	$ 4,180
Unrestricted	157,899	338,859
Total cash and cash equivalents	163,643	343,039
Investments held by Trustee:		
Restricted	-	24,799
Unrestricted		204,368
Total investments held by Trustee	-	229,167
Student loans receivable	21,128	20,539
Accrued interest receivable:		
U.S. Secretary of Education:		
Interest subsidy	5,266	5,552
Special allowance	2,664	1,284
Investments held by Trustee	440	146
Student loans receivable	44,843	41,674
Miscellaneous receivables and prepaid expenses	1,072	1,679
Deferred charges	249	259
Total current assets	239,305	643,339
LONG-TERM ASSETS:		
Investments held by Trustee:		
Restricted	29,739	5,723
Unrestricted	520	
Total investments held by Trustee	30,259	5,723
Student loans receivable	2,437,637	1,930,516
Prepaid pension expense	4,123	4,310
Deferred charges - at cost less accumulated amortization of $1,672 in 2002 and $1,483 in 2001	3,038	2,746
Capital assets - at cost less accumulated depreciation of $2,071 in 2002 and $3,934 in 2001	16,376	8,140
Total long-term assets	2,491,433	1,951,435
TOTAL	$2,730,738	$2,594,774

LIABILITIES AND NET ASSETS	2002	2001
CURRENT LIABILITIES:		
Bonds payable - net	$ 22,378	$ 52,267
Line of credit	95,000	9,482
Accrued interest payable	7,997	13,041
Other liabilities	4,730	4,216
Total current liabilities	130,105	79,006
LONG-TERM LIABILITIES:		
Bonds payable - net	2,438,127	2,390,912
Arbitrage rebate payable	35,934	18,000
Total long-term liabilities	2,474,061	2,408,912
Total liabilities	2,604,166	2,487,918
NET ASSETS:		
Invested in capital assets	16,376	8,140
Restricted	35,483	34,702
Unrestricted	74,713	64,014
Total net assets	126,572	106,856
TOTAL	$2,730,738	$2,594,774

Source: The MOHELA's audited financial statements.

Appendix B

HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005 (In thousands)

	2006	2005
OPERATING REVENUES:		
Interest on student loans	$164,417	$113,661
U.S. Secretary of Education:		
Interest subsidy	32,573	20,446
Special allowance	101,101	51,178
Investment income—interest on cash equivalents and investments	8,322	7,137
Gain on sale of loans	20	2,639
Servicing fee income	428	369
Total operating revenues	306,861	195,430
OPERATING EXPENSES:		
Interest expense	211,704	116,255
Program participation fees	32,034	21,924
Salaries and employee benefits	17,928	16,605
Computer services	6,705	5,456
Postage and forms	3,963	2,833
Professional fees	2,161	1,671
Occupancy expense	1,782	1,627
Bond maintenance fees	1,680	1,219
Letter of credit fees	1,256	992
Depreciation	838	815
Reduction of arbitrage rebate liability	(3,336)	(312)
Other operating expenses	4,712	4,173
Total operating expenses	281,427	173,258
CHANGE IN NET ASSETS	25,434	22,172
NET ASSETS—Beginning of year	208,478	186,306
NET ASSETS—End of year	$233,912	$208,478

Source: The MOHELA's audited financial statements.

Appendix B

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003
(In thousands)

	2004	2003
OPERATING REVENUES:		
Interest on student loans	$ 95,944	$ 96,762
U.S. Secretary of Education:		
Interest subsidy	17,620	16,001
Special allowance	21,820	16,272
Investment income:		
Interest on cash equivalents and investments	4,003	7,898
Loss on investments held by Trustee	(109)	(181)
Loss on sale of investments	(30)	
Gain on sale of loans	916	1,892
Servicing fee income	374	344
Total operating revenues	140,538	138,988
OPERATING EXPENSES:		
Interest expense	58,696	63,232
Program participation fees	16,694	12,235
Salaries and employee benefits	15,777	13,448
Computer services	4,514	4,355
Postage and forms	2,595	2,247
Occupancy expense	1,260	1,537
Bond maintenance fees	1,094	989
Letter of credit fees	1,006	997
Depreciation	843	970
Professional fees	790	344
Provision for (reduction of) arbitrage rebate liability	(2,221)	11,476
Other operating expenses	3,933	2,981
Total operating expenses	104,981	114,811
CHANGE IN NET ASSETS	35,557	24,177
NET ASSETS—Beginning of year	150,749	126,572
NET ASSETS—End of year	$ 186,306	$ 150,749

Source: The MOHELA's audited financial statements.

Appendix B

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2002 AND 2001
(In thousands)

	2002	2001
OPERATING REVENUES:		
Interest on student loans	$108,255	$111,646
U.S. Secretary of Education:		
Interest subsidy	19,010	19,189
Special allowance	10,805	10,369
Investment income:		
Interest on cash equivalents and investments	4,446	8,331
Gain (loss) on investments held by Trustee	4,346	(161)
Servicing fee income	124	106
Total operating revenues	146,986	149,480
OPERATING EXPENSES:		
Interest expense	66,121	98,871
Provision for arbitrage rebates	21,118	9,157
Salaries and employee benefits	11,117	9,747
Program participation fees	9,628	7,046
Bond maintenance fees	6,259	4,311
Computer services	3,910	3,356
Letter of credit fees	1,025	1,056
Depreciation	793	794
Amortization of bond issuance costs	188	169
Other operating expenses	7,111	6,472
Total operating expenses	127,270	140,979
CHANGE IN NET ASSETS	19,716	8,501
NET ASSETS, BEGINNING OF YEAR	106,856	98,355
NET ASSETS, END OF YEAR	$126,572	$106,856

Source: The MOHELA's audited financial statements.

Susan Montee, CPA
Missouri State Auditor

October 2007

Thirteenth Judicial Circuit

City of Holts Summit, Missouri
Municipal Division

Report No. 2007-55

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Holts Summit, Missouri Municipal Division.

The city of Holts Summit Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Because the City Clerk is the Court Clerk's mother-in-law, the city passed an ordinance to amend the duties of the City Clerk, so the City Clerk does not supervise the Court Clerk. It appears the Mayor and the Municipal Judge are the Court Clerk's direct supervisors; however, neither provide an adequate review of her work.

Checks and money orders are not restrictively endorsed until the deposits are prepared. Deposits are not always made intact, and the composition of the receipt slips issued is not always reconciled to the composition of the bank deposits. In addition, monies received are not always deposited in a timely manner.

Crime Victim's Compensation fees and Peace Officer Standards and Training Commission fees are not being turned over to the state monthly in accordance with state law. Also, a listing of open items (liabilities) is not prepared periodically and reconciled to monies held in trust.

All reports are available on our website: www.auditor.mo.gov

THIRTEENTH JUDICIAL CIRCUIT
CITY OF HOLTS SUMMIT, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Municipal Judge
Holts Summit, Missouri

We have audited certain operations of the city of Holts Summit Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Holts Summit Municipal Division of the Thirteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Liang Xu
	James Samek

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Deposits are not always made intact, and the composition of receipt slips is not always reconciled to the composition of the bank deposits. Furthermore, checks and money orders are not restrictively endorsed until the deposits are prepared, and monies received are not consistently deposited in a timely manner. Duties are not properly segregated, a listing of open items is not prepared, and fees are not turned over to the state monthly in accordance with state law.

A. The following concerns relating to receipts were noted:

1. Deposits are not always made intact, and the composition of the receipt slips issued is not always reconciled to the composition of the bank deposits. Although the Court Clerk indicated she reconciles the composition of receipt slips issued to the composition of deposits, a $200 cash receipt could not be traced to a deposit. On January 24, 2005, a receipt slip was issued for a $200 cash payment on a defendant's outstanding case balance. The payment was documented in the defendant's case file; however, the money could not be traced to a deposit into the city treasury.

   To ensure all receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

2. Checks and money orders are not restrictively endorsed until the deposits are prepared. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

3. Monies received are not always deposited in a timely manner. Monies are normally collected each day, but the Court Clerk indicated that some monies are not deposited until the case has been processed, which could be weeks after moneys are received. For example, a money order for $130 was received on January 12, 2005, but was not deposited into the city treasury by the Court Clerk until February 4, 2005. On another occasion, a check for $322 was received on May 10, 2006, but was not deposited into the bond account until June 9, 2006. To reduce the risk of loss, theft, or misuse of funds, monies received should be deposited timely, preferably daily.

B. The Court Clerk is primarily responsible for receiving, recording and depositing bonds, and disbursing bond monies collected by the court, as well as reconciling the municipal division's bond account. As a result, the duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Because the City Clerk is the Court Clerk's mother-in-law, a city ordinance was passed in April 2005 to amend the duties of the City Clerk. As of April 2005, the City Clerk does not supervise the Court Clerk. Because of this ordinance, it appears the Mayor and the Municipal Judge are the Court Clerk's direct supervisors; however, neither provide an adequate review of her work. In addition, court fines and fees are deposited directly into the city treasury, though no one independent of the receiving, recording, or depositing processes reconciles the amount deposited with the cases filed or the receipt slips issued by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Although the Municipal Judge indicated he reviews the court dockets and individual case files, internal controls could be improved by implementing an independent, documented comparison of the court docket to recorded receipts and bank statements, and a periodic review of bank reconciliations. In addition, the amount deposited into the city treasury should be reviewed to ensure that all monies received are being turned over by the Court Clerk.

C. A listing of open items (liabilities) is not prepared periodically and reconciled to the book balance. A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. The clerk was able to prepare a listing as of August 15, 2007, which showed total liabilities of $2,182.

Documentation of this monthly listing should be prepared and maintained to properly account for monies held in trust.

D. Crime Victim's Compensation (CVC) fees and Peace Officer Standards and Training Commission (POSTC) fees are not being turned over to the state monthly in accordance with state law. CVC and POSTC fees have been assessed and collected by the court for violations of municipal ordinances, except for cases dismissed by the court. The fees are deposited directly into the city treasury, and the city remits these fees to the state quarterly. Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly.

WE RECOMMEND the city of Holts Summit Municipal Division:

A.1. Reconcile cash, checks, and money orders received to the composition of bank deposits to ensure all receipts are properly handled.

2. Restrictively endorse checks and money orders immediately upon receipt.

3. Deposit all monies on a timely basis, preferably daily.

B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies should be investigated.

C. Prepare and maintain a monthly listing of open items and reconcile to the funds held in trust.

D. Remit CVC and POSTC fees to the state monthly in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk provided the following responses:

A.1. We agree. A second person is recalculating the deposits after they are prepared by the Court Clerk. We will have her review the composition of the deposits and initial to document her review in the future.

A.2. &D. These recommendations have been implemented.

3. This recommendation has been implemented. The court had been told previously that money should not be deposited until a case was filed by the Prosecuting Attorney.

B. We agree. The City Treasurer can begin doing the bank reconciliations for the bond account. In addition, deposits are being reviewed as discussed in A.1.

C. We agree. We will implement a spreadsheet and provide it to the City Treasurer monthly to perform the bank reconciliation.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF HOLTS SUMMIT, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Holts Summit Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Curtis Hanrahan
Court Clerk	Ashley Fletcher
City Clerk	Cheryl Fletcher

Financial and Caseload Information

	Year Ended December 31,	
	2006	2005
Receipts	$103,660	122,590
Number of cases filed	852	975

Susan Montee, CPA
Missouri State Auditor

October 2007

Eleventh Judicial Circuit

City of St. Peters, Missouri Municipal Division

Report No. 2007-54

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

YELLOW SHEET

An audit was conducted by our office of the Eleventh Judicial Circuit, city of St. Peters, Missouri Municipal Division.

The city of St. Peters Municipal Division is within the Eleventh Judicial Circuit, which consists of St. Charles county. The Honorable Ted House serves as Presiding Judge.

The Municipal Court and Police Department collect approximately $452,000 annually in bond monies. Neither the Police Department nor Court Administrator marks the receipt slip or ledger as cash or check. As a result, the composition of receipt slips issued is not reconciled to the composition of deposits. In addition, the City Finance Department reconciles the bond bank account but is unable to perform a reconciliation of the composition of monies received to the deposit documentation.

The Municipal Court implemented or partially implemented our previous recommendations.

A petition audit of the City of St. Peters fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in a subsequent report.

All reports are available on our website: www.auditor.mo.gov

ELEVENTH JUDICIAL CIRCUIT
CITY OF ST. PETERS, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Eleventh Judicial Circuit
and
Municipal Judge
St. Peters, Missouri

We have audited certain operations of the city of St. Peters Municipal Division of the Eleventh Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the year ended September 30, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of St. Peters Municipal Division of the Eleventh Judicial Circuit.

A petition audit of the City of St. Peters fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice Fast, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Alicia Hall

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Bond Receipts

The method of payment for bonds is not noted on the receipt slips. The Municipal Court and Police Department collect approximately $452,000 annually in bond monies.

The Police Department only accepts cash and uses a one-write ledger to record the receipt of bond monies. When bond checks are received from other cities, the Court Administrator receipts these checks into the Police Department one-write ledger. Neither the Police Department nor the Court Administrator marks the one-write receipt slip or ledger as cash or check. As a result, the composition of one-write receipt slips issued is not reconciled to the composition of deposits. In addition, the City Finance Department reconciles the bond bank account but is unable to perform a reconciliation of the composition of monies received to the deposit documentation. The Municipal Court personnel and Finance Department simply total the activity on the one-write ledger and agree the total to amounts deposited. The receipt slips should indicate the method of payment (i.e., cash, checks, or money orders) and the composition should be reconciled to amounts transmitted to the Municipal Court for deposit.

WE RECOMMEND the Municipal Court and Police Department ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled by the Municipal Court and City Finance Department to deposits.

AUDITEE'S RESPONSE

The Municipal Judge and Assistant City Administrator provided the following response:

The Police Department only accepts cash and uses a one-write ledger to record the receipt of bond monies. When bond checks are received from other cities, the Court Administrator receipts these checks into the Police Department one-write ledger.

Information as to the date of receipt, amount and method of payment (cash, money order or check), and the date of deposit is entered into the court computerized system daily by the Court Administrator. This has been an on-going process since inception of the computerized court system. The corresponding receipt numbers are listed on the deposit slip for each deposit being made for the bond account.

As recommended, the Court Administrator is now recording the method of payment on the receipt slips, allowing for the composition of receipt slips to be reconciled by the Municipal Court and the City Finance Department to deposits.

We appreciate the opportunity to respond to the audit of certain operations of the Municipal Court of the City of St. Peters for the fiscal year ended September 30, 2006. As you will note, immediate supplementary action has already been taken to address the recommendation listed, and the City of St. Peters and its Municipal Court will continue to provide responsible management of court records and funds for fines and forfeiture revenues to ensure compliance with legal provisions embodied in state and city laws.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

ELEVENTH JUDICIAL CIRCUIT
CITY OF ST. PETERS, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Governmental Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of St. Peters Municipal Division on the applicable findings in the Management Advisory Report (MAR) of our prior report issued for the two years ended September 30, 2003. Although the partially implemented recommendation is not repeated, the municipal division should consider implementing it.

City of St. Peters Municipal Division

A. The municipal division assessed a fine in excess of the state allowable amount regarding violations of passenger restraint system requirements for children under four years of age. While Section 210.104.2, RSMo, stated a fine of $25 was to be assessed for all violations of this law, the division was assessing a fine of $48 on tickets issued for this violation.

B. Although the municipal division had a computer system where all tickets issued were entered, the Court Administrator did not generate a listing of all tickets issued in numerical sequence and account for the tickets.

C. Computer passwords were not kept confidential.

Recommendation

A. Assess fines in accordance with state law.

B. Ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

C. Ensure passwords are periodically changed and remain confidential.

Status:

A&C. Implemented.

B. Partially implemented. The Court Supervisor indicated she is now generating a listing of the tickets and accounting for the numerical sequence. However, this procedure is only being done every six months and no documentation is being kept of the review. Although not repeated in the current MAR, our recommendation remains as stated above.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

ELEVENTH JUDICIAL CIRCUIT
CITY OF ST. PETERS, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. Peters Municipal Division is one of eleven municipal divisions within the Eleventh Judicial Circuit, which consists of St. Charles County. The Honorable Ted House serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Donald Kohl
Court Administrator	Greg White

Financial and Caseload Information

	Year Ended September 30,	
	2006	2005
Receipts	$2,461,482	1,886,721
Number of cases filed	20,624	16,265

Susan Montee, CPA
Missouri State Auditor

September 2007

Grundy County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-53

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Grundy, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county and health center do not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditure of Federal Awards (SEFA). Total expenditures were overstated significantly for the two years ended December 31, 2006 and other expenditures related to some federal grants were not included on the schedule.

Budgets were not prepared for several county funds, the annual published financial statements did not include financial information for some county funds, and the County Commission and various other elected officials did not regularly monitor budget to actual data for funds they control, resulting in overspending of several county funds. In addition, the county has transferred approximately $32,400 more than allowed by state law for the General Revenue Fund's administrative service fee.

The county did not always solicit bids, or bid documentation was not always retained for various purchases. While the county indicated several of those items were sole source procurements, this was not documented. Payments totaling approximately $315,000 were made to townships and road districts without proper written contracts. In addition, while an annual financial report was submitted by most townships and road districts, these reports are not reviewed by the County Commission to ensure the CART monies are properly expended.

The County Clerk does not reconcile her account book with the County Collector, which would help ensure the accuracy of the annual settlement. The county also has not developed a formal emergency contingency plan for the computer system and has not formally negotiated arrangements for backup facilities in the event of a disaster.

Minutes of closed meetings held by the County Commission are not always taken. While numerous closed sessions were held, minutes were not taken for some of those meetings.

The county does not maintain documentation to support the calculation of the transfers made from the Ambulance Fund to the General Revenue Fund, which totaled $117,000 during the audit period. The county has also not sought a legal opinion or had significant

(over)

discussions in recent years on how these transfers are calculated. The county has been placing the entire proceeds of a general sales tax, (approximately $430,000 annually), into the Ambulance Fund, and has transferred a portion of those monies to the General Revenue Fund. The ballot language places no restrictions on those monies, but documentation from a 1992 county commission meeting indicates that commissioners only ordered that an amount equal to 15% of budgeted expenditures be budgeted as an emergency reserve in the Ambulance Fund budget. The county has not been budgeting the Ambulance Fund in accordance with this order.

The county does not always bill for all allowable charges for ambulance services. For 5 of 20 cases tested, allowable charges totaling approximately $450 were not properly billed. In addition, a reconciliation of accounts receivable to billings and payments received is not performed, transmittals to the County Treasurer are not always made timely and some checks and money orders were not restrictively endorsed upon receipt.

Also included in the report were suggestions for improvements to county property records. The audit also suggested improvements in the procedures of the Sheriff, Prosecuting Attorney, Circuit Clerk, and Health Center.

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GRUNDY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Grundy County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Grundy County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grundy County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 16, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Grundy County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 16, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	David Gregg
Audit Staff:	Ryan M. King
	Melissa McCoin
	Richard Stuck

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Grundy County, Missouri

We have audited the financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Grundy County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Grundy County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Grundy County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 16, 2007

Financial Statements

Exhibit A-1

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	282,502	1,222,704	1,309,687	195,519
Special Road and Bridge		333,043	839,208	609,447	562,804
Assessment		28,518	180,704	209,171	51
Law Enforcement Training		2,983	2,903	4,664	1,222
Prosecuting Attorney Training		4,281	633	440	4,474
Ambulance		410,742	893,444	870,725	433,461
Law Enforcement Center		95,207	535,773	534,566	96,414
Prosecuting Attorney Bad Check		11,284	37,063	29,362	18,985
Recorder Preservation		3,672	4,030	7,307	395
Victims of Domestic Violence		31	452	461	22
Local Emergency Planning Committee		8,118	3,926	4,461	7,583
Law Enforcement Restitution		205	2,729	0	2,934
9-1-1		34,391	84,498	99,972	18,917
Election Services		16,594	168,120	186,932	(2,218)
Recorder's Technology		1,755	2,295	3,706	344
Juvenile		9,518	38,334	40,373	7,479
Prosecuting Attorney Delinquent Tax		722	28	549	201
Juvenile Restitution		545	249	0	794
Drug Court-Local		6,113	19,256	14,701	10,668
Drug Court-Federal Grant		(10,346)	93,086	90,446	(7,706)
Sheriffs Revolving		362	352	0	714
Collector Tax Maintenance Fund		15,044	9,945	7,096	17,893
Health Center		573,637	658,916	563,668	668,885
Families and Friends of the Developmentally Disabled		134,052	103,852	152,754	85,150
Circuit Clerk Interest		2,630	2,876	654	4,852
Law Library		21,339	6,010	4,650	22,699
Law Enforcement Center Construction		0	5,002,653	228,183	4,774,470
Cemetery Trust Funds		180,962	27,893	2,875	205,980
Sheriff Telephone Commissions		120	1,073	938	255
Sheriff Commissary		108	1,473	1,493	88
Division of Youth Services Grant		0	16,168	16,168	0
Associate Division Interest		870	27	0	897
Total	$	2,169,002	9,960,673	4,995,449	7,134,226

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	235,013	1,207,473	1,159,984	282,502
Special Road and Bridge		496,306	569,462	732,725	333,043
Assessment		18,037	138,919	128,438	28,518
Law Enforcement Training		4,902	2,741	4,660	2,983
Prosecuting Attorney Training		4,460	562	741	4,281
Ambulance		195,385	912,807	697,450	410,742
Law Enforcement Center		1,460	411,084	317,337	95,207
Prosecuting Attorney Bad Check		8,860	24,315	21,891	11,284
Recorder Preservation		1,956	4,266	2,550	3,672
Victims of Domestic Violence		47	322	338	31
Local Emergency Planning Committee		8,865	3,833	4,580	8,118
Law Enforcement Restitution		0	253	48	205
9-1-1		66,897	92,181	124,687	34,391
Election Services		16,867	6,421	6,694	16,594
Recorder's Technology		8,417	2,485	9,147	1,755
Juvenile		19,479	55,229	65,190	9,518
Prosecuting Attorney Delinquent Tax		1,560	162	1,000	722
Juvenile Restitution		275	270	0	545
Drug Court-Local		2,455	15,375	11,717	6,113
Drug Court-Federal Grant		0	4,935	15,281	(10,346)
Sheriffs Revolving		0	362	0	362
Collector Tax Maintenance Fund		10,198	9,503	4,657	15,044
Health Center		479,396	607,747	513,506	573,637
Families and Friends of the Developmentally Disabled		164,341	100,692	130,981	134,052
Circuit Clerk Interest		1,625	1,005	0	2,630
Law Library		20,065	5,766	4,492	21,339
Cemetery Trust Funds		169,849	13,417	2,304	180,962
Sheriff Telephone Commissions		86	1,588	1,554	120
Sheriff Commissary		87	1,965	1,944	108
Division of Youth Services Grant		0	13,297	13,297	0
Associate Division Interest		836	34	0	870
Total	$	1,937,724	4,208,471	3,977,193	2,169,002

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 5,540,066	4,911,386	(628,680)	3,971,065	4,172,620	201,555
DISBURSEMENTS	5,827,456	4,745,792	1,081,664	3,929,327	3,942,765	(13,438)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(287,390)	165,594	452,984	41,738	229,855	188,117
CASH, JANUARY 1	1,986,737	1,986,942	205	1,766,866	1,766,866	0
CASH, DECEMBER 31	1,699,347	2,152,536	453,189	1,808,604	1,996,721	188,117
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	130,000	131,582	1,582	182,823	194,373	11,550
Sales taxes	430,000	437,778	7,778	445,000	430,612	(14,388)
Intergovernmental	190,668	231,575	40,907	230,115	223,564	(6,551)
Charges for services	139,500	130,825	(8,675)	150,800	143,079	(7,721)
Interest	15,000	14,287	(713)	4,500	10,372	5,872
Other	99,461	117,492	18,031	151,750	103,652	(48,098)
Transfers in	169,500	159,165	(10,335)	120,167	101,821	(18,346)
Total Receipts	1,174,129	1,222,704	48,575	1,285,155	1,207,473	(77,682)
DISBURSEMENTS						
County Commissior	76,810	75,937	873	47,810	49,776	(1,966)
County Clerk	87,513	86,167	1,346	83,150	77,316	5,834
Elections	43,600	31,200	12,400	39,500	19,902	19,598
Buildings and grounds	138,724	120,345	18,379	105,412	50,110	55,302
Employee fringe benefit	102,100	104,303	(2,203)	88,100	91,967	(3,867)
County Treasurer	72,289	65,550	6,739	68,002	64,268	3,734
Circuit Clerk	25,584	31,296	(5,712)	26,400	23,990	2,410
Associate Circuit Court	13,050	9,889	3,161	11,050	7,330	3,720
Court administration	12,101	6,429	5,672	11,874	6,924	4,950
Public Administrator	40,000	39,921	79	40,100	38,557	1,543
Sheriff	261,583	278,025	(16,442)	288,535	259,777	28,758
Jail	124,568	124,019	549	117,474	125,615	(8,141)
Prosecuting Attorney	74,926	71,790	3,136	72,205	74,865	(2,660)
Juvenile Officer	79,348	42,649	36,699	62,187	50,170	12,017
County Coroner	16,505	12,304	4,201	15,475	12,002	3,473
General County Government	66,325	56,775	9,550	60,800	83,211	(22,411)
Emergency Shelter Grant	11,805	11,508	297	9,586	10,656	(1,070)
Homeless Shelter Grant	17,470	17,470	0	17,470	17,470	0
Advocacy Center	93,817	122,910	(29,093)	81,575	93,206	(11,631)
Transfers out	58,000	1,200	56,800	0	0	0
Emergency Fund	35,281	0	35,281	38,555	2,872	35,683
Total Disbursements	1,451,399	1,309,687	141,712	1,285,260	1,159,984	125,276
RECEIPTS OVER (UNDER) DISBURSEMENTS	(277,270)	(86,983)	190,287	(105)	47,489	47,594
CASH, JANUARY 1	282,502	282,502	0	235,013	235,013	0
CASH, DECEMBER 31	5,232	195,519	190,287	234,908	282,502	47,594

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	45,000	43,194	(1,806)	50,000	40,351	(9,649)
Intergovernmental	879,081	489,712	(389,369)	838,019	512,218	(325,801)
Interest	15,000	15,633	633	6,000	12,470	6,470
Other	3,000	13,053	10,053	3,000	4,423	1,423
Transfers in	265,000	277,616	12,616	0	0	0
Total Receipts	1,207,081	839,208	(367,873)	897,019	569,462	(327,557)
DISBURSEMENTS						
Salaries	79,273	70,900	8,373	102,300	95,004	7,296
Employee fringe benefit	13,000	13,317	(317)	17,800	14,444	3,356
Supplies	23,700	26,855	(3,155)	23,200	21,117	2,083
Insurance	7,000	6,980	20	6,200	6,674	(474)
Road and bridge materials	107,000	195,957	(88,957)	48,000	66,877	(18,877)
Equipment repairs	11,000	10,984	16	11,000	12,997	(1,997)
Rentals	0	312	(312)	0	312	(312)
Equipment purchases	40,000	44,298	(4,298)	36,000	33,192	2,808
Construction, repair, and maintenance	623,500	180,705	442,795	509,500	176,823	332,677
Other	13,300	14,139	(839)	9,860	20,285	(10,425)
Transfers out	45,000	45,000	0	24,000	285,000	(261,000)
Total Disbursements	962,773	609,447	353,326	787,860	732,725	55,135
RECEIPTS OVER (UNDER) DISBURSEMENTS	244,308	229,761	(14,547)	109,159	(163,263)	(272,422)
CASH, JANUARY 1	333,043	333,043	0	496,306	496,306	0
CASH, DECEMBER 31	577,351	562,804	(14,547)	605,465	333,043	(272,422)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	144,000	176,188	32,188	136,311	136,079	(232)
Interest	2,000	2,268	268	280	2,003	1,723
Other	800	1,048	248	900	837	(63)
Transfers in	58,000	1,200	(56,800)	0	0	0
Total Receipts	204,800	180,704	(24,096)	137,491	138,919	1,428
DISBURSEMENTS						
Assessor	232,314	209,171	23,143	148,300	128,438	19,862
Total Disbursements	232,314	209,171	23,143	148,300	128,438	19,862
RECEIPTS OVER (UNDER) DISBURSEMENTS	(27,514)	(28,467)	(953)	(10,809)	10,481	21,290
CASH, JANUARY 1	28,518	28,518	0	18,037	18,037	0
CASH, DECEMBER 31	1,004	51	(953)	7,228	28,518	21,290

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	1,000	0	(1,000)	0	0	0
Charges for services	2,000	2,808	808	3,000	2,611	(389)
Interest	100	95	(5)	80	130	50
Total Receipts	3,100	2,903	(197)	3,080	2,741	(339)
DISBURSEMENTS						
Sheriff	6,000	4,664	1,336	6,000	4,660	1,340
Total Disbursements	6,000	4,664	1,336	6,000	4,660	1,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	(1,761)	1,139	(2,920)	(1,919)	1,001
CASH, JANUARY 1	2,983	2,983	0	4,902	4,902	0
CASH, DECEMBER 31	83	1,222	1,139	1,982	2,983	1,001
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	450	396	(54)	500	418	(82)
Interest	130	237	107	60	144	84
Total Receipts	580	633	53	560	562	2
DISBURSEMENTS						
Prosecuting Attorney	900	440	460	900	741	159
Total Disbursements	900	440	460	900	741	159
RECEIPTS OVER (UNDER) DISBURSEMENTS	(320)	193	513	(340)	(179)	161
CASH, JANUARY 1	4,281	4,281	0	4,460	4,460	0
CASH, DECEMBER 31	3,961	4,474	513	4,120	4,281	161
AMBULANCE FUND						
RECEIPTS						
Sales taxes	430,000	437,395	7,395	445,000	430,460	(14,540)
Charges for services	381,000	431,616	50,616	300,000	471,306	171,306
Interest	10,050	21,283	11,233	2,000	9,269	7,269
Other	1,000	3,150	2,150	2,000	1,772	(228)
Total Receipts	822,050	893,444	71,394	749,000	912,807	163,807
DISBURSEMENTS						
Salaries	494,329	468,762	25,567	482,821	441,474	41,347
Office expenses	29,400	24,891	4,509	26,900	23,141	3,759
Equipment	148,108	154,712	(6,604)	104,000	101,594	2,406
Fuel and maintenance	23,500	26,785	(3,285)	21,000	17,535	3,465
Employee fringe benefits	88,681	82,062	6,619	87,145	72,013	15,132
Insurance	15,188	15,960	(772)	13,550	13,478	72
Other	1,100	3,912	(2,812)	3,000	3,495	(495)
Training	4,350	641	3,709	4,350	720	3,630
Transfers out	93,000	93,000	0	24,000	24,000	0
Total Disbursements	897,656	870,725	26,931	766,766	697,450	69,316
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75,606)	22,719	98,325	(17,766)	215,357	233,123
CASH, JANUARY 1	410,742	410,742	0	195,385	195,385	0
CASH, DECEMBER 31	335,136	433,461	98,325	177,619	410,742	233,123

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT CENTER FUND						
RECEIPTS						
Sales taxes	430,000	435,572	5,572	0	138,510	138,510
Intergovernmental	8,050	89,373	81,323	9,000	9,000	0
Interest	1,000	8,943	7,943	0	794	794
Other	458,405	1,885	(456,520)	1,400	1,780	380
Transfers in	0	0	0	0	261,000	261,000
Total Receipts	897,455	535,773	(361,682)	10,400	411,084	400,684
DISBURSEMENTS						
DARE training	1,905	1,937	(32)	1,400	1,836	(436)
Vehicle	8,050	8,051	(1)	9,000	9,000	0
Construction	715,000	246,962	468,038	0	306,501	(306,501)
Transfers out	265,000	277,616	(12,616)	0	0	0
Total Disbursements	989,955	534,566	455,389	10,400	317,337	(306,937)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(92,500)	1,207	93,707	0	93,747	93,747
CASH, JANUARY 1	95,207	95,207	0	1,460	1,460	0
CASH, DECEMBER 31	2,707	96,414	93,707	1,460	95,207	93,747
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	35,000	36,293	1,293	19,300	24,005	4,705
Interest	0	770	770	185	310	125
Total Receipts	35,000	37,063	2,063	19,485	24,315	4,830
DISBURSEMENTS						
Prosecuting Attorney	28,596	29,362	(766)	20,276	21,891	(1,615)
Total Disbursements	28,596	29,362	(766)	20,276	21,891	(1,615)
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,404	7,701	1,297	(791)	2,424	3,215
CASH, JANUARY 1	11,284	11,284	0	8,860	8,860	0
CASH, DECEMBER 31	17,688	18,985	1,297	8,069	11,284	3,215
RECORDER PRESERVATION FUND						
RECEIPTS						
Charges for services	4,000	3,804	(196)	4,500	4,176	(324)
Interest	80	226	146	40	90	50
Total Receipts	4,080	4,030	(50)	4,540	4,266	(274)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	3,800	7,307	(3,507)	3,500	2,550	950
Total Disbursements	3,800	7,307	(3,507)	3,500	2,550	950
RECEIPTS OVER (UNDER) DISBURSEMENTS	280	(3,277)	(3,557)	1,040	1,716	676
CASH, JANUARY 1	3,672	3,672	0	1,956	1,956	0
CASH, DECEMBER 31	3,952	395	(3,557)	2,996	3,672	676

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
VICTIMS OF DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	300	440	140	500	315	(185)
Interest	10	12	2	10	7	(3)
Total Receipts	310	452	142	510	322	(188)
DISBURSEMENTS						
Shelter	300	461	(161)	500	338	162
Total Disbursements	300	461	(161)	500	338	162
RECEIPTS OVER (UNDER) DISBURSEMENTS	10	(9)	(19)	10	(16)	(26)
CASH, JANUARY 1	31	31	0	47	47	0
CASH, DECEMBER 31	41	22	(19)	57	31	(26)
LOCAL EMERGENCY PLANNING COMMITTEE FUND						
RECEIPTS						
Intergovernmental	3,400	3,538	138	6,400	3,568	(2,832)
Interest	200	388	188	120	265	145
Total Receipts	3,600	3,926	326	6,520	3,833	(2,687)
DISBURSEMENTS						
Equipment	150	0	150	1,500	0	1,500
Training	1,800	1,618	182	1,165	1,798	(633)
Office supplies	400	235	165	500	174	326
Dues	2,610	2,608	2	2,500	2,608	(108)
Total Disbursements	4,960	4,461	499	5,665	4,580	1,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,360)	(535)	825	855	(747)	(1,602)
CASH, JANUARY 1	8,118	8,118	0	8,865	8,865	0
CASH, DECEMBER 31	6,758	7,583	825	9,720	8,118	(1,602)
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	0	2,698	2,698			
Interest	0	31	31			
Total Receipts	0	2,729	2,729			
DISBURSEMENTS						
Miscellaneous	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,729	2,729			
CASH, JANUARY 1	0	205	205			
CASH, DECEMBER 31	0	2,934	2,934			

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
911 FUND						
RECEIPTS						
Charges for services	90,000	82,599	(7,401)	96,000	90,377	(5,623)
Interest	1,600	1,899	299	1,200	1,804	604
Total Receipts	91,600	84,498	(7,102)	97,200	92,181	(5,019)
DISBURSEMENTS						
Salaries	56,000	56,000	0	56,000	56,000	0
Office Expenditures	250	155	95	250	73	177
Equipment	1,000	0	1,000	0	16,003	(16,003)
Equipment repair and maintenance	5,000	3,683	1,317	12,500	6,790	5,710
Equipment support	39,000	34,394	4,606	39,000	40,257	(1,257)
Other	6,000	5,740	260	4,275	5,564	(1,289)
Total Disbursements	107,250	99,972	7,278	112,025	124,687	(12,662)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,650)	(15,474)	176	(14,825)	(32,506)	(17,681)
CASH, JANUARY 1	34,391	34,391	0	66,897	66,897	0
CASH, DECEMBER 31	18,741	18,917	176	52,072	34,391	(17,681)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	167,960	167,574	(386)	85,450	5,234	(80,216)
Interest	500	546	46	75	565	490
Other	0	0	0	0	622	622
Total Receipts	168,460	168,120	(340)	85,525	6,421	(79,104)
DISBURSEMENTS						
Equipment	165,200	173,913	(8,713)	91,150	6,030	85,120
Training	3,400	2,034	1,366	2,000	441	1,559
Supplies	4,500	2,046	2,454	5,000	223	4,777
Miscellaneous	5,000	8,939	(3,939)	0	0	0
Total Disbursements	178,100	186,932	(8,832)	98,150	6,694	91,456
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,640)	(18,812)	(9,172)	(12,625)	(273)	12,352
CASH, JANUARY 1	16,594	16,594	0	16,867	16,867	0
CASH, DECEMBER 31	6,954	(2,218)	(9,172)	4,242	16,594	12,352
RECORDER'S TECHNOLOGY FUND						
RECEIPTS						
Charges for services	2,200	2,209	9	2,300	2,313	13
Interest	170	86	(84)	100	172	72
Total Receipts	2,370	2,295	(75)	2,400	2,485	85
DISBURSEMENTS						
Ex Officio Recorder of Deeds	1,500	3,706	(2,206)	5,000	9,147	(4,147)
Total Disbursements	1,500	3,706	(2,206)	5,000	9,147	(4,147)
RECEIPTS OVER (UNDER) DISBURSEMENTS	870	(1,411)	(2,281)	(2,600)	(6,662)	(4,062)
CASH, JANUARY 1	1,755	1,755	0	8,417	8,417	0
CASH, DECEMBER 31	2,625	344	(2,281)	5,817	1,755	(4,062)

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
JUVENILE FUND						
RECEIPTS						
Intergovernmental	64,434	37,131	(27,303)	24,671	54,291	29,620
Interest	20	35	15	10	23	13
Other	800	1,168	368	800	915	115
Total Receipts	65,254	38,334	(26,920)	25,481	55,229	29,748
DISBURSEMENTS						
Juvenile officer	35,494	19,208	16,286	10,503	11,369	(866)
Transfers out	31,500	21,165	10,335	16,768	53,821	(37,053)
Total Disbursements	66,994	40,373	26,621	27,271	65,190	(37,919)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,740)	(2,039)	(299)	(1,790)	(9,961)	(8,171)
CASH, JANUARY 1	9,518	9,518	0	19,479	19,479	0
CASH, DECEMBER 31	7,778	7,479	(299)	17,689	9,518	(8,171)
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	100	10	(90)	1,400	127	(1,273)
Interest	50	18	(32)	0	35	35
Total Receipts	150	28	(122)	1,400	162	(1,238)
DISBURSEMENTS						
Supplies	700	549	151	1,400	1,000	400
Total Disbursements	700	549	151	1,400	1,000	400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(550)	(521)	29	0	(838)	(838)
CASH, JANUARY 1	722	722	0	1,560	1,560	0
CASH, DECEMBER 31	172	201	29	1,560	722	(838)
JUVENILE RESTITUTION FUND						
RECEIPTS						
Intergovernmental	500	249	(251)	500	270	(230)
Total Receipts	500	249	(251)	500	270	(230)
DISBURSEMENTS						
Miscellaneous	500	0	500	500	0	500
Total Disbursements	500	0	500	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	249	249	0	270	270
CASH, JANUARY 1	545	545	0	275	275	0
CASH, DECEMBER 31	545	794	249	275	545	270

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DRUG COURT LOCAL FUND						
RECEIPTS						
Intergovernmental	15,800	14,026	(1,774)	8,500	11,604	3,104
Charges for services	3,000	1,500	(1,500)	4,000	1,875	(2,125)
Other	0	3,730	3,730	0	1,896	1,896
Total Receipts	18,800	19,256	456	12,500	15,375	2,875
DISBURSEMENTS						
Mileage	3,000	0	3,000	1,200	316	884
Tracker	9,000	14,701	(5,701)	9,600	9,373	227
Miscellaneous	1,150	0	1,150	3,635	2,028	1,607
Total Disbursements	13,150	14,701	(1,551)	14,435	11,717	2,718
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,650	4,555	(1,095)	(1,935)	3,658	5,593
CASH, JANUARY 1	6,113	6,113	0	2,455	2,455	0
CASH, DECEMBER 31	11,763	10,668	(1,095)	520	6,113	5,593
DRUG COURT FEDERAL GRANT FUND						
RECEIPTS						
Intergovernmental	131,051	93,086	(37,965)			
Total Receipts	131,051	93,086	(37,965)			
DISBURSEMENTS						
Salaries	76,800	55,201	21,599			
Employee fringe benefit	0	8,901	(8,901)			
Telephone	1,260	1,235	25			
Office Supplies	4,000	2,681	1,319			
Mileage & Training	10,045	5,863	4,182			
Miscellaneous	28,600	16,565	12,035			
Total Disbursements	120,705	90,446	30,259			
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,346	2,640	(7,706)			
CASH, JANUARY 1	(10,346)	(10,346)	0			
CASH, DECEMBER 31	0	(7,706)	(7,706)			
SHERIFFS REVOLVING FUND						
RECEIPTS						
Intergovernmental	1,000	0	(1,000)			
Charges for services	500	321	(179)			
Interest	20	31	11			
Total Receipts	1,520	352	(1,168)			
DISBURSEMENTS						
Sheriff	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,520	352	(1,168)			
CASH, JANUARY 1	362	362	0			
CASH, DECEMBER 31	1,882	714	(1,168)			

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COLLECTOR TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	8,400	9,012	612	8,500	9,047	547
Interest	500	933	433	125	456	331
Total Receipts	8,900	9,945	1,045	8,625	9,503	878
DISBURSEMENTS						
Ex Officio Collector of Revenue	8,620	7,096	1,524	5,250	4,657	593
Total Disbursements	8,620	7,096	1,524	5,250	4,657	593
RECEIPTS OVER (UNDER) DISBURSEMENTS	280	2,849	2,569	3,375	4,846	1,471
CASH, JANUARY 1	15,044	15,044	0	10,198	10,198	0
CASH, DECEMBER 31	15,324	17,893	2,569	13,573	15,044	1,471
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	259,917	285,957	26,040	248,000	280,355	32,355
Intergovernmental	262,070	281,566	19,496	238,544	274,501	35,957
Charges for service	32,200	36,684	4,484	28,700	34,358	5,658
Interest	7,500	12,079	4,579	3,000	7,756	4,756
Other	33,337	42,630	9,293	2,700	10,777	8,077
Total Receipts	595,024	658,916	63,892	520,944	607,747	86,803
DISBURSEMENTS						
Salaries	383,919	380,470	3,449	367,606	369,850	(2,244)
Operating	28,550	32,987	(4,437)	25,000	24,151	849
Building and grounds	33,300	27,133	6,167	19,700	25,357	(5,657)
Medical supplies	44,900	41,962	2,938	36,600	36,828	(228)
Mileage and training	21,200	17,526	3,674	16,600	19,453	(2,853)
Insurance	11,475	10,579	896	12,612	10,639	1,973
Utilities	10,000	9,214	786	8,900	7,734	1,166
Rent	43,392	43,392	0	12,934	19,135	(6,201)
Miscellaneous	600	405	195	600	359	241
Total Disbursements	577,336	563,668	13,668	500,552	513,506	(12,954)
RECEIPTS OVER (UNDER) DISBURSEMENTS	17,688	95,248	77,560	20,392	94,241	73,849
CASH, JANUARY 1	573,637	573,637	0	479,396	479,396	0
CASH, DECEMBER 31	591,325	668,885	77,560	499,788	573,637	73,849

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
FAMILIES AND FRIENDS OF THE DEVELOPMENTALLY DISABLED FUND						
RECEIPTS						
Property taxes	90,000	94,846	4,846	87,600	92,957	5,357
Intergovernmental	5,980	5,342	(638)	90	4,999	4,909
Interest	1,700	3,203	1,503	2,000	2,145	145
Other	1,100	461	(639)	6,480	591	(5,889)
Total Receipts	98,780	103,852	5,072	96,170	100,692	4,522
DISBURSEMENTS						
Operating expenses	40,225	22,260	17,965	35,803	31,400	4,403
Purchase of Service	22,877	44,841	(21,964)	28,576	20,917	7,659
Medicaid match	35,110	37,691	(2,581)	35,110	33,309	1,801
Purchase of land and building	0	42,948	(42,948)	0	35,000	(35,000)
Other	59,636	5,014	54,622	14,028	10,355	3,673
Total Disbursements	157,848	152,754	5,094	113,517	130,981	(17,464)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(59,068)	(48,902)	10,166	(17,347)	(30,289)	(12,942)
CASH, JANUARY 1	134,052	134,052	0	164,341	164,341	0
CASH, DECEMBER 31	74,984	85,150	10,166	146,994	134,052	(12,942)
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Charges for service	0	2,820	2,820	0	936	936
Interest	50	56	6	40	69	29
Total Receipts	50	2,876	2,826	40	1,005	965
DISBURSEMENTS						
Circuit Clerk	1,600	654	946	1,600	0	1,600
Total Disbursements	1,600	654	946	1,600	0	1,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,550)	2,222	3,772	(1,560)	1,005	2,565
CASH, JANUARY 1	2,630	2,630	0	1,625	1,625	0
CASH, DECEMBER 31	1,080	4,852	3,772	65	2,630	2,565
LAW LIBRARY FUND						
RECEIPTS						
Charges for service	5,400	5,985	585	6,500	5,745	(755)
Interest	22	25	3	20	21	1
Total Receipts	5,422	6,010	588	6,520	5,766	(754)
DISBURSEMENTS						
Law books	4,500	4,650	(150)	4,200	4,492	(292)
Equipment	5,000	0	5,000	5,000	0	5,000
Remolding	5,000	0	5,000	5,000	0	5,000
Total Disbursements	14,500	4,650	9,850	14,200	4,492	9,708
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,078)	1,360	10,438	(7,680)	1,274	8,954
CASH, JANUARY 1	21,339	21,339	0	20,065	20,065	0
CASH, DECEMBER 31	12,261	22,699	10,438	12,385	21,339	8,954

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Families and Friends of the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Drug Court – Federal Grant Fund	2005
Sheriffs Revolving Fund	2005
Law Enforcement Restitution Fund	2005
Law Enforcement Center Construction Fund	2006
Cemetery Trust Funds	2006 and 2005
Sheriff Telephone Commission Fund	2006 and 2005

Sheriff Commissary Fund	2006 and 2005
Division of Youth Services Grant Fund	2006 and 2005
Associate Division Interest Fund	2006 and 2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Center Fund	2005
Prosecuting Attorney Bad Check Fund	2006 and 2005
Recorder Preservation Fund	2006
Victims of Domestic Violence Fund	2006
9-1-1 Fund	2005
Election Service Fund	2006
Recorder Technology Fund	2006 and 2005
Juvenile Fund	2005
Drug Court Local Fund	2006
Health Center Fund	2005
Families and Friends of The Developmentally Disabled Fund	2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Health Center Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005
Sheriff Telephone Commissions Fund	2006 and 2005
Sheriff Commissary Fund	2006 and 2005
Division of Youth Services Grant Fund	2006
Associate Division Interest Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Grundy County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, the Health Center Board's, and the Families and Friends of the Developmentally Disabled Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the boards' custodial bank in the county's or the boards' name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

Fund	Balance
Cemetery Trust Fund	$169,849
Sheriff Commissary Fund	87

Supplementary Schedule

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childrei	ERS045-7139	$ 42,464	0
		ERS045-4139	0	45,029
	Program Total		42,464	45,029
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Economic Development -			
14.228	Community Development Block Grants/State' Program	2000-PF17	1,200	0
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO1640743	11,508	0
		ERO1640571	0	10,656
	Program Total		11,508	10,656
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety			
16.523	Juvenile Accountability Incentive Block Grant	2003-JABG-SUP-07	16,168	0
16.585	Drug Court Discretion Grant Program	2005DCBX0022	90,446	15,281
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,000	1,461
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO 040(19)	8,646	0
		BRO 040(20)	418	5,598
		BRO 040(22)	1,682	17,429
	Program Total		10,746	23,027
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	2,431

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	225	153
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	95-1650-0-1-808	166,010	5,088
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Childre	ERS146-5139L	1,510	993
93.268	Immunization Grants	N/A	55,656	44,115
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DH050032022	5,716	3,583
		DH060031078	6,772	0
	Program Total		12,488	3,583
	Department of Social Services -			
93.569	Community Service Block Grant	HPC-42	17,470	17,470
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-6139C	2,100	0
		PGA067-6139S	855	0
		PGA067-4169C	0	2,378
		PGA067-5169C	0	650
	Program Total		2,955	3,028
	Department of Social Services -			
93.643	Children's Justice Grants to States	AOCO5380061	18,252	8,221
93.669	Child Abuse and Neglect State Grants	AOCO5380061	18,251	9,453

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Health and Senior Services			
93.991	Preventive Health and Health Services Block Gran	A0C04380006	33,501	36,550
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-7139M	23,379	0
		PGA062-70113	122	0
		ERS146-5139M	0	15,487
	Program Total		23,501	15,487
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.067	Homeland Security Grant Program	2005-GET5-0022	100,393	0
	Total Expenditures of Federal Awards		$ 623,744	242,026

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

GRUNDY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Grundy County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 2006	2005
14.231	Emergency Shelter Grants Program	$ 11,508	10,656
93.569	Community Service Block Grant	17,470	17,470

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Grundy County, Missouri

Compliance

We have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Grundy County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

Internal Control Over Compliance

The management of Grundy County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We consider the significant deficiency referred to above, finding number 06-1 to be a material weakness.

The response of Grundy County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of Grundy County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 16, 2007

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiency identified that is not considered to be a material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weakness identified?	__x__ yes	_____ no
• Significant deficiency identified that is not considered to be a material weakness?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.585	Drug Court Discretion Grant Program
90.401	Help America Vote Act Requirements Payments
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Numbers:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-7139 and ERS045-4139
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Numbers:	16.585
Program Title:	Drug Court Discretion Grant Program
Pass-Through Entity Identifying Number:	2005DCBX0022
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	Election Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Numbers:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity Identifying Number:	95-1650-0-1-808
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Numbers:	97.067
Program Title:	Homeland Security Grant Program
Pass-Through Entity Identifying Number:	2005-GET5-0022
Award Years:	2006
Questioned Costs:	Not Applicable

The county and health center do not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Total reported expenditures were overstated by $24,800 and $107,700 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. The most significant errors occurred in 2005 when the County Clerk incorrectly reported $72,500 as federal expenditures for the Community Service Block Grant program and $60,800 as federal expenditures for the Local Law Enforcement Block Grant Program; however, these amounts represented state monies. Other smaller errors were noted on various programs, including programs administered by the health center. The audited SEFA was adjusted to correct these errors. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE

We work hard on the preparation of the SEFA and will continue to do so to ensure it is accurate and complete.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

GRUNDY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

GRUNDY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

GRUNDY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007. We also have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Grundy County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits

performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Grundy County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Budgetary Practices and Published Financial Statements

Budgets were not prepared for some county funds and information regarding several county funds was omitted from the county's annual published financial statements. In addition, actual expenditures exceeded budgeted amounts for several county funds and administrative transfers to the General Revenue Fund exceeded allowable amounts and should be repaid to the Special Road and Bridge Fund.

A. The County Commission and various elected officials did not ensure budgets were prepared for some county funds for the years ended December 31, 2006 and 2005. While a budget was not prepared in 2006 for the Law Enforcement Center Construction Fund, which had receipts of over $5 million, these monies were received by the county's trustee bank on December 28, 2006, but were not expected to be received until early 2007. Most other unbudgeted funds are controlled by another county official. By failing to ensure budgets were prepared for all county funds, the county has not complied with statutory provisions and cannot effectively monitor expenditures or fund balances.

   Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. By preparing or obtaining budgets for all county funds, the County Commission, county boards, and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

B. The county's annual published financial statements did not include financial information for several county funds. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds.

   Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

C. The County Commission and other elected officials do not regularly monitor budget to actual data for funds they control, resulting in actual disbursements exceeding budgeted amounts for several funds, as follows:

		Year Ended December 31,		
Fund		2006		2005
Law Enforcement Center Fund	$	N/A		306,937
Prosecuting Attorney Bad				
Check Fund		766		1,615
Recorder Preservation Fund		3,507		N/A
Victims of Domestic Violence Fund		161		N/A
911 Fund		N/A		12,622
Election Service Fund		8,832		N/A
Recorder Technology Fund		2,206		4,147
Juvenile Fund		N/A		19,791
Drug Court Local Fund		1,551		N/A
Health Center Fund		N/A		12,954
Families and Friends of the				
Developmentally Disabled Fund		N/A		18,902

These various funds were overspent, at least in part, due to the County Commission and various other elected officials failing to monitor the amount of available expenditures in their budget when spending items were approved.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

D. The County Commission has transferred more than allowed by state law for the General Revenue Fund's administrative service fee. The county exceeded the allowable amount by approximately $32,400 during the two years ending December 31, 2006. At least part of the problem was caused by a budget prepared for the Special Road and Bridge Fund in 2006 that was significantly higher than what was actually spent. Actual expenditures were far below the budgeted amount and the county failed to adjust the amount of the transfer down to 5% of actual expenditures. In addition, while the budget for the Special Road and Bridge Fund was reasonable in 2005, the county paid the salary of the presiding commissioner, $25,760, from the Special Road and Bridge Fund as well as making a transfer of $24,000 to the General Revenue Fund, which caused the transfer to exceed the allowable amount.

Section 50.515, RSMo 2000, allows the county to impose an administrative service fee on the Special Road and Bridge Fund and the Special Road and Bridge Sales Tax Fund. The administrative service fee shall not exceed five percent of the total budget

of the fund. These transfers have taken funds which are restricted to road and bridge purposes, and used them for the county's general operating expenses.

Conditions similar to parts A-C were noted in our prior report.

WE RECOMMEND the County Commission:

A. And other county officials ensure budgets are prepared for all county funds.

B. Ensure all required information is presented in the county's annual published financial statements.

C. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.

D. Develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund. The County Commission should also ensure future administrative transfers do not exceed the statutory allowance.

AUDITEES RESPONSE

A. For the funds we handle we will ensure budgets are completed and will discuss with other officials during the budget approval process the need for their budgets.

B. We will do our best to include this information in the future.

C. We do look at budget to actual reports currently and will make an effort to look at them more in the future.

D. We will develop a repayment plan by year end and will ensure administrative transfers are done in accordance with state law.

2. Bidding and CART Monies

The county does not have adequate procedures regarding the procurement of major purchases and professional services. The county made payments to townships and road districts without proper written contracts and does not monitor the use of County Aid Road Trust (CART) monies.

A. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the county commission minutes nor the

expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

Items or Services	Cost
Ambulance	$ 106,908
GPS Mapping	71,455
Defibrillators	25,118
Voice Recorder	15,413

The county indicated that the ambulance, GPS Mapping, and the defibrillators were only available through one source, but this was not documented.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. Payments were made to townships and road districts without proper written contracts. During the two years ended December 31, 2006, the county distributed approximately $315,000 in CART revenues to fourteen townships and special road districts within the county based on the number of road miles in each district. The county did not enter into written contracts with the townships or special road districts related to these distributions and does not monitor the townships' or special road districts' use of these monies. While an annual financial report is submitted to the County Clerk by the townships and road districts, these reports are not reviewed by the County Commission to ensure the CART monies were properly expended.

To ensure CART monies are used only for road-related purposes, the County Commission should obtain written contracts with the townships and special road districts which document the specific services to be provided for the use of these monies and include provisions for the County Commission to monitor the townships and road districts' use of county funds. This monitoring could be accomplished by performing a detailed review of the annual reports submitted to the County Clerk.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Obtain written agreements, which specifically state what services are to be provided to the county, for any distribution of CART monies. In addition, the County Commission should perform a detailed review of the annual reports submitted by the townships and special road districts to ensure these monies were properly expended in accordance with the contracts.

AUDITEES RESPONSE

A. We will make every effort to bid applicable purchases and will strive to ensure all applicable items are bid in the future as required.

B. We will enter into contracts with all applicable townships and road districts and will perform a detailed review of reports effective year end 2007.

3. Property Tax and Computer Controls

The County Clerk does not reconcile her account book with the Ex Officio County Collector, and there is not a contingency plan for the computer system.

A. The County Clerk does not reconcile her account book with the Ex Officio County Collector. Although the County Clerk and the Ex Officio Collector each maintain account books they do not reconcile books to each other. Failure of the County Clerk to verify the accuracy of account book could result in failure to detect errors on the annual settlement.

B. The county does not have a formal emergency contingency plan for the computer system, and has not formally negotiated arrangements for backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short-and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on the data processing, the need for contingency planning is evident.

WE RECOMMEND the County Clerk:

A. Use her account book to help reconcile the aggregate abstracts, tax books and annual settlement.

B. Work with the County Commission to develop a formal contingency plan for the county's computer systems.

AUDITEES RESPONSE

A. I will consider implementing this.

B. We will attempt to have a contingency plan adopted by January 1, 2008.

4. County Property Records and Procedures

Procedures and records to account for county property are not adequate. The County Clerk does not maintain an overall county property listing, some departments did not perform inventories or submit required reports, inventory reports were not accurate or complete, and assets tags do not include all applicable information.

Each year the County Clerk sends a memo to all county departments requesting they perform inspections and physical inventories, and submit inventory reports to document these efforts. These reports are to be submitted to the County Clerk for review and signature. The following issues were noted with county property records:

- The County Clerk does not maintain an overall county property listing.
- The Special Road and Bridge department did not perform inventories and submitted no information to the county clerk.
- Physical inventory reports received were not accurate or complete. We noted a purchase of an ambulance for $106,908 and a voice recorder for $15,413 that were not included on the physical inventory sheets.
- Asset tags do not include all information applicable to the item. Information such as asset number or serial number are not included on asset tags.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. Additionally, the completeness and accuracy of the overall county property records is questionable. These problems increase the possibility of undetected theft and inadequate insurance coverage.

Section 49.093, RSMo requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the County Clerk work with other county departments to ensure physical inventories are conducted and reports submitted, implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process. In addition, the County Clerk should exercise more care to ensure all property records are retained and can be located.

AUDITEES RESPONSE

We will work to improve our overall county asset records.

5. County Commission Minutes

Minutes of closed meetings held by the County Commission are not always taken. The County Commission held numerous closed meetings during the past several years, but minutes were not taken for some closed meetings. Without minutes of closed meetings, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes to be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the County Commission take minutes for all closed sessions.

AUDITEES RESPONSE

We typically take minutes for closed sessions and will ensure they are taken in the future.

6. Ambulance

The county lacks documentation to support transfers made from the Ambulance Fund to the General Revenue Fund. The County Commission has not sought a legal opinion or had significant discussions regarding these transfers in recent years. In addition, some applicable charges are not billed to clients, receipt slips are not issued for all monies received, and monies received are not transmitted timely.

A. The county does not maintain documentation to support the calculation of the transfers made from the Ambulance Fund to the General Revenue Fund and has not sought a legal opinion or had significant discussions in recent years on how these transfers are calculated. Currently, the proceeds of one of the counties general sales taxes, approximately $430,000 annually, is placed in the Ambulance Fund. The county budgets for and has made an annual transfer from the Ambulance Fund to the General Revenue Fund for the past several years to help improve the financial condition of the General Revenue Fund.

During our audit period $117,000 was transferred to the General Revenue Fund, while the cash balance of the Ambulance Fund increased by approximately $238,000. The ballot language approving this general sales tax placed no restrictions on how these monies would be spent, although the county has historically placed these monies in the Ambulance Fund. Documentation from a county commission meeting in 1992 indicated the commission ordered that a line item be budgeted for emergency reserves at 15% of budgeted expenditures in the Ambulance Fund. Any remaining proceeds of the sales tax would then be transferred to the General Revenue Fund for other county needs. The county has not been budgeting an emergency fund line item within the Ambulance Fund, has not maintained documentation to support the calculation of the amounts actually transferred, and does not calculate any allowable transfer. The commission has not received a legal opinion regarding this situation from the Prosecuting Attorney or had significant documented discussions about this matter since 1992.

Based on language from the 1992 commission minutes and the lack of restrictions on the ballot for the sales tax, it appears additional amounts could have been transferred in past years. The commission should consider getting a legal opinion regarding future transfers and determine how much, if any, additional transfers could be made.

B. The county does not always bill for all allowable charges for ambulance services. The ambulance director explained that Medicare and Medicaid will only pay certain amounts so they typically only bill Medicare and Medicaid for amounts they will pay. For 5 of 20 cases tested, allowable charges, totaling approximately $450, were not properly billed to patients or their insurance carrier after receiving ambulance services. None of these five were billable to Medicare or Medicaid. Employees indicated there were no written policies, but some things had been verbally

communicated, but not followed through on. As a result, all services provided are not properly billed resulting in lost revenue to the county.

Written policies related to billing and collection of accounts receivable are necessary to ensure consistency and to establish adequate internal controls over accounts receivable.

C. A reconciliation of accounts receivables to billings and payments received is not performed. In addition, transmittals to the County Treasurer are not made on a timely basis and checks and money orders are not restrictively endorsed upon receipt.

Billings are generated from a computerized system and payments received are posted to a manual receipt log and the computer billing application. However, there is no reconciliation of accounts receivable to billings and payments to ensure all payments received are posted to the log and computer. A cash count performed on March 15, 2007 identified 6 checks, totaling $1,799 which were not transmitted to the County Treasurer until March 21, 2007. In addition, none of these checks were restrictively endorsed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of these reconciliations should be retained to support conclusions and any corrections made, and to facilitate independent reviews. In addition, to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, transmittals should be made daily and all checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the County Commission:

A. Request an opinion from the Prosecuting Attorney regarding the sales tax currently used to fund the Ambulance Department and develop a current policy on how those monies will be handled.

B. Develop written policies for ambulance billing and collections and ensure patients are billed for all services.

C. Require monthly accounts receivable listings be reconciled to beginning accounts receivable, plus billings, less collections and adjustments. Any differences which cannot be accounted for should be investigated. In addition, monies should be transmitted to the County Treasurer on a timely basis and checks should be restrictively endorsed upon receipt.

AUDITEES RESPONSE

A. We will talk this matter over with the Prosecuting Attorney and come up with a policy.

B. We will develop written policies for ambulance billings and ensure patients are billed for all charges in the future.

C. We will discuss procedures for accounts receivable with the Ambulance Director and make changes as necessary. The Ambulance Department has already started restrictively endorsing checks upon receipt and we will discuss the need to increase the number of transmittals.

7. Sheriff Accounting Controls and Procedures

Accounting and bookkeeping duties are not adequately segregated. Monies received are not always deposited intact and on a timely basis. Telephone commission monies are maintained outside the county treasury. In addition, commissary profits are not turned over to the county treasury and there are no perpetual inventory records for commissary items.

The Sheriff's office handled receipts and disbursements of approximately $300,000 during the two years ended December 31, 2006.

A. Accounting and bookkeeping duties are not adequately segregated. The Sheriff's bookkeeper is responsible for receipting, recording, and depositing monies received; preparing and signing checks; and preparing month-end reports and reconciliations. The Sheriff indicated he reviews the accounting records and reconciliations, but does not document his review.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

B. Receipts are not always deposited intact on a timely basis. Gun permits and Sheriff's fees are deposited once a month. Gun permits and fees totaling $447 received by July 3, 2006, were not deposited until August 1, 2006. During this same time period the Sheriff received $7,500 in bond and room and board payments that were deposited either the same day or within one day of receiving them.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis, such as daily if significant amounts of cash are collected.

C. The Sheriff maintains telephone commission monies and profits from the commissary fund outside the county treasury. Sheriff's records reflect telephone commissions totaling $1,073 and $1,588 were received for collect calls made by inmates from the jail telephone, and monies received for the inmate commissary of $1,473 and $1,965 for the years ended December 31, 2006 and 2005, respectively. The records indicate that during the same period, expenditures related to telephone commissions totaling $938 and $1,554, and expenditures related to the commissary totaling $1,493 and $1,944 were made from these funds. The telephone commission checks are cashed and maintained in a petty cash fund, and the profits from the sale of commissary items are placed in the petty cash fund, rather than turning these monies over to the County Treasurer. The money in the petty cash fund is used to purchase jail supplies and for various other office expenses.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "…sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balance should be transferred to the County Treasurer and future receipts should be transmitted to the County Treasurer.

D. The Sheriff's Office does not maintain a perpetual inventory of commissary items. Amounts spent for purchases and amounts received from sales to inmates are tracked in a log, but inventory balances are not kept for any commissary items. The sheriff's office purchases candy bars, ramen noodles, soup cups, soap, and wash clothes which they keep as an inventory for the inmates to purchase. By not maintaining an inventory of the commissary items, there is less assurance that all items sold are paid for and properly accounted for.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.

Conditions A, B and C were noted in a previous report.

WE RECOMMEND the Sheriff:

A. Adequately segregate the accounting duties or, at a minimum, ensure that periodic independent reviews of the accounting records are performed and documented.

B. Deposit all receipts intact and on a timely basis.

C. Transfer the balance of the petty cash fund over to the County Treasurer and turn over all future telephone commission monies and profits from the commissary to the County Treasurer.

D. Maintain perpetual inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.

AUDITEES RESPONSE

A. I agree and have already begun periodically reviewing accounting records.

B. I agree and have already implemented this recommendation.

C&D. I will take these recommendations under advisement. Once we move into the new Law Enforcement Center I will determine the procedures needed.

8. Prosecuting Attorney's Accounting Controls and Procedures

Accounting and bookkeeping duties are not adequately segregated, there is no documentation of money orders turned over to victims for bad check restitution, and there is no agreement with the county outlining payments of expenses. Restitution payments are not distributed timely and the cash balance of the restitution account exceeds open items (liabilities), and the open items listings are not maintained. In addition, bonuses are given to employees and employees responsible for handling assets are not bonded.

The Prosecuting Attorney's Office collects bad check and court-ordered restitution monies. Bad check restitution is usually forwarded directly to the victims. Bad check collection fees received in the form of money orders made payable to the County Treasurer are transmitted directly to that office for credit to the Prosecuting Attorney's Bad Check Fund. Court-ordered restitution payments are deposited to the official bank account and checks are issued for the distribution of the restitution. During 2006, the Prosecuting Attorney's office collected approximately $198,000. Our review of the Prosecuting Attorney's accounting controls and procedures revealed the following concerns:

A. Accounting and bookkeeping duties are not adequately segregated. The office employs two secretaries, one of which is responsible for all duties related to restitution and the other responsible for handling bad checks. There is no indication that supervisory reviews are performed by the Prosecuting Attorney to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by more clearly assigning accounting and bookkeeping duties to be performed by each employee or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.

B. Money orders received for repayment of bad checks are not deposited but instead are forwarded directly to the victim and documentation is not obtained from the merchant to ensure payments are received. In addition, money orders received do not always indicate the payee. A cash count performed on February 27, 2007, showed 12 money orders totaling $1,053, which did not have a payee indicated on them.

Good internal control procedures require that all cash be deposited to an official account and distributed through issuance of a check; and that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order. Failure to do so increases the risk that loss or misappropriation of funds will not be detected on a timely basis.

C. The Prosecuting Attorney does not have an office in the courthouse. He performs his county duties from an office building used in the operation of his private law practice. The county does not have a written agreement with the Prosecuting Attorney outlining the portion of his expenses to be paid by the county. Currently, the county pays 100 percent of the salaries for two secretaries, leased copier, and 60 percent of trash and telephone services. There is no documentation supporting how these percentages were determined and it is unclear how much of the county paid secretaries time is spent performing private practice work for the Prosecuting Attorney.

Since county resources should be used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what expenses will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained. To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for the allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work efforts to

avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

D. The Prosecuting Attorney's office accumulates partial payments on court ordered restitution until significant amounts have been received and then distributes the funds to the victims. The Prosecuting Attorney attempts to pay out these monies on a quarterly basis. While a pay out was made on February 1, 2007, and approximately $7,500 was distributed, the next payout of approximately $11,700 was not done until September 2007. Approximately $600 left in the bank account has been collected on behalf of the victims by order of the court to pay restitution.

To expedite the distribution of restitution to victims and to reduce the amount of open items necessary to be accounted for, the Prosecuting Attorney's office should consider distributing restitution payments to the victims more timely.

E. At February 21, 2007 the reconciled cash balance of the restitution account exceeded the open items listing by approximately $970. The Prosecuting Attorney indicated that records from the prior office holder were obtained and researched and monies were disposed of on many cases; however, some monies have not been identified. In addition, open items listings are not maintained, but are disposed of after being reconciled to the cash balance.

To ensure that receipts and disbursements are properly handled and accurately posted to the case files, and that there is sufficient cash to cover all liabilities for open cases, a complete and accurate open-items listing should be prepared monthly and reconciled to the cash balance. Such reconciliations would allow for prompt detection of errors and allow the Circuit Clerk to determine disposition of any unidentified monies remaining over a period of time. Any amounts remaining that cannot be distributed should be turned over to the state's Unclaimed Property Section in accordance with state law.

F. In January 2007 and 2006, the Prosecuting Attorney authorized payments from the Prosecuting Attorney Bad Check Fund totaling $500 each year to his employees as bonuses. These payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms.

These bonuses represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states "…a governmental agency deriving its power from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officials after the service has been rendered."

G. The Prosecuting Attorney and his employees responsible for handling monies are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling money should be adequately bonded.

Conditions similar to A, B, D, E and G were noted in our previous report.

WE AGAIN RECOMMEND the Prosecuting Attorney:

A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented supervisory reviews of the accounting records.

B. Deposit all cash receipts to the official checking account and distribute such monies by issuing a check. In addition, documentation should be obtained when money orders are turned over directly to the victim and payee should be indicated on money orders.

C. Enter into a written agreement with the county outlining the specific arrangements regarding payment of the Prosecuting Attorney's expenses. The basis for this arrangement should be documented and retained.

D. Consider distributing restitution payments to victims on a more timely basis.

E. Continue to attempt to identify and disburse all monies in the bank account and dispose of unidentified and unclaimed monies in accordance with state law. In addition, documentation of the reconciliation of open items to the reconciled cash balance should be maintained.

F. Discontinue the practice of paying bonuses to employees.

G. Obtain bond coverage for all employees handling receipts.

AUDITEES RESPONSE

A. I agree and will perform reviews of accounting records and document these reviews.

B. I understand the auditor's concerns, but we have had no problems with merchants receiving these funds in the past and believe our procedures are adequate. I will do my best to ensure a payee is on each money order, but to a certain extent this is out of my control.

C. I agree to discuss this with the County Commission and get a written agreement in place.

D. I will discuss distribution procedures with my staff and determine if changes are needed.

E. We have made every attempt to determine who these monies belong to and will turn this over to unclaimed property. I will ensure an open items list is prepared in the future and reconcile it to a cash balance.

F. I will take this under advisement.

G. I will implement this recommendation.

9. Circuit Clerk Controls

Circuit Court procedures related to manual receipt slips and accrued costs are in need of improvement. The Circuit Court processes approximately $206,000 annually in civil and criminal case fees, fines, and bonds.

A. Manual receipt slips are issued when the Justice Information System (JIS) is not available. The following issues were noted with manual receipt slips:

- The Circuit Clerk does not account for the numerical sequence of some receipt slips issued. The Circuit Clerk's office issues two-part unofficial manual receipt slips. The duplicate copy of the receipt slip is attached to the monies and then thrown away after the receipt is entered into JIS. Because copies of the receipt slips were not retained, the numerical sequence could not be accounted for.

- Manual receipt slips were only issued for monies received in cash. When payment is received by check or money order, instead of issuing a manual receipt slip, a case fee sheet is printed from JIS and the payment is notated there.

To adequately account for collections and reduce the risk of loss or misuse of funds, if manual receipt slips will be issued, they should be official and prenumbered and should be issued for all monies received immediately upon receipt. In addition, the receipt slip numbers should be accounted for and the composition should be reconciled to the JIS receipt slips issued when they are entered into the system.

B. Procedures to monitor and collect accrued court costs could be improved. The Circuit Clerk's office generates an accrued court cost listing periodically. The December 31, 2006 listing totaled over $237,000. The Circuit Clerk's office made no effort to collect accrued costs during our audit period.

Accrued costs could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active and timely pursuit of unpaid fines, costs, and restitution, revenues to the state, county, and others could be lost. Although recent legislation has increased the court's opportunities to collect debts owed for court cases, the Circuit Clerk's office does not participate in any of these options.

The Circuit Clerk's office could also consider reporting the unpaid debt to one of the three main credit reporting bureaus. Without the active and timely pursuit of unpaid fines and costs, revenues to the state and county could be lost.

WE RECOMMEND the Circuit Clerk:

A. Require official prenumbered receipt slips be issued for all monies received and the numerical sequence of manual receipt slips be accounted for properly. In addition, the Circuit Clerk should ensure the composition of manual receipt slips is reconciled to JIS receipt slips.

B. Establish more formal and consistent procedures for pursuing amounts due the court and/or assessing the likelihood of their collection.

AUDITEES RESPONSE

A. I will take this under advisement and implement to the extent possible based on available time.

B. I just took office January 1, 2007 and have already begun tax intercepts. We will contact OSCA and determine other collection actions available

.

10. Health Center

The Health Center has accumulated a significant cash reserve without any specific plans for its use, bids are not obtained for all required purchases, and reasons for closing meetings are not always documented.

A. During the two years ended December 31, 2006 receipts exceeded disbursements by $189,489, resulting in the cash balance of the Health Center Fund increasing from $479,396 at December 31, 2004 to $668,885 at December 31, 2006. Disbursements averaged approximately $540,000 during 2006 and 2005. The Health Center should determine its future needs, and consider such information when setting future property tax levies.

B. While a review of Health Center minutes and bid files indicated the Health Center bid numerous items, the Health Center did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

The Health Center did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the Health Center minutes nor the expenditure records contained adequate documentation of the Health Center's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

Items or Services	Cost
Vaccines (2006)	$ 29,778
Vaccines (2005)	23,813
Health Insurance (2006)	22,019
Health Insurance (2005)	19,473
Air conditioning/heating unit	6,638

The Health Center indicated that vaccines were only available through one source, although this was not documented.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

C. Reasons for closing meetings are not always documented. The Health Center Board held numerous closed meetings during the past several years. Open meeting minutes typically will indicate that the meeting is being closed, but the specific reason is not documented.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the Health Center Board of Directors:

A. Review the cash balance and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.

B. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

C. Ensure the reason for closing the session is documented in open minutes.

AUDITEES RESPONSE

The Health Center Administrator responded:

A. I will discuss this with the Board and would put a plan in place to reduce the cash balance to a manageable level by January 31, 2008.

B&C. I agree and will implement these recommendations in the future.

Follow-Up on Prior Audit Findings

GRUNDY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Grundy County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

The General Revenue Fund was experiencing a declining cash balance.

Recommendation:

The County Commission take the necessary steps to improve the financial condition of General Revenue Fund.

Status:

Partially implemented. Cash balances for the General Revenue Fund have increased over the last couple of years. While the budget for the year ended December 31, 2007 projected an ending cash balance of $147, it appears monies may be available from other sources to improve this situation. See MAR finding number 6.

2. Budgetary Practices and Published Financial Statements

A. Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001.

B. The expenditures of some funds exceeded the original budgets prior to the County Commission and Health Center amending the budgets to reflect increased expenditures made during 2002 and 2001.

C. The 2003 General Revenue Fund budget reflected a deficit ending budgeted fund balance of $45,980.

D. The annual published financial statement of the county did not include the financial activity of some county funds.

Recommendation:

The County Commission:

A. Ensure budgets are obtained or prepared for all county funds.

B. And Health Center Board of Trustees ensure budget amendments are made prior to incurring actual expenditures and public hearings are held prior to adopting budget amendments.

C. Discontinue appropriating expenditures in excess of available resources.

D. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A&D. Not Implemented. See MAR finding number 1.

B&C. Implemented.

3. County Commission Minutes

A. The official county commission meeting minutes were not up to date.

B. Open meeting minutes did not always document the specific reasons for entering the closed session or the final disposition of matters discussed in closed meetings, if applicable.

C. The Presiding County Commissioner did not sign the county commission meeting minutes.

Recommendation:

The County Commission:

A. Ensure the official record of meetings is prepared on a timely basis.

B. Ensure the reasons for going into closed session and the final disposition of matters discussed in closed session, as provided by state law, are documented in the count commission open minutes.

C. Continue to approve and sign minutes.

Status:

A&C. Implemented.

B. Not Implemented. See MAR finding number 5.

4. Property Tax System and Computer Controls

A. Access to the property tax system was not adequately restricted and changes to data were not routinely monitored.

B. The County Clerk did not maintain an account book with the Ex Officio Collector.

C. The county did not have a formal emergency contingency plan for the computer system, and did not formally negotiate arrangements for backup facilities in the event of a disaster.

Recommendation:

The County Commission:

A. Restrict access to assessment and property tax data during periods when changes to the data are not statutorily allowed and to only those individuals with statutory authority to change applicable data. If the county allows access and change capabilities which are normally incompatible to statutory duties, the County Commission should ensure change reports are generated and an independent individual, such as the County Clerk, reviews all changes for propriety.

B. Require the County Clerk to establish and maintain an account book with the Ex Officio County Collector. In addition, the County Commission should consider using the account book to verify the Ex Officio County Collector's annual settlements.

C. Develop a formal contingency plan for the county's computer systems.

Status:

A. Implemented.

B. Partially Implemented. The County Clerk is maintaining an account book, but is not using the account book to verify the annual settlement. See MAR finding number 3.

C. Not implemented. See MAR finding number 3.

5. Prosecuting Attorney's Accounting Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. A log or other record was not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition.

C.1. Monies received were not always recorded in a timely manner.

2. Although receipt slips were issued for all monies received, redi-form receipt slips were issued rather than official, pre-numbered receipt slips.

3. More than one receipt slip book was used simultaneously.

D.1. Cash payments received for repayment of bad checks were not deposited but instead were forwarded to the victim.

2. There were three instances in which cash received for court ordered restitution could not be traced to a deposit slip.

E. The Prosecuting Attorney's office accumulated partial payments on court ordered restitution until significant amounts were received and then distributed the funds to the victims.

F. Although a listing of outstanding checks was prepared, bank reconciliations were not prepared.

G. The Prosecuting Attorney and his employees responsible for handling monies were not bonded.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented supervisory reviews of the accounting records.

B. Maintain a log to account for all bad check complaints filed with the Prosecuting Attorney's office.

C. Issue official pre-numbered receipt slips immediately upon receipt. The numerical sequence of all receipt slips should be accounted for.

D. Deposit all cash receipts to the official checking account and distribute such monies by issuing a check. In addition, documentation should be obtained when money

orders are turned over directly to the victim. Unidentified shortages should be investigated and appropriate action taken.

E. Consider distributing restitution payments to victims on a timelier basis.

F. Prepare bank reconciliations and reconcile to the open items listing. Unidentified differences should be investigated and resolved.

G. Obtain bond coverage for all employees handling receipts.

Status:

A, D
E, F
&G. Not Implemented. See MAR finding number 8.

B&C. Implemented.

6. Sheriff's Accounting Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. Gun permits and Sheriff's fees were only deposited once a month.

C. The Sheriff maintained telephone commission monies outside the county treasury.

D. The Sheriff did not maintain personal monies of inmates in a bank account or issue receipt slips when the inmate monies were received.

E. The Sheriff indicated monies received from snack sales to inmates of the county jail are personal funds and would not provide any records related to those monies.

Recommendation:

The Sheriff:

A. Adequately segregate the accounting duties or, at a minimum, ensure that periodic independent reviews of the accounting records are performed and documented.

B. Deposit all monies intact daily or when accumulated receipts exceed $100. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt.

C. Transfer the balance and turn over all future revenues of telephone commission monies to the County Treasurer.

D. Ensure pre-numbered receipt slips are issued for all inmate monies received and

deposit all inmate funds into a bank account.

E. And County Commission discuss the appropriate handling and accountability of soda and snack sale monies.

Status:

A, C &E. Not implemented. See MAR finding number 7.

B. Partially implemented. Checks and money orders are restrictively endorsed upon receipt, but monies are not deposited intact or when accumulated receipts exceed $100. See MAR finding number 7.

D. Not implemented. The Sheriff collects a small amount of monies for inmates. These monies are maintained in separate lock boxes for each inmate. Although not repeated in the current MAR, our recommendation remains as stated above.

7. General Fixed Assets

Physical inventories were not conducted on an annual basis. County Clerk office personnel indicated a spreadsheet was provided to all officials to document a physical inventory. There was no evidence that the County Clerk followed up with officials who did not perform and return physical inventories.

Recommendation:

The County Commission establish a written policy related to handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.

Status:

Not Implemented. See MAR finding number 4.

STATISTICAL SECTION

History, Organization, and
Statistical Information

GRUNDY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Grundy was named after Felix Grundy, a U.S. Senator from Tennessee. Grundy County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Trenton.

Grundy County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 148 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 504 miles of county roads.

The county's population was 11,959 in 1980 and 10,432 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 57.8	57.3	57.7	56.5	40.9	24.6
Personal property	29.5	30.2	24.3	28.0	10.8	9.1
Railroad and utilities	10.8	10.5	11.2	10.5	5.7	6.4
Total	$ 98.1	98.0	93.2	95.0	57.4	40.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Grundy County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .1470	.1270	.2071	.1371
Health Center Fund	.3000	.3000	.2982	.2857
Senate Bill 40 Board Fund	.1000	.1000	.0994	.0952

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 30,332	29,632	28,959	29,092
General Revenue Fund	144,550	126,270	188,864	127,560
Special Road and Bridge Fund	182,750	129,964	134,669	130,429
Township Road and Bridge Fund	294,331	328,544	306,940	287,806
Assessment Fund	89,481	87,039	84,689	65,379
Health Center Fund	295,158	287,581	279,566	271,417
Senate Bill 40 Board Fund	97,885	95,400	92,696	89,990
School districts	4,633,410	4,470,133	4,389,540	3,831,433
Library district	197,667	192,602	188,308	181,849
Fire protection district	128,649	121,997	117,650	112,107
North Central Missouri College	291,214	287,702	272,837	263,550
Nursing Home	151,574	147,540	144,550	139,543
Townships	107,746	103,811	105,615	118,717
Township Road Bond	45	220	1,926	9,154
Special Road District	9,055	9,832	7,488	8,813
Trenton Park	73,107	70,414	61,998	0
Cities	448,011	447,722	434,064	545,397
County Clerk	277	283	253	582
County Employees' Retirement	27,737	25,155	24,070	21,827
Commissions and fees:				
Township Collectors	55,096	54,214	52,821	50,888
General Revenue Fund	64,475	60,313	64,857	58,520
Total	$ 7,322,550	7,076,368	6,982,360	6,344,053

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	94.4	94.0	93.8	92.9	%
Personal property	95.0	92.0	97.5	93.6	
Railroad and utilities	100.0	93.1	100.0	100.0	

Grundy County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .0050	None	50 %
General/ambulance	.0050	None	None
Law Enforcement	.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials: $					
Kenny Roberts, Presiding Commissioner		25,760	25,760	24,440	24,440
Gene Wyant, 1st Dist. Associate Commissioner		23,760	23,760	22,440	22,440
H.L. (Bud) Cox, 2nd Dist. Associate Commissioner		23,760	23,760	22,440	22,440
Kristi Urich, County Clerk		36,000	36,000	34,000	34,000
Chris Raynes, Prosecuting Attorney			1,792	41,000	41,000
Jason Spillman, Prosecuting Attorney		43,000	41,208		
Greg Coon, Sheriff				39,000	39,000
Rodney Herring, Sheriff (1)		40,000	43,449		
Tom Eads, County Coroner		10,000	10,000	9,500	9,500
Joyce Tuttle, Public Administrator		36,000	36,000	20,000	20,000
Colleen Kidd, Treasurer and Ex Officio County Collector, year ended March 31,	36,000	36,000	34,500	34,000	
Andrea Steinhoff, County Assessor (2), year ended August 31,			36,021	34,765	34,900
Don Stotts, County Assessor (3), year ended August 31,		36,688			

(1) Includes $3,449 for payment of vacation and Compensatory time earned prior to being elected Sheriff.
(2) Includes $688, $765, and $900 annual compensation received from the state in 2005, 2004, and 2003, respectively.
(3) Includes $688 compensation from the state.

State-Paid Officials:					
Beatrice Shaw, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	47,300
Steve Hudson, Associate Circuit Judge		96,000	96,000	96,000	96,000

Susan Montee, CPA
Missouri State Auditor

September 2007

Ray County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-52

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Ray, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Many of the concerns addressed in this report have been similarly discussed in one or more previous audits reports.

Payroll disbursements were approximately $2.7 million during 2005 and $3.1 million during 2006. Numerous problems were noted with the county's payroll procedures. Sufficient controls and oversight do not exist within the payroll process and it appears there was insufficient effort on the part of the various county officials to address problems, make changes to the payroll process, or review records for possible errors after concerns were brought to their attention. Some 2005 and 2006 salary overpayments have yet to be rectified and the county has lost some revenue due to a failure to review transactions carefully and request reimbursement timely. A thorough review of procedures needs to be performed, proper monitoring procedures implemented, documentation standards improved, and inconsistencies and errors resolved.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). As result, the county's SEFA contained several errors and omissions, and expenditures were understated by approximately $381,000 and $85,000 for 2006 and 2005, respectively. Additionally, federal program expenditures shown on the county's SEFA for 2003 indicated an audit may have been required by federal regulations.

Due to a lack of documentation, it is unclear whether the county followed statutory requirements when obtaining engineering services for federally funded bridge projects. As a result, we question the total engineering costs paid during 2005 and 2006 for these projects.

Significant expenditures to special road districts were made without benefit of written contracts and an independent appraisal was not obtained prior to purchasing the county jail.

Property tax system controls and procedures are not sufficient. The County Clerk does not prepare or verify the back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission perform sufficient

(over)

reviews of additions and abatements or verify the County Collector's annual settlements. Contracts to collect city property taxes need clarification regarding fees and penalties assessed. Due to a commissions distribution error by the County Collector, $46,830 is due from the county's General Revenue Fund to a school district.

Controls over county vehicles need improvement. The county has no formal written policy on the proper use of county vehicles and does not maintain sufficient vehicle usage logs. Some personnel are allowed to use county vehicles for commuting purposes, but records do not distinguish between county and commuting use and there is no reporting of personal commuting mileage to the Internal Revenue Service. In addition, procedures for comparing fuel purchases to billings and monitoring bulk fuel tank inventories are lacking.

Accounting duties are not adequately segregated and the County Clerk does not provide adequate supervision or reviews of records. Facsimile signature stamps are used by the office employees without proper documentation and review. Transmittals are not always timely. Records related to various election-related monies and bank accounts need improvement, and transferring custody of these accounts to the County Treasurer should be considered.

Accounting duties are not adequately segregated in the Sheriff's department and independent reviews of various accounting functions are not performed. Reconciliation and recordkeeping procedures for the inmate and commissary accounts are not sufficient, and deposits of inmate monies are not timely. In addition, records of seized property are not up-to-date and physical inventories are not performed. Calendar advertising commissions are not accounted for by the Sheriff and some department employees are provided meals at no charge from the jail.

Accounting duties are not adequately segregated in the Prosecuting Attorney's office. Bank reconciliations are not documented and a difference exists between the reconciled bank account balance and identified liabilities. Also, procedures have not been established to ensure all accrued costs are adequately identified and pursued.

The 911 Board's receipting and depositing procedures need improvement. Also, procedures related to holding and documenting closed meetings need improvement to demonstrate compliance with state law.

The Senate Bill 40 Board's expenditure documentation and payroll procedures need improvement. Also, procedures related to holding and documenting closed meetings need improvement to demonstrate compliance with state law.

The audit also includes recommendations to the county to improve records and procedures related to county property, plat book sales, budgets and published financial statements, and closed commission meetings documentation. Additionally, Circuit Court procedures related to accrued costs, open items, and interest income are in need of improvement, and in the Recorder of Deeds' office, receipts are not deposited in a timely manner and bank reconciliations are not performed.

All reports are available on our Web site: www.auditor.mo.gov

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RAY COUNTY, MISSOURI

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SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Ray County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ray County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 17, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ray County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 17, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Cara Hoff
	Rebecca Harris
	Rex Murdock

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Ray County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

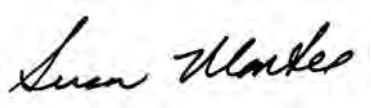
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Ray County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

May 17, 2007

Financial Statements

Exhibit A-1

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	92,301	3,394,704	3,388,384	98,621
Special Road and Bridge		102,423	1,196,603	1,158,691	140,335
Assessment		189,809	347,880	341,424	196,265
Law Enforcement Training		2,909	3,216	3,139	2,986
Prosecuting Attorney Training		804	808	1,353	259
Special Road and Bridge Sales Tax		171,449	1,439,810	1,318,012	293,247
Noxious Weed		109,544	5,221	15,275	99,490
Collector's Tax Maintenance		19,258	42,225	54,512	6,971
Records Restoration		18,372	23,438	17,104	24,706
Sheriff's POST Certification		3	1,665	1,665	3
Prosecuting Attorney Delinquent Tax		5,328	7,459	4,449	8,338
Prosecuting Attorney Bad Check		17,214	52,273	38,938	30,549
Sheriff's Extradition		1,939	839	2,339	439
Sheriff's Account		4,132	48,349	36,353	16,128
Domestic Violence		5,491	6,042	7,105	4,428
Emergency Management		478	4,965	5,226	217
Law Library		13,135	21,669	9,692	25,112
Drug Court Program		2,218	2,609	2,947	1,880
Juvenile IV-E		2,139	0	0	2,139
Insurance Pass Through		0	50,000	50,000	0
Health Center		715,449	610,357	447,737	878,069
Emergency 911		187,777	197,787	241,749	143,815
Senate Bill 40		390,348	509,773	496,207	403,914
Circuit Clerk Interest		14,592	12,571	7,145	20,018
Circuit Clerk Passport Fees		1,740	7,650	0	9,390
Associate Circuit Interest		4,605	44	4,639	10
County Clerk Trusts		17,396	579	375	17,600
County Clerk Election Accounts		19,720	128,506	68,702	79,524
Total	$	2,110,573	8,117,042	7,723,162	2,504,453

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	202,334	3,014,726	3,124,759	92,301
Special Road and Bridge		209,587	1,187,612	1,294,776	102,423
Assessment		155,444	285,868	251,503	189,809
Law Enforcement Training		7,527	3,302	7,920	2,909
Prosecuting Attorney Training		206	829	231	804
Special Road and Bridge Sales Tax		310,548	820,572	959,671	171,449
Noxious Weed		120,560	3,638	14,654	109,544
Collector's Tax Maintenance		4,899	37,568	23,209	19,258
Records Restoration		46,751	25,755	54,134	18,372
Sheriff's POST Certification		3	1,608	1,608	3
Prosecuting Attorney Delinquent Tax		3,625	7,071	5,368	5,328
Prosecuting Attorney Bad Check		12,893	33,675	29,354	17,214
Sheriff's Extradition		2,045	3,530	3,636	1,939
Sheriff's Account		5,746	32,345	33,959	4,132
Domestic Violence		2,538	5,550	2,597	5,491
Emergency Management		478	5,114	5,114	478
Law Library		13,305	16,473	16,643	13,135
Drug Court Program		0	2,460	242	2,218
Juvenile IV-E		2,139	0	0	2,139
Health Center		572,729	554,036	411,316	715,449
Emergency 911		127,027	198,221	137,471	187,777
Senate Bill 40		346,031	433,785	389,468	390,348
Circuit Clerk Interest		11,274	3,531	213	14,592
Circuit Clerk Passport Fees		0	1,740	0	1,740
Associate Circuit Interest		4,794	190	379	4,605
County Clerk Trusts		17,871	557	1,032	17,396
County Clerk Election Accounts		22,095	116,629	119,004	19,720
Total	$	2,202,449	6,796,385	6,888,261	2,110,573

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 7,927,798	7,917,692	(10,106)	6,714,740	6,671,278	(43,462)
DISBURSEMENTS	8,445,648	7,592,301	853,347	7,424,125	6,767,391	656,734
RECEIPTS OVER (UNDER) DISBURSEMENTS	(517,850)	325,391	843,241	(709,385)	(96,113)	613,272
CASH, JANUARY 1	2,058,834	2,052,520	(6,314)	2,139,141	2,144,276	5,135
CASH, DECEMBER 31	1,540,984	2,377,911	836,927	1,429,756	2,048,163	618,407
GENERAL REVENUE FUND						
RECEIPTS						
Sales taxes	1,725,790	1,706,561	(19,229)	1,664,570	1,706,880	42,310
Intergovernmental	1,058,260	863,823	(194,437)	351,560	600,358	248,798
Charges for services	633,643	625,488	(8,155)	638,467	601,189	(37,278)
Interest	7,000	12,610	5,610	3,800	7,716	3,916
Other	10,500	24,173	13,673	19,700	10,012	(9,688)
Transfers in	113,647	162,049	48,402	143,653	88,571	(55,082)
Total Receipts	3,548,840	3,394,704	(154,136)	2,821,750	3,014,726	192,976
DISBURSEMENTS						
County Commission	140,940	151,501	(10,561)	138,816	133,738	5,078
County Clerk	121,268	120,062	1,206	118,731	118,948	(217)
Elections	36,458	39,389	(2,931)	36,858	34,929	1,929
Buildings and grounds	164,300	123,612	40,688	155,300	103,002	52,298
Employee fringe benefit	50,503	50,552	(49)	47,678	49,095	(1,417)
County Treasurer	58,249	56,520	1,729	58,606	57,656	950
County Collector	148,520	149,265	(745)	138,404	139,585	(1,181)
Recorder of Deeds	120,841	119,745	1,096	122,572	118,712	3,860
Circuit Clerk	25,456	42,369	(16,913)	21,930	22,270	(340)
Associate Circuit Court	4,650	1,290	3,360	4,550	3,300	1,250
Associate Circuit (Probate)	40,309	24,252	16,057	41,244	37,294	3,950
Court administration	5,000	1,090	3,910	3,500	1,177	2,323
Public Administrator	83,587	83,482	105	82,773	82,632	141
Sheriff	521,947	474,145	47,802	509,714	491,795	17,919
Jail	1,397,393	1,301,348	96,045	767,989	1,108,437	(340,448)
Prosecuting Attorney	355,320	349,838	5,482	327,150	326,793	357
Juvenile Officer	26,178	10,311	15,867	26,178	9,448	16,730
County Coroner	27,225	23,134	4,091	27,309	23,434	3,875
Court Reporter	0	0	0	2,400	0	2,400
Planning and Zoning	68,715	69,736	(1,021)	73,018	68,601	4,417
University of MO Extension	36,954	30,795	6,159	33,800	33,790	10
Insurance and bonds	92,250	120,520	(28,270)	90,000	84,909	5,091
Public health and welfare service	10,750	10,750	0	13,250	13,250	0
Other	21,985	15,541	6,444	26,535	25,964	571
Transfers out	0	10,000	(10,000)	0	0	0
Emergency Fund	82,000	9,137	72,863	151,192	36,000	115,192
Total Disbursements	3,640,798	3,388,384	252,414	3,019,497	3,124,759	(105,262)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(91,958)	6,320	98,278	(197,747)	(110,033)	87,714
CASH, JANUARY 1	92,301	92,301	0	197,747	202,334	4,587
CASH, DECEMBER 31	343	98,621	98,278	0	92,301	92,301

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	279,000	328,247	49,247	280,000	312,662	32,662
Intergovernmental	870,100	834,048	(36,052)	853,900	831,900	(22,000)
Interest	7,800	9,038	1,238	5,000	7,780	2,780
Other	35,000	25,270	(9,730)	30,000	35,270	5,270
Total Receipts	1,191,900	1,196,603	4,703	1,168,900	1,187,612	18,712
DISBURSEMENTS						
Salaries	468,940	424,956	43,984	410,873	447,943	(37,070)
Employee fringe benefit	233,149	186,428	46,721	117,464	201,492	(84,028)
Supplies	132,200	119,498	12,702	125,000	127,399	(2,399)
Road and bridge materials	20,000	33,991	(13,991)	171,000	150,816	20,184
Equipment repairs	115,000	39,959	75,041	120,000	119,598	402
Rentals	300	235	65	2,500	280	2,220
Equipment purchases	0	86,300	(86,300)	150,000	35	149,965
Construction, repair, and maintenance	0	1,805	(1,805)	56,000	0	56,000
CART distributions to road districts	206,000	193,239	12,761	195,000	205,620	(10,620)
Other	83,000	6,968	76,032	29,150	13,784	15,366
Transfers out	35,643	65,312	(29,669)	0	27,809	(27,809)
Total Disbursements	1,294,232	1,158,691	135,541	1,376,987	1,294,776	82,211
RECEIPTS OVER (UNDER) DISBURSEMENTS	(102,332)	37,912	140,244	(208,087)	(107,164)	100,923
CASH, JANUARY 1	102,423	102,423	0	209,039	209,587	548
CASH, DECEMBER 31	91	140,335	140,244	952	102,423	101,471
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	281,490	330,078	48,588	281,840	276,892	(4,948)
Interest	6,500	12,543	6,043	2,275	6,912	4,637
Other	1,500	5,259	3,759	2,510	2,064	(446)
Total Receipts	289,490	347,880	58,390	286,625	285,868	(757)
DISBURSEMENTS						
Assessor	375,370	341,424	33,946	297,120	251,503	45,617
Total Disbursements	375,370	341,424	33,946	297,120	251,503	45,617
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,880)	6,456	92,336	(10,495)	34,365	44,860
CASH, JANUARY 1	189,809	189,809	0	155,444	155,444	0
CASH, DECEMBER 31	103,929	196,265	92,336	144,949	189,809	44,860

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	3,700	3,216	(484)	8,700	3,302	(5,398)
Total Receipts	3,700	3,216	(484)	8,700	3,302	(5,398)
DISBURSEMENTS						
Sheriff	6,000	3,139	2,861	5,500	7,920	(2,420)
Total Disbursements	6,000	3,139	2,861	5,500	7,920	(2,420)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,300)	77	2,377	3,200	(4,618)	(7,818)
CASH, JANUARY 1	7,499	2,909	(4,590)	7,527	7,527	0
CASH, DECEMBER 31	5,199	2,986	(2,213)	10,727	2,909	(7,818)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	830	808	(22)	1,300	829	(471)
Total Receipts	830	808	(22)	1,300	829	(471)
DISBURSEMENTS						
Prosecuting Attorney	800	1,353	(553)	2,500	231	2,269
Total Disbursements	800	1,353	(553)	2,500	231	2,269
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	(545)	(575)	(1,200)	598	1,798
CASH, JANUARY 1	804	804	0	206	206	0
CASH, DECEMBER 31	834	259	(575)	(994)	804	1,798
SPECIAL ROAD AND BRIDGE SALES TAX FUND						
RECEIPTS						
Sales taxes	800,867	767,019	(33,848)	770,300	777,554	7,254
Intergovernmental	697,307	661,173	(36,134)	301,000	35,306	(265,694)
Interest	0	11,618	11,618	5,000	7,712	2,712
Total Receipts	1,498,174	1,439,810	(58,364)	1,076,300	820,572	(255,728)
DISBURSEMENTS						
Sales tax distributions to road district	257,000	253,040	3,960	257,000	256,515	485
Road and bridge construction	967,007	755,952	211,055	650,000	69,263	580,737
Road and bridge materials	400,000	260,308	139,692	479,000	607,236	(128,236)
Transfers out	45,534	48,712	(3,178)	0	26,657	(26,657)
Total Disbursements	1,669,541	1,318,012	351,529	1,386,000	959,671	426,329
RECEIPTS OVER (UNDER) DISBURSEMENTS	(171,367)	121,798	293,165	(309,700)	(139,099)	170,601
CASH, JANUARY 1	171,449	171,449	0	310,548	310,548	0
CASH, DECEMBER 31	82	293,247	293,165	848	171,449	170,601

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
NOXIOUS WEED FUND						
RECEIPTS						
Property taxes	300	51	(249)	3,900	219	(3,681)
Interest	4,000	5,170	1,170	1,100	3,419	2,319
Total Receipts	4,300	5,221	921	5,000	3,638	(1,362)
DISBURSEMENTS						
Salaries	11,017	9,911	1,106	10,791	8,953	1,838
Supplies	8,250	3,554	4,696	7,500	2,591	4,909
Equipment repair	2,000	0	2,000	2,000	1,369	631
Mileage	500	0	500	500	0	500
Insurance	1,200	1,060	140	1,100	991	109
Transfers out	750	750	0	750	750	0
Total Disbursements	23,717	15,275	8,442	22,641	14,654	7,987
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,417)	(10,054)	9,363	(17,641)	(11,016)	6,625
CASH, JANUARY 1	109,544	109,544	0	120,560	120,560	0
CASH, DECEMBER 31	90,127	99,490	9,363	102,919	109,544	6,625
COLLECTOR'S TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	40,000	41,397	1,397	35,000	36,900	1,900
Interest	0	828	828	0	508	508
Other	0	0	0	0	160	160
Total Receipts	40,000	42,225	2,225	35,000	37,568	2,568
DISBURSEMENTS						
County Collector	28,230	27,491	739	30,400	17,285	13,115
Transfers out	11,770	27,021	(15,251)	4,600	5,924	(1,324)
Total Disbursements	40,000	54,512	(14,512)	35,000	23,209	11,791
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(12,287)	(12,287)	0	14,359	14,359
CASH, JANUARY 1	19,258	19,258	0	4,899	4,899	0
CASH, DECEMBER 31	19,258	6,971	(12,287)	4,899	19,258	14,359
RECORDS RESTORATION FUND						
RECEIPTS						
Charges for services	30,000	21,984	(8,016)	40,000	24,430	(15,570)
Interest	0	1,454	1,454	0	1,325	1,325
Total Receipts	30,000	23,438	(6,562)	40,000	25,755	(14,245)
DISBURSEMENTS						
Recorder of Deeds	30,000	12,701	17,299	40,000	45,134	(5,134)
Transfers out	0	4,403	(4,403)	0	9,000	(9,000)
Total Disbursements	30,000	17,104	12,896	40,000	54,134	(14,134)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,334	6,334	0	(28,379)	(28,379)
CASH, JANUARY 1	18,372	18,372	0	46,751	46,751	0
CASH, DECEMBER 31	18,372	24,706	6,334	46,751	18,372	(28,379)

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S POST CERTIFICATION FUND						
RECEIPTS						
Intergovernmental	2,000	1,665	(335)	2,000	1,608	(392)
Total Receipts	2,000	1,665	(335)	2,000	1,608	(392)
DISBURSEMENTS						
Sheriff	2,000	1,665	335	2,000	1,608	392
Total Disbursements	2,000	1,665	335	2,000	1,608	392
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	3	3	0	3	3	0
CASH, DECEMBER 31	3	3	0	3	3	0
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	7,500	6,895	(605)	4,000	6,630	2,630
Interest	0	564	564	0	441	441
Total Receipts	7,500	7,459	(41)	4,000	7,071	3,071
DISBURSEMENTS						
Prosecuting Attorney	7,500	4,449	3,051	4,000	5,368	(1,368)
Total Disbursements	7,500	4,449	3,051	4,000	5,368	(1,368)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,010	3,010	0	1,703	1,703
CASH, JANUARY 1	5,328	5,328	0	3,625	3,625	0
CASH, DECEMBER 31	5,328	8,338	3,010	3,625	5,328	1,703
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	35,000	52,273	17,273	30,000	33,675	3,675
Total Receipts	35,000	52,273	17,273	30,000	33,675	3,675
DISBURSEMENTS						
Prosecuting Attorney	35,000	23,087	11,913	30,000	29,354	646
Transfers out	0	15,851	(15,851)	0	0	0
Total Disbursements	35,000	38,938	(3,938)	30,000	29,354	646
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	13,335	13,335	0	4,321	4,321
CASH, JANUARY 1	17,214	17,214	0	12,893	12,893	0
CASH, DECEMBER 31	17,214	30,549	13,335	12,893	17,214	4,321
SHERIFF'S EXTRADITION FUND						
RECEIPTS						
Intergovernmental	5,000	445	(4,555)	8,000	2,040	(5,960)
Other	0	394	394	0	1,490	1,490
Total Receipts	5,000	839	(4,161)	8,000	3,530	(4,470)
DISBURSEMENTS						
Sheriff	5,000	2,339	2,661	8,000	3,636	4,364
Total Disbursements	5,000	2,339	2,661	8,000	3,636	4,364
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(1,500)	(1,500)	0	(106)	(106)
CASH, JANUARY 1	1,939	1,939	0	2,045	2,045	0
CASH, DECEMBER 31	1,939	439	(1,500)	2,045	1,939	(106)

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S ACCOUNT FUND						
RECEIPTS						
Charges for service	35,000	30,522	(4,478)	35,000	32,185	(2,815)
Interest	0	285	285	0	160	160
Other	0	17,542	17,542	0	0	0
Total Receipts	35,000	48,349	13,349	35,000	32,345	(2,655)
DISBURSEMENTS						
Sheriff	35,000	36,353	(1,353)	35,000	33,959	1,041
Total Disbursements	35,000	36,353	(1,353)	35,000	33,959	1,041
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	11,996	11,996	0	(1,614)	(1,614)
CASH, JANUARY 1	4,132	4,132	0	5,746	5,746	0
CASH, DECEMBER 31	4,132	16,128	11,996	5,746	4,132	(1,614)
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for service	5,625	5,478	(147)	4,460	5,171	711
Interest	0	564	564	250	379	129
Total Receipts	5,625	6,042	417	4,710	5,550	840
DISBURSEMENTS						
Domestic violence shelte	2,600	7,105	(4,505)	5,000	2,597	2,403
Total Disbursements	2,600	7,105	(4,505)	5,000	2,597	2,403
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,025	(1,063)	(4,088)	(290)	2,953	3,243
CASH, JANUARY 1	5,491	5,491	0	2,538	2,538	0
CASH, DECEMBER 31	8,516	4,428	(4,088)	2,248	5,491	3,243
EMERGENCY MANAGEMENT FUND						
RECEIPTS						
Intergovernmental	5,200	4,965	(235)	9,978	5,114	(4,864)
Total Receipts	5,200	4,965	(235)	9,978	5,114	(4,864)
DISBURSEMENTS						
Mid America Regional Counci	5,200	5,226	(26)	9,978	5,114	4,864
Total Disbursements	5,200	5,226	(26)	9,978	5,114	4,864
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(261)	(261)	0	0	0
CASH, JANUARY 1	0	478	478	478	478	0
CASH, DECEMBER 31	0	217	217	478	478	0

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW LIBRARY FUND						
RECEIPTS						
Intergovernmental	0	4,545	4,545	0	0	0
Charges for services	16,500	15,555	(945)	22,327	15,465	(6,862)
Interest	0	1,513	1,513	0	882	882
Other	0	56	56	0	126	126
Total Receipts	16,500	21,669	5,169	22,327	16,473	(5,854)
DISBURSEMENTS						
Law library	14,500	9,692	4,808	13,650	16,643	(2,993)
Total Disbursements	14,500	9,692	4,808	13,650	16,643	(2,993)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	11,977	9,977	8,677	(170)	(8,847)
CASH, JANUARY 1	13,135	13,135	0	13,305	13,305	0
CASH, DECEMBER 31	15,135	25,112	9,977	21,982	13,135	(8,847)
DRUG COURT PROGRAM FUND						
RECEIPTS						
Charges for services	0	2,609	2,609			
Total Receipts	0	2,609	2,609			
DISBURSEMENTS						
Circuit Clerk	0	2,947	(2,947)			
Total Disbursements	0	2,947	(2,947)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(338)	(338)			
CASH, JANUARY 1	2,218	2,218	0			
CASH, DECEMBER 31	2,218	1,880	(338)			
JUVENILE IV-E FUND						
RECEIPTS						
Intergovernmental	2,139	0	(2,139)			
Total Receipts	2,139	0	(2,139)			
DISBURSEMENTS						
Juvenile Officer	2,139	0	2,139			
Total Disbursements	2,139	0	2,139			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	2,139	2,139	0			
CASH, DECEMBER 31	2,139	2,139	0			

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	226,000	242,446	16,446	220,000	227,767	7,767
Intergovernmental	229,000	263,385	34,385	237,900	245,813	7,913
Charges for services	60,000	42,213	(17,787)	25,000	39,967	14,967
Interest	7,000	30,394	23,394	6,000	11,138	5,138
Other	24,000	31,919	7,919	23,500	29,351	5,851
Total Receipts	546,000	610,357	64,357	512,400	554,036	41,636
DISBURSEMENTS						
Salaries	355,000	324,545	30,455	347,000	300,785	46,215
Office expenditures	86,500	66,868	19,632	81,400	53,805	27,595
Equipment	13,000	2,874	10,126	13,000	6,804	6,196
Mileage and training	19,000	19,045	(45)	18,500	15,278	3,222
Other	48,500	34,405	14,095	52,500	34,644	17,856
Total Disbursements	522,000	447,737	74,263	512,400	411,316	101,084
RECEIPTS OVER (UNDER) DISBURSEMENTS	24,000	162,620	138,620	0	142,720	142,720
CASH, JANUARY 1	715,449	715,449	0	572,729	572,729	0
CASH, DECEMBER 31	739,449	878,069	138,620	572,729	715,449	142,720
EMERGENCY 911 FUND						
RECEIPTS						
911 phone tax	189,000	189,198	198	201,000	189,139	(11,861)
Interest	3,600	6,875	3,275	2,200	4,296	2,096
Other	2,000	1,714	(286)	4,050	4,786	736
Total Receipts	194,600	197,787	3,187	207,250	198,221	(9,029)
DISBURSEMENTS						
Salaries	53,391	45,250	8,141	64,719	25,378	39,341
Office expenditures	40,566	36,787	3,779	23,930	20,883	3,047
Equipment	62,679	75,734	(13,055)	25,239	17,542	7,697
Mileage and training	10,500	8,347	2,153	8,500	2,886	5,614
Insurance	5,500	5,165	335	7,456	1,750	5,706
MARC Coordination	61,715	63,711	(1,996)	57,000	56,377	623
Other	9,900	6,755	3,145	12,008	12,655	(647)
Total Disbursements	244,251	241,749	2,502	198,852	137,471	61,381
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,651)	(43,962)	5,689	8,398	60,750	52,352
CASH, JANUARY 1	189,979	187,777	(2,202)	127,027	127,027	0
CASH, DECEMBER 31	140,328	143,815	3,487	135,425	187,777	52,352

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SENATE BILL 40 FUND						
RECEIPTS						
Property taxes	420,000	439,613	19,613	420,000	412,182	(7,818)
Charges for services	40,000	55,075	15,075	9,500	3,734	(5,766)
Interest	6,000	11,560	5,560	6,000	6,907	907
Other	0	3,525	3,525	0	10,962	10,962
Total Receipts	466,000	509,773	43,773	435,500	433,785	(1,715)
DISBURSEMENTS						
Salaries	81,800	118,593	(36,793)	60,300	71,161	(10,861)
Legal and accounting	6,000	5,318	682	6,000	3,600	2,400
Office expenditures	33,000	31,834	1,166	27,400	28,616	(1,216)
Equipment	20,000	17,487	2,513	33,100	15,069	18,031
Mileage and training	155,000	142,959	12,041	145,000	144,684	316
Insurance	37,000	33,508	3,492	34,000	36,998	(2,998)
Repairs - building & equipmen	20,000	38,211	(18,211)	20,000	8,604	11,396
Mental Health Trust Fund	135,000	85,541	49,459	90,000	78,173	11,827
Other	2,200	22,756	(20,556)	4,200	2,563	1,637
Total Disbursements	490,000	496,207	(6,207)	420,000	389,468	30,532
RECEIPTS OVER (UNDER) DISBURSEMENTS	(24,000)	13,566	37,566	15,500	44,317	28,817
CASH, JANUARY 1	390,348	390,348	0	346,031	346,031	0
CASH, DECEMBER 31	366,348	403,914	37,566	361,531	390,348	28,817

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, the Noxious Weed Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Drug Court Program Fund	2005
Juvenile IV-E Fund	2005
Insurance Pass Through Fund	2006
Circuit Clerk Interest Fund	2006 and 2005
Circuit Clerk Passport Fees Fund	2006 and 2005
Associate Circuit Interest Fund	2006 and 2005
County Clerk Trusts Fund	2006 and 2005
County Clerk Election Accounts Fund	2006 and 2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	2005
Law Enforcement Training Fund	2005
Prosecuting Attorney Training Fund	2006
Collector's Tax Maintenance Fund	2006
Records Restoration Fund	2005
Prosecuting Attorney Delinquent Tax Fund	2005
Prosecuting Attorney Bad Check Fund	2006
Sheriff's Account Fund	2006
Domestic Violence Fund	2006
Emergency Management Fund	2006
Law Library Fund	2005
Drug Court Program Fund	2006
Senate Bill 40 Fund	2006

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Prosecuting Attorney Training Fund for the year ended December 31, 2005.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Insurance Pass Through Fund	2006
Emergency 911 Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Circuit Clerk Passport Fees Fund	2006 and 2005
Associate Circuit Interest Fund	2006 and 2005
County Clerk Election Accounts Fund	2006 and 2005

For the Health Center Fund and the Senate Bill 40 Fund, the county's published financial statements for the years ended December 31, 2006 and 2005, included only those amounts that passed through the County Treasurer. Additionally, the county's

published financial statements did not include some required revenue details and required expenditure details were lacking for some county funds.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Ray County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance, by commercial insurance provided through a surety bond, by an irrevocable standby letter of credit issued by a Federal Home Loan Bank, or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's, Emergency 911 Board's and Senate Bill 40 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the boards' custodial bank in the boards' name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase

agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Supplementary Schedule

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 715	358
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	56,392	65,045
	U. S. DEPARTMENT OF DEFENSE			
	Passed through state Department of Public Safety			
12.AAG	Drug Interdiction and Counter Drug Activities	N/A	2,043	0
	U.S. DEPARTMENT OF JUSTICE			
	Direct program:			
16.607	Bulletproof Vest Partnership	N/A	4,212	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-089(16)	390,908	28,585
		BRO-089(19)	263,119	8,303
	Program Total		654,027	36,888
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Secretary of State			
39.011	Election Reform Payments	N/A	0	43,324
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	0	5,803
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	N/A	1,500	0
93.268	Immunization Grants	N/A	73,109	67,273

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	N/A	3,500	3,500
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	45,526	36,171
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	N/A	4,275	3,045
	Office of Secretary of State			
93.617	Voting Access for Individual With Disabilities - Grants to States	N/A	4,334	0
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	AOC06380126 DH060022003 DH060010002	43,144	28,809
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.042	Emergency Management Performance Grant	N/A	10,265	0
97.067	Homeland Security Grant Program	2005-GE-T5-0022	32,000	0
	Total Expenditures of Federal Awards		$ 935,042	290,216

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

RAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ray County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Drug Interdiction and Counter Drug Activities (CFDA number 12.AAG) represent the estimated fair market value of property at the time of

receipt. Amounts for Homeland Security Grant Program (CFDA number 97.067) represent the original acquisition cost of equipment received.

Amounts for the Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services for the year ended December 31, 2006. The amount for the Immunization Grants for the year ended December 31, 2005, includes both cash disbursements and the original acquisition cost of vaccines.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $419,493 to a subrecipient under the Highway Planning and Construction (CFDA number 20.205) during the year ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ray County, Missouri

Compliance

We have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

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In our opinion, Ray County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

Internal Control Over Compliance

The management of Ray County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Ray County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government

officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 17, 2007

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major program:		
• Material weakness identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-089(16) and (19)
Award Years:	2006 and 2005
Questioned Costs:	NA

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by approximately $381,000 and $85,000 for the years ended December 31, 2006 and 2005, respectively.

Amounts relating to several federal grants were reported incorrectly or not included on the schedule. For example, while the county has participated in the program for years and amounts have been presented in prior audits, Child Support Enforcement grant program expenditures totaling $45,526 and $36,171 for 2006 and 2005, respectively, were not reported. For 2006, expenditures of the Highway Planning and Construction program were underreported by $351,817. Although bridge project expenditures had been properly accumulated, an error was made when entering the data onto the SEFA. Also, for 2006, Election Reform Payment program revenues totaling $74,750 were improperly reported as related expenditures did not occur until 2007. Although the abovementioned errors were the most significant, there were several other smaller programs omitted for both 2006 and 2005. The SEFA also did not include the required pass-through grantor's number for most programs. We obtained various information and updated the county’s SEFA.

In addition, although the county's SEFA for 2003 shows that federal program expenditures exceeded $300,000, the county did not obtain an audit as required by federal regulations. Given the concerns noted above, it is possible the 2003 SEFA information is not accurate. However, the County Commission should carefully review the SEFA included with each budget document, evaluate amounts for accuracy, and determine whether an audit is required. These procedures and the resulting decision should be documented.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. Section .200 of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires non-federal entities that expend $500,000 *($300,000 for fiscal years ending before December 31, 2004)* or more in a year in federal awards to obtain an audit for that year.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission and County Clerk should take steps to ensure all federal awards are properly identified and accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

A similar condition was noted in our three prior reports.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate, and ensure that audits are obtained whenever federal program expenditures exceed the threshold provided by federal regulation.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will work to ensure the SEFA is complete and accurate in the future. Some efforts toward obtaining audit services were undertaken, but a decision was made not to have an audit performed. We will continue to evaluate the need for audits and maintain documentation regarding our considerations and decisions.

06-2.	**Professional Services**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction

Pass-Through Entity
Identifying Number: BRO-089(16) and (19)
Award Years: 2006 and 2005
Questioned Costs: $70,832

It is unclear whether the county followed statutory requirements when obtaining engineering services totaling approximately $70,832 for certain bridge projects. A letter to the state Department of Transportation identified the three engineering firms considered by the County Commission, but there was no documentation in the county's records to show the various considerations or criteria used for selecting the firm chosen. The county commissioners indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects. We question costs of $70,832, which represents total engineering costs paid during 2005 and 2006 for projects BRO-089(16) and (19).

The federal OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating for such engineering services, and should be followed in order to comply with federal guidelines.

WE RECOMMEND the County Commission obtain information as required by law when contracting for professional services and resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The county has always considered different engineering firms for BRO projects and, in the future, documentation of this process will be maintained.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Because Ray County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Ray County, Missouri, did not obtain an audit of its financial statements and federal awards for the two years ended December 31, 2004.

The disposition of the finding from the audit report for the two years ended December 31, 2002, is as follows:

02-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Numbers:	ERS045-3189W, ERS045-2189W, and ERS045-1189W
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity Identifying Number:	2001-PF-11
Award Year:	2002
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Numbers:	BRO-089(13), BRO-089(17), and BRO-089(18)
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

The county did not adequately track or report federal assistance on the schedule of expenditures of federal awards (SEFA). The 2002 and 2001 SEFA schedules understated total expenditures by $81,209 and $157,370, respectively.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 06-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. We also have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Ray County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in

accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Ray County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Payroll Procedures

Numerous problems were noted with the county's payroll procedures. Sufficient controls and oversight do not exist within the payroll process and it appears there was insufficient effort on the part of the various county officials to address problems, make changes to the payroll process, or review records for possible errors after concerns were brought to their attention. A thorough review of procedures needs to be performed, proper monitoring procedures implemented, documentation standards improved, and inconsistencies and errors resolved.

The County Commission became aware of possible problems with the payroll process and personnel issues in the County Clerk's office in early 2006. Personnel changes occurred and eventually a lawsuit was filed against the county which raised various concerns regarding the county's payroll process. In May 2006, the County Commission sent a letter to our office requesting an audit of the County Clerk's office with particular emphasis on the payroll records. Although a special audit was not started at that time, the county's regularly scheduled audit (which includes audit work in the County Clerk's office) began in early 2007. While it is apparent the County Commission and County Clerk were aware of concerns with the payroll process, it appears no significant procedural changes were made. Our review of the records and procedures determined there is minimal segregation of duties or supervisory oversight built into the process. Changes affecting payroll (i.e., changes in pay rates, deductions, number of withholdings) were sometimes made without supporting documentation and there was no documented review or written authorization of such changes prior to the preparation of payroll checks. We identified numerous payroll errors during the audit period.

The county handles payroll in a separate agency fund held by the County Treasurer. Disbursements from this fund were approximately $2.7 million during 2005 and $3.1 million during 2006. It is clear that payroll constitutes a significant portion of the county's expenditures and is one of the more important processes. Following is a description of procedural problems and various identified errors.

A. Sufficient controls and oversight do not exist within the payroll process. One of the deputy county clerks serves as the payroll clerk and is responsible for essentially all payroll functions. After hours worked are entered into the payroll system, the payroll clerk generates a calculation payroll check register report which is reviewed by another deputy county clerk. However, this review is not documented. Various elected officials review and sign the payroll checks. However, checks are signed without a formal review of the payroll reports or register that support the check amounts. The County Clerk indicated he looks at some random items on the current

payroll report when signing checks; however, this does not appear to be a regular process and, as such, it is unlikely to provide effective results.

Our review of the various payroll records and selected payroll transactions identified several errors and documentation weaknesses, including the following:

1) The county does not maintain written authorization for some employee salary rates (whether salaried or hourly), promotions, terminations, changes in pay rates, and current position. The County Commission indicated salaries are authorized each year within the county's budget; however, this document provides no individual employee information.

   Neither the County Clerk nor the County Commission perform a review of individual payroll amounts and any changes from month to month. A review of the monthly pay rate and payroll check register reports would highlight changes and provide an opportunity for more timely follow up regarding any unusual changes or transactions.

   Without proper written authorizations in the files, there is no documentation to support the amounts paid to employees. Also, without periodic reviews of individual payroll amounts and changes, errors could occur and go undetected.

2) Several problems were noted with the payroll clerk's timesheets, deductions, and net pay amounts.

   - Of the 24 monthly time sheets prepared during the audit period, two were stamped approved using a facsimile stamp of the County Clerk, six were missing the County Clerk's signature, and two were missing the employee's signature. Time sheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time worked each month.

   - A comparison of hours recorded on the payroll clerk's time sheets to hours for which she was actually paid according to the payroll register identified some discrepancies. Problems were noted in months where the payroll clerk worked less than the standard work hours without taking leave. The calculation method was not always consistent, incorrect hours were used in some calculations, and other miscellaneous errors were made. Based on a recalculation, it appears the payroll clerk was overpaid by approximately $440 in total during 2006 and 2005. We also noted some discrepancies between sick leave hours recorded on timesheets as compared to the sick leave information in the payroll system.
   - In December 2006, the payroll clerk did not deduct the employee portion of the health insurance premium from her paycheck. She

indicated she was considering dropping the insurance coverage for 2007. Rather, the county's payment was increased to cover her portion. In January 2007, it appears she decided to retain the insurance and double the premium amount was withheld from her paycheck. There is no documentation to show that this issue was reviewed and approved by a supervisor. Changes in coverage and premium amounts also occurred for other employees and were not always well documented.

- A review of the payroll register showed numerous changes in credit union deductions from the payroll clerk's checks. An authorization form, dated August 2004, was on file and supported the monthly deduction amount through May 2005. However, the amount deducted was changed 14 times from June 2005 through December 2006. No forms were on file to support these changes. We also noticed numerous months during 2006 where the payroll register indicated a significant portion of the payroll clerk's wages were deducted; however, there was no written authorization on file to support these deductions which varied from month to month.

3) A part-time jailer submitted a time sheet showing he worked 56 hours during May 2006 and was paid $1,387, which represents an overpayment of approximately $939. While the payroll clerk indicated she brought this to the county's attention shortly after it occurred, this error has yet to be rectified and the county commissioners did not appear to be aware of this situation when we brought it to their attention. Had better review procedures been in place this error could have been readily identified and addressed more timely.

4) Federal tax withholdings were not deducted from a deputy sheriff's paychecks from September 2005 (first full month he worked for the county) to January 2006 even though this was not consistent with the W-4 form he completed and filed with the county. This occurred due to an undetected error and was not corrected until February 2006 when the employee spoke to the County Clerk's office.

5) Sufficient documentation was not retained to show how final pay checks for terminated employees were calculated. Because these amounts are often significant, differ from the employee's regular salary, and involve payments for accrued leave balances, it is important that calculations be retained and available for review by those authorizing the payroll disbursement. For example, we reviewed final payments to two employees totaling $11,945 (net payroll) and while various documents were available, there were no summary worksheets to show data used and the overall calculation. As a result, a review of these payments is difficult.

The lack of adequate review procedures increases the potential for errors to go undetected. County Officials have a fiduciary responsibility to perform thorough reviews over the expenditures of county funds. Many of the errors and discrepancies noted could have been readily identified and corrected had a formal review procedure been in place.

B. Various concerns were noted with time reporting and monitoring procedures.

1) Time sheets prepared by county employees include estimated hours worked instead of actual hours worked for the last few days of the pay period. The county's policy is to pay employees on the last day of each month. Employees must have time sheets turned into the County Clerk's office four days in advance of the pay date to enable the payroll to be processed. When submitting the time sheets, employees indicate actual hours worked from the beginning of the pay period through the date they are submitting their time sheet and estimate the hours they will work during the last day of the pay period. With the exception of 911 dispatchers time records, no documentation was available to indicate that the hours actually worked were subsequently compared to the hours estimated.

The practice of paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. The County Commission should consider implementing payroll procedures that ensure employees are paid only for actual hours worked. If the county continues to use estimated hours worked for the last few days of the pay period, the county should establish standard procedures to obtain documentation from the employees' supervisors for any differences between estimated and actual time worked so that any applicable adjustments to the employees' pay or leave records can be made when actual time worked is different from the estimated time worked.

Proper control over payroll requires documentation, such as time sheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

2) Sufficient documentation is not required from some part-time employees prior to approving monthly payroll. The planning and zoning building inspector and the assistant prosecuting attorney are salaried part-time employees, and are paid approximately $1,200 and $2,200, respectively, each month from the county’s General Revenue Fund. However, the county does not receive time sheets or require either of these employees to submit documentation of hours/days worked and tasks performed prior to approving monthly payments. The County Commission indicated these individuals are expected to work the number of hours needed to complete required tasks.

While the assistant prosecuting attorney does prepare time sheets which are used in determining the reimbursement the county receives for child support enforcement activities, these are not filed with the County Clerk's office. The payroll costs associated with the assistant prosecuting attorney are included on the reimbursement claim to the state and the county is fully reimbursed from the U.S. Department of Health and Human Services through the Missouri Department of Social Services' Title IV-D Program. Concerns related to reimbursements from this program were discussed in the prior report and county officials have an obligation to ensure reimbursements from any source (local, state, or federal) are for valid costs with adequate support.

While amounts paid may be reasonable as compared to services rendered, the County Commission cannot evaluate this without more information. Additional documentation should be required and used when approving monthly payments and to periodically evaluate the arrangement and related compensation.

3) Centralized compensatory time records are not maintained for county employees by the County Clerk. Currently, each department maintains its own records of compensatory time earned and used and procedures differ significantly between departments. As a result, the County Clerk's office does not have sufficient records to ensure the validity of payroll disbursements and monitor compensatory time balances.

Without centralized records, the County Commission cannot ensure that employees' compensatory time usage and balances are accurate. Also, centralized records aid in ensuring adherence to county policy regarding overtime/compensatory time, equitable treatment of employees, and compliance with federal regulations.

C. From January 2005 through July 2005, the county paid the monthly salary of an employee of the North Missouri Central Drug Task Force and was subsequently reimbursed. At the request of the task force, the county made two payments, totaling approximately $2,703, to this individual for compensatory time earned. The county had no documentation that it was reimbursed for these additional compensatory amounts paid. Apparently, county personnel did not compare amounts disbursed by the county to amounts reimbursed by the task force, and was unaware of the discrepancy. Because the task force is no longer in operation, it appears the county has lost the unreimbursed amount. In the future, the county needs to ensure that such arrangements are carefully reviewed to ensure all county funds are reimbursed as appropriate.

D. Instead of receiving overtime pay, deputy county clerks and/or other county employees who serve as election workers during off hours are paid $20 per hour from County Clerk's election account. During 2006, payments for these tasks totaled at least $1,240. Because these payments are not processed through the normal

county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 forms.

Any full-time county employee serving as an election worker during off hours should be compensated under normal county payroll procedures, documenting hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

The FLSA requires employers to keep accurate records of actual time worked by employees including compensatory time earned, taken, or paid. It also requires that all covered employees working overtime are entitled to time and one-half in wages or in compensatory time.

E. According to the Missouri Coroners' and Medical Examiners' Association, the County Corner did not attend the required training for 2004 and 2005. The County Coroner received the full amount of salary even though no training certificate or exemption from training was filed with the county. Thus, it appears the County Coroner was overpaid $2,000 for the two years ended December 31, 2005. Section 58.095, RSMo requires the County Coroner to attend training to receive $1,000 of his annual salary.

In addition, a portion of the other county elected officials' salaries are also dependent upon obtaining required annual training. A review of the County Clerk's records showed that training certificates were on file for only some county officials and no training exemptions were on file. Without such documentation, the county cannot be certain elected officials are due their full salary. The County Clerk's office needs to implement a procedure to require that training certificates or exemptions be provided each year, and these should be retained to support salary payments and demonstrate compliance with statutory requirements. In addition, the county needs to follow up with all elected officials for which training information is not currently on file to determine if compensation was appropriate or additional requests for reimbursement are necessary.

WE RECOMMEND the County Commission:

A. Work with the County Clerk to establish a formal payroll review and monitoring process and ensure appropriate documentation and authorizations are on file to support payroll transactions and changes. In addition, errors and discrepancies should be followed up on to ensure their proper resolution.

B.1. Develop payroll procedures which require county employees to be paid based on actual hours worked.

2. Require sufficient documentation from salaried part-time employees to support payroll amounts and provide a method for periodically re-evaluating compensation arrangements.

3. Require compensatory time records which are approved by supervisors to be submitted to the County Clerk. In addition, the County Clerk should maintain centralized compensatory time records for all employees.

C. Ensure similar future arrangements are more carefully monitored so that the county is reimbursed for all amounts as appropriate.

D. And the County Clerk review this situation. Employees who serve as election workers during off hours should be paid their normal salary for the amount of time spent and all payments should be included on W-2 forms.

E. Seek reimbursement of $2,000 from the County Coroner and follow up with other elected officials to ensure no other reimbursement requests are needed. Also, the county should implement procedures to require that proper training documentation is filed annually.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. We plan to review the overall process and identify the best way to monitor payroll. This will require cooperation with all county officials.

B.1, B.2, &D. We will take these recommendations under consideration and develop procedures that best fit the county's situations.

B.3. We will consult with other county officials and consider options for tracking compensatory time and efforts will be made to track this time using the county's computerized payroll system.

C. In the future, any similar arrangements will be more closely monitored.

E. We do not intend to seek reimbursement from the County Coroner. With the assistance of all elected officials, we will ensure that training certificates are filed with the County Clerk's office in the future.

The County Clerk provided the following additional responses:

With 5.8 million dollars in payroll for 2005 and 2006 there will be some errors. If an auditor or a payroll clerk say there are no mistakes they would be telling a lie. Not enough errors were made to warrant a lawsuit which was proven.

A.1. *There were verbal authorizations for the employees you mention. Each office holder sets each employee's salary they have working for them and it is not difficult to figure the salaries off the budget.*

A.2. *The auditors only used timesheets for their findings; however, we also use desk calendars as a back up for keeping track of hours worked. When using both records, the auditor's figures were not true or accurate.*

This is a standard process for all employees with any health insurance changes or new employees (including elected officials) whether there is one change or many.

The audit failed to look at other employees' and elected officials' deductions. For example, the Prosecuting Attorney changed deductions three times in two pay periods. Here again the audit only looks at one employee. All employees have the option to meet some of their financial obligations through payroll.

A.3. *Employee documents were not given to the payroll clerk in the proper time frame from the jail. The error was recognized by the next pay period but no action was taken by a supervisor.*

A.4. *The W-4 showed 7 deductions on line H and then on line 5, which states total deductions claimed from line H above. The number also looked like a seven.*

B.3. *This is the responsibility of each office holder/supervisor, not the payroll clerk who is only at one location.*

D. *I believe these payments are being handled properly and do not intend to make changes to this procedure.*

2. County Policies and Procedures

Significant expenditures were made without benefit of written contracts or an independent appraisal. Several budgets were overspent and the published financial statements did not present all required information. Also, procedures and documentation related to holding and documenting closed meetings need improvement.

A. As discussed in our previous three audit reports, payments were made to road districts without proper written contracts. During the two years ended December 31, 2006, the county distributed a portion of its County Aid Road Trust (CART) and road and bridge sale tax revenues to the six special road districts within the county. Payments totaling $398,859 and $509,555 were made from the Special Road and Bridge Fund and Special Road and Bridge Sales Tax Fund, respectively, to the special road districts during this period. The county did not enter into written contracts with the special road districts related to these distributions. While the special road districts provide annual detailed expenditure reports for inclusion in the county's overall published financial statement, the County Commission does not document a review of this information and has no other monitoring procedures in place.

Constitutional and statutory provisions restrict the use of CART monies to construction, reconstruction, maintenance, and repair of county roads, bridges, and highways; and, require that these funds be expended under the control and supervision of the county commission. Written agreements, along with monitoring procedures, would help ensure monies are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

B.1. Actual disbursements exceeded budgeted amounts for several funds, as follows:

	Year Ended December 31	
Fund	2006	2005
General Revenue Fund	$ N/A	105,262
Law Enforcement Training Fund	N/A	2,420
Prosecuting Attorney Training Fund	553	N/A
Collector's Tax Maintenance Fund	14,512	N/A
Records Restoration Fund	N/A	14,134
Prosecuting Attorney Delinquent Tax Fund	N/A	1,368
Prosecuting Attorney Bad Check Fund	3,938	N/A
Sheriff's Account Fund	1,353	N/A
Domestic Violence Fund	4,505	N/A
Emergency Management Fund	26	N/A
Law Library Fund	N/A	2,993
Drug Court Program Fund	2,947	N/A
Senate Bill 40 Fund	6,207	N/A

2. While budget to actual comparison reports are generated, it appears the information is not effectively used by county officials to monitor fund expenditures or balances. Also, some of the approved budget amounts had not been entered correctly into the county's accounting computer system for the General Revenue Fund. Budgeted revenues were understated by $43,015 and $128,090, while budgeted expenditures were overstated by $71,660 and $4,252, for 2006 and 2005, respectively. Such inaccuracies decrease the effectiveness of budget to actual comparison reports generated by the system as a planning and monitoring tool.

Case law indicates that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences or revenues, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports should be provided to all county officials responsible for administering county funds and utilized when making spending decisions throughout the year. A careful review and comparison of budgeted amounts entered into the computer system to the final approved budget document should be performed.

A similar condition was noted in our prior report.

C. Information presented in the annual published financial statements was not consistent for the various county funds. As discussed in our prior report, no financial information was provided for some county funds, most of which are held outside the county treasury by another county official or board, and only amounts that passed through the County Treasurer were presented for the Health Center Fund and the Senate Bill 40 Fund. Also, the information presented in the county's published financial statements did not include all required receipt and disbursement details. The various sources of receipts are not presented. Amounts by vendor represented combined amounts for multiple funds and contained amounts only for those funds for which checks are generated via the accounts payable computer system, but not for those funds for which checks are manually prepared by the County Treasurer. As a result, for several funds only a summary showing the beginning cash balance, receipts, transfers in, expenditures, transfers out, and the ending cash balance was shown. In addition, the County Clerk is not including required signed certification as to the completeness and accuracy of the published financials.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to

adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

D. The County Commission's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. Open meeting minutes did not always document specific reasons for closing the meeting or the final disposition of certain matters discussed in closed meetings.

Without proper documentation regarding closure of meetings and subsequent documentation of actions taken in closed meetings, there is less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements.

E. In April 2005, the county entered into a lease-purchase agreement to purchase a jail for $700,000 without obtaining an independent appraisal on the property. The County Commission indicated the purchase price seemed reasonable based on the amount the property had been sold for a few months previous. According to County Assessor's office records, the value of the property is approximately $349,000. While the County Commission believes the amount paid was reasonable, a written appraisal from an independent appraisal company should have been obtained prior to the purchase and used to provide the basis for negotiations. This would have helped to better ensure the amount paid was reasonable.

WE RECOMMEND the County Commission:

A. Obtain written agreements, which specifically state what services are to be provided to the county. In addition, the written agreements should allow the County Commission to monitor the special road districts' expenditures of the county monies.

B. And other county officials and boards review budget to actual comparison reports carefully and refrain from approving disbursements which exceed budgeted amounts. Budgets should be properly amended if necessary. In addition, procedures should be established to ensure approved budgeted amounts are accurately entered into the computer system.

C. Work with the various boards to ensure all required information is presented in the county's annual published financial statements and ensure financial statements include the appropriate information and details required by law.

D. Ensure that procedures for closing meetings are proper and clearly documented, and that the final disposition of matters discussed in closed meetings is made public as required by state law.

E. Ensure independent appraisals are obtained for all future real estate purchases.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We will work on entering into written agreements with the special road districts.

B. The overrun of the 2005 General Revenue Fund budget related to the start up of the new jail. The budgetary impact was not known or considered during the initial budget process and no budget amendments were made when the situation changed. We will review budgets more closely and work with other elected officials and boards to avoid overspending budgets in the future. Additional steps were taken to ensure the 2007 budgeted amounts were correctly entered into the computer system.

C. We acknowledge that more information is required and will work toward ensuring it is included.

D. We will do a better job of documenting the reason for and closure of meetings and ensure final disposition of matters is made public.

E. At the time of this purchase, there were no like-kind properties from which to base an appraisal. We believe this was the first time a jail had gone from private ownership to public ownership by a third class county. Typical costs incurred by the county for housing prisoners elsewhere, the possible costs for building a new jail, and other matters were considered when making the decision to purchase the jail.

3. Property Tax System and Collector Commissions

Property tax system controls and procedures are not sufficient. The County Clerk does not prepare or verify the back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission perform sufficient reviews of additions and abatements or verify the County Collector's settlements. Contracts with cities for collection of city property taxes need clarification regarding fees and penalties assessed. The Collector incorrectly disbursed a significant amount in commissions to the county rather than the appropriate school district.

A. The County Collector generates the back tax books. The County Clerk does not sum the tax book charges, verify individual entries, or perform any other procedures to test the accuracy of the back tax books.

Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Section 140.050, RSMo, requires the County Clerk to prepare the back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should

verify the accuracy and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Additions and abatements duties are not properly segregated and there is no comparison of actual changes to the property tax data files to records from which the process was initiated or to court orders approved by the County Commission.

The county's property tax system requires the Assessor, rather than the County Clerk, to make changes to the property tax records for additions and abatements occurring throughout the year. When this occurs, the Assessor provides addition and abatement forms to the County Collector. Court orders of abatements and additions are prepared by the County Collector, and submitted to the County Clerk's office. Detailed reports of additions and abatements are generated by the County Collector and provided to the County Commission for review and approval monthly. No comparisons of the court orders or monthly reports to Assessor's office addition and abatement forms and actual changes to the property tax data file are performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

C. Neither the County Commission nor the County Clerk provides a review of the activities of the County Collector. As similarly discussed in our prior report, the County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, back credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help ensure

that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

D. In 2006, the county entered into a written contract which provides for the county to bill and collect property taxes for a city in the county. The contract provides for the County Collector to receive a fee of 2 percent withheld from all taxes collected (approximately $6,000 a year) and to receive penalties as prescribed by law which are collected from the taxpayers (approximately $1,000 a year). These fees are retained personally by the County Collector. In addition, the county assesses a fee of 3 percent to be withheld from all taxes collected and paid to the county for use of county employees and equipment and preparation of appropriate property tax records, and a fee of 1 percent to be withheld from all taxes collected and paid to the County Clerk for printing current tax books. The 3 percent fee is deposited into the county's General Revenue Fund (approximately $9,000 a year), while the 1 percent fee is retained personally by the County Clerk (approximately $3,000 a year) .

While the 7 percent add on penalty is being assessed as provided for by state law, it is not being distributed as outlined by state law. The other fees assessed are not based on either state law or city ordinance.

A similar contract was entered into with another city in the county and will take effect in November 2007.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. However, fees and add on penalties assessed to city taxpayers should be based on state law or city ordinance. The contracts with the cities should clearly define the amount of fees and penalties to be assessed, describe how all amounts should be distributed, and provide a basis for the amounts and handling.

E. Our review of commissions withheld by the County Collector and paid to the county during the two years ended February 28, 2007, identified a significant error impacting the county's General Revenue Fund and the Excelsior Springs 40 School District. Incorrect revisions to formulas in spreadsheets utilized for computing school commissions, resulted in $46,830 being incorrectly withheld from the school district's January and February 2006 property taxes and disbursed to the county's General Revenue Fund. The County Collector agrees with the amount cited above and plans to make corrections later in 2007.

WE RECOMMEND:

A. The County Clerk prepare the back tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

B. The County Clerk compare actual property tax system changes to the various authorizing records (i.e., assessor initiating forms, court orders, and monthly reports).

C. The County Clerk maintain an account book or records that summarize property tax system transactions and changes. The County Clerk and County Commission should monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

D. The County Commission and other county officials re-evaluate and amend the contracts to clarify the basis for fees and penalties assessed and their subsequent distribution.

E. The County Collector ensure future school district commissions are computed correctly and withhold commissions of $46,830 from the General Revenue Fund to be distributed to the Excelsior Springs 40 School District.

AUDITEE'S RESPONSE

The County Clerk and County Commission provided the following responses:

A. The County Clerk will work with the County Collector to implement this recommendation.

B. The County Clerk will meet with the County Assessor and County Collector to evaluate procedures and develop a method for reviewing such changes.

C. A review of monthly settlements is regularly performed by the County Clerk's office. Efforts to develop an account book are in process and this record will be used to more thoroughly review the County Collector's annual settlement.

D. Contracts with cities will be reviewed with the County Prosecuting Attorney and County Collector. Modifications will be made if deemed appropriate.

The County Collector provided the following responses:

D. Two new city contracts have been entered into and the wording has been modified to clarify the assessment and handling of the add on penalties.

E. The commission error will be corrected when November 2007 property tax collections are distributed.

4. County Vehicles and Fuel Usage

Controls over county vehicles need improvement. The county has no formal written policy on the proper use of vehicles and does not maintain sufficient vehicle usage logs for county-owned vehicles. Some personnel are allowed to use county vehicles for commuting purposes. In addition, procedures for comparing fuel purchases to billings and monitoring bulk fuel tank inventories are lacking.

The county owns 38 road and bridge department vehicles (including pick up trucks, dump trucks, graders, tractors, and loaders), 20 Sheriff's department vehicles, 1 Assessor's office vehicle, and 1 Planning and Zoning office vehicle. During the two years ended December 31, 2006, the county disbursed approximately $244,000 for "gas and oil" for the road and bridge department and approximately $109,000 for the Sheriff's department. The Road and Bridge Department has three bulk fuel pumps which are used to dispense the fuel into the vehicles and equipment. All other fuel is purchased at local vendors where the county has accounts.

A. The county has no formal written policy on the proper use of county vehicles and recordkeeping and reporting requirements have not been established. A review of usage and fuel records maintained by the various departments showed inconsistencies and areas needing improvement.

   While fuel usage logs are maintained for road and bridge and Sheriff's department vehicles, sufficient information is not provided to monitor overall vehicle use. The fuel usage logs prepared by the road and bridge supervisors show only the date and number of gallons of fuel pumped; not all dates used, odometer readings, destination, and purpose or other maintenance information. Sheriff's department logs show odometer readings for each fill up and other maintenance information; however, details are only provided for days when fuel is purchased rather than each day the vehicle is used, and no destination or purpose information is shown. On the other hand, vehicle usage logs maintained for the Assessor's and Planning and Zoning office vehicles provide daily trip information and mileage incurred either by trip or for the month, but do not provide fuel use or other maintenance information.

   A formal written vehicle policy should require the use of vehicle usage logs and outline the reporting requirements as appropriate for the various county departments. Consideration could be given to developing standard forms for use by county employees. Logs should be reviewed by a supervisor to ensure vehicles are used only for county business and to help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

B. Sheriff's department deputies and road and bridge department supervisors are allowed to use county vehicles to commute to and from home daily. As discussed in

part A above, logs maintained by these departments are not sufficient to show mileage incurred for either county business or commuting purposes. Also, the county does not have a written policy addressing the use of county vehicles for commuting purposes and did not include the value of the commuting miles on employees' W-2's.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs are not maintained for these county vehicles and are not required by the county. Because procedures have not been established to ensure that IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

C. Although fuel purchases represent a significant cost to the county, procedures to evaluate the reasonableness of fuel expenditures and verify vendor billings are not adequate. An inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained and no procedure is performed to periodically test the amount of fuel on hand. Also, gas tickets obtained for fuel purchases at local vendors are not compared to vendors' billings or fuel log information prior to approval for payment.

The failure to compare fuel usage records and gas tickets to vendor billings and analyze vehicle mileage as compared to fuel usage, increases the possibility the county may pay improper billing amounts and theft or misuse of fuel could occur and go undetected.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the County Commission:

A. Develop a written county vehicle policy which requires the preparation of vehicle usage logs and outlines the required recordkeeping and reporting requirements. In addition, the County Commission needs to ensure that proper reviews of vehicle usage logs are performed.

B. Perform a cost/benefit analysis regarding commuting use of county vehicles and evaluate the reasonableness of continuing this practice, develop a policy regarding such use if appropriate, and ensure the county complies with IRS guidelines for reporting personal commuting mileage.

C. Ensure fuel usage and purchase records are reviewed for completeness and reasonableness of usage, and used to verify vendor billings. In addition, the County Commission should ensure inventory records of bulk fuel tanks are maintained.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We concur and will work on implementing these recommendations.

5. County Property Records and Procedures

Procedures and records to account for county property are not adequate. Most departments did not perform periodic inspections and inventories or submit required reports.

Currently, each county official is expected to perform inspections and physical inventories and submit inventory listings to the County Commission annually. However, a review of the county commission files showed that only the Assessor, Collector, and Public Administrator had current reports on file. Inventory listings for most other offices dated back to 2001. Details provided on the various reports differed and some did not provide necessary information, such as acquisition dates, costs, serial numbers, tag numbers, and date and method of disposal. County vehicles utilized by the Sheriff, Assessor, and Planning and Zoning departments were not included on their inventory listings. The assistant to the County Commission provides prenumbered property tags to the various offices, but does not keep a record of which numbers have been assigned and to what office. As a result, the effectiveness of the sequential numbering is diminished. The lack of complete and accurate property records and poor monitoring increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage.

Section 49.093, RSMo, requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the County Commission and County Clerk work with other county departments to ensure a complete and accurate record of all county property is maintained and that annual physical inventories are performed and reconciled to the permanent property records. In addition, procedures should be established for tagging all county property, tracking new property items and property dispositions throughout the year, and modifying insurance coverage as appropriate.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

We will request that all offices and departments begin submitting annual inventories along with their budget requests. In addition, procedures for assigning tags and monitoring property transactions will be improved.

6.	Plat Books

Accounting procedures are not sufficient, some plat books cannot be accounted for, and it appears the county will not recoup the initial cost of the plat books.

The county used Special Road and Bridge Fund monies to purchase 750 plat books costing $21,030 (approximately $28 per book) in March 2005. Plat books were to be sold for $30 each, although records indicated the price was sometimes lowered when several copies were purchased. Also, county personnel explained that some plat books are given away but no record is maintained. Monthly reports prepared by the county commissioners' secretary showed that 387 plat books were sold from March 2005 through March 7, 2007, and total receipts were $11,541. There were 195 books on hand on March 7, 2007, resulting in 168 plat books (totaling $5,040) unaccounted for. If the remaining 195 books are sold for $30 each, overall plat book receipts will be $17,391 or $3,639 below the original cost of the books. Considering the $30 price set by the county, 55 plat books could have been given away and the county would have still broken even.

The county commissioner's secretary is responsible for all accounting duties, including receipting, recording, and transmitting monies to the County Treasurer. No independent review of the records is performed.

To ensure all plat books are accounted for adequately, the County Commission should reconcile the number of plat books on hand to the total number of plat books sold or given away. Any differences should be investigated. In addition, monies received from the sale of plat books should be monitored to ensure the selling price is appropriate and costs recouped as planned, and that all monies are properly accounted for.

WE RECOMMEND the County Commission ensure their secretary maintain adequate records of the number of plat books sold, given away, or used by the county and periodically reconcile the number of plat books reported on the inventory to the number of plat books on hand. In addition, the County Commission needs to perform reviews of the records and follow up on the 168 unaccounted for plat books.

AUDITEE'S RESPONSE

The County Commission provided the following response:

Efforts are being made to follow up on the unaccounted for plat books. Future plat book purchases and sales will be monitored more closely.

7. County Clerk's Accounting Controls and Procedures

Accounting duties are not adequately segregated and the County Clerk does not provide adequate supervision or perform adequate reviews of records. Problems with facsimile stamps and transmittals were identified. In addition, records and procedures related to various election monies need improvement.

The County Clerk's office maintains four bank accounts for processing various election monies and also receives clerk fees which are periodically transmitted to the County Treasurer. Approximately $122,000 and $18,000 in election and fee monies, respectively, are processed annually. Also, the County Clerk maintains several bank accounts and certificates of deposit for school and cemetery trust funds, which had little activity during the audit period.

A. Adequate oversight of accounting functions and records is not provided by the County Clerk. Each of the three deputy county clerks has certain areas of responsibility (elections; trust funds and accounts payable; and budget and payroll). While all clerks collect receipts and have access to monies received and may perform other duties during another clerk's absence, each is primarily responsible for performing all the related accounting and recordkeeping duties for their areas. There are no documented independent reviews performed.

   Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Facsimile signature stamps of the County Clerk's signature are maintained by two employees in the County Clerk's office, and are used by employees of the County Clerk's office to document the County Clerk's approval on various forms and checks. The County Clerk generally does not review the documents stamped and employees do not always provide their initials to identify the user of the stamp. Although checks written from the various elections accounts require two signatures, the same employee can sign the checks and use the facsimile stamp for the other required signature. The use of the facsimile stamps, unrestricted access to the stamps, and

lack of review by the County Clerk diminishes the controls intended by approval signatures. The County Clerk should evaluate the need for the stamp, and if he decides to continue the practice of using the facsimile stamp, controls over the stamp should be established.

C. Monies received are not transmitted to the County Treasurer on a timely basis. During the audit period, transmittals were generally made approximately once a month and approximately twice a month during the summer when liquor licenses are renewed. In addition, checks and money orders are not restrictively endorsed until the County Treasurer's deposit is prepared. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted on a timely basis, particularly when large amounts are on hand, and restrictively endorsed upon receipt.

D. The County Clerk maintains a checking account for Help America Vote Act (HAVA) grant monies received from the Secretary of the State's office; a checking account for elections services monies which are 5 percent contributions from political subdivisions and restricted to disbursements for training programs, supplies or equipment to improve the conduct of elections; and, a checking account used for prorating costs among various political subdivisions and paying most of the county's election costs. In July 2006, a pooled bank account was opened and currently all election monies received, regardless of their source, are deposited into this account. and transfers are made to the other election accounts when expenditures are required. However, monies deposited into the pooled account are not identified by type of revenue (i.e., monies received from a political subdivision are not segregated by cost reimbursement as compared to 5 percent contribution) and the balance is not periodically reviewed to determine specifically what monies it is comprised of.

HAVA grant guidelines, Section 115.065, RSMo and Section 115.077, RSMo, provide guidance on the handling and allowable uses of the various election monies and authorize the establishment of separate funds or accounts to track these monies. While the County Clerk's office maintains ledgers that list receipts and disbursements and account balance information for each bank account, there are no summary records by fund maintained to monitor overall activity, interest income, and fund balances related to the various election monies. As a result, neither the transactions nor the balances on hand which pertain to the different election functions can be readily determined. Also, the co-mingling of these various monies and the poor records make demonstrating compliance with federal grant requirements and statutory provisions more difficult.

At our request, the County Clerk attempted to provide a breakdown of activity by fund for 2006 and 2005; however, the amounts provided were not accurate. Thus, these three funds are shown combined as the County Clerk Election Accounts Fund for reporting purposes.

Our prior report recommendation that the County Clerk transfer custody of election monies to the County Treasurer was not implemented. Further, there is no statutory authority that allows the County Clerk to hold the HAVA account outside the county treasury. For compliance reasons and because controls and accountability over the various elections monies are lacking, the County Clerk should consider turning over the custody of various elections bank accounts to the County Treasurer.

Conditions similar to A, C, and D were noted in our prior report.

WE RECOMMEND the County Clerk:

A. Provide adequate oversight for the accounting functions performed by employees.

B. Evaluate the need for the facsimile signature stamp, and if he decides to continue the practice of using the facsimile stamp, controls over the stamp should be established.

C. Transmit all monies on a timely basis. In addition, checks should be restrictively endorsed immediately upon receipt.

D. Ensure activity and balances related to the various county elections funds are properly accounted for and give consideration to transferring custody of elections accounts to the County Treasurer.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

A Reviews of records are performed, but not documented. In the future, such reviews will be documented with a signature.

B. I believe there is a need for a facsimile stamp to be available; but controls over facsimile stamp usage will be re-evaluated and improved.

C. Efforts will be made to transmit monies more timely, particularly in those months where more monies are received. An endorsement stamp will be purchased so that checks can be restrictively endorsed immediately.

D. Additional details have been added to the pooled account check register to identify the source of funds. The County Treasurer has been added as an authorized signature on the election services account.

8. Sheriff's Accounting Controls and Procedures

Accounting duties are not adequately segregated and independent reviews of various accounting functions are not performed. Reconciliation and recordkeeping procedures for the inmate and commissary accounts are not sufficient, and deposits of inmate monies are not timely. In addition, records of seized property are not up-to-date and physical inventories are not performed. Calendar advertising commissions are not accounted for by the sheriff and sheriff department employees are provided meals at no charge from the jail.

The Sheriff's Department processed monies totaling approximately $400,000 and $435,000 during the years ended December 31, 2006 and 2005, respectively, in civil and criminal case fees and reimbursements, board bills, bonds, inmate and commissary monies, gun permits, and miscellaneous receipts.

A. As similarly discussed in the prior audit report, cash custody and recordkeeping duties are not adequately segregated. There are three clerks and each have their own area of responsibility (civil, bond, and inmate monies). Each is primarily responsible for collecting monies, recording transactions, preparing deposits, disbursing monies, and reconciling the bank accounts. Supervisory or independent reviews are not performed. The Sheriff indicated that he reviews bank reconciliations occasionally and performs spot checks every month on some accounting records; however, these reviews are not documented.

   Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Procedures related to inmate and commissary bank accounts and commissary inventory need improvement.

   1. Bank reconciliations are not being prepared for either the inmate or commissary accounts. At March 30, 2007, the inmate bank account balance was $3,619 and the commissary bank account balance was $5,807. Upon our request, bank reconciliations as of March 2007 were performed. While the commissary account reconciled cash balance agreed to the check register balance, some problems were noted with the inmate account reconciliation. Checks returned by the post office, totaling approximately $1,100, were not included as a reconciling item and a review of the outstanding check list showed that it was incomplete and older checks had not been considered. In addition, the inmate account balance is not reconciled to the total of the individual inmate balances. Individual inmate balance sheets are prepared to track inmate monies, commissary purchases, and refunds to inmates upon

release. Although we requested a reconciliation of individual inmate account balances to the account balance be completed, this was not performed.

Bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to correct any identified book or bank errors, and allow prompt follow up on outstanding or returned checks. In addition, reconciliation to individual inmate balances is necessary to ensure receipt of inmate monies, commissary purchases, and eventual refunds are accounted for properly.

2. Deposits into the inmate account are not made timely. Also, some monies deposited into the inmate account were not recorded on the receipt log and some monies recorded on the receipt log are returned to the inmate that same day prior to deposit without any notation in the records. Deposit slips do not provide any details regarding individual transactions being deposited, with only total cash and total money orders listed. In addition, money orders are not restrictively endorsed. Because of the various discrepancies, limited details in the records, and other procedural problems, there is less assurance that inmate monies have been properly handled and accounted for.
   Inmate monies received should be posted to the receipt log immediately upon receipt and deposited intact. If monies are returned to the inmate prior to deposit, this should be noted on the receipt log. Proper details should be included on deposit slips and comparisons of receipt log details to bank deposits (i.e., composition of receipts) performed. In addition, money orders should be restrictively endorsed immediately upon receipt.

3. Inmate balance sheets, which provide a record of inmate monies received, commissary transactions, and refund of monies upon inmate release, are only retained for a short period of time after release and then discarded. Also, commissary items listings, which list commissary purchases by inmates and provide support for weekly transfers checks from the inmate account to the commissary account, are discarded immediately after the transfer check is issued. These records provide support for transactions within the bank accounts and might be necessary for referral should questions arise.

   Retention of records is necessary to ensure the validity of transactions and provide an audit trail and account for all monies received. Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

4. A running inventory (perpetual inventory) of commissary items purchased, sold to inmates, and inventory balances is not maintained. In addition to items which can be ordered weekly by inmates, the sheriff's department purchases snacks, candy, and personal hygiene products which they keep on hand as an inventory for the inmates to purchase.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.

C. Calendar advertising commissions are not deposited into a bank account or otherwise accounted for by the Sheriff. During the years ending December 31, 2006 and 2005, the Sheriff received $800 and $840, respectively, as commissions from the sale of advertising space on calendars featuring the Sheriff's department. The Sheriff indicated the commission checks were cashed and the monies were used to pay for the department's Christmas dinner. No records of receipt or disbursement of these monies were maintained. Such expenditures do not appear necessary for the operation of the department and do not appear to be a prudent use of public monies. In addition, these monies are accountable fees and should be deposited into the county treasury and expended as provided for in the official county budget.

Section 50.370, RSMo, requires county officials to file a report with the County Commission and pay monies received for official services to the County Treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

D. While some recordkeeping changes were made to address recommendations made in our prior audit, controls regarding seized property still need some improvement. The Sheriff's department implemented a computerized inventory record and now has an evidence officer responsible for updating this record. When evidence is seized during an investigation, the property is recorded by the applicable deputy on an evidence report and placed in the evidence locker. The Evidence Officer is responsible for transferring the property from the evidence locker to the evidence room, and tagging and recording the property on a computer inventory control record. The Evidence Officer indicated he was at least a year behind in entering property on the computer inventory. As a result, much of the property has not been tagged and recorded. In addition, periodic physical inventories of the property on hand are not conducted.

Failure to properly secure and inventory seized property increases the risk of theft or misuse of the stored items. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

E. Although the Sheriff and County Commission responded they had made changes or were already working on implementing the prior report recommendation, some Sheriff's department employees continued to be provided meals at no cost from the jail and county policy was not amended to address this arrangement. According to a record maintained by the jail cook, 371 such meals were provided for December

2006. For this same month 8,824 inmate meals at an average cost of $1.38 per meal were served.

The county should utilize meal count and cost information to evaluate this arrangement, determine if this is advantageous to the county and a benefit that should be provided, identify under what conditions eating a meal at no charge is appropriate, and incorporate such information into the county's personnel policy as applicable.

WE RECOMMEND the Sheriff:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B.1. Ensure bank reconciliations are prepared for the inmate and commissary accounts each month, and reconcile individual inmate balances to the total of the monies in the bank account.

2. Require all inmate monies received be posted to the receipt log and deposited intact on a timely basis. Also, ensure that records and deposit slips provide sufficient details so that comparison of receipt logs to deposits can be performed. Finally, money orders need to be restrictively endorsed upon receipt.

3. Maintain inmate balance sheets and commissary items listings to support bank account activity.

4. Maintain a running inventory of commissary items and perform periodic physical inventories.

C. Discontinue the practice of maintaining calendar sale monies outside the county treasury. Turn over the monies received from calendar advertising to the County Treasury and expend these monies through the normal budgetary process, while maintaining documentation of the expenditures.

D. Prepare and maintain complete and up-to-date inventory records of seized property, and perform periodic physical inventories.

E. And the County Commission evaluate this practice and determine whether sheriff department employees should be provided meals at county expense; and, if necessary, update the county personnel policy.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. This recommendation has been implemented. Additional segregation is likely not possible, but supervisory reviews of bank statements and reconciliations will be performed as time permits.

B.1. Bank reconciliations are now being performed. Efforts will be made to compare individual inmate balances to total monies in the inmate account.

2. All monies will be recorded on the receipt log and efforts will be made to deposit more timely. Procedures will be developed to better identify whether transactions were included in deposits or returned to an inmate prior to deposit. Money orders are being endorsed upon receipt.

3. A form is being developed to document inmate account and commissary activity. It will be retained in individual inmate files.

4. This recommendation will be implemented in the very near future.

C. Calendars will continue to be printed yearly. However, the Sheriff will allow the calendar company to retain all advertising monies and his department will no longer receive any commissions.

D. This recommendation has been implemented.

E. It is typically jailers that are eating meals at the jail. They are required to stay on the premises during their entire shift. Deputies generally do not eat at the jail.

The County Commission provided the following response:

E. We will re-visit this issue with the Sheriff.

9. Circuit Clerk's Accounting Controls and Procedures

Procedures related to accrued costs, open items, and interest income are in need of improvement. The Circuit Clerk processed receipts totaling approximately $1,050,000 and $330,000 during the years ended December 31, 2006 and 2005, respectively, in civil and criminal case fees, fines, and bonds.

A. A significant amount of accrued costs are due to the Circuit Court. A listing of accrued costs is maintained in the court's computer system, (JIS); however, the Circuit Clerk was not aware this information was available or that a report could be generated. At our request, the Circuit Clerk contacted the Office of State Courts

Administrator (OSCA) to find out how to generate the report. As of February 15, 2007, the Circuit Court's accrued cost balance which was over 60 days overdue was approximately $1,600,000, with court-ordered restitution accounting for approximately $920,000 of this amount. One case reviewed showed accrued costs totaling approximately $76,000; however, the case docket indicated a dismissal was ordered in 2004 and this case should have no longer been on the listing.

The Circuit Clerk should periodically generate a list of accrued costs and review for accuracy and completeness. Such a procedure would allow the Circuit Clerk to more easily monitor the amounts due to the court and to take appropriate steps to ensure amounts owed are collected. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

B. The Circuit Clerk does not make adequate efforts to review the status of older open items. As of December 31, 2006, the open items (liabilities) listing totaled $195,202 and agreed to the reconciled bank account balance. The listing contained numerous cases with the last receipt date ranging from December 2001 to December 2005.

The failure to routinely review open items and apply available monies when appropriate increases the volume of cases which must be monitored and deprives the state, county or others the use of those monies. A procedure to routinely review case open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the Circuit Clerk needs to perform a current comprehensive review of old open items and dispose of monies as appropriate.

C. The Circuit Clerk does not maintain an overall record of interest monies earned, spent, and the balance of the interest fund. While the majority of interest monies are earned on the JIS bank account and tracked within the JIS system, interest monies are also held in various other bank accounts. At our request, the Circuit Clerk prepared an overall record of interest income and transactions with the assistance of the Office of the State Court Administrator. At December 31, 2006, interest monies available totaled approximately $20,000.

An interest ledger is necessary to track the current balance of interest monies and ensure interest income and expenditures are accurately recorded and accounted for. Such a record would also be useful in preparing a budget for the Circuit Clerk Interest Fund.

Similar conditions were noted in our prior report.

WE RECOMMEND the Circuit Clerk:

A. Establish procedures to monitor and collect accrued costs.

B. Routinely review open items and disburse or dispose of monies as appropriate.

C. Maintain an interest ledger to record monies received and expenditures.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. My office has addressed the issue of accrued costs by participating in the tax offset and debt collection program offered by the State. I know there are cases that do not have payment plans set up at this time, but this office will work on the report and set up payment plans for eligible cases. All cases disposed of at this time, whether old or new, have payment plans set up at time of disposition.

B. My office will review all older open items and disburse funds within the next 8 weeks. The open items report will then be monitored on a monthly basis to ensure all funds are paid out in an appropriate timeframe.

C. All old accounts are now closed and all interest money is monitored in the JIS in a debit account. A new ledger will be set up to indicate the monthly interest earned and money spent. Beginning for 2008, I will set up a budget for the interest account.

In June 2005, Ray County started the process of consolidating our courts. In that time, there were many extra duties and special projects to complete. Due to the additional work, several matters were not dealt with in a timely manner. The recommendations of the Auditor will be completed by December 31, 2007.

10. Recorder of Deeds' Accounting Controls and Procedures

Receipts are not deposited in a timely manner and bank reconciliations are not performed. The Recorder of Deeds' office processed receipts totaling approximately $270,000 and $250,000 during the years ended December 31, 2006 and 2005, respectively, in recording fees, copy charges, and interest income.

A. Receipts are not always deposited on a timely basis. While deposit slips are prepared for the daily receipts; deposits are not generally taken to the bank each day. A review of the December 2006, January 2007, and March 2007 bank statements showed that most deposits were comprised of multiple days' receipts. For example, although sixteen deposit slips were prepared for December 2006 receipt activity, deposits were only made on two days. Total amounts deposited were $5,807 on

December 6 and $8,892 on December 20. A January 3, 2007, cash count identified 17 checks on hand which had not been restrictively endorsed. Checks are not restrictively endorsed until deposits are prepared.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt, and deposits should be made on a timely basis.

B. The bank account is not reconciled each month. A review of bank statements for the entire audit period showed that a bank reconciliation had been documented for December 2006 only and the balance was not being reconciled to liabilities. However, at our request, the Recorder prepared bank reconciliations for January through March 2007 and compared the reconciled bank balance to liabilities. For each month the reconciled bank account balance exceeded identified liabilities by $290.

Monthly bank reconciliations and comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists. Any amounts which remain unidentified should be disposed of in accordance with state law.

WE RECOMMEND the Recorder of Deeds:

A. Restrictively endorse checks immediately upon receipt and make more timely deposits.

B. Ensure formal bank reconciliations are prepared monthly, and attempt to identify and properly dispose of the unidentified monies in the bank account.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following responses:

A. This recommendation has been implemented.

B. This recommendation has been implemented. The unidentified amount has remained the same for several months. At the end of the year this amount will be turned over to the County Treasurer for proper disposition.

11. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not adequately segregated. Bank reconciliations are not documented and procedures have not been established to ensure all accrued costs are adequately identified and pursued. The Prosecuting Attorney's Office processed receipts totaling approximately $215,000 and $300,000 during the years ended December 31, 2006 and 2005, respectively, in bad check restitution and fees.

A. Cash custody and recordkeeping duties are not adequately segregated. The Prosecuting Attorney's bad check clerk collects monies, records transactions, prepares deposits and transmittals, and makes disbursements. There are no documented reviews of the accounting or bank records performed by the Prosecuting Attorney.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. The office clerk indicated bank reconciliations are performed using the electronic bad check accounting system; however, the bank reconciliations are not printed and retained. The bad check accounting system will not allow the clerk to print these at a later date. At our request, the clerk generated a copy of the February 15, 2007, reconciliation which showed a $111 discrepancy between the bad check system balance and the reconciled bank balance. It appears the discrepancy is due to several unexplained adjustments made to the accounting system during 2003, which had not been resolved. Also, a comparison of the reconciled bank balance to identified liabilities (bad check collections ready for payment to victim) for this same date indicates the bank account is short by approximately $275.

Discrepancies identified during the monthly bank reconciliation process should be followed up on and resolved. Also, monthly reconciliations of the cash balance to liabilities are necessary to ensure the cash balance is sufficient to cover liabilities. Without proper reconciliations and follow up, there is less assurance that cash receipts and disbursements have been properly handled and recorded.

C. A listing of accrued costs owed related to bad checks for which charges were filed with the court is maintained in the bad check electronic accounting system. As of January 30, 2007, the accrued cost balance was approximately $176,500. Three cases reviewed showed accrued costs totaling $36,862; however, because the cases had been dismissed or prosecution waived for various reasons, these cases should not have been included on the January 2007 listing. Apparently the office clerk had failed to show these cases as satisfied in the bad check system. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is accurate and improve the ability to effectively monitor case balances.

WE RECOMMEND the Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Ensure proper month end reconciliations are performed and documented, and any discrepancies resolved timely.

C. Establish procedures to ensure the accrued cost listing is reviewed and case balances updated as appropriate based on case status.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. This recommendation has been implemented. We have established procedures for supervisory reviews and these efforts will be documented.

B. This recommendation has been implemented. Monthly bank reconciliations are being performed and printed, and retained for future reference.

C. This recommendation has been implemented.

12. 911 Board's Controls and Procedures

The 911 Board's receipting and depositing procedures need improvement. Procedures and documentation related to closed meetings did not comply with law. The 911 Board receives approximately $198,000 a year in telephone surcharges and interest.

A. The following concerns related to the 911 Board's receipting procedures:

1) The 911 Board is funded by a telephone surcharge which is collected by telephone companies and paid to the board periodically. Receipt slips are not issued for monies received. Although a spreadsheet is maintained to keep track of payments from each telephone company, the spreadsheet is not reconciled to deposits. We identified at least one payment which was deposited but was not included on the spreadsheet.

To safeguard receipts and reduce the risk of loss, or misuse of funds, the spreadsheet of telephone surcharge receipts should be reconciled to deposits.

2) Deposits are not always made on a timely basis. For example, a $2,588 telephone surcharge amount was recorded in the ledger on January 19, 2007, but not deposited until February 8, 2007. There were no deposits made in

January. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis.

B. The board's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. Open meeting minutes did not always document the related vote to close the meeting, specific reasons for closing the meeting, or the final disposition of certain matters discussed in closed meetings. In addition, minutes were not available for some closed meetings. Finally, the minutes are not signed by a board member to attest to their completeness and accuracy.

Without minutes of closed meetings, proper documentation regarding closure of meetings, and subsequent documentation of actions taken in closed meetings, there is no record of the discussions held or support for decisions made and less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, requires minutes to be kept for all closed meetings, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements. Sufficiently detailed records are needed to demonstrate compliance with statutory provisions and support important decisions made. Minutes should be signed by a board member to document that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

WE RECOMMEND the 911 Board:

A.1. Reconcile the spreadsheet of telephone surcharge receipts to deposits.

2. Deposit all monies intact on a timely basis.

B. Ensure that procedures for closing meetings comply with state law and are properly documented.

AUDITEE'S RESPONSE

The 911 director provided the following responses:

A.1.
&B. We plan to implement these recommendations.

A.2. This recommendation has been implemented.

13. Senate Bill 40 Board's Controls and Procedures

The Senate Bill 40 (SB40) Board's expenditure documentation and payroll procedures need improvement. Procedures and documentation related to closed meetings did not comply with law. The SB40 board received approximately $510,000 in 2006 and $435,000 in 2005 from property taxes, interest income, and Medicaid reimbursements.

A.1. For some expenditures tested, the documentation provided for our review was not sufficient to support the amount paid and/or amounts paid did not appear consistent with contract terms. For example, the SB40 Board issued a reimbursement check for $4,340 to a not-for-profit agency in March 2005. This amount pertained to a variety of expenses itemized on the billing. However, invoices or other supporting documentation related to $3,655 of this amount were not provided to us for review. Another instance was noted where the SB40 Board issued a payment to the Mental Health Trust Fund which was approximately $212 less than the amounts listed on the supporting documents. We also noted that a company providing transportation services charged an additional fee for an individual to ride along and provide assistance to a client. For the month reviewed, the additional amount charged was $7.30 an hour for 32 hours. However, this additional charge is not covered in the contract with the SB40 Board.

To ensure obligations were actually incurred and that disbursements represent appropriate uses of public funds, all disbursements should be supported by proper supporting documentation and should be consistent with contract provisions unless an explanation is provided.

A similar condition was noted in our prior report.

2. In December 2006, all Senate Bill 40 board employees were paid a $50 bonus. There was no documentation that these bonuses were approved by the board. In addition, one employee was paid an additional $1,000 bonus which was approved by the board in April 2007, as documented in the board minutes. These bonuses appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states, "…a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

B. Timesheets are not prepared by administrative employees. While timesheets are prepared by field employees, the review and approval of these timesheets by field supervisors is not documented. Timesheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to

monitor hours worked. The board should require detailed time sheets be prepared by all board employees and ensure supervisory approval is documented.

C. The board's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. Open meeting minutes did not always document the related vote to close the meeting, specific reasons for closing the meeting, or the final disposition of certain matters discussed in closed meetings. In addition, minutes were not available for some closed meetings.

Without minutes of closed meetings, proper documentation regarding closure of meetings, and subsequent documentation of actions taken in closed meetings, there is no record of the discussions held or support for decisions made and less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, requires minutes to be kept for all closed meetings, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements. Sufficiently detailed records are needed to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the Senate Bill 40 Board:

A.1. Ensure adequate supporting documentation is maintained for all disbursements and amounts paid are consistent with contract terms.

2. Refrain from granting bonuses to employees.

B. Require time sheets be prepared by all employees which reflect actual time worked. In addition, the approval by direct supervisor should be documented on the time sheets.

C. Ensure that procedures for closing meetings comply with state law and are properly documented.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President provided the following responses:

A.1. The $4,340 to a not-for-profit agency in March 2005 was for the monthly contractual funding to Ideal Industries. Documentation for that amount can be found in the March 2005 minutes. The amount includes $2,432, pertaining to wages, which was paid to Ideal Industries to fund an employee to spend full time in preparation for obtaining CARF accreditation for Ideal Industries, Inc. Documentation is found in the March 2005 minutes as well as on Ideal Industries payroll records.

The payment of $7.30 per hour for 32 hours on the month reviewed was for a bus monitor, to control the behavior of a person being transported. We will amend the contract with RCT to include the potential for a bus monitor.

2. *The decision to pay a Christmas bonus of $50 to board employees was an executive decision made by the Executive Director and the Board Chairman. The board meets on the second Tuesday of each month and the executive decision was made in lieu of calling a special board meeting to approve the bonus for employees. The accountant treated the bonus amounts as wages.*

   The decision to pay a $1,000 bonus to an employee was made by the board for the employee's outstanding leadership in introducing a new program that was over and above her job description. Our error was in labeling the $1,000 as a bonus instead of an increase in salary. Our accountant withheld the proper taxes and treated the transaction as regular salary.

B. *We will institute the practice of timesheets for salaried employees, as per your suggestion, which reflect actual time worked as of September 15, 2007.*

C. *Over it's 22 years of existence, the Ray County Board has rarely needed to go into closed session. Consequently, we were somewhat vague on the proper procedures of reporting. The results of the first closed session were incorporated into the regular meeting minutes. Subsequently, the board has gone through the recognized standard procedure of calling the role to leave the regular session, and upon completion of the closed meeting, call the roll again to return to regular session. The results of the decisions, or non-decisions, are then entered into minutes of the closed session.*

Follow-Up on Prior Audit Findings

RAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ray County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices

   A. The actual receipt and disbursement amounts shown in the county budgets contained incorrect amounts and numerous misclassifications.

   B. Budgets were not prepared for various county funds. In addition, the county's annual published financial statements presented no information for some county funds.

   C. The County Commission approved expenditures in excess of budgeted amounts for various funds.

   Recommendations:

   The County Commission:

   A. Ensure that budget documents contain complete and accurate information about the county's finances, agree to the County Treasurer's records, and have adequate descriptions. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and made public.

   B. And the County Clerk ensure budgets are prepared for all county funds and include all county funds in the published financial statements as required by state law.

   C. Refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was adopted, the County Commission should amend its budget by following procedures required by state law.

   Status:

   A. Partially implemented. While there were no problems found with the actual receipt and disbursement amounts shown in the county budgets, numerous reclassifications were still required. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Improvements were noted in the county's budgetary process, but some funds were still not budgeted. Also, the published financial statements omitted several county funds and did not present some other information required by law. See MAR finding number 2.

C. Not implemented. See MAR finding number 2.

2. Officials' Salaries and Payroll Procedures

A. Associate County Commissioners received mid-term salary increases in 1999. A subsequent Missouri Supreme Court decision held the statute unconstitutional. The County Commission adopted a resolution not requiring repayment of these raises, but this action was not supported by a written legal opinion.

B. The Treasurer received a salary increase in 2003. However, the salary commission did not meet or authorize the use of an alternative higher salary schedule for the County Treasurer in 2002, and the County Commission did not obtain a written legal opinion to support the increase.

C. The County Commission and the former Prosecuting Attorney approved a policy exempting the Prosecuting Attorney's employees from the Fair Labor Standards Act (FLSA); however, it was unclear how these employees were exempt from the FLSA.

Recommendation:

The County Commission:

A&B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

C. Review the current overtime and compensatory time policies to ensure such policies comply with the FLSA.

Status:

A&B. Not implemented. The County Commission responded in the prior report that they would obtain a written opinion from the Prosecuting Attorney; however, this was not done. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Partially implemented. Current overtime and compensatory time policies appear to comply with the FLSA. However, we did note instances where overtime worked by some employees was not processed through the county's normal payroll process. See MAR finding number 1.

3. Microfilm Sales

A. The amounts charged and collected by the former Recorder of Deeds for microfilm sales did not always appear correct.

B. Receipt slips were not issued by the former Recorder of Deeds for payments received from microfilm sales.

C. Bids were not solicited and a written contract was not entered into for microfilming services.

D. The sale of microfilm to one title company was not handled consistent with sales to other title companies.

Recommendation:

The Recorder of Deeds:

A. Ensure adequate documentation is maintained to support the amounts charged for microfilm sales.

B. Issue receipt slips to account for all microfilm sales. In addition, the Recorder of Deed's should obtain receipts from the County Treasurer for monies forwarded to the County Treasurer or issue payment by official check to account for the ultimate disposition of all microfilm receipts received.

C. Solicit bids for all items in accordance with state law and ensure all contracts are in writing and signed by each of the parties involved.

D. Ensure microfilm sales are consistently handled and attempt to determine why payment for one sale of microfilm was billed by the microfilm company, rather than the Recorder of Deeds. In addition, the County Commission should review this situation with the Prosecuting Attorney and determine any action to be taken.

Status:

A-C. Implemented.

D. Partially implemented. Microfilm sales were no longer handled after May 2005. While the County Commission indicated the situation was reviewed with the Prosecuting Attorney, there was nothing in writing to document this or any subsequent actions as a result. Although not repeated in the current MAR, our recommendations remain as stated above.

4. Child Support Enforcement

Child Support Enforcement (Title IV-D) reimbursements claimed by the former Prosecuting Attorney during 2002 and 2001 were inaccurate.

Recommendation:

The County Commission and Prosecuting Attorney work with the grantor agency to resolve the questioned costs. The Prosecuting Attorney should ensure Title IV-D claim forms are accurate and report all hours worked by the employees of his office.

Status:

Implemented. The state withheld $10,023 from subsequent reimbursement claims.

5. County Treasurer's Controls and Procedures

Adequate supporting documentation was not always obtained for some expenditures from officials' restricted funds and others had insufficient detail to support the expenditure.

Recommendation:

The County Treasurer ensure adequate supporting documentation is obtained for all expenditures and checks are not signed in advance. In addition, the Prosecuting Attorney should ensure all future expenditures represent a prudent use of public monies.

Status:

Partially implemented. Checks are not being signed in advance and expenditures from Prosecuting Attorney's funds were supported. However, the County Treasurer does not always obtain original invoices as supporting documentation for expenditures from the Sheriff's Account. Although not repeated in the current MAR, our recommendations remain as stated above.

6. Expenditures

A. Bids were not always solicited by the County Commission nor was bid documentation always retained for some purchases.

B. Some emergency planning monies made payable to the county were not maintained in a bank account controlled by the County Treasurer.

C. Payments were made to road districts without proper written contracts.

Recommendation:

The County Commission:

A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

B. Ensure all county funds are in the custody of the County Treasurer and disbursed through the county's expenditure system.

C. Enter into proper written contracts, which specifically state what services are to be provided to the county.

Status:

A. Partially implemented. Improvements were noted in the county's bidding procedures. For most purchases reviewed, bids were received and bid awards were documented in the commission minutes; however, sole source or emergency procurements were not always documented. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Emergency planning monies are now being turned over to the County Treasurer. However, we noted one instance in which a $7,875 insurance company claim check was endorsed over to a local bank to pay off a Sheriff Department patrol car, rather than being deposited into a county fund and processed through the county's expenditure system. Although not repeated in the current MAR, our recommendations remain as stated above.

C. Not implemented. See MAR finding number 2.

7. County Vehicles

Vehicle logs were not maintained for county vehicles and the gasoline log did not include all necessary information. Two road and bridge employees were allowed to use county vehicles to commute to and from work and the county did not include the value of the commuting miles or vehicles on these employees' W-2 forms.

Recommendation:

The County Commission require vehicle logs be maintained for all county vehicles. If applicable, these logs should reflect business and personal miles driven and should be reviewed periodically for reasonableness. In addition, the county should comply with IRS guidelines for reporting fringe benefits relating to personal vehicle use, or adequately document their reasoning for exempting these individuals.

Status:

Not implemented. See MAR finding number 4.

8. Property Tax Controls

The County Clerk did not maintain an account book with the County Collector.

Recommendation:

The County Commission ensure the County Clerk establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

Status:

Not implemented. See MAR finding number 3.

9. Senate Bill 40 Board

A. The SB40 Board did not adequately monitor contractual payments.

B. Bids were not solicited for four different vehicle purchases.

C. Vehicle logs were not maintained for the five vehicles owned and maintained by the SB40 Board.

D. General fixed asset records were not maintained and property tags were not affixed to all assets.

Recommendation:

The Senate Bill 40 Board:

A. Adequately monitor contracts to ensure not-for-profit organizations are spending monies as intended by the SB40 Board and ensure adequate supporting documentation is obtained and reviewed for all expenditures.

B. Solicit bids for all items in accordance with state law.

C. Require detailed vehicle logs be maintained for all vehicles and review this log periodically for reasonableness.

D. Establish records to account for general fixed assets, and identify all fixed assets with a number, tag, or similar identifying device.

Status:

A. Not implemented. See MAR finding number 13.

B. Implemented.

C. Implemented. The vehicles owned by the board are no longer being driven by employees of a not-for-profit organization. Rather, they are now being driven by SB40 board employees and vehicle logs are maintained.

D. Partially implemented. A listing of general fixed assets is now being maintained; however, the fixed assets have not been identified with a number, tag, or similar identifying device. Although not repeated in the current MAR, our recommendation remains as stated above.

10. County Clerk's Controls and Procedures

A. The County Clerk maintained custody of the County Clerk Election Fund which was used for paying most of the county election costs.

B. All employees in the County Clerk's office collected receipts and had access to monies received. There were no documented reviews of the accounting records performed by the County Clerk.

C. Monies received were not transmitted to the County Treasurer on a timely basis, receipts were kept in an unlocked office, and checks and money orders were not restrictively endorsed until the deposit was prepared.

Recommendation:

The County Clerk:

A. Ensure all county funds are held in the custody of the County Treasurer and are disbursed through the county's expenditure system.

B. Provide adequate oversight for the accounting functions performed by employees.

C. Transmit monies intact daily or when accumulated receipts exceed $100. In addition, the County Clerk should keep receipts in a secure location until deposited and restrictively endorse checks and money orders immediately upon receipt.

Status:

Not implemented. See MAR finding number 7.

11. Circuit Clerk's Controls and Procedures

A. The monthly open items listing was not reconciled with the cash balance.

B. The Circuit Clerk did not maintain a centralized record of interest monies earned, spent, and the balance of the interest account.

C. A listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.

Recommendation:

The Circuit Clerk:

A. Ensure monthly listing of open items reconciles to the cash balance. All differences should be investigated and resolved on a timely basis. In addition, the Circuit Clerk should establish and implement procedures to ensure monies are disbursed in a timely manner on cases that have been resolved.

B. Maintain an interest ledger to record interest earned and expenditures of interest fund monies for all accounts. The ledger should be reconciled to the available cash balance monthly. In addition, the Circuit Clerk should reduce the number of bank accounts maintained.

C. Maintain a listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

Status:

A. Partially implemented. The Circuit Clerk is reconciling monthly listings of open items to the cash balance; however, she has not implemented procedures to ensure monies are disbursed in a timely manner on cases that have been resolved. See MAR finding number 9.

B. Not implemented. See MAR finding number 9.

C. Partially implemented. In late 2004, the Circuit Clerk's office installed the Judicial Information System (JIS). She has begun participating in the state's tax offset and debt collections programs in an effort to collect on more accrued costs. However, these efforts focus primarily on newer cases since the JIS system was installed and there is still a need for the Circuit Clerk to follow up on older cases. See MAR finding number 9.

12. Sheriff's Controls and Procedures

A. Sheriff's department employees were provided meals at no cost from the jail but the county's personnel policy did not address whether employees of the sheriff's department were to be provided meals by the county.

B. A different clerk performed all cash custody and record-keeping for civil, criminal, and bonds. There were no documented reviews of the accounting records performed by the Sheriff.

C. The petty cash fund was not maintained on an imprest basis.

D. Adequate controls over evidence had not been established. An evidence log was not maintained and periodic inventories of the property on hand were not conducted.

Recommendation:

The Sheriff:

A. And County Commission review whether sheriff department employees should be provided meals at county expense and if necessary, update the county personnel policy.

B. Provide adequate oversight for the accounting functions performed by employees.

C. Maintain the petty cash fund on an imprest basis and ensure the monies are adequately accounted for.

D. Maintain an inventory record of all evidence seized, including information such as description, current location, case number and disposition of such property. A periodic inventory of all items on hand should be performed to ensure that items are properly identified, tagged, and logged. In addition, the Sheriff should make timely and appropriate dispositions of evidence.

Status:

A&B. Not implemented. See MAR finding number 8.

C. Implemented.

D. Partially implemented. While some changes to records and procedures have been made to address prior audit recommendations, improvements are still needed. See MAR finding number 8.

13. Assessor's Controls and Procedures

Receipt slips were not issued for some monies received and transmittals to the County Treasurer were not made intact. In addition, cashiers' checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The Assessor issue prenumbered receipt slips for all monies received and reconcile the composition of the receipts to transmittals to the County Treasurer. If a petty cash fund is needed, it should be maintained at a constant amount. In addition, the Assessor should restrictively endorse cashiers' checks and money orders immediately upon receipt.

Status:

Implemented.

14. Juvenile Office's Controls and Procedures

A control listing detailing amounts due, paid, and transmitted to victims was not maintained.

Recommendation:

The Juvenile Office maintain a control listing of amounts due, paid, and transmitted to victims.

Status:

Not implemented. However, at the present time, there are only three cases being handled by the Juvenile Office which have restitution amounts still due. Although not repeated in the current MAR, our recommendation remains as stated above.

15. Planning and Zoning Controls and Procedures

A. Adequate oversight of the accounting functions performed by the Planning and Zoning administrator was not provided by the County Commission.

B. Monies were not transmitted timely to the County Treasurer or restrictively endorsed immediately upon receipt.

Recommendation:

The County Commission:

A. Provide adequate oversight of the accounting functions performed by employees.

B. Ensure all monies received are transmitted daily or when receipts exceed $100. In addition, the County Commission should ensure cashiers' checks and money orders are restrictively endorsed immediately upon receipt.

Status:

A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. While not transmitted daily or when receipts exceeded $100, transmittals were made on a regular basis and monies were held in a secure location until transmittal. Cashiers' checks and money orders are still not restrictively endorsed upon receipt. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RAY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1820, the county of Ray was named after John Ray, a member of the state constitutional convention of 1820. Ray County is a county-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Richmond.

Ray County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 465 miles of county roads and 113 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 21,378 in 1980 and 23,354 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 174.7	166.9	158.8	153.7	71.8	39.6
Personal property	58.9	57.5	53.3	52.9	15.1	9.9
Railroad and utilities	27.8	28.1	28.4	27.9	19.1	15.3
Total	$ 261.4	252.5	240.5	234.5	106.0	64.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ray County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .0000	.0000	.0000	.0000
Special Road and Bridge Fund *	.2464	.2464	.2464	.2464
Noxious Weed Fund	.0000	.0000	.0000	.0000
Health Center Fund	.0947	.0947	.0947	.0947
Senate Bill 40 Board Fund	.1704	.1704	.1704	.1704
Tri-County Mental Health Fund	.0948	.0948	.0948	.0948
Hospital	.1704	.1704	.1704	.1704

* The county retains all tax proceeds from areas not within road districts. The county has six road districts that receive four-fifths of the tax collections from property within these districts and the Special Road and Bridge Fund retains one-fifth. Two road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 81,279	74,933	73,443	72,003
General Revenue Fund	33,542	30,685	24,302	25,784
Special Road and Bridge Fund	346,942	321,870	316,090	321,191
Assessment Fund	200,490	190,626	175,556	139,238
Health Center Fund	251,830	234,349	228,596	224,279
Senate Bill 40 Board Fund	452,714	421,765	411,336	403,570
Noxious Weed Fund	40	208	2,627	8,131
Tax Maintenance Fund	41,369	39,063	39,019	38,031
School districts	11,381,335	10,896,853	9,969,537	9,711,806
Ambulance districts	640,605	593,517	598,681	589,932
Special road districts	474,180	429,003	406,518	397,005
Fire protection districts	668,384	612,802	437,958	462,882
Cities	355,194	47,412	53,337	47,820
Nursing home district	377,460	351,315	342,629	336,144
Tri County Mental Health	252,094	234,638	228,836	224,515
Library district	277,362	258,153	251,770	247,013
Hospital district	453,145	421,765	411,336	403,570
Drainage and levee districts	500,009	489,616	479,184	465,774
County Employees' Retirement	137,709	129,153	123,236	119,142
Tax Sale Surplus Fund	38,317	4,923	20,751	357
Sur tax	131,390	100,304	101,898	101,369
Clerk fees	265	289	342	312
Investment interest	43,432	24,096	12,741	7,035
Commissions and fees:				
General Revenue Fund	276,367	301,189	238,278	232,906
County Collector	15,260	8,082	7,461	7,367
County Clerk	2,123	-	-	-
Total	$ 17,432,837	16,216,609	14,955,462	14,587,176

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	93.8	93.5	93.4	92.8	%
Personal property	84.3	85.2	85.5	84.2	
Railroad and utilities	100.0	100.0	100.0	100.0	

Ray County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
General		.0050	None	*	
Road and bridge capital improvements		.0050	None	None	

*This sales tax eliminated the property tax levy of the General Revenue Fund.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Jeffrey Adams, Presiding Commissioner		29,390	29,390	29,390	29,390
Allen Dale, Associate Commissioner		27,390	27,390	27,390	27,390
Clifford Crist, Associate Commissioner		27,390	27,390	27,390	27,390
Shirley O'Dell, Recorder of Deeds		41,500	41,500	41,500	41,500
Paul Lynn Rogers, County Clerk (1)		41,830	41,500	41,500	41,500
James Thompson, Prosecuting Attorney		96,000	96,000	96,000	96,000
Samuel E. Clemens, Sheriff		46,000	46,000	46,000	46,000
JoAnn Burnine, County Treasurer		41,500	41,500	41,500	41,500
Dale Dean Snow, County Coroner (2)		14,000	14,000	14,280	14,000
Kenneth A. Nolker, Public Administrator		41,500	41,500	41,500	41,500
Margie Bowman, County Collector (3), year ended February 28 (29),	61,905	55,497	54,936	54,679	
Kent Wollard, County Assessor (4), year ended August 31,		42,188	42,188	42,265	42,400
Terry M. McCanless, County Surveyor (5)		0	9,000	0	0

(1) Includes of $330 in commissions earned from collection of city property taxes in 2006.
(2) Erroneously received $280 for a cost of living raise in 2004.
(3) Includes $7,824, $8,089, $7,528 and $7,271, respectively, of commissions earned for collecting drainage property taxes for the years ended February 28 (29), 2007, 2006, 2005, and 2004, respectively. During the year ended February 28, 2007, she also earned $6,673 in from collection of city property taxes.
(4) Includes $688, $688, $765, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.
(5) Compensation on a fee basis. In 2005, he was paid by the county for contracted services.

State-Paid Officials:				
Carolyne Conner, Circuit Clerk	49,470	48,500	47,900	47,300
David L. Busch, Associate Circuit Judge	96,000	96,000	96,000	96,000

In March 2005, Ray County contracted with Community Bank of Missouri to finance the purchase of a county jail building. The county entered into a 10-year lease-purchase agreement for $700,000 (principal amount) with the bank to pay for the building. Rental payments made from April 2005 through December 2006 totaled $175,350.

Susan Montee, CPA
Missouri State Auditor

September 2007

Pulaski County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-51

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, such as Pulaski, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Numerous recommendations made in the prior audit report were not implemented and are included in this report. The county made little effort to implement many of the prior recommendations.

Actual disbursements exceeded budgeted amounts for several funds and 2006 amendments of the COPS Universal Hiring Grant Fund and Sheriff Special Equipment Fund resulted in deficit budgeted fund balances.

The county and health center do not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and expenditures were overstated by approximately $246,000 and $72,000 for the years ended December 31, 2006 and 2005, respectively.

The 911 Emergency Service Board did not always document the evaluation of bid proposals and the basis and justification for awarding bids for the purchase of equipment funded through the State Domestic Preparedness Equipment Support Program. In addition, a final report for the grant program was not filed with the Department of Public Safety, State Emergency Management Agency (SEMA), administering agency.

The poor financial condition of the General Revenue Fund, which was noted in our prior report, has continued to deteriorate. In addition, the cash balance of the Special Road and Bridge Fund has declined significantly since 2005 and is also in weak financial condition. The 2007 budget reflects projected ending fund balances of $29 and $-0- for the General Revenue Fund and Special Road and Bridge Fund, respectively. The County Commission indicated that various events in 2007 will provide new or additional revenues that were not anticipated.

The county solicited bids for numerous items; however, they did not always document the evaluation of bid proposals and the basis and justification for awarding bids. Examples noted for which the justification for awarding bids was not documented include the purchase of two motor graders with a total cost of $353,748, a skid loader costing $25,000, and interior painting of the courthouse costing $75,680.

(over)

Timesheets and accumulated leave balances are not submitted to the County Clerk for Sheriff department employees. The Sheriff provides a summary report to the County Clerk's office indicating salaries of full-time employees and number of hours worked and hourly rates for part-time employees. In addition, the vacation leave policy followed by the Sheriff's office is different from the leave policy in the County Personnel Policies Manual for law enforcement personnel.

Concerns were noted related to the monitoring of property taxes. The delinquent tax books are printed by the County Collector, and the County Clerk does not perform tests to verify the totals of the delinquent tax book. In addition, although the County Clerk maintains an account book that summarizes the County Collector's financial information, discrepancies between the account book and the annual settlements were not documented or investigated.

Recordkeeping and disposal of property obtained through the Department of Defense (DOD) Excess Property Program did not appear to be in accordance with DOD procedures. Also, the county does not have a written policy and effective monitoring procedures regarding vehicle usage.

Numerous concerns were noted with the former County Collector's accounting controls and procedures. Inadequate controls over monies received included failure to reconcile receipts to deposits, deposit monies intact, and perform a documented review of reversing entries. In addition, the former County Collector did not prepare formal bank reconciliations, reconcile liabilities to cash balances, or resolve old outstanding checks. There were errors and inconsistencies in amounts reported on the annual settlements. Prior audits of the County Collector's office have noted similar weaknesses in the internal control and record keeping procedures.

The report also includes comments related to the County Assessor's and former County Collector's salaries, computer security and the lack of an emergency contingency plan for computers, and the County Treasurer's, Public Administrator's, Prosecuting Attorney's, Sheriff's, Assessor's, and 911 Emergency Service Board's accounting controls and procedures.

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Pulaski County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Pulaski County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pulaski County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 14, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Pulaski County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

June 14, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Michelle Franken
	Jason Kunau
	Janielle Arens
	Katie Twiehaus

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Pulaski County, Missouri

We have audited the financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Pulaski County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Pulaski County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Pulaski County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Pulaski County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

June 14, 2007

Financial Statements

Exhibit A-1

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	125,274	2,942,556	3,062,346	5,484
Special Road and Bridge		161,732	1,347,678	1,481,478	27,932
Assessment		57,486	243,823	218,337	82,972
Law Enforcement Training		3,188	9,222	8,949	3,461
Prosecuting Attorney Training		491	1,545	1,424	612
Courthouse Sales Tax		2,504,238	105,663	127,445	2,482,456
Prosecuting Attorney User Fee		8,070	47,173	38,338	16,905
Prosecuting Attorney Delinquent Tax		3,097	3,092	4,723	1,466
Recorder User Fee		20,140	23,348	27,363	16,125
Crisis Center		11,035	20,092	20,291	10,836
Civil Fees		13,486	53,388	58,832	8,042
Criminal Investigation		7,782	5,928	7,930	5,780
Family Reunion		599	33	460	172
Election Services		21,623	92,895	103,901	10,617
Tourism Tax		9,989	383,628	383,059	10,558
Recorder Technology		19,320	13,059	14,852	17,527
Timbers NID		21,484	14,772	13,261	22,995
Country Hills NID		13,660	6,542	5,807	14,395
Northwood NID		29,306	22,197	18,658	32,845
Dye Estates NID		14,045	3,926	3,701	14,270
Eagle Point NID		9,253	6,436	5,804	9,885
Highway H NID		150,136	91,454	95,450	146,140
Northlake NID		5,337	8,006	7,143	6,200
White Oaks NID		3,803	7,453	8,188	3,068
LEPC-Chemical Preparedness		6,829	3,369	637	9,561
Sheriff Revolving		8,100	4,834	837	12,097
Inmate Security		13,147	6,850	4,024	15,973
LEPC-Hazardous Material Preparedness		2,856	1,627	1,049	3,434
Vest Grant		671	19	690	0
COPS Universal Hiring Grant		11,099	151,225	162,324	0
Homeland Security Overtime Grant		1,246	798	2,044	0
County Law Enforcement Restitution		1,335	28,967	19,966	10,336
Sheriff Special Equipment		747	8,599	6,213	3,133
Collector Maintenance		10,254	29,710	31,392	8,572
Circuit Clerk Court Operations		25	133	0	158
GIS		0	141,245	76,227	65,018
911 Emergency Service Board		239,205	884,505	882,858	240,852
Senate Bill 40 Board		139,818	220,337	128,921	231,234
Senior Citizens Services Board		58,885	128,056	121,244	65,697
Law Library		1,333	15,510	16,091	752
Family Court		13,634	26,646	5,278	35,002
Circuit Clerk Interest		10,568	6,780	10,165	7,183
Time Payment Fee		1,483	5,222	0	6,705
Passport Fees		6,008	48,922	48,313	6,617
Highway H Maintenance		0	2,407	0	2,407
Total	$	3,741,817	7,169,670	7,236,013	3,675,474

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	131,689	2,820,588	2,827,003	125,274
Special Road and Bridge		138,538	1,375,536	1,352,342	161,732
Assessment		40,810	227,315	210,639	57,486
Law Enforcement Training		2,549	8,686	8,047	3,188
Prosecuting Attorney Training		601	1,467	1,577	491
Courthouse Sales Tax		2,545,954	104,050	145,766	2,504,238
Prosecuting Attorney User Fee		9,748	37,689	39,367	8,070
Prosecuting Attorney Delinquent Tax		2,733	4,785	4,421	3,097
Recorder User Fee		24,237	24,634	28,731	20,140
Crisis Center		9,296	11,035	9,296	11,035
Civil Fees		6,931	53,698	47,143	13,486
Criminal Investigation		7,587	8,428	8,233	7,782
Family Reunion		803	34	238	599
Election Services		19,716	3,245	1,338	21,623
Tourism Tax		9,550	330,743	330,304	9,989
Recorder Technology		19,064	13,439	13,183	19,320
Timbers NID		20,898	13,333	12,747	21,484
Country Hills NID		11,471	8,166	5,977	13,660
Northwood NID		27,990	19,842	18,526	29,306
Dye Estates NID		14,519	3,340	3,814	14,045
Eagle Point NID		8,937	6,290	5,974	9,253
Highway H NID		152,339	89,478	91,681	150,136
Northlake NID		5,770	7,009	7,442	5,337
White Oaks NID		3,313	8,917	8,427	3,803
LEPC-Chemical Preparedness		4,368	2,954	493	6,829
Sheriff Revolving		8,410	4,157	4,467	8,100
Inmate Security		7,094	6,053	0	13,147
LEPC-Hazardous Material Preparedness		1,326	1,541	11	2,856
Vest Grant		1,691	1,138	2,158	671
City/County Homeland Security Grant		0	38,340	38,340	0
MOSMART Grant		9,982	7,693	17,675	0
COPS Universal Hiring Grant		2,932	167,567	159,400	11,099
Homeland Security Overtime Grant		0	2,755	1,509	1,246
County Law Enforcement Restitution		0	1,335	0	1,335
Sheriff Special Equipment		0	5,819	5,072	747
Collector Maintenance		13,101	25,157	28,004	10,254
Circuit Clerk Court Operations		0	25	0	25
911 Emergency Service Board		259,450	1,075,890	1,096,135	239,205
Senate Bill 40 Board		88,354	195,417	143,953	139,818
Senior Citizens Services Board		56,536	114,715	112,366	58,885
Law Library		1,478	13,113	13,258	1,333
Family Court		0	17,430	3,796	13,634
Circuit Clerk Interest		14,514	8,823	12,769	10,568
Time Payment Fee		908	2,629	2,054	1,483
Passport Fees		0	6,090	82	6,008
Total	$	3,685,187	6,880,388	6,823,758	3,741,817

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 7,157,026	7,167,263	10,237	6,999,518	6,856,834	(142,684)
DISBURSEMENTS	7,696,614	7,236,013	460,601	7,260,610	6,819,642	440,968
RECEIPTS OVER (UNDER) DISBURSEMENTS	(539,588)	(68,750)	470,838	(261,092)	37,192	298,284
CASH, JANUARY 1	3,741,793	3,741,817	24	3,685,320	3,684,384	(936)
CASH, DECEMBER 31	3,202,205	3,673,067	470,862	3,424,228	3,721,576	297,348
GENERAL REVENUE FUND						
RECEIPTS						
Sales taxes	1,813,213	1,763,726	(49,487)	1,776,872	1,706,584	(70,288)
Intergovernmental	481,282	410,634	(70,648)	567,400	370,967	(196,433)
Charges for services	630,100	659,526	29,426	610,350	559,433	(50,917)
Interest	6,800	6,794	(6)	7,400	6,642	(758)
Other	83,500	19,101	(64,399)	71,000	110,573	39,573
Transfers in	82,784	82,775	(9)	48,839	66,389	17,550
Total Receipts	3,097,679	2,942,556	(155,123)	3,081,861	2,820,588	(261,273)
DISBURSEMENTS						
County Commission	95,574	95,574	0	92,223	91,930	293
County Clerk	102,718	93,713	9,005	98,800	99,335	(535)
Elections	110,850	89,480	21,370	55,116	31,329	23,787
Buildings and grounds	77,894	77,894	0	74,550	71,688	2,862
Employee fringe benefit	203,868	182,934	20,934	206,982	197,652	9,330
County Treasurer	46,723	46,092	631	46,248	46,960	(712)
County Collector	96,056	94,887	1,169	92,698	93,398	(700)
Ex Officio Recorder of Deed	43,784	41,110	2,674	59,384	54,797	4,587
Circuit Clerk	57,038	55,294	1,744	61,898	53,141	8,757
Associate Circuit Court	1,700	586	1,114	1,700	613	1,087
Associate Circuit (Probate)	4,500	1,295	3,205	5,750	1,380	4,370
Court administration	90,863	60,906	29,957	67,511	63,471	4,040
Public Administrator	67,920	66,308	1,612	65,850	64,380	1,470
Sheriff	800,391	811,257	(10,866)	866,648	732,725	133,923
Jail	514,761	514,761	0	342,631	365,721	(23,090)
Prosecuting Attorney	224,758	220,362	4,396	255,665	246,026	9,639
Juvenile Officer	106,443	86,484	19,959	108,443	72,295	36,148
County Coroner	39,171	48,421	(9,250)	36,950	34,799	2,151
Tax Increment Financing Commission	55,000	46,322	8,678	49,000	52,130	(3,130)
Extension Council	10,000	10,000	0	20,000	20,000	0
Insurance	85,000	83,402	1,598	75,000	83,835	(8,835)
Postage	42,000	18,659	23,341	42,000	37,991	4,009
Telephone	48,500	37,347	11,153	56,000	54,806	1,194
Computer	1,000	10,473	(9,473)	10,000	9,722	278
Public Defender	12,350	11,934	416	7,354	7,354	0
Front door security	16,810	16,384	426	15,288	16,290	(1,002)
MRPC dues	9,048	13,395	(4,347)	0	3,016	(3,016)
Audit	0	0	0	15,000	15,100	(100)
Other	17,200	11,841	5,359	44,710	43,344	1,366
Transfers out	138,430	215,231	(76,801)	116,006	157,606	(41,600)
Emergency Fund	92,930	0	92,930	92,456	4,169	88,287
Total Disbursements	3,213,280	3,062,346	150,934	3,081,861	2,827,003	254,858
RECEIPTS OVER (UNDER) DISBURSEMENTS	(115,601)	(119,790)	(4,189)	0	(6,415)	(6,415)
CASH, JANUARY 1	125,274	125,274	0	131,689	131,689	0
CASH, DECEMBER 31	9,673	5,484	(4,189)	131,689	125,274	(6,415)

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	472,043	436,980	(35,063)	415,099	389,760	(25,339)
Intergovernmental	684,401	697,199	12,798	789,000	787,721	(1,279)
Charges for services	25,000	54,800	29,800	43,900	51,936	8,036
Interest	9,000	13,276	4,276	5,000	8,867	3,867
Other	8,500	6,993	(1,507)	1,000	21,246	20,246
Transfers in	138,430	138,430	0	116,006	116,006	0
Total Receipts	1,337,374	1,347,678	10,304	1,370,005	1,375,536	5,531
DISBURSEMENTS						
Salaries	551,461	548,812	2,649	557,786	529,163	28,623
Employee fringe benefit	128,973	118,634	10,339	117,788	109,591	8,197
Supplies	184,390	326,939	(142,549)	123,000	157,616	(34,616)
Insurance	26,000	27,820	(1,820)	28,000	23,992	4,008
Road and bridge materials	113,150	135,466	(22,316)	241,200	219,938	21,262
Equipment repairs	50,000	53,829	(3,829)	65,000	89,255	(24,255)
Equipment purchases	229,200	236,828	(7,628)	171,581	157,847	13,734
Other	24,200	3,150	21,050	65,650	64,940	710
Transfers out	30,000	30,000	0	0	0	0
Total Disbursements	1,337,374	1,481,478	(144,104)	1,370,005	1,352,342	17,663
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(133,800)	(133,800)	0	23,194	23,194
CASH, JANUARY 1	161,732	161,732	0	138,539	138,538	(1)
CASH, DECEMBER 31	161,732	27,932	(133,800)	138,539	161,732	23,193
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	221,178	237,848	16,670	211,480	223,648	12,168
Interest	3,800	5,975	2,175	3,400	3,667	267
Total Receipts	224,978	243,823	18,845	214,880	227,315	12,435
DISBURSEMENTS						
Assessor	217,916	218,337	(421)	213,898	210,639	3,259
Total Disbursements	217,916	218,337	(421)	213,898	210,639	3,259
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,062	25,486	18,424	982	16,676	15,694
CASH, JANUARY 1	57,486	57,486	0	40,810	40,810	0
CASH, DECEMBER 31	64,548	82,972	18,424	41,792	57,486	15,694
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	2,600	2,979	379	3,000	2,797	(203)
Charges for services	5,800	6,042	242	6,500	5,737	(763)
Interest	100	201	101	50	152	102
Total Receipts	8,500	9,222	722	9,550	8,686	(864)
DISBURSEMENTS						
Sheriff	11,000	8,949	2,051	12,000	8,047	3,953
Total Disbursements	11,000	8,949	2,051	12,000	8,047	3,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	273	2,773	(2,450)	639	3,089
CASH, JANUARY 1	3,188	3,188	0	2,549	2,549	0
CASH, DECEMBER 31	688	3,461	2,773	99	3,188	3,089

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	1,535	1,509	(26)	1,575	1,440	(135)
Interest	25	36	11	25	27	2
Total Receipts	1,560	1,545	(15)	1,600	1,467	(133)
DISBURSEMENTS						
Prosecuting Attorney	1,700	1,424	276	1,700	1,577	123
Total Disbursements	1,700	1,424	276	1,700	1,577	123
RECEIPTS OVER (UNDER) DISBURSEMENTS	(140)	121	261	(100)	(110)	(10)
CASH, JANUARY 1	491	491	0	602	601	(1)
CASH, DECEMBER 31	351	612	261	502	491	(11)
COURTHOUSE SALES TAX FUND						
RECEIPTS						
Sales taxes	0	179	179	0	57	57
Interest	103,000	105,484	2,484	95,000	103,993	8,993
Total Receipts	103,000	105,663	2,663	95,000	104,050	9,050
DISBURSEMENTS						
Capital Equipment/Repairs	400,000	87,767	312,233	200,000	111,862	88,138
Salaries and employee fringe benefit	0	39,678	(39,678)	0	33,904	(33,904)
Total Disbursements	400,000	127,445	272,555	200,000	145,766	54,234
RECEIPTS OVER (UNDER) DISBURSEMENTS	(297,000)	(21,782)	275,218	(105,000)	(41,716)	63,284
CASH, JANUARY 1	2,504,238	2,504,238	0	2,545,954	2,545,954	0
CASH, DECEMBER 31	2,207,238	2,482,456	275,218	2,440,954	2,504,238	63,284
PROSECUTING ATTORNEY USER FEE FUND						
RECEIPTS						
Charges for services	30,000	43,190	13,190	36,500	37,238	738
Interest	360	686	326	500	451	(49)
Other	0	3,297	3,297	0	0	0
Total Receipts	30,360	47,173	16,813	37,000	37,689	689
DISBURSEMENTS						
Prosecuting Attorney	6,256	6,244	12	16,200	11,865	4,335
Transfers out	32,082	32,094	(12)	27,502	27,502	0
Total Disbursements	38,338	38,338	0	43,702	39,367	4,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,978)	8,835	16,813	(6,702)	(1,678)	5,024
CASH, JANUARY 1	8,070	8,070	0	9,748	9,748	0
CASH, DECEMBER 31	92	16,905	16,813	3,046	8,070	5,024

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY DELINQUENT FUND						
RECEIPTS						
Intergovernmental	3,500	3,004	(496)	3,020	4,639	1,619
Interest	110	76	(34)	50	146	96
Transfers in	0	12	12	0	0	0
Total Receipts	3,610	3,092	(518)	3,070	4,785	1,715
DISBURSEMENTS						
Prosecuting Attorney	6,707	4,723	1,984	5,000	4,421	579
Total Disbursements	6,707	4,723	1,984	5,000	4,421	579
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,097)	(1,631)	1,466	(1,930)	364	2,294
CASH, JANUARY 1	3,097	3,097	0	2,733	2,733	0
CASH, DECEMBER 31	0	1,466	1,466	803	3,097	2,294
RECORDER USER FUND						
RECEIPTS						
Charges for services	19,160	22,401	3,241	20,000	23,740	3,740
Interest	894	947	53	800	894	94
Total Receipts	20,054	23,348	3,294	20,800	24,634	3,834
DISBURSEMENTS						
Ex Officio Recorder of Deed	30,000	14,363	15,637	30,000	18,364	11,636
Transfers out	0	13,000	(13,000)	0	10,367	(10,367)
Total Disbursements	30,000	27,363	2,637	30,000	28,731	1,269
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,946)	(4,015)	5,931	(9,200)	(4,097)	5,103
CASH, JANUARY 1	20,140	20,140	0	24,237	24,237	0
CASH, DECEMBER 31	10,194	16,125	5,931	15,037	20,140	5,103
CRISIS CENTER FUND						
RECEIPTS						
Intergovernmental	9,256	9,256	0	8,570	0	(8,570)
Charges for services	10,600	10,373	(227)	9,000	10,633	1,633
Interest	350	463	113	300	402	102
Total Receipts	20,206	20,092	(114)	17,870	11,035	(6,835)
DISBURSEMENTS						
Payments to Crisis Center	20,291	20,291	0	17,900	9,296	8,604
Total Disbursements	20,291	20,291	0	17,900	9,296	8,604
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85)	(199)	(114)	(30)	1,739	1,769
CASH, JANUARY 1	11,035	11,035	0	9,296	9,296	0
CASH, DECEMBER 31	10,950	10,836	(114)	9,266	11,035	1,769

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CIVIL FEES FUND						
RECEIPTS						
Charges for services	50,000	50,000	0	50,000	50,433	433
Interest	500	746	246	20	757	737
Other	0	2,642	2,642	0	2,508	2,508
Total Receipts	50,500	53,388	2,888	50,020	53,698	3,678
DISBURSEMENTS						
Sheriff	63,500	58,832	4,668	56,000	45,926	10,074
Transfers out	0	0	0	0	1,217	(1,217)
Total Disbursements	63,500	58,832	4,668	56,000	47,143	8,857
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,000)	(5,444)	7,556	(5,980)	6,555	12,535
CASH, JANUARY 1	13,486	13,486	0	6,931	6,931	0
CASH, DECEMBER 31	486	8,042	7,556	951	13,486	12,535
CRIMINAL INVESTIGATION FUND						
RECEIPTS						
Charges for services	8,400	5,503	(2,897)	14,000	8,082	(5,918)
Interest	300	425	125	50	346	296
Total Receipts	8,700	5,928	(2,772)	14,050	8,428	(5,622)
DISBURSEMENTS						
Sheriff	15,000	7,930	7,070	21,000	7,938	13,062
Transfers out	0	0	0	0	295	(295)
Total Disbursements	15,000	7,930	7,070	21,000	8,233	12,767
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,300)	(2,002)	4,298	(6,950)	195	7,145
CASH, JANUARY 1	7,782	7,782	0	7,587	7,587	0
CASH, DECEMBER 31	1,482	5,780	4,298	637	7,782	7,145
FAMILY REUNION FUND						
RECEIPTS						
Charges for services	0	0	0			
Interest	20	33	13			
Total Receipts	20	33	13			
DISBURSEMENTS						
Other	400	460	(60)			
Total Disbursements	400	460	(60)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(380)	(427)	(47)			
CASH, JANUARY 1	599	599	0			
CASH, DECEMBER 31	219	172	(47)			

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	90,732	90,732	0	0	1,238	1,238
Charges for services	200	888	688	300	1,072	772
Interest	100	1,275	1,175	250	935	685
Total Receipts	91,032	92,895	1,863	550	3,245	2,695
DISBURSEMENTS						
County Clerk	111,000	103,901	7,099	19,184	1,338	17,846
Total Disbursements	111,000	103,901	7,099	19,184	1,338	17,846
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,968)	(11,006)	8,962	(18,634)	1,907	20,541
CASH, JANUARY 1	21,623	21,623	0	19,716	19,716	0
CASH, DECEMBER 31	1,655	10,617	8,962	1,082	21,623	20,541
TOURISM TAX FUND						
RECEIPTS						
Lodging taxes	382,659	383,059	400	350,000	330,304	(19,696)
Interest	400	569	169	1,000	439	(561)
Total Receipts	383,059	383,628	569	351,000	330,743	(20,257)
DISBURSEMENTS						
Payments to tourism board	383,059	383,059	0	360,000	330,304	29,696
Total Disbursements	383,059	383,059	0	360,000	330,304	29,696
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	569	569	(9,000)	439	9,439
CASH, JANUARY 1	9,989	9,989	0	9,550	9,550	0
CASH, DECEMBER 31	9,989	10,558	569	550	9,989	9,439
RECORDER TECHNOLOGY FUND						
RECEIPTS						
Charges for services	12,200	11,932	(268)	11,000	12,555	1,555
Interest	800	1,127	327	750	884	134
Total Receipts	13,000	13,059	59	11,750	13,439	1,689
DISBURSEMENTS						
Ex Officio Recorder of Deed	14,852	14,852	0	14,000	13,183	817
Total Disbursements	14,852	14,852	0	14,000	13,183	817
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,852)	(1,793)	59	(2,250)	256	2,506
CASH, JANUARY 1	19,320	19,320	0	19,064	19,064	0
CASH, DECEMBER 31	17,468	17,527	59	16,814	19,320	2,506

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TIMBERS NID FUND						
RECEIPTS						
Charges for service	12,300	13,581	1,281	13,000	12,274	(726)
Interest	1,050	1,191	141	900	1,059	159
Total Receipts	13,350	14,772	1,422	13,900	13,333	(567)
DISBURSEMENTS						
Bond repayment	16,000	12,791	3,209	16,000	12,277	3,723
Transfers out	0	470	(470)	0	470	(470)
Total Disbursements	16,000	13,261	2,739	16,000	12,747	3,253
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,650)	1,511	4,161	(2,100)	586	2,686
CASH, JANUARY 1	21,484	21,484	0	20,898	20,898	0
CASH, DECEMBER 31	18,834	22,995	4,161	18,798	21,484	2,686
COUNTRY HILLS NID FUND						
RECEIPTS						
Charges for service	6,500	5,811	(689)	5,438	7,530	2,092
Interest	640	731	91	500	636	136
Total Receipts	7,140	6,542	(598)	5,938	8,166	2,228
DISBURSEMENTS						
Bond repayment	6,700	5,632	1,068	6,700	5,802	898
Transfers out	0	175	(175)	0	175	(175)
Total Disbursements	6,700	5,807	893	6,700	5,977	723
RECEIPTS OVER (UNDER) DISBURSEMENTS	440	735	295	(762)	2,189	2,951
CASH, JANUARY 1	13,660	13,660	0	11,471	11,471	0
CASH, DECEMBER 31	14,100	14,395	295	10,709	13,660	2,951
NORTHWOOD NID FUND						
RECEIPTS						
Charges for service	18,400	20,465	2,065	19,500	18,353	(1,147)
Interest	1,400	1,732	332	1,200	1,489	289
Total Receipts	19,800	22,197	2,397	20,700	19,842	(858)
DISBURSEMENTS						
Bond repayment	21,000	18,423	2,577	21,000	18,291	2,709
Transfers out	0	235	(235)	0	235	(235)
Total Disbursements	21,000	18,658	2,342	21,000	18,526	2,474
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,200)	3,539	4,739	(300)	1,316	1,616
CASH, JANUARY 1	29,306	29,306	0	27,990	27,990	0
CASH, DECEMBER 31	28,106	32,845	4,739	27,690	29,306	1,616

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DYE ESTATES NID FUND						
RECEIPTS						
Charges for service	2,700	3,302	602	2,700	2,700	0
Interest	645	624	(21)	600	640	40
Total Receipts	3,345	3,926	581	3,300	3,340	40
DISBURSEMENTS						
Bond repayment	4,200	3,606	594	4,200	3,719	481
Transfers out	0	95	(95)	0	95	(95)
Total Disbursements	4,200	3,701	499	4,200	3,814	386
RECEIPTS OVER (UNDER) DISBURSEMENTS	(855)	225	1,080	(900)	(474)	426
CASH, JANUARY 1	14,045	14,045	0	14,520	14,519	(1)
CASH, DECEMBER 31	13,190	14,270	1,080	13,620	14,045	425
EAGLE POINT NID FUND						
RECEIPTS						
Charges for service	5,700	5,836	136	5,500	5,799	299
Interest	480	600	120	400	491	91
Total Receipts	6,180	6,436	256	5,900	6,290	390
DISBURSEMENTS						
Bond repayment	6,500	5,689	811	6,500	5,859	641
Transfers out	0	115	(115)	0	115	(115)
Total Disbursements	6,500	5,804	696	6,500	5,974	526
RECEIPTS OVER (UNDER) DISBURSEMENTS	(320)	632	952	(600)	316	916
CASH, JANUARY 1	9,253	9,253	0	8,937	8,937	0
CASH, DECEMBER 31	8,933	9,885	952	8,337	9,253	916
HIGHWAY H NID FUND						
RECEIPTS						
Charges for service	82,095	82,833	738	87,000	82,095	(4,905)
Interest	7,400	8,621	1,221	5,000	7,383	2,383
Total Receipts	89,495	91,454	1,959	92,000	89,478	(2,522)
DISBURSEMENTS						
Bond repayment	90,000	43,278	46,722	90,000	39,506	50,494
Road maintenance	50,000	49,997	3	50,000	50,000	0
Transfers out	2,175	2,175	0	2,175	2,175	0
Total Disbursements	142,175	95,450	46,725	142,175	91,681	50,494
RECEIPTS OVER (UNDER) DISBURSEMENTS	(52,680)	(3,996)	48,684	(50,175)	(2,203)	47,972
CASH, JANUARY 1	150,136	150,136	0	152,339	152,339	0
CASH, DECEMBER 31	97,456	146,140	48,684	102,164	150,136	47,972

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
NORTHLAKE NID FUND						
RECEIPTS						
Charges for service	6,500	7,400	900	8,800	6,533	(2,267)
Interest	470	606	136	450	476	26
Total Receipts	6,970	8,006	1,036	9,250	7,009	(2,241)
DISBURSEMENTS						
Bond repayment	10,000	6,963	3,037	10,000	7,262	2,738
Transfers out	0	180	(180)	0	180	(180)
Total Disbursements	10,000	7,143	2,857	10,000	7,442	2,558
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,030)	863	3,893	(750)	(433)	317
CASH, JANUARY 1	5,337	5,337	0	5,770	5,770	0
CASH, DECEMBER 31	2,307	6,200	3,893	5,020	5,337	317
WHITE OAKS NID FUND						
RECEIPTS						
Charges for service	7,513	6,927	(586)	7,000	8,471	1,471
Interest	440	526	86	425	446	21
Total Receipts	7,953	7,453	(500)	7,425	8,917	1,492
DISBURSEMENTS						
Bond repayment	10,000	8,063	1,937	10,000	8,302	1,698
Transfers out	0	125	(125)	0	125	(125)
Total Disbursements	10,000	8,188	1,812	10,000	8,427	1,573
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,047)	(735)	1,312	(2,575)	490	3,065
CASH, JANUARY 1	3,803	3,803	0	3,313	3,313	0
CASH, DECEMBER 31	1,756	3,068	1,312	738	3,803	3,065
LEPC-CHEMICAL PREPAREDNESS FUND						
RECEIPTS						
Intergovernmental	2,717	2,975	258	3,000	2,719	(281)
Interest	235	394	159	20	235	215
Total Receipts	2,952	3,369	417	3,020	2,954	(66)
DISBURSEMENTS						
Mileage and training	3,000	637	2,363	4,000	493	3,507
Total Disbursements	3,000	637	2,363	4,000	493	3,507
RECEIPTS OVER (UNDER) DISBURSEMENTS	(48)	2,732	2,780	(980)	2,461	3,441
CASH, JANUARY 1	6,827	6,829	2	4,368	4,368	0
CASH, DECEMBER 31	6,779	9,561	2,782	3,388	6,829	3,441

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for services	3,900	4,290	390	24,000	3,776	(20,224)
Interest	300	544	244	50	381	331
Total Receipts	4,200	4,834	634	24,050	4,157	(19,893)
DISBURSEMENTS						
Sheriff	10,000	837	9,163	31,000	4,467	26,533
Total Disbursements	10,000	837	9,163	31,000	4,467	26,533
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,800)	3,997	9,797	(6,950)	(310)	6,640
CASH, JANUARY 1	8,100	8,100	0	8,410	8,410	0
CASH, DECEMBER 31	2,300	12,097	9,797	1,460	8,100	6,640
INMATE SECURITY FUND						
RECEIPTS						
Charges for services	5,600	5,983	383	3,500	5,609	2,109
Interest	500	867	367	160	444	284
Total Receipts	6,100	6,850	750	3,660	6,053	2,393
DISBURSEMENTS						
Sheriff	11,000	4,024	6,976	0	0	0
Total Disbursements	11,000	4,024	6,976	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,900)	2,826	7,726	3,660	6,053	2,393
CASH, JANUARY 1	13,147	13,147	0	7,094	7,094	0
CASH, DECEMBER 31	8,247	15,973	7,726	10,754	13,147	2,393
LEPC-HAZARDOUS MATERIAL PREPAREDNESS FUND						
RECEIPTS						
Intergovernmental	1,431	1,431	0	1,200	1,431	231
Interest	110	196	86	40	110	70
Total Receipts	1,541	1,627	86	1,240	1,541	301
DISBURSEMENTS						
Other	2,500	1,049	1,451	2,500	11	2,489
Total Disbursements	2,500	1,049	1,451	2,500	11	2,489
RECEIPTS OVER (UNDER) DISBURSEMENTS	(959)	578	1,537	(1,260)	1,530	2,790
CASH, JANUARY 1	2,856	2,856	0	1,326	1,326	0
CASH, DECEMBER 31	1,897	3,434	1,537	66	2,856	2,790
VEST GRANT FUND						
RECEIPTS						
Interest	19	19	0	0	59	59
Transfers in	0	0	0	1,079	1,079	0
Total Receipts	19	19	0	1,079	1,138	59
DISBURSEMENTS						
Sheriff	690	690	0	2,770	2,158	612
Total Disbursements	690	690	0	2,770	2,158	612
RECEIPTS OVER (UNDER) DISBURSEMENTS	(671)	(671)	0	(1,691)	(1,020)	671
CASH, JANUARY 1	671	671	0	1,691	1,691	0
CASH, DECEMBER 31	0	0	0	0	671	671

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CITY/COUNTY HOMELAND SECURITY GRANT FUND						
RECEIPTS						
Intergovernmental				0	30,886	30,886
Interest				0	254	254
Other				0	6,200	6,200
Transfers in				62,620	1,000	(61,620)
Total Receipts				62,620	38,340	(24,280)
DISBURSEMENTS						
Sheriff				62,620	38,340	24,280
Total Disbursements				62,620	38,340	24,280
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
MOSMART GRANT FUND						
RECEIPTS						
Intergovernmental				7,693	7,584	(109)
Interest				0	109	109
Total Receipts				7,693	7,693	0
DISBURSEMENTS						
Other				17,675	290	17,385
Transfers out				0	17,385	(17,385)
Total Disbursements				17,675	17,675	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(9,982)	(9,982)	0
CASH, JANUARY 1				9,982	9,982	0
CASH, DECEMBER 31				0	0	0
COPS UNIVERSAL HIRING GRANT FUND						
RECEIPTS						
Intergovernmental	104,194	74,282	(29,912)	113,526	128,108	14,582
Interest	425	142	(283)	0	459	459
Transfers in	35,000	76,801	41,801	53,510	39,000	(14,510)
Total Receipts	139,619	151,225	11,606	167,036	167,567	531
DISBURSEMENTS						
Salaries and employee fringe benefit	162,324	162,324	0	167,036	159,400	7,636
Total Disbursements	162,324	162,324	0	167,036	159,400	7,636
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,705)	(11,099)	11,606	0	8,167	8,167
CASH, JANUARY 1	11,099	11,099	0	2,932	2,932	0
CASH, DECEMBER 31	(11,606)	0	11,606	2,932	11,099	8,167

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PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HOMELAND SECURITY OVERTIME GRANT FUND						
RECEIPTS						
Intergovernmental	0	787	787	23,967	1,132	(22,835)
Interest	15	11	(4)	0	23	23
Transfers in	1,000	0	(1,000)	7,989	1,600	(6,389)
Total Receipts	1,015	798	(217)	31,956	2,755	(29,201)
DISBURSEMENTS						
Salaries and employee fringe benefit	2,261	2,044	217	31,956	1,509	30,447
Total Disbursements	2,261	2,044	217	31,956	1,509	30,447
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,246)	(1,246)	0	0	1,246	1,246
CASH, JANUARY 1	1,246	1,246	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	1,246	1,246
COUNTY LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	600	28,541	27,941	1,335	1,325	(10)
Interest	10	426	416	0	10	10
Total Receipts	610	28,967	28,357	1,335	1,335	0
DISBURSEMENTS						
Law enforcement	0	19,966	(19,966)	0	0	0
Total Disbursements	0	19,966	(19,966)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	610	9,001	8,391	1,335	1,335	0
CASH, JANUARY 1	1,335	1,335	0	0	0	0
CASH, DECEMBER 31	1,945	10,336	8,391	1,335	1,335	0
SHERIFF SPECIAL EQUIPMENT FUND						
RECEIPTS						
Interest	20	93	73	0	24	24
Donations	2,980	8,506	5,526	5,819	5,795	(24)
Total Receipts	3,000	8,599	5,599	5,819	5,819	0
DISBURSEMENTS						
Sheriff	6,213	6,213	0	5,819	5,072	747
Total Disbursements	6,213	6,213	0	5,819	5,072	747
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,213)	2,386	5,599	0	747	747
CASH, JANUARY 1	747	747	0	0	0	0
CASH, DECEMBER 31	(2,466)	3,133	5,599	0	747	747

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PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COLLECTOR MAINTENANCE FUND						
RECEIPTS						
Charges for services	26,000	28,778	2,778	23,000	23,732	732
Interest	700	755	55	300	693	393
Other	750	177	(573)	0	732	732
Total Receipts	27,450	29,710	2,260	23,300	25,157	1,857
DISBURSEMENTS						
County Collector	32,750	27,392	5,358	23,800	21,004	2,796
Transfers out	4,000	4,000	0	7,000	7,000	0
Total Disbursements	36,750	31,392	5,358	30,800	28,004	2,796
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,300)	(1,682)	7,618	(7,500)	(2,847)	4,653
CASH, JANUARY 1	10,254	10,254	0	13,101	13,101	0
CASH, DECEMBER 31	954	8,572	7,618	5,601	10,254	4,653
CIRCUIT CLERK COURT OPERATIONS FUND						
RECEIPTS						
Charges for services	25	129	104	25	25	0
Interest	0	4	4	0	0	0
Total Receipts	25	133	108	25	25	0
DISBURSEMENTS						
Circuit Clerk	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	25	133	108	25	25	0
CASH, JANUARY 1	25	25	0	0	0	0
CASH, DECEMBER 31	50	158	108	25	25	0
GIS FUND						
RECEIPTS						
Lease/purchase proceeds	141,245	140,000	(1,245)			
Interest	0	1,245	1,245			
Total Receipts	141,245	141,245	0			
DISBURSEMENTS						
Assessor	76,227	76,227	0			
Total Disbursements	76,227	76,227	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	65,018	65,018	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	65,018	65,018	0			

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
911 EMERGENCY SERVICE BOARD FUND						
RECEIPTS						
Sales taxes	917,564	880,025	(37,539)	912,001	851,313	(60,688)
Intergovernmental	0	0	0	0	199,538	199,538
Charges for services	1,752	1,752	0	499	1,752	1,253
Lease/purchase proceeds	0	0	0	0	22,088	22,088
Other	0	2,728	2,728	0	1,199	1,199
Total Receipts	919,316	884,505	(34,811)	912,500	1,075,890	163,390
DISBURSEMENTS						
Salaries and employee fringe benefit	531,500	527,600	3,900	512,500	483,622	28,878
Office expenses	147,000	105,213	41,787	134,000	96,460	37,540
Building and equipment	200,000	221,003	(21,003)	220,000	463,915	(243,915)
Repairs	5,000	5,658	(658)	10,000	16,777	(6,777)
Other	35,816	23,384	12,432	36,000	35,361	639
Total Disbursements	919,316	882,858	36,458	912,500	1,096,135	(183,635)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,647	1,647	0	(20,245)	(20,245)
CASH, JANUARY 1	239,205	239,205	0	259,450	259,450	0
CASH, DECEMBER 31	239,205	240,852	1,647	259,450	239,205	(20,245)
SENATE BILL 40 BOARD FUND						
RECEIPTS						
Property taxes	189,900	203,705	13,805	170,572	182,165	11,593
Intergovernmental	6,050	7,159	1,109	6,050	7,744	1,694
Interest	3,000	9,317	6,317	3,000	5,508	2,508
Other	0	156	156	0	0	0
Total Receipts	198,950	220,337	21,387	179,622	195,417	15,795
DISBURSEMENTS						
Salaries	5,600	6,000	(400)	3,600	3,600	0
Office expenditures	4,700	10,013	(5,313)	4,500	1,776	2,724
Building Fund	25,000	0	25,000	25,000	0	25,000
Contractual services	158,941	112,908	46,033	136,363	138,577	(2,214)
Total Disbursements	194,241	128,921	65,320	169,463	143,953	25,510
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,709	91,416	86,707	10,159	51,464	41,305
CASH, JANUARY 1	139,818	139,818	0	88,354	88,354	0
CASH, DECEMBER 31	144,527	231,234	86,707	98,513	139,818	41,305
SENIOR CITIZENS SERVICES BOARD FUND						
RECEIPTS						
Property taxes	106,999	124,470	17,471	112,162	111,238	(924)
Intergovernmental	0	133	133	382	1,205	823
Interest	2,000	3,453	1,453	800	2,272	1,472
Total Receipts	108,999	128,056	19,057	113,344	114,715	1,371
DISBURSEMENTS						
Office expenditures	400	124	276	446	1,065	(619)
Contractual services	129,400	121,120	8,280	126,500	111,301	15,199
Total Disbursements	129,800	121,244	8,556	126,946	112,366	14,580
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,801)	6,812	27,613	(13,602)	2,349	15,951
CASH, JANUARY 1	58,885	58,885	0	56,536	56,536	0
CASH, DECEMBER 31	38,084	65,697	27,613	42,934	58,885	15,951

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	13,000	15,510	2,510	12,000	13,113	1,113
Interest	0	0	0	0	0	0
Total Receipts	13,000	15,510	2,510	12,000	13,113	1,113
DISBURSEMENTS						
Law books/Internet access	13,300	16,091	(2,791)	13,200	13,258	(58)
Total Disbursements	13,300	16,091	(2,791)	13,200	13,258	(58)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(581)	(281)	(1,200)	(145)	1,055
CASH, JANUARY 1	1,333	1,333	0	1,478	1,478	0
CASH, DECEMBER 31	1,033	752	(281)	278	1,333	1,055
FAMILY COURT FUND						
RECEIPTS						
Charges for services	15,000	26,180	11,180			
Interest	120	466	346			
Total Receipts	15,120	26,646	11,526			
DISBURSEMENTS						
Circuit Court	20,000	5,278	14,722			
Total Disbursements	20,000	5,278	14,722			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,880)	21,368	26,248			
CASH, JANUARY 1	13,634	13,634	0			
CASH, DECEMBER 31	8,754	35,002	26,248			
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	9,000	6,780	(2,220)	10,000	8,823	(1,177)
Total Receipts	9,000	6,780	(2,220)	10,000	8,823	(1,177)
DISBURSEMENTS						
Circuit Clerk	10,000	10,165	(165)	18,000	12,769	5,231
Total Disbursements	10,000	10,165	(165)	18,000	12,769	5,231
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	(3,385)	(2,385)	(8,000)	(3,946)	4,054
CASH, JANUARY 1	10,546	10,568	22	15,447	14,514	(933)
CASH, DECEMBER 31	9,546	7,183	(2,363)	7,447	10,568	3,121
TIME PAYMENT FEE FUND						
RECEIPTS						
Charges for services	2,000	5,222	3,222	1,800	2,629	829
Interest	0	0	0	0	0	0
Total Receipts	2,000	5,222	3,222	1,800	2,629	829
DISBURSEMENTS						
Circuit Clerk	3,000	0	3,000	1,500	2,054	(554)
Total Disbursements	3,000	0	3,000	1,500	2,054	(554)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	5,222	6,222	300	575	275
CASH, JANUARY 1	1,483	1,483	0	908	908	0
CASH, DECEMBER 31	483	6,705	6,222	1,208	1,483	275

Exhibit B

PULASKI COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PASSPORT FEES FUND						
RECEIPTS						
Charges for services	15,000	48,922	33,922			
Total Receipts	15,000	48,922	33,922			
DISBURSEMENTS						
Circuit Clerk	15,000	48,313	(33,313)			
Total Disbursements	15,000	48,313	(33,313)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	609	609			
CASH, JANUARY 1	6,008	6,008	0			
CASH, DECEMBER 31	$ 6,008	6,617	609			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the 911 Emergency Service Board, the Senate Bill 40 Board, or the Senior Citizens Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Family Reunion Fund	2005
Family Court Fund	2005
Passport Fees Fund	2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Library Fund	2006 and 2005
Special Road and Bridge Fund	2006
Assessment Fund	2006
Family Reunion Fund	2006
County Law Enforcement Restitution Fund	2006
Circuit Clerk Interest Fund	2006
Passport Fees Fund	2006
911 Emergency Service Board Fund	2005
Time Payment Fee Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the COPS Universal Hiring Grant Fund and the Sheriff Special Equipment Fund for the year ended December 31, 2006.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2006 and 2005, did not include the Law Library Fund, the Family Court Fund, the Circuit Clerk Interest Fund, the Time Payment Fee Fund, and the Passport Fees Fund.

In addition, for the Senate Bill 40 Board Fund and the Senior Citizens Services Board Fund, the county's published financial statement for the year ended December 31, 2006, included only those amounts that passed through the County Treasurer.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures.* For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Pulaski County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance, by collateral securities held by a correspondent bank in the county's name, by commercial insurance provided through a surety bond, or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

The 911 Emergency Service Board's, the Senate Bill 40 Board's, and the Senior Citizens Services Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by a correspondent bank in the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Contingent Liability

As of December 31, 2006, various legal counsel of the county indicated the county is currently named in four suits. However, in their opinion, the lawsuits will not have a material effect on the financial statements.

4. Prior Period Adjustments

The Circuit Clerk Interest Fund's cash balance at January 1, 2005, as previously stated has been decreased by $933 to reflect the actual beginning cash balance.

The 911 Emergency Service Board Fund's, the Senate Bill 40 Board Fund's, the Senior Citizens Services Board Fund's, and the Time Payment Fee Fund's cash balances of $259,450, $88,354, $56,536, and $908, respectively, at January 1, 2005, were not previously reported but have been added.

Supplementary Schedule

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 545	398
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program	ERS045-5185	0	107,608
	for Women, Infants, and Children	ERS045-6185	123,603	35,200
		ERS045-7185	38,540	0
	Program Total		162,143	142,808
10.559	Summer Food Service Program for Children	ERS146-5185	0	140
		ERS146-6185	420	0
	Program Total		420	140
	Office of Administration			
10.665	Schools and Roads - Grants to States	N/A	98,574	0
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state Department of Public Safety			
12.AAG	Drug Interdiction and Counter Drug Activities	N/A	14,430	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services			
14.231	Emergency Shelter Grants Program	ERO1640769	9,256	0
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.710	Public Safety Partnership and Community Policing Grant	2003UMWX0280	70,183	108,910
		2003OMWX0184	747	1,172
	Program Total		70,930	110,082
	Passed through Missouri Sheriff's Association			
16	Domestic Cannabis Eradication/Suppression Program	N/A	821	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	4,407	4,148

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	34	0
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	12,781	2,528
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	87,750	5,703
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	33,324	19,042
			2,975	15,759
	Program Total		36,299	34,801
93.283	Centers for Disease Control and Prevention	DH050032044	0	3,500
	Investigations and Technical Assistanc	AOC06380190	3,500	0
		DH060031071	9,349	0
		DH050038004	0	6,667
		ES161	8,425	10,435
		DH0601P0006	4,048	0
	Program Total		25,322	20,602
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	33,111	27,553
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-5185S	0	1,735
		AOC06380190	2,900	525
		PGA067-5185C	0	1,315
		PGA067-6185C	1,944	0
	Program Total		4,844	3,575
	Department of Social Services -			
93.617	Voting Access for Individuals with Disabilities-Grants to State	N/A	2,982	0
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant	ERS146-5185M	0	22,504
	to the States	AOC06380190	29,306	7,400
	Program Total		29,306	29,904

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2004-GE-T4-0049	0	30,886
		2003-MU-T3-0003	0	199,538
	Program Total		0	230,424
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster:	FEMA 1412-DR-MO	0	108,881
97.067	Homeland Security Grant Program	2005-GE-T5-0022	32,000	0
	Total Expenditures of Federal Awards		$ 625,955	721,547

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

PULASKI COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pulaski County, Missouri, except for the programs accounted for in the Pulaski County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended December 31, 2006 and 2005.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social

Services. Amounts for Drug Interdiction and Counter Drug Activities (CFDA number 12.AAG) and the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services. Amounts for the Homeland Security Grant Program (CFDA number 97.067) represent the original acquisition cost of equipment received.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $9,256 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the year ended December 31, 2006.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Pulaski County, Missouri

Compliance

We have audited the compliance of Pulaski County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

In our opinion, Pulaski County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-2 and 06-3.

Internal Control Over Compliance

The management of Pulaski County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-2 and 06-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Pulaski County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Pulaski County, Missouri; federal awarding agencies and pass-through entities; and other applicable government

officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

June 14, 2007

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	__x__ yes	_____ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.710	Public Safety Partnership and Community Policing Grants
97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between Type A

and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1.	**Budgetary Practices**

Problems with the county's budgetary practices have been noted in the past several audit reports and budgetary problems continue to exist. Actual disbursements exceeded budgeted amounts for several funds and although budget amendments were prepared for some funds, the amendments were prepared after actual disbursements had exceeded the original budgeted amounts. In addition, the budget amendments resulted in a deficit budgeted fund balance for some funds.

A. Actual disbursements exceeded budgeted amounts for several funds as follows:

	Year Ended December 31,	
Fund	2006	2005
Special Road and Bridge	$ 144,104	N/A
Assessment	421	N/A
Family Reunion	60	N/A
County Law Enforcement Restitution	19,966	N/A
911 Emergency Service Board	N/A	183,635
Law Library	2,791	58
Circuit Clerk Interest	165	N/A
Time Payment Fee	N/A	554
Passport Fees	33,313	N/A

In addition to the overspending noted in the funds above, budget amendments increasing budgeted disbursements by a total of $307,872 and $13,092 were prepared in 2006 and 2005, respectively, for such funds as the General Revenue Fund, Tourism Tax Fund, COPS Universal Hiring Grant Fund, GIS Fund, and several smaller county funds. However, the budget amendments were prepared on December 28, 2006, and December 29, 2005, respectively, which was after actual disbursements had already exceeded the original budget. The audited financial statements have been adjusted to reflect the amendments.

The County Commissioners and other officials receive budgetary status reports monthly and do appear to monitor budgetary activity as evidenced by the preparation of some budget amendments. However, it appears that monitoring procedures may

not be consistently applied to all county funds.

The overspending in the Special Road and Bridge Fund appears to primarily be a result of higher than anticipated costs for road and bridge supplies such as gas, oil, and asphalt. Disbursements of the 911 Emergency Service Board Fund exceeded the budgeted amount in 2005 due to a federal grant project which was not budgeted.

Case law provides that strict compliance with county budget law is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, receipt of additional funding, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year. In addition, amendments made after disbursements have exceeded the budget do not allow for the budget to be used as an effective management tool.

B. The 2006 budget amendment for the COPS Universal Hiring Grant Fund and the Sheriff Special Equipment Fund resulted in deficit budgeted fund balances of $11,606 and $2,466, respectively. Although the budget amendments for these funds reflected an increase in budgeted disbursements, the budget amendments did not consider an increase in budgeted receipts, resulting in a deficit budgeted fund balance for the respective funds.

Counties are not authorized to have deficit fund balances. Sections 50.610 and 50.740, RSMo, require balanced budgets, and Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting. When preparing county budgets and budget amendments, the County Commission should carefully review the summary of available resources, estimated revenues, and appropriations to ensure a balanced budget is maintained.

WE RECOMMEND:

A. The County Commission, 911 Emergency Service Board, and other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office. Budget amendments should be addressed prior to incurring excess disbursements.

B. Discontinue deficit budgeting.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

A&B. The County Commission indicated they will implement the recommendations and will continue to monitor and amend the budget for revenues and expenditures.

A. The 911 Emergency Service Board Director responded that due to a federal grant award, money was received but not anticipated. Future budgets will be amended to show influxes and will be closely monitored.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-2.	**Schedule of Expenditures of Federal Awards**

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-7185, ERS045-6185, ERS045-5185
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	16.710
Program Title:	Public Safety Partnership and Community Policing Grants
Pass-Through Entity Identifying Number:	2003UMWX0280 and 2003OMWX0184
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity Identifying Number:	2004-GE-T4-0049 and 2003-MU-T3-0003
Award Year:	2005
Questioned Costs:	Not applicable

The county and health center do not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and

as a result, the county's SEFA contained several errors and omissions. Expenditures were overstated by approximately $246,000 and $72,000 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. The most significant error occurred as the result of reporting $300,000 for the Community Development Block Grants/State's Program in 2006; however, the county did not expend any federal monies for this program until 2007. Expenditures of the Schools and Roads-Grants to States Program of approximately $98,600 were not reported for 2006 and the Health Center Administrator failed to report the Immunization Grants Program vaccines totaling approximately $33,300 and $19,000 for 2006 and 2005, respectively. Monies received by other entities of approximately $65,000 and $16,000 were included on the 2006 and 2005 SEFA, respectively. In addition, the pass-through entity identifying numbers were not indicated for most programs on the 2006 and 2005 SEFA. The audited SEFA was adjusted to correct these errors.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

A similar condition was noted in the prior report.

WE AGAIN RECOMMEND the County Commission, County Clerk, and Health Center Administrator work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated they will implement procedures to help ensure all federal expenditures are reported correctly.

The Health Center Administrator responded that the health center will:

- *Work with the county to ensure adequate procedures are in place to track federal awards for the preparation of the SEFA.*
- *Be more diligent in reporting expenditures of federal grants correctly to include the Immunization Grants Program.*
- *Be more diligent in identifying pass-through numbers for all programs.*

- *Work with the County Commission in ensuring the SEFA is complete and accurate.*

06-3.	Federal Grant Purchases and Reimbursements

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity Identifying Number:	2004-GE-T4-0049 and 2003-MU-T3-0003
Award Year:	2005
Questioned Costs:	Not applicable

The 911 Emergency Service Board did not always document the evaluation of bid proposals and the basis and justification for awarding bids for the purchase of equipment funded through the State Domestic Preparedness Equipment Support Program. In addition, a final report for the grant program was not filed with the administering agency. The board expended $199,538 through the State Domestic Preparedness Equipment Support Program in 2005. Of this amount, $124,010 was used for a Computer Aided Dispatch (CAD) system and $75,528 was used to purchase a radio tower system and related radio equipment.

A. The board did not always document the evaluation of bid proposals and the basis and justification for awarding bids. In 2004 bids were obtained for the purchase of the CAD system. Documentation included in the board's expenditure records indicate three bids were received for the system and that the vendor with the highest bid was selected. According to the 911 Director, that vendor was selected because only their CAD system was compatible with other existing systems being used by the 911. However, no documentation was provided to support the board's review of the proposals or justification for the decisions made.

   Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in the board's business. Documentation of the various proposals received, the board's selection process and criteria, including a summary of the basis and justification for awarding the bid, and bid specifications designed to encourage competitive bidding, should be retained to demonstrate compliance with the law and support decisions made.

B. A final report was not filed with the Department of Public Safety, State Emergency Management Agency (SEMA), the administering agency. The Terms and Conditions for the grant program require the grantee to file a program report at the end of the

grant period or upon completion of spending and specify information that should be included. Future awards and fund draw downs may be withheld if these reports are delinquent. According to SEMA personnel, a final program report had not been filed by the board.

WE RECOMMEND the 911 Emergency Service Board:

A. Maintain adequate bid documentation, including justification for all decisions made.

B. Ensure all required federal reports are submitted to SEMA.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The 911 Emergency Service Board Director responded:

A. Advertisements for bid and board justification will be attached to the board minutes.

B. Two final reports (one for CAD and one for radio/communications) were submitted and mailed to SEMA, separately. We will consider resubmitting the final reports.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PULASKI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pulaski County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2004.

04-1. County Budgets

Actual expenditures exceeded budgeted expenditures of various funds by approximately $35,000 and $200,000 during the years ended December 31, 2004 and 2003, respectively.

Recommendation:

The Commission ensure that disbursements are not authorized in excess of budgeted expenditures by reviewing the budgetary status reports before authorizing disbursements. The County officers should also review the budgetary status reports for their office to alleviate spending in excess of their budget.

If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved.

Status:

Not implemented. See finding number 06-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PULASKI COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

04-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants and Children
Pass-Through Entity Identifying Number:	ERS045-4185
Award Year:	2004 and 2003
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	16.710
Program Title:	Public Safety Partnership and Community Policing Grants
Pass-Through Entity Identifying Number:	Not applicable
Award Year:	2004 and 2003
Questioned Costs:	Not applicable

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	1412-DR
Award Year:	2004 and 2003
Questioned Costs:	Not applicable

The County did not include some funds because they had not been identified as federal awards. The County also did not include the expenditures when the revenues had been received in a previous year. In total, federal expenditures were understated by approximately $332,000 and $284,000 for 2004 and 2003, respectively.

Recommendation:

The County Clerk should prepare a complete and accurate schedule of federal expenditures annually. The County Clerk's office should consult with the grantor agencies to determine if funds are considered to be federal monies, so no federal programs are omitted from the schedule. The amounts reported should be reconciled with the County's general ledger.

Status:

Not implemented. See finding number 06-2.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PULASKI COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 14, 2007. We also have audited the compliance of Pulaski County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 14, 2007.

Because the Health Center Board and the Pulaski County Public Housing Authority are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These MAR findings resulted from our audit of the financial statements of Pulaski County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pulaski County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Financial Condition

The poor financial condition of the General Revenue Fund, which was noted in our prior report, has continued to deteriorate. In addition, the cash balance of the Special Road and Bridge Fund has declined significantly since 2005 and is also in weak financial condition.

A. The cash balance of the county's General Revenue Fund has continued to decline through 2006 and is projected to be only $29 at December 31, 2007. The following table reflects a trend of disbursements exceeding receipts:

	Year Ended December 31,				
General Revenue Fund	2007 Projected	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Cash Balance, January 1	$ 5,484	125,274	131,689	207,537	232,437
Receipts	3,096,868	2,942,556	2,820,588	3,062,989	2,798,437
Disbursements	3,102,323	3,062,346	2,827,003	3,138,837	2,823,337
Cash Balance, December 31	$ 29	5,484	125,274	131,689	207,537

Although receipts have increased from 2005 to 2006 and are projected to increase further in 2007, these increases have not kept pace with the increase in operating costs. For example, in 2006, disbursements related to the Jail increased by $149,040 primarily due to higher than anticipated costs for boarding of prisoners. Overall, costs to fund the Sheriff's department and Jail operations have fluctuated from 2002 to 2006; however, total costs in 2006 were approximately $330,000 higher than total costs in 2002. In addition to the increased costs for boarding of prisoners, increases have occurred in salaries for deputies, jailers, and dispatchers, as well as vehicle expenses and prisoner meals.

The termination of federal grant programs, including the Public Safety Partnership and Community Policing Grants, will further affect the disbursements of the Sheriff's department and the General Revenue Fund in 2007. The county will now be solely responsible for paying the full salaries of some law enforcement officers whose salaries had been partially paid during 2004 through 2006 using federal grant monies. For 2004, 2005, and 2006, the county received $72,058, $128,108, and $74,282, in

federal grant proceeds, respectively, through the Public Safety Partnership and Community Policing Grants program.

Additionally, a potentially significant liability exists for the county as a result of accumulated vacation leave and compensatory time balances for personnel of the Sheriff's office. Some deputies had accumulated vacation leave and/or compensatory time balances in excess of 400 hours. These excessive balances represent a large liability for the county which could require significant cash resources upon payment (see MAR finding number 3).

Another area for consideration is the administrative service fee transfer from the Special Road and Bridge Fund to the General Revenue Fund. An administrative transfer was not made from 2003 to 2005; however, a transfer of $30,000 was made in 2006. Section 50.515, RSMo, allows the county to impose a fee to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for the administrative services to the fund, and shall not exceed five percent of the Special Road and Bridge Fund budget. The county budgeted a transfer of $30,000 for 2007. However, given the weak financial condition of the Special Road and Bridge Fund as discussed below, the county should carefully consider the impact of this transfer.

Some help for the county is that capital expenditures are paid from the Courthouse Sales Tax Fund which had a balance of approximately $2.5 million at December 31, 2006. However, expenditures paid from the General Revenue Fund are operating expenditures which cannot be paid from the Courthouse Sales Tax Fund.

B. The cash balance of the Special Road and Bridge Fund increased from 2003 to 2005, but then significantly decreased from 2005 to 2006 and is projected to be $0 at December 31, 2007. The following table reflects the changes in the Special Road and Bridge Fund's cash balance:

	Year Ended December 31,				
Special Road and Bridge Fund	2007 Projected	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Cash Balance, January 1	$ 27,932	161,732	138,538	31,180	382,080
Receipts	1,331,310	1,347,678	1,375,536	1,325,699	1,159,478
Disbursements	1,359,242	1,481,478	1,352,342	1,218,341	1,510,378
Cash Balance, December 31	$ 0	27,932	161,732	138,538	31,180

Since 2003, disbursements for employee salaries and fringe benefits have steadily increased. From 2005 to 2006, significant increases were incurred for supplies and equipment purchases. The County Commission has reduced planned disbursements in 2007 for supplies and equipment purchases; however, other costs, such as road and bridge materials and equipment repairs, are expected to increase.

Actual disbursements exceeded budgeted disbursements by $144,104 for the year ended December 31, 2006. The majority of the budget overspending was due to actual costs for supplies, specifically gas and oil. Total actual costs for supplies increased from $157,616 in 2005 to $326,939 in 2006. The County Commission has budgeted total costs for supplies at $174,520 for 2007, a 47 percent decrease compared to actual costs in 2006.

Additionally, the Special Road and Bridge Fund has outstanding liabilities at December 31, 2006, consisting of several lease purchase agreements totaling approximately $397,000. These lease purchase agreements originated between August 2004 and April 2006 to assist the county in purchasing new equipment, including motor graders, vehicles, and a tractor. Repayment on these lease purchase agreements consist of payments continuing for the next one to five years. Payments due in 2007 are included in the budgeted amounts.

The county is facing serious financial problems and, as a result, it is essential to address the situation both in the immediate and long-term future. To improve the financial condition of the county's General Revenue Fund, the County Commission should review disbursements and reduce discretionary spending where possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize receipts from all sources.

WE RECOMMEND the County Commission continue to closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund and the Special Road and Bridge Fund. The County Commission should perform long-term planning and ensure receipts are maximized and discretionary disbursements are closely monitored.

AUDITEE'S RESPONSE

The County Commission indicated they have encouraged monitoring of discretionary funds by other officials and have urged them to use these funds rather than depending on General Revenue funding. In addition, with higher than expected sales tax revenues and a new Lowes store, they anticipate approximately $60,000 in additional sales tax revenues for the General Revenue Fund that were not reflected on the budget. Also, the Missouri Department of Transportation performed an inventory of county road miles during 2007. Based on increased county road miles, which will result in increased CART monies, and reassessment, they anticipate an additional $150,000 in new revenues for the Road and Bridge Fund in 2008. The County Commission indicated they will continue to closely monitor the county's financial condition; this is being done monthly and more extensively, quarterly.

2. County Expenditures

The county does not have adequate procedures regarding the procurement of major purchases and professional services. While a review of County Commission minutes and bid files indicated the county solicited bids for numerous items, the county did not always document the evaluation of bid proposals and the basis and justification for awarding bids. Examples of some of these purchases include the following:

- In June 2005, the county purchased two motor graders with a total cost of $353,748. The county was given $150,000 for the trade in of two used motor graders and the remaining $203,748 was financed through a lease purchase agreement. Bids were solicited by telephone and bid documentation was on file from two vendors. The County Commission indicated the bids were considered for initial cost, trade-in value, warranty amounts, and buy-back value. The County Commission also stated they generally purchase motor graders from one vendor because they have better customer service, perform equipment testing at no charge, and have a more professional reputation; however, such justification for awarding the bid was not publicly documented. In addition, the evaluation of the buy-back and trade-in factors were not documented.

- The County Commission approved the purchase of a skid loader and trailer in January 2006. The County Clerk indicated bids were not advertised for these purchases; rather, bids were solicited by telephone contact to various vendors. Documentation included in the county's bid files indicate two bids were received for each item. The County Commission awarded the bid for the trailer to the lowest bidder; however, the purchase of the skid loader was awarded to the higher of the two bids for $25,000, which was approximately $2,000 more than the lower bid. No documentation was included in the bid files or the County Commission minutes to support why the purchase was not awarded to the lowest bidder. In addition, the County Clerk indicated the vendor awarded the bids is owned by an individual who is also employed by the county as a supervisor in the county's road and bridge department. Given the employee's position, selecting other than the lowest bid may result in the appearance of a conflict of interest.

- In May 2005, the county advertised for bids for the painting of the interior of the courthouse. According to County Commission minutes, one bid was received in June 2005 for the project. This bid was not accepted and the minutes indicate more than one bid was needed.

  Rather than advertising for bids a second time, the County Clerk indicated telephone contact was made to various vendors requesting a bid. Additional bids were submitted and the County Commission reviewed these bids on August 1, 2005. The following bids were received: $81,500, $75,680, $52,705 (two coats) or $28,633 (one coat), and $33,364. The County Commission accepted the bid for $75,680. According to the County Commission minutes, the former Presiding Commissioner stated he believed a few bids were too low and he did not believe the job could be done at that price. The

minutes also indicate a completion date of sixty days was expected; however, a completion date was included as a requirement in the initial bid advertisement and none of the bid proposals appeared to include a completion date.

Although the County Commission minutes include some discussion regarding why the lowest bids were not accepted, this discussion does not appear to adequately support the decisions made.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process and criteria, including a summary of the basis and justification for awarding the bid, and bid specifications designed to encourage competitive bidding, should be retained to demonstrate compliance with the law and support decisions made.

WE RECOMMEND the County Commission perform a competitive procurement process for all major purchases and maintain documentation to support all bids received and the justification for all decisions made. In addition, the County Commission should refrain from entering into business transactions with related parties which may result in the appearance of a conflict of interest.

AUDITEE'S RESPONSE

The County Commission indicated reasons do exist for instances when the lowest bid was not accepted. For example, additional features on the equipment, or better buy-back and customer service offered by certain vendors. Regarding the painting bid, the County Commission indicated they did not believe that based on the square footage of the courthouse, the job could be done at the lower bids. The County Commission indicated they will implement more documentation during the bidding process.

3. Personnel Policies and County Officials' Compensation

Timesheets for Sheriff's office employees are not submitted to the County Clerk and leave policies for Sheriff's office employees differ from the leave policies stated in the County Personnel Policies Manual. In addition, the effective dates of salary increases given to the former County Collector and Assessor do not appear to comply with state law.

A. Timesheets and records of accumulated leave balances are not submitted to the County Clerk's office by Sheriff's department employees. Although timesheets are submitted to the Sheriff's office by each employee, the Sheriff provides a summary report to the County Clerk's office indicating salaries of full-time employees and

number of hours worked and hourly rates for part-time employees. Balances of vacation leave, sick leave, holiday leave, and compensatory time are maintained by the Sheriff's office. According to a summary report of leave balances provided by the Sheriff, as of August 2007, approximately 25 employees had accumulated vacation leave and compensatory time balances totaling approximately 3,900 hours and 3,700 hours, respectively.

Centralized time and leave records help ensure that employees comply with county policy, better document compliance with the Fair Labor Standards Act (FLSA), and aid in determining final pay for employees leaving county employment. In addition, this documentation provides the County Commission with information to monitor potential leave liabilities.

B. The vacation leave policy followed by the Sheriff's office is different from the leave policy in the County Personnel Policies Manual for law enforcement personnel. The policy for Sheriff's office employees was adopted by the former Sheriff effective January 1, 2001, and continues to be followed by the current Sheriff. The Sheriff's policy allows his employees to accumulate a maximum of 320 vacation hours while the county policy allows a maximum of 40 hours of vacation leave. In addition, as reflected in the July 28, 2003, County Commission minutes, the County Commission adopted a policy which allows employees of the Sheriff's Department to accumulate up to 480 hours of compensatory time; however, the County Personnel Policies Manual for law enforcement personnel has not been updated accordingly.

Although this issue was noted in our prior report, the County Commission appeared unfamiliar with the leave policies currently being followed by the Sheriff's office. The County Commission and Sheriff should work together to adopt one official vacation leave policy for the Sheriff's employees and the County Personnel Policies Manual for law enforcement personnel should be revised accordingly for all changes.

C. The effective dates of salary increases given to the former County Collector and Assessor do not appear to comply with state law. Increases resulting from changes in the county's assessed valuation were made effective January 1, 2007, for the former County Collector, and in 2006 (retroactive to January 1, 2005), for the Assessor, rather than on these officials' dates of incumbency as provided by law. Thus, it appears increases in salary should not have taken effect until March 1, 2007, and September 1, 2005, for the new County Collector and the Assessor, respectively. Because of this improper timing, the former County Collector and Assessor may have been overpaid $992 and $342, respectively.

A January 2006, legal opinion obtained from the Prosecuting Attorney indicated there would be an automatic increase in the 2005 newly elected office holders' salaries to conform with an increase in assessed valuation. However, this opinion does not specifically address the differing terms of office. The County Clerk indicated this was an oversight.
Section 50.333.8, RSMo, provides for salaries to be adjusted each year on the

official's year of incumbency for assessed valuation changes that affect the maximum allowable compensation for that office. The county should evaluate whether the timing of these salary increases resulted in overpayments and rectify the situation as appropriate.

Conditions similar to Parts A and B were noted in our prior report.

WE RECOMMEND the County Commission:

A. Work with the Sheriff to ensure timesheets and records of leave earned, used, and accumulated are filed with the County Clerk.

B. Work with the Sheriff to adopt a vacation leave policy for the Sheriff's employees. The County Personnel Policies Manual for law enforcement personnel should be updated to include all revised leave policies.

C. And the Salary Commission consult with legal counsel and review this situation to ensure the actions taken were in accordance with state law. If overpayments are determined, pursue repayments or offset amounts against future salary payments as appropriate.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They will work with the Sheriff to ensure receipt of timesheets and leave records.

B. They will update the manual to reflect the change of policy noted in the minutes of July 28, 2003. They will work with the Sheriff to adopt a vacation leave policy and will update the manual accordingly.

C. The Assessor has agreed to repay the overpayment and they will contact the former County Collector regarding the overpayment.

The Sheriff responded:

A. A July 28, 2003, meeting of the Pulaski County Commission mentioned that according to the settlement agreement in the lawsuit filed by Sheriff J.T. Roberts against Pulaski County that the Sheriff could retain his department's time sheets. I relied on this information.

I would also like to note for the record that at this time there is legal uncertainty as to the status of the Commissioned Deputies working for the department. We are not certain if they are 171 hour FLSA exempt officers or 40 hour a week employees. All working Deputies in the department are currently tracked in accordance with the 171 exempt FLSA record keeping systems. I have received advice from counsel that until such time as completed court cases have resolved the exact nature of the current Missouri law that I should continue

the 171 standard.

With the assistance of one of my reserve Deputies who has an accounting degree, we devised an Excel worksheet that tracks the Commissioned deputies under the 171 standard and a second worksheet that tracks the civilian employees under the 40 hour weekly standard. Thus a disk can be made at any time with the latest time records. I have no objection to providing the County with these records. We are currently working on a revision of the Excel worksheet for 2008 that will allow us to print a summary report of all accumulated hours for each employee in each pay period.

B. The perceived conflict between the Sheriff's operational procedure on vacation and the County Personnel Manual should be resolved. I agree with the suggestion that the County Personnel Manual be revised to reflect only one policy for the Sheriff's Department with regard to vacation.

4. County Procedures

Concerns were noted related to the monitoring of property taxes. In addition, various county employees who handle monies are not bonded and the county's annual published financial statements did not include financial information for some funds. Also, proper procedures were not followed regarding the disposition of federal property items. Controls over county vehicles are in need of improvement.

A. The County Clerk does not prepare or verify the accuracy of the delinquent tax books. In addition, neither the County Commission nor the County Clerk provides an adequate review of the County Collector's annual settlement.

1) The delinquent tax books are printed by the County Collector and the County Clerk does not perform tests to verify the totals of the delinquent tax book.

Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

2) The County Clerk maintains an account book that summarizes property tax amounts that the County Collector is charged with collecting (original property tax bills and subsequent additions to the tax books) and the

corresponding credits for these amounts (monthly tax collections, abatements, protested taxes, and delinquent taxes). The County Clerk indicated the account book was compared to the County Collector's annual settlements and discrepancies were noted; however, these discrepancies were not documented or investigated.

Reconciling the account book to the County Collector's records and investigating discrepancies would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Had a complete reconciliation been performed and discrepancies investigated, the County Clerk or County Commission may have detected reporting errors in the former County Collector's settlements (see MAR finding number 7). Such procedures are intended to establish checks and balances related to the collection of property taxes.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

B. Various county employees who handle monies are not bonded, including employees of the Sheriff's office, Public Administrator's office, and County Clerk's office. These officials indicated the employees were covered by the elected officials bond; however, there is no evidence to support this. In addition, the County Clerk indicated she contacted the bonding company and was told the bonds cover only named employees.

As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

C. The county's annual published financial statements did not include financial information for the Law Library Fund, Family Court Fund, Circuit Clerk Interest Fund, Time Payment Fee Fund, Passport Fees Fund, and Pulaski County Public Housing Authority Fund in 2006 and 2005. In addition, the county's annual published financial statements included only those amounts that passed through the County Treasurer for the Health Center Fund in 2006 and 2005 and for the Senate Bill 40 Board Fund and the Senior Citizens Services Board Fund in 2006.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds.

Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

D. Record keeping and disposal of property obtained by the former and current Sheriffs through the Department of Defense (DOD) Excess Property Program do not appear to be in accordance with DOD procedures. The DOD Excess Property Program provides for the transfer of excess federal property to other agencies to be used in law enforcement activities. This program is administered by the state Department of Public Safety (DPS) which coordinates the transfer of property from the DOD to local agencies.

1) Neither the former nor the current Sheriff provided an inventory listing of federal property items to the County Clerk. Maintaining adequate property records is necessary to ensure effective internal controls. Program guidelines provide that the county must maintain records for all property acquired through the program. Further, physical inventories of the property should be performed to ensure the accuracy of the records, to ensure all property items are accounted for, and to deter and detect theft.

2) In January 2006, the County Commission approved the sale of some property items obtained through this program to the former Sheriff. A boat, motor, boat trailer, and two cargo trailers were sold at the cost of $1 per item in lieu of paying a bill received from the former Sheriff for storage of these items totaling $4,245. There is no evidence the county requested or received approval from DPS prior to disposing of this property as required by DOD Excess Property Program guidelines. As a result, it does not appear the County Commission had the authority to sell these property items.

In addition to noncompliance with DOD guidelines, there was no documentation of the estimated value of the property. The county received a bill dated October 10, 2005, totaling $4,245 ($5 per day for the boat, motor, and boat trailer and for each of the cargo trailers for January 2005 through September 2005 and 10 days of October 2005) from the former Sheriff for storage of the boat, motor, boat trailer, and two cargo trailers. The bill indicated the property had been abandoned on the former Sheriff's property since January 1, 2005, and stated that he had informed the County Commission, County Clerk, and Sheriff in March 2005 that if the items were not removed a storage fee would be charged. There was no evidence provided that the county had asked the former Sheriff to store the property. The January 2006 minutes include an entry that an Associate Commissioner indicated the property was junk and had been stored on the former Sheriff's property.

E. The county does not have a written policy and effective monitoring procedures regarding vehicle usage. Sheriff's office deputies and road and bridge department supervisors are allowed to use county vehicles to commute to and from work. However, the county does not have a written policy addressing the use of vehicles for commuting purposes. In addition, vehicle logs were not maintained and the amount of personal (commuting) mileage is not included on employee W-2 forms as a fringe benefit.

The Internal Revenue Services (IRS) reporting guidelines provide that personal commuting mileage is a reportable fringe benefit. The county may be subject to penalties and/or fines for failure to report all taxable benefits. A formal written county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

Without adequate vehicle usage logs, the county cannot effectively monitor the use of vehicles or determine that maintenance and fuel costs for vehicles are reasonable and represent legitimate and appropriate expenses.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used in compliance with county policies and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county. The Sheriff and the Assessor indicated they implemented the usage of vehicle logs effective March 2007 and April 2007, respectively.

Conditions similar to Parts A.2. and C. were noted in our prior report.

WE RECOMMEND:

A.1. The County Clerk verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

2. The County Clerk and County Commission perform a review of the County Collector's annual settlements using the County Clerk's account book. Any discrepancies should be investigated and resolved.

B. The County Commission and other officials review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

C. The County Commission ensure all required information is presented in the county's annual published financial statements.

D.1. The Sheriff provide a listing of all inventory received from the DOD Excess Property Program to the County Clerk and ensure an annual physical inventory of this property is performed and documented.

2. The Sheriff and the County Commission ensure proper disposal authority is received prior to disposing of property acquired through the DOD Excess Property Program. In addition, the County Commission should work with the DPS to resolve this matter.

E. The County Commission adopt a written policy regarding proper and allowable use of county vehicles. Usage logs should be maintained on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, the County Commission should ensure the county complies with IRS reporting requirements related to personal commuting mileage.

AUDITEE'S RESPONSE

The County Clerk indicated:

A.1. She will implement a policy to review the delinquent tax books prepared by the County Collector and will review delinquent taxes to ensure they have not been previously paid.

2. She is now reconciling the account book with records of the County Collector on a monthly basis, and will implement the recommendation to review the annual settlement when it is prepared.

The County Commission indicated:

B. They will review the bonding capacity of county employees and will determine the cost effectiveness of additional bonding. They will request recommendations from the office holders to determine the amount of monies handled by employees and which employees warrant bonding.

C. They will obtain the necessary information to ensure the required funds are included in the published financial statements.

D. They were not aware that the property was DOD federal property. They will request an inventory listing from the Sheriff of property acquired from DPS. They will also request a copy of the procedures to properly dispose of DOD property and will make an inquiry to DPS about this issue.

E. They will take the recommendation under advisement and will consult legal counsel and a tax accountant before decisions are made.

The Sheriff responded:

D.1. Since taking office on January 1, 2005, my representative or I have signed for relatively few items from the DOD program. We thought we were sending the acquisition paperwork to the County Clerk's office along with the invoices that we get from the state property surplus center. If we did not do this it was a simple oversight and copies will be provided immediately. We are in the process of an inventory at this time. Once the inventory has been completed we will invite the County Clerk to check the inventory. With regard to the property that the Pulaski County Commission sold to the former Sheriff, had the Commission consulted with me prior to the sale of this property I could have told them it was federal property and could not be sold.

2. The Sheriff's office will comply with the correct disposal procedures for the DOD property acquired since January 1, 2005. All records of property acquired before that date will have to be obtained from the official in charge of the DOD program. The Sheriff's office will then have to locate that property. Only then could we begin disposal procedures. This will be a most difficult, if not impossible task, since there are many items that we are aware of without documents.

5. Computer Operations and Controls

Computer systems passwords are not updated periodically. In addition, a formal emergency contingency plan does not exist for the county's computers.

A. The security of a password system is dependent upon keeping passwords confidential. Although most offices require the use of passwords to access various programs, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. When properly managed in a controlled environment, passwords can provide effective security.

B. The county does not have a formal emergency contingency plan for its computers. As a result, the county has not made a formal arrangement for the use of backup facilities in the event of a disaster. Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major

benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the official's degree of reliance on data processing, the need for contingency planning is evident.

WE RECOMMEND the County Commission:

A. Work with other officials to require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

B. Work with other officials to develop a formal contingency plan for the various computer systems.

AUDITEE'S RESPONSE

The County Commission indicated:

A. They will notify all office holders in the courthouse to secure the computer passwords and upon departure of employees, change passwords for safekeeping.

B. They will take the recommendation under advisement and will attempt to develop a formal contingency plan.

6. County Treasurer's Accounting Controls and Procedures

Procedures have not been established to resolve old outstanding checks and the County Treasurer's bond is insufficient. In addition, monies held in the Surplus Tax Fund for more than three years have not been distributed.

A. Procedures have not been established to resolve old outstanding checks. At December 31, 2006, two hundred checks totaling $3,763 were over one year old. Several of these checks dated back to 2001. One outstanding check dated August 2004, for $1,410, was issued to an area newspaper and 107 of the checks were for $6 each. These old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

B. The County Treasurer's bond was insufficient to cover school monies received. The County Treasurer currently has a $700,000 bond which is described as a special

bond. If this bond was obtained to secure the school monies collected by the County Treasurer, the bond was approximately $500,000 less than the amount required in January 2006 and 2007. Approximately $4.8 million of school monies were received by the County Treasurer in January 2005.

Section 54.160, RSMo, requires the County Treasurer to give additional bond for school monies sufficient to secure the monies that come into her hands, but cannot be required to give more than one-fourth of the amount collected during the same month of the year immediately preceding her election.

C. No monies have been distributed from the Surplus Tax Fund to various school districts since at least 2003. As of December 21, 2006, the balance of the Surplus Tax Fund was $60,801.

Section 140.230, RSMo, requires surplus monies from land tax sales be held by the treasurer for a period of three years. At that time the monies shall be distributed to the various school districts within the county. No record was available in the County Treasurer's office that would identify the length of time monies had been held and when distribution would be appropriate.

WE RECOMMEND the County Treasurer:

A. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

B. And the County Commission ensure the County Treasurer is adequately bonded.

C. And the County Collector review the activity of the Surplus Tax Fund. All amounts which have been held for more than three years should be disbursed to the schools. In addition, the County Treasurer should maintain a liability listing for the Surplus Tax Fund and ensure all future distributions from the fund are made on a timely basis.

AUDITEE'S RESPONSE

The County Treasurer responded:

A. There was difficulty in coordinating with the County Clerk's office the turnover of outdated/stale checks due to their problems with the electronic financial program and the affect it would have on the County Clerk's financial records. I was instructed not to turn over monies until consideration could be given to implementing a system that would be effective with their office and financial program. Since that time, I have made periodic inquiries with the County Clerk's office as to the procedure to utilize that would not adversely affect their financial program. To date, I have not received a response or any suggestions as to any implementation procedure that would adversely affect their financial

program. I, therefore, will disburse the monies in accordance with statute. Outstanding/stale checks will be transferred from each respective fund to the "unclaimed fees" fund line. Each fund will reflect the name, check number, and amount by line item. Once each fund is totaled, that amount will be transferred to the "unclaimed fee" fund on paper (ledger entry-excel spreadsheet), not by receipt or electronic posting. I will provide a copy of the same to the County Clerk's office and request that a check for the total sum of all funds be issued from the "Unclaimed Fees" Fund to the State Treasurer's office.

B. *I will increase my bond to exceed the amount of monies received in December and January, which are the largest turn over of monies due to real estate and property tax. The other ten months of the year my bond exceeds the monies received. I have discussed with a bonding company the feasibility of having a rider for those short periods of time that turnovers exceed my bond, as opposed to an increased bond for the entire year. This would be more cost effective for tax payers.*

C. *Historically the County Clerk's office has maintained the Surplus Fund (as a 500 fund line). This established procedure existed long before I took office. I did not have exclusive authority to maintain or issue checks because of the security system established in the financial program. In fact, the only authority I had with this fund was to post receipts to this fund line. All checks in the past have been generated from the County Clerk's office by issue of warrant only. I did not and have not ever issued any checks in the Surplus Fund, until July, 2007 when the County Commission issued an Order/Resolution, GIVING me the authority and clearance, and directing me to issue checks from the Surplus Fund, <u>without warrant</u>. This had never previously been done. Pursuant to the County Commission Order, I met with the newly elected County Collector and we established procedures regarding the Surplus monies. However, the disbursements of the Surplus Fund cannot be made to the school districts until I receive the apportionments prepared by the County Clerk's office, directing me as to the amount of money each school district is to receive. Since the issuance of the County Commission Order, I have received a request from the County Collector to issue monies to individuals. Checks were issued from my office on the same day of the request. Since the Commission Order and the fact that the County Clerk's office will no longer be issuing checks, I have implemented procedures to ensure that all monies requested of me to be paid out by the County Collector will be issued in a timely manner, along with any apportionments received by the County Clerk's office.*

The current County Collector responded:

C. *In July, while preparing for the 2007 Delinquent Tax Sale, I spoke with the County Treasurer and asked who was keeping track of the surplus money that should be distributed to the school systems after 3 years. She was unaware of this procedure and said she did not have the authority to distribute from that account. I then spoke with the County Clerk and she was not aware of the need to distribute the surplus money to the schools either. I told the County Clerk that I would prepare spreadsheets with the information needed to determine the amount of surplus that should have already been distributed and what should still be in the account. She indicated that the Commission would give the Treasurer the authority to distribute from this account. On August 6, 2007, I gave the County Treasurer*

spreadsheets with the information she needed to set up her own system to keep track of the surplus money. After the August 27, 2007 Delinquent Tax Sale I transferred the 2007 surplus amount to the Treasurer and provided a spreadsheet with the surplus per parcel sold so she could include this information on her spreadsheet. The Treasurer told me on August 30, 2007 that the CD renews the first part of September, and she will distribute the appropriate funds to the schools at that time.

7. County Collector's Accounting Controls and Procedures

Numerous concerns were noted with the former County Collector's accounting controls and procedures. Inadequate controls over monies received included failure to reconcile receipts to deposits, deposit monies intact, and perform a documented review of reversing entries. In addition, the former County Collector did not prepare formal bank reconciliations, reconcile liabilities to cash balances, or resolve old outstanding checks. There were errors and inconsistencies in amounts reported on the annual settlements. Prior audits of the County Collector's office have noted similar weaknesses in the internal control and record keeping procedures.

In June 2004, the former County Collector contacted our office concerning possible missing receipts. Subsequent to contacting our office, he performed a comparison of daily abstract reports and bank deposits and identified amounts deposited which were less than receipts recorded on the daily abstract reports. Criminal charges were filed and a distribution was received from the bonding company related to a misappropriation of at least $21,000 which was detected in June 2004; however, no significant action was taken by the former County Collector to remedy the conditions or implement the prior audit recommendations regarding accounting controls. The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Collections totaled approximately $13.1 million and $11.7 million for the years ended February 28, 2007 and 2006, respectively.

A. Internal controls and procedures related to monies received by the former County Collector were not adequate as follows:

1) Receipts were not adequately reconciled to daily deposits. One accounting clerk was responsible for totaling daily collections and comparing these monies to the daily abstract, and a second accounting clerk was responsible for preparing the deposit. However, it does not appear the daily receipt report was reconciled to the daily deposit. We noted instances where the daily receipt report did not agree to the daily deposit, and in other instances, it was necessary to consider several adjustments, such as refunds and reversals, before the daily receipt report agreed to the daily deposit. We also noted deposits were not made intact as cash refunds were given for overpayments of taxes paid by check.

In addition, the former County Collector maintained a schedule which reported the daily abstracts of collections and the daily deposit totals. However, it does not appear the two totals were compared or reconciled. As a result, differences between the daily abstract reports and the daily deposit were not identified and investigated.

2) A documented review of entries made to the computer system to reverse previously recorded receipts was not performed. Although a report of reversing entries was printed from the computer system, an independent and documented review was not performed to ensure the validity of the reversal and to ensure adequate documentation was provided to support the reversal. The former County Collector indicated only he and the Deputy Collector could perform reversing entries and that he did perform reviews of reversal reports.

A reversing entry was made on July 31, 2006, to reverse a previously recorded receipt as a result of the check being returned as non-sufficient funds (NSF). With this reversing entry, the taxes were reported as being unpaid. Restitution on the NSF check was made in September 2006; however, this receipt was not abstracted and the taxes continued to be reported as unpaid. In February 2007, payment was again made by the taxpayer's bank and the receipt was recorded in the computer system, resulting in a duplicate payment of $4,446. The former County Collector did not appear to be aware that the February 2007 payment was a duplicate payment. Had a reconciliation of receipts to deposits and a review of the reversing entry been performed, the former County Collector may have realized an overpayment had been made.

Internal controls would be improved by reconciling daily receipt reports, daily abstracts of collections, and daily deposits. Failure to adequately reconcile accounting records increases the risk that errors or irregularities will not be detected in a timely manner. In addition, to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact daily and all refunds should be made by check. A documented review of all receipt reversing entries should be performed by the County Collector or someone independent of the receipting and recording duties to ensure their propriety. Further, adequate documentation should be retained to support all such entries.

B. Formal bank reconciliations were not prepared for the five bank accounts maintained by the former County Collector and monthly listings of liabilities were not prepared and reconciled to cash balances.

The former County Collector indicated he reconciled the bank account monthly; however, no documented reconciliations were provided. There was no outstanding check list or book balance maintained for any of the bank accounts. As a result, there was no information available to perform a bank reconciliation which could then be used to reconcile monthly listings of liabilities.

Following the end of the former County Collector's term of office, four bank accounts were closed and the balances transferred into one account. As of April 30, 2007, we determined the reconciled bank balance of the remaining account was approximately $9,900 which exceeded identified liabilities by approximately $6,600. Identified liabilities consisted of approximately $300 in accrued interest earnings and $3,000 in undistributed fees, some of which had been in the account since December 2005. In July 2007, $4,446 of the excess balance was subsequently identified as a duplicate payment (see part A above).

Adequate reconciliations between liabilities and reconciled cash balances are necessary to ensure the cash balance is properly identified and monies are sufficient to meet liabilities. The former County Collector distributed the accrued interest earnings to the current County Collector's bank account, the undistributed fees to the Collector Maintenance Fund, and the unidentified monies to the State Treasurer on June 1, 2007. The current County Collector is preparing documented monthly bank reconciliations and reconciling cash balances to liabilities.

C. Procedures were not established by the former County Collector to resolve old outstanding checks. At April 30, 2007, twenty-six checks totaling $2,140 were over one year old. Several of these checks were over seven years old. These old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law. The former County Collector resolved the old outstanding checks on June 1, 2007, by disbursing these monies to the State Treasurer.

D. The annual settlements prepared by the former County Collector for the years ended February 28, 2007 and 2006, contained errors and inconsistencies in amounts reported which resulted in differences between collections, distributions, and unidentified tax book differences. The following problems were found.

- Railroad and Utility Tax collections and Private Car Tax collections of $658,475 and $27,811, respectively, were not reported on the annual settlement for the year ended February 28, 2007, and, as a result, total collections were understated $686,286. In addition, Private Car Tax collections were not reported on the annual settlement for the year ended February 28, 2006, resulting in understated collections of $24,848.

- Collections and refunds of protested taxes of $12,396 and $1,078, respectively, were not reported on the annual settlement for the year ended February 28, 2007; as a result, credits of protested taxes were understated $13,474.

- Distributions to school districts for the year ended February 28, 2006, were

understated by $25,650, due to a mathematical error in totaling the distributions.

- Inconsistencies were noted in the reporting of real estate and personal property tax collections, delinquent tax credits, delinquent penalties, and interest on investments for the years ended February 28, 2007 and 2006.

Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the collector was charged with collecting.

Adjustments affecting distributions to the various political subdivisions resulting from the errors noted above are reflected in the amounts presented in the History, Organization, and Statistical Information section of the audit report.

E. Due to insufficient procedures when preparing the monthly settlements, collections of $12,097 due to the Dixon R-1 School District were improperly distributed to the General Revenue Fund. This error was due to information being entered incorrectly by the former County Collector when preparing the December 2005 monthly settlement spreadsheet. This monthly spreadsheet is prepared manually by entering amounts from the monthly abstract of collections report. Rather than withholding a one-percent commission of $122, the former County Collector withheld commissions of $12,219, resulting in the overpayment to the General Revenue Fund of $12,097.

This error could have been detected had an adequate review of the monthly settlements and the monthly distribution records been performed to ensure all distributions were reasonable. These records should be reviewed for possible irregularities and significant fluctuations over time to determine if additional inaccuracies occurred in distributions.

Conditions similar to Parts A.1., A.2., B, and C were noted in prior reports.

WE RECOMMEND the new County Collector:

A.1. Adopt procedures to adequately reconcile daily receipts to deposits, including a comparison of receipt reports, daily abstracts of collections, and daily deposits. Any errors or irregularities should be investigated and resolved in a timely manner. In addition, deposit all monies intact and write checks for refunds of overpayments.

2. Perform a documented review of all receipt reversing entries to ensure their propriety and ensure adequate documentation is maintained to support all reversing entries.

B. Continue to prepare documented bank reconciliations on a monthly basis and comparing listings of liabilities to the reconciled bank balance.

C. Ensure procedures are established to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

D. Ensure complete and accurate annual settlements are prepared.

E. Ensure adequate reviews of the monthly settlements and monthly distributions are performed. In addition, the Dixon R-1 School District should be paid $12,097 from the General Revenue Fund.

AUDITEE'S RESPONSE

The new County Collector responded:

A.1. We implemented daily reconciliation procedures starting the first day of my tenure. Each clerk has their assigned drawer and is responsible for balancing it at the end of the day. One clerk will print and total the abstract while the other clerk reconciles the daily deposit to the drawer summaries. Tapes from the individual drawers, daily receipts and abstracts are then attached to the abstract and drawer summaries. A summary tape is run and attached to the documents above showing reconciliation of the daily receipts, abstract and deposit. Deposits are made the same day after the daily reconciliation is complete. The daily information is then entered in our daily spreadsheet that must reconcile also. This daily spreadsheet information flows to our monthly reports and will eventually flow to our annual settlement. We are accepting payment for the exact amount only, resulting in no refund checks.

2. We have implemented a procedure to address reversals. As an example, when a reversal is necessary in drawer #1, I will do the reversal with documentation and the clerk for drawer #2 will review and sign off on this transaction. This system of independent review will be used for all drawers. At the end of the month I will print the monthly report and perform a final monthly review of all reversals. An account paid with an NSF check will not be reversed; the check will show as a liability on the bank reconciliation until the check is paid.

B. We prepare documented monthly bank reconciliations as you have stated. Only two bank accounts were opened when I took over the office, one each for daily deposits and protested taxes; Quicken was installed and is used as the bank account record keeping system. Every month each transaction is entered and a monthly reconciliation report is generated, which compares the listing of liabilities to the reconciled bank balance. We also reference the daily spreadsheet and monthly settlement as an additional method of reconciliation.

C. I stated earlier that we would accept payment for the exact amount due only. This policy limits our exposure to outstanding refund checks. If we have an outstanding check, it will be listed on our monthly reconciliation report for two months. We will then contact the payee to see if the check needs to be reissued. If the payee cannot be located, the monies will be distributed in accordance with state law.

D. I understand the importance of this report as a mechanism for accounting for all monies the collector is charged with collecting. Although we have not had the opportunity to prepare an annual settlement, I anticipate this procedure will go smoothly due to the accounting

system we have implemented. The information in the records are kept daily and monthly and will flow through to our annual settlement.

E. The spreadsheet for the monthly settlement and distribution amounts is formatted to calculate the distribution amounts to the various entities. The monthly settlement and distribution spreadsheet, implemented since my taking office, facilitates quick and accurate reviews, and acts as a safeguard against errors in calculation such as the previous collector's Dixon R-1 School District error.

The County Commission indicated:

E. They will discuss with the County Collector how to handle this issue.

8. Public Administrator's Accounting Controls and Procedures

Concerns were noted with annual settlements including, one that was not accurately filed by the former Public Administrator, some that were not filed by the current Public Administrator timely, and others that were not approved by the Associate Circuit Judge in a timely manner. In addition, some fees received by the former Public Administrator appeared to be excessive and were not supported by approved court orders.

The Public Administrator acts as the court-appointed personal representative for wards of the Associate Circuit Division (Probate Court) and is responsible for receiving, disbursing, and accounting for the assets of those individuals. Annually, the Public Administrator is required to file an annual settlement with the Probate Court which reflects a detailed list of assets held as well as financial activity for the year. During the two years ended December 31, 2006, the Public Administrator had responsibility for approximately 80 wards. Although the current Public Administrator took office on January 1, 2005, the former Public Administrator was responsible for completing annual settlements for some wards during 2005.

A. A review of the annual settlements filed by the former and current Public Administrators identified the following concerns:

1) All assets owned by a ward were not reported on an annual settlement prepared by the former Public Administrator. The annual settlement filed on January 6, 2005, by the former Public Administrator reported an ending inventory balance of approximately $46,000. However, this inventory balance did not include over $200,000 in savings bonds, certificates of deposit, and other personal property owned by the ward. For settlements to accurately present the activity and status of a particular case, all assets should be properly reflected on the settlements.

2) Annual settlements were not always filed in a timely manner. Eight of the seventeen annual settlements reviewed that were filed by the current Public Administrator were filed one to seven months after the due date.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative.

3) Some annual settlements filed with the court by the current Public Administrator were not approved by the Associate Circuit Judge in a timely manner. As a result, fees requested for some cases have not been paid to the General Revenue Fund. One annual settlement, which requested fees totaling $5,000 was submitted to the court in August 2006, had not been approved as of May 2007. In addition, two other annual settlements filed in April 2006 and December 2006 were not yet approved and requested fees of $2,167 and $1,381, respectively. The Associate Circuit Judge indicated he generally approves the annual settlements shortly after receiving them; however, in these instances he wanted to review the fees requested in more detail, but had not yet done so.

The preparation of complete and timely annual settlements, as well as the timely approval of annual settlements, is necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

B. Some fees received by the former Public Administrator appeared to be excessive or were not supported by approved court orders. The former Public Administrator was paid based on fees withheld from cases administered by her. The current Public Administrator elected to receive a salary in lieu of fees and all fees withheld from cases are now paid to the General Revenue Fund.

Most estates handled by the former and current Public Administrators are charged a fee of $540 annually ($45 per month). For one case reviewed we noted fees varied from the $540 with no documentation to support the change in fee amount. In addition, fees were retained by the former Public Administrator from this ward on three occasions during 2005 for $540, $300, and $600, for a total of $1,440; however, a court order supported only $600 in fees. No documentation was provided to the court to support how the fee amounts were determined or why fees were charged on more than one occasion.

The Probate Court reviewed all annual settlements filed by the former Public Administrator to determine any excessive fees that may have been taken. In May 2006, an attorney was appointed by the court for the purpose of recovering assets wrongfully taken. The Associate Circuit Judge indicated this could include excess fees for any cases.

A written policy should be developed detailing the fee basis used to determine the fees paid by an estate. Adequate justification and documentation should be maintained to support any fees taken in excess of amounts allowed in the policy. In addition, the current Public Administrator and Associate Circuit Judge should continue to ensure all fees are supported by approved court orders. Fees not taken within the annual settlement period should be tracked and documented. Without such a policy and without consistent application of fees, there is no assurance that estates are handled equitably or that fees are properly calculated.

Conditions similar to Parts A.2. and B. were noted in a prior report.

WE RECOMMEND:

A.1. The current Public Administrator ensure all assets owned by the wards are accurately recorded on the annual settlement.

2. The Public Administrator ensure all annual settlements are filed in a timely manner.

3. The Associate Circuit Judge ensure all annual settlements are approved in a timely manner.

B. The Associate Circuit Judge develop written guidelines for withholding fees from the estates, including the method for determining the amount to be withheld, the required supporting documentation, and the approval process. In addition, the Associate Circuit Judge should continue to monitor inconsistencies noted in fees taken by the former Public Administrator until all issues are resolved.

AUDITEE'S RESPONSE

The current Public Administrator responded:

A.1 &2. After taking office on January 1, 2005, I entered the Public Administrator's office for the first time and found empty file cabinets, computers with no files or even word processing programs and no information on any wards. I spent the next year finding and reviewing records, to include medical records on the wards that had been entrusted to my care. After accurately preparing files on my wards, I had been told in state training that the court gives notice that settlements are due, but on reviewing the statutes, I discovered that it is not required. I immediately worked with the court to file the settlements. I continued reviewing all files for accuracy while working with the county commission in order to purchase a program for Public Administrators. We purchased a program that is used by most Public Administrators in the state that took the bulk of two years equipment budget to buy. Since acquiring all records and loading them into the program along with our internal procedures, all settlements from my office have been on time, complete, accurate and approved by the judge. I will continue to work with the judge to ensure all settlements are accurate and filed in a timely manner.

The Associate Circuit Judge responded:

A.3. Four cases were mentioned out of the thousands of cases and hearings I handle yearly. I do intend to ensure that all annual settlements are approved in a timely manner, consistent with my duty to safeguard funds for the Ward.

B. He will develop written guidelines for collecting fees from estates, now that the current Public Administrator has elected to collect her salary from the county, and in accordance with Missouri law. The Court will continue to monitor all matters and issues concerning the former Public Administrator until those issues are resolved. On May 25, 2006, the Judge held a public hearing on these issues, following the two year prosecution of the former Deputy Public Administrator. At that hearing, the Court appointed Albert Crump, a respected Probate Attorney of this Circuit, to pursue all issues regarding the former Public Administrator, including filing lawsuits, which he has done. The auditors were furnished his contact information several months ago to independently verify these matters.

9. Prosecuting Attorney's Accounting Controls and Procedures

Prosecuting Attorney procedures related to accounting duties, processing and depositing of receipts, and bank reconciliations are in need of improvement. The Prosecuting Attorney's office collected fees and restitution on bad checks totaling approximately $272,900 and $312,400 during the years ended December 31, 2006 and 2005, respectively.

A. Cash custody and accounting duties were not adequately segregated. One accounting clerk was responsible for all accounting duties, including receiving and recording bad check complaints and payments, and depositing and disbursing monies. After discussing our concerns with the current Prosecuting Attorney, steps were taken to implement the segregation of duties. The receptionist is now responsible for issuing receipt slips for all monies received and the accounting clerk accounts for the numerical sequence of receipt slips and enters the receipts into the computer system. In addition, the Prosecuting Attorney reviews all deposits and disbursements.

Effective January 2007, the current Prosecuting Attorney took office. The former Prosecuting Attorney's accounting clerk no longer works for the office. As a result, the accounting duties and procedures in effect for the former Prosecuting Attorney and the extent of supervisory review could not be determined.
Internal controls are improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Receipts are not immediately posted to the computer system or deposited intact and on a timely basis. Receipts are posted to the accounting records at the time the deposit is prepared; however, deposits are not made timely. A cash count performed on March 1, 2007, included eight payments, with corresponding check dates or

receipt slip dates in December 2006 and January 2007, totaling $855, which had not been included in previous deposits.

Because of the cash count results, additional follow up was performed to determine the disposition of these monies. We were able to account for the disposition of all monies, with the exception of one payment dated February 3, 2007, for $50. This payment was no longer on hand; however, the Prosecuting Attorney's office could not provide a record or explanation as to the disposition of this receipt.

A review of deposits made in August and September, 2006, noted additional instances of deposits not being made in a timely manner by the former Prosecuting Attorney. A deposit made on August 1, 2006, for $19,024, included receipts collected between July 7, 2006 and July 31, 2006. The next deposit was not made until September 8, 2006, for $21,500.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be posted to the accounting records in a timely manner. In addition, deposits should be made intact on a timely basis.

C. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied when the monies are deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. Monthly reconciliation procedures are not adequate. Bank reconciliations are not consistently performed, and for the former Prosecuting Attorney's bank account, old outstanding checks were not resolved, and monthly listings of liabilities were not prepared and reconciled to cash balances.

1) Bank reconciliations are not consistently performed. The last bank reconciliation performed on the former Prosecuting Attorney's bank account was for November 2006. The current Prosecuting Attorney opened a new bank account in January 2007. Bank reconciliations were not performed on this account until April 2007.

   Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely.

2) Procedures have not been established to resolve old outstanding checks. According to the November 2006 bank reconciliation prepared on the former Prosecuting Attorney's account, checks totaling $14,354 were over one year old, with $7,308 dating back to 2003. The former Prosecuting Attorney did not maintain an itemized listing of outstanding checks; rather, totals were indicated by year for 2003 through 2005 and by month for 2006.

An itemized outstanding check listing was available to support the April 2007 bank reconciliation prepared for the account opened by the current Prosecuting Attorney.

While conducting audit work, we also observed numerous checks for restitution had been returned as undeliverable: however, no follow up action appears to have been taken by the former Prosecuting Attorney. On March 12, 2007, a cash count of these checks identified 119 checks totaling $9,561 had been returned. These checks were dated between 2001 and 2006. Many of the envelopes for these checks had not been opened prior to our review.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

3) Monthly listings of open items (liabilities) were not prepared and, consequently, liabilities were not reconciled to cash balances. Listings of open items were not available for the bank account maintained by the former Prosecuting Attorney. The November 30, 2006, reconciliation reflected a reconciled cash balance of $30,431.

Two bank accounts which had been opened prior to the former Prosecuting Attorney's term in office were noted in our prior audit as containing unidentified monies. These unidentified balances were not disposed of until April 2007, when the current Prosecuting Attorney closed the two accounts and unidentified monies totaling $25,121 were distributed to the State's Unclaimed Property Section.

Listings of open items are also not compared to reconciled cash balances of the current Prosecuting Attorney's bank account. As of May 25, 2007, the reconciled bank balance was $63, which was not identified to open items.

Reconciling the bank balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Prosecuting Attorney should investigate any differences noted and take appropriate action.

Conditions similar to Parts A-B and D were noted in our prior report.

WE RECOMMEND the new Prosecuting Attorney:

A. Continue to segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Ensure all receipts are posted to the accounting system in a timely manner and deposit all monies intact on a timely basis.

C. Restrictively endorse checks and money orders immediately upon receipt.

D.1. Ensure bank reconciliations are prepared on monthly basis for each account.

2. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

3. Prepare open items listings monthly and reconcile the listings to account balances. Unidentified monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The new Prosecuting Attorney responded:

A. This office now segregates money as indicated in paragraph A. As Prosecutor, I personally review the records and sign all checks for disbursement. These reviews of records are documented with my initials. Special security measures have been implemented in the office such as a lock box for placement of money and receipts when they are secured.

B. Receipts are now posted daily by the secretary and the bad checks and restitution clerk credits said amounts to the appropriate account and deposits said money almost every day. Any amount that is not deposited is locked in a secure area for next day deposit. I review the receipt books and check the receipts against the deposits to confirm that all monies are accounted for.

For clarification, the bad check and restitution clerk was hired in February 2007, after the 2007 budget was approved. Because I was not sure what personnel assets I would be able to acquire, my hands were tied until the budget. Once hired, on February 12, 2007, she traveled to Kansas City, Missouri, for special training on the Bounceback program. The bad check and restitution clerk then discovered that our system did not contain an essential update to the system for reconciling our checks.

The bad checks and restitution clerk cleaned and is still cleaning up a mess. She had bundles of returned mail to process, with hundreds of returned checks, which could have been received but for the prior administration's failure to properly document the victims' addresses or even to use the most basic of common sense in tracking down these persons to ensure they were compensated, by picking up the telephone and calling them on the phone for their address. The $855, about which the auditors referred, was money payable to the Prosecuting Attorney, but for which we had no records. This office normally, cannot receive any payments for restitution or on paid checks without a judgment and court order. Sometimes people make payments for their friends or relatives. If the name on the receipt

and check is different than the name of the offender and the payment comes in the mail to us without information such as a copy of the order, it takes time to properly credit it to the appropriate party. Because there was no copy of the court order attached with payment, the bad checks and restitution clerk was required to do research to find an order. Because of the backlog, the bad checks and restitution clerk, was unable to timely process those receipts any quicker than she did. Ultimately, all money save a fifty dollar check was acknowledged by the auditors as being accounted for. I believe that the unaccounted $50 was a check which was supposed to have been paid to the Circuit Clerk's office but was erroneously paid to us. Around that time frame, the bad checks and restitution Clerk brought such a check to the Circuit Clerk's office but failed to make a copy of that check. To ensure this does not happen again, she now prepares a cover letter and for our records, she makes a copy of all checks turned over to the Circuit Clerk's office along with a copy of the cover letter. The fact that this was the only noted discrepancy, bears testimony to how well the bad checks and restitution clerk has performed in this position.

C. *The Secretary receives and receipts any and all money received in this office from a special receipt book which specifically identifies this money was receipted in our office. Each receipt is numerically numbered and each book contains over 150 receipts. Both the receptionist and the bad checks and restitution clerk in this office are bonded. Checks and money orders received are now restrictively endorsed when received by the bad checks and restitution clerk. Before doing this, she checks with Bounceback to ensure they are payments for restitution or bad checks. If they are, the checks are immediately endorsed with "For Deposit Only AC PA#xxx" stamp. The checks are later personally signed by me. Any money that cannot be immediately identified as constituting repayment for bad checks or restitution are locked away until they can be properly accounted for.*

D.1. *Bank reconciliations are now performed monthly. They were not performed in the beginning of 2007, because we had no employee in that position until February 2007 and once hired, we were focused on trying to fix the backlog. However, before checks were written or disbursed, the bad checks and restitution clerk ensured the money written matched what was in the account. The bad checks and restitution clerk now reconciles the bank account <u>within three days</u> of receipt of the monthly bank statement.*

2. *This office is dedicated to ensuring victims receive their court ordered restitution. Time permitting, the bad checks and restitution clerk goes through the checks which were returned in the mail to the previous administration in her ongoing attempt to find correct addresses. She maintains a record of each check that is reissued, much like she had done with the other $9,561 which we have been able to successfully return to its rightful owners. Per RSMo, if after six months, we have been unable to locate the proper owner, we will cut a check in that amount and forward to the State, along with the name and all pertinent information so that this can be advertised on the lost money account.*

3. *This office will prepare an open items listing monthly and reconcile said listing to account balances. Unidentified money will be disposed of in accordance with State law. It should be noted that the $63 is not an open item in account. It is entered into Bounceback as an adjustment. This is earned interest and balances with the bank statement.*

10. Sheriff's Accounting Controls and Procedures

Controls and procedures of the Sheriff's office need improvement. Duties over cash custody and record keeping are not adequately segregated, receipt slips are not issued for paper service fees immediately upon receipt and monies are not deposited intact. Disbursements are not always made in a timely manner, bank reconciliations are not always prepared timely, and procedures have not been established to follow up on outstanding checks. The Sheriff's office collected approximately $148,200 and $141,200 for the years ended December 31, 2006 and 2005, respectively.

A. The duties of cash custody and record keeping are not adequately segregated. The office manager is primarily responsible for recording transactions, preparing deposits, disbursing monies, and preparing bank reconciliations. Although the Sheriff does review all checks and the monthly disbursement report, receipts are not periodically reconciled to deposits by someone independent of the receipting function. As a result, there is no assurance all monies collected have been properly accounted for and deposited.

   Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records, including reconciliations of receipts to deposits, should be performed and documented.

B. Receipt slips are not issued immediately upon receipt for some monies received and monies are not always deposited intact or on a timely basis. Fees for paper service are frequently received prior to delivery of the papers; however, receipt slips are not issued and the monies are not deposited until the papers have been delivered. These fees are recorded on pre-numbered forms and all checks are restrictively endorsed at the time of receipt; however, some checks dated over one month old had not been deposited. Deposits are generally made once or twice a week.

   To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued immediately upon receipt, all monies received should be deposited intact, and the composition of receipts should be reconciled to the composition of deposits.

C. Disbursements are not always made in a timely manner. The records reflect the Sheriff's office collected a total of $2,400 from the Social Security Administration from August 2004 to July 2005; however, these monies were not disbursed to the County Treasurer until September 2005.

State law requires that all fees collected by the Sheriff be distributed monthly. Timely disbursements of fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner.

D. Monthly bank reconciliations are not always prepared timely. Bank reconciliations for January, February, and March 2007 were completed in April 2007 for the Sheriff's bank accounts. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely.

E. Procedures have not been established to resolve checks outstanding for a considerable length of time. At December 31, 2006, 41 checks over one year old totaling $2,387 were noted. Several of these checks date back to 2001. These old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed to the State's Unclaimed Property Section as required by state law.

WE RECOMMEND the Sheriff:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews, including reconciliations of receipts to deposits, are performed and documented.

B. Ensure receipt slips are issued for all monies immediately upon receipt, all monies are deposited intact on a timely basis, and the composition of receipts is reconciled to the composition of deposits.

C. Ensure all monies received are disbursed in a timely manner.

D. Reconcile all bank accounts monthly.

E. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with applicable statutory provisions.

AUDITEE'S RESPONSE

A. The office has only two employees. To the extent possible this policy was implemented the same day the audit team made the recommendation. Each deposit completed by one person is checked for accuracy and initialed by the second person.

B. The accounts are zero balanced every month. This is possible because the incoming checks on the civil papers are not deposited until the papers have been served and the fee earned by the department. Then the checks are sent to the bank to be cashed.

The security procedures in effect at this time start when a check is first received. It is stamped, "for deposit only J.B. King Pulaski County Sheriff". A numbered receipt is issued for the check. The check is then stored in a locked desk, two people have the key, the desk is inside a double locked room, only three people have the key, and the room is inside a controlled access area of the Sheriff's Department. Each check is logged and the status of any check can be known within a few minutes. Right now the checks are logged in several ways and we are looking at establishing a single log method to simplify the process.

C. All monies will be disbursed as soon as we receive the bank statement and can reconcile the account. This will be monthly.

D. The reconciliation of the accounts will be done as quickly as possible. Unfortunately due to a lack of personnel the Deputy who handles this job must also be used for other tasks such as inmate transport, which take her out of the office. These transports frequently take a full day. Thus she falls behind on daily tasks. We will relieve her of as many additional duties as possible so she may concentrate on her duties related to the finance issues.

E. The Deputy who handles this job could not remember the correct procedure for the "stale" or old checks and waited for the audit team to advise her of the correct procedure. The checks in question have already been distributed according to statutory provisions and one bank account associated with these "stale" checks has been closed. A new policy requiring a special report on any outstanding check over six months old has been established. This report will be sent to the Sheriff for review.

11. Assessor's Accounting Controls and Procedures

Controls over monies received by the Assessor are in need of improvement. Prenumbered rediform receipt slips rather than official prenumbered receipt slips are issued for monies received. Receipts are not maintained in a secure location; rather, receipts are kept in an envelope which is accessible to all employees. In addition, restrictive endorsement is not applied to checks until the monies are transmitted to the County Treasurer. Although monies are generally transmitted on a monthly basis, in one instance receipts accumulated for approximately three months before being remitted to the County Treasurer for deposit. Approximately $1,900 and $2,500 was transmitted to the County Treasurer during the years ended December 31, 2006 and 2005, respectively, from the sale of maps, property cards, and property reports.

To ensure proper accountability of all monies received, official prenumbered receipt slips should be issued as payments are received, the method of payment should be consistently indicated on all receipt slips, and the composition of monies received should be reconciled to the composition of monies transmitted to the County Treasurer. In addition, to adequately safeguard receipts, all checks should be restrictively endorsed immediately upon receipt and all monies should be maintained in a secure location and transmitted to the County Treasurer in a timely manner.

WE RECOMMEND the Assessor issue official prenumbered receipt slips immediately upon receipt for all monies received. In addition, all checks should be restrictively endorsed immediately upon receipt. Monies should be maintained in a secure location and transmitted to the County Treasurer in a timely manner.

AUDITEE'S RESPONSE

The County Assessor indicated he will obtain prenumbered official receipt slips and checks are now restrictively endorsed upon receipt. Receipts are maintained in a location accessible to all employees because all employees are responsible for collecting receipts. Receipts will be stored in the vault overnight and only monies to make change will be kept in the office. All other receipts will be kept in a secure location. The one instance when monies were not transmitted timely was due to a personal reason; otherwise, monies are transmitted monthly.

12. 911 Emergency Service Board

Concerns were noted with board meeting minutes including not documenting reasons for closing meetings, failure to maintain minutes of closed meetings, and failure of board members to sign open session meeting minutes. In addition, improvement is needed regarding the collection of map receipts and regarding payroll and compensation procedures and reports.

A. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented and minutes of closed meetings held by the 911 Emergency Service Board are not taken. In addition, board minutes maintained for open session meetings are not signed by board members.

1) The board held several closed sessions during 2006 and 2005. Open session minutes typically indicate the meeting is being closed, but the specific reason and a vote to close the meeting are not documented. In addition, minutes for the closed session are not taken. Without minutes of closed session, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

2) Board minutes prepared by the board's secretary for open session meetings

are not signed by any board member to attest to their completeness and accuracy. The minutes should be signed to provide an independent attestation that the minutes are a complete and correct record of the matters discussed and actions taken during the board meetings.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. In addition, minutes of open and closed meetings should be signed by the board members to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

B. Procedures related to the collection of map receipts need improvement. Deposits are not made intact; rather, cash receipts are replaced with employees' personal checks. The 911 Director prefers not to accept cash receipts; however, cash is occasionally collected by an employee. When this occurs, the employee will keep the cash and replace it with a personal check.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be deposited intact and the composition of receipts should be reconciled to the composition of deposits.

C. Improvement is needed over the board's procedures for reporting compensation to the Internal Revenue Service (IRS).

1) Payroll and accounting records are not properly monitored nor reconciled with amounts reported on Forms W-3 and Employer's Quarterly Federal Tax Returns (Forms 941). As a result, it is unclear if the correct amount of payroll taxes was reported. During our review of these forms we noted the following differences:

- Total compensation per the 2005 Form W-3 was $6,273 less than the total reported on the 2005 Forms 941. The amounts reported on the 2006 forms agreed.

- Total compensation reported on the 2006 and 2005 Forms W-3 and Forms 941 is not reconciled to the year to date totals reflected in the accounting records. The 2005 Forms W-3 and 941 reported total compensation of $368,240 and $374,513, respectively, and the accounting records reflect total compensation of approximately $390,000.

The board contracts with an accountant to process payroll checks and prepare payroll reports. However, there appears to be no review of the payroll records maintained by the accountant and there is no reconciliation of the payroll records with the accounting records maintained by the 911 Director. The 911 Director could not explain these differences.

The failure to review and reconcile payroll records increases the risk that errors or irregularities will occur and not be detected on a timely basis. The board should review the payroll reports prepared by the accountant and reconcile those reports with the accounting records maintained by the 911 Director. Any discrepancies should be investigated and resolved.

2) The board has no procedures in place to ensure Forms 1099 are filed with the IRS when required. As a result, the board did not file Forms 1099 for payments made to the board's secretaries and the board's accountant for services totaling $1,825 and $1,800, respectively, during 2006. Sections 6041 through 6051 of the Internal Revenue Code require payments of $600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

WE RECOMMEND the 911 Emergency Service Board:

A. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session and minutes are taken for all closed sessions. In addition, open and closed session minutes should be signed to attest to their accuracy.

B. Require all monies to be deposited intact and ensure the composition of receipts is reconciled to the composition of deposits. In addition, the board should discontinue allowing employees to replace cash receipts with personal checks.

C.1. Ensure all payroll records are reviewed and reconciled to accounting records. Any discrepancies should be investigated and resolved.

2. Ensure IRS Forms 1099 are prepared and submitted as required.

AUDITEE'S RESPONSE

The 911 Emergency Service Board Director responded:

A. Closed minutes are now being kept with approved minutes being signed. The Board conducts a vote to close an open meeting with time, statute, and purpose of closed session documented in the minutes.

B. A triplicate receipt book has been put into place, with only checks being accepted.

C.1. The CPA's records will be reviewed and reconciled to accounting records.

2. The CPA will submit and prepare all required 1099 forms.

Follow-Up on Prior Audit Findings

PULASKI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pulaski County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002; the audit report issued June 2004 on the Public Administrator of Pulaski County; and the audit report issued January 2005 on the County Collector of Pulaski County. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. General Revenue Disbursements

The financial condition of the county's General Revenue Fund declined through 2001 due primarily to a large increase in disbursements in 2001. Two factors contributed to the significant increase in the disbursements of the General Revenue Fund during 2001 and early 2002 including various lawsuits filed by county officials and an increase in the cost of boarding prisoners. It appeared the county incurred significant costs for attorney fees and board of prisoners because the county officials did not work together and resolve their differences.

Recommendation**:**

The County Commission and Sheriff work together to ensure county funds are spent in a prudent manner. In addition, the County Commission should continue to monitor the financial condition of the General Revenue Fund.

Status:

Partially implemented. Although no instances of inappropriate disbursements were noted, the financial condition of the General Revenue Fund has continued to decline. See MAR finding number 1.

2. County Officials' Compensation

A. The county did not hold a salary commission meeting to approve a $11,193 annual increase in the County Treasurer's salary effective with the start of a new term of office on January 1, 2003.

B. The Sheriff's salary was increased by $1,000 in January 2002 based on Section 57.403, RSMo, which was in effect prior to the establishment of the salary commission. There was no evidence that the county held a salary commission meeting and the county did not obtain a written opinion from the Prosecuting Attorney to support the salary increase.

C. Based on Section 50.333.13, RSMo, in August 1997, Pulaski County's former Associate County Commissioners salaries were each increased.

Based upon a May 2001, Supreme Court decision, the raises given to each of the Associate County Commissioner, totaling approximately $19,000 for the period September 1, 1997 to December 31, 2000, should have been repaid. Although the County Commission indicated they reviewed this matter with the former Prosecuting Attorney, no plan had been developed for obtaining repayment of the salary overpayments.

Recommendation:

The County Commission:

A. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

B. Ensure salary commission minutes clearly document all decisions made and all future elected officials' salaries are supported by actions of the salary commission. In addition, written legal opinions should be obtained from the Prosecuting Attorney to support the decisions of the salary commission.

C. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

Status:

A. Not implemented. The County Commission responded in our prior audit report that they acted on the advice of the former Prosecuting Attorney and believed their actions were in accordance with state law. As a result, no further action was taken. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Effective January 1, 2005, the current Sheriff does not receive the additional compensation. Although salary commission minutes include the decisions of the salary commission, the decisions are not always clearly documented. Written legal opinions have been provided by the Prosecuting Attorney to support some decisions of the salary commission. Although not repeated in the current MAR, our recommendation remains as stated above. In addition, salary increases provided to the County Assessor and County Collector do not appear to be in accordance with state law. See MAR finding number 3.

C. Not implemented. There is no evidence a written legal opinion was received from the Prosecuting Attorney and no plan for obtaining repayment has been developed. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Expenditures and Related Matters

A. Interest of approximately $29,000 should have been paid from the Special Road and Bridge Fund to the General Revenue Fund if the county had followed the terms of an August 17, 1998, County Commission order related to a $270,000 loan from the General Revenue Fund to the Special Road and Bridge Fund.

B. The county had not calculated its actual costs related to the collection of county tourism taxes, nor did the county have any justification for the significant changes to the percentage of taxes remitted to the county by the Pulaski County Convention and Visitors Bureau. Also, there did not appear to be any statutory authority for the county to retain a collection fee for tourism taxes.

C. In May 2001, the County Commission authorized the turnover of approximately $12,000 of unidentified and unclaimed monies to the General Revenue Fund. However, there appeared to be no statutory authority to transfer unidentified or unclaimed monies to the General Revenue Fund, and it appeared the unclaimed monies should have been remitted to the state Unclaimed Property Section.

D. The County Treasurer did not properly disburse monies received in 2002 for private car taxes received from the state.

E. During 2002, the county deposited into the Civil Fees Fund $3,164 more than allowed by state law.

F. During the year ended December 31, 2002, approximately $5,600 of insurance expenditures paid from the Special Road and Bridge Fund was for insurance coverage on county owned computer equipment. Information provided by the insurance agent did not provide adequate documentation to properly pro-rate these costs to other funds.

G. The County Commission approved payments to the Probate Clerk without requiring or retaining any documentation to support the propriety of the payments. In addition to her regular salary paid by the state, the Probate Clerk was paid $2,700 annually for performing one hour per-day of genealogy work.

Recommendation:

The County Commission:

A. Develop policies to ensure a sufficient cash flow is available to meet current needs. If interfund loans are needed, the County Commission should develop a system to track interfund loans to ensure the loans are properly repaid. In addition, the County Commission should calculate the amount of interest that should have been paid on

this loan and transfer that amount from the Special Road and Bridge Fund to the General Revenue Fund.

B. Review this situation with the Prosecuting Attorney to ensure monies collected for the tourism tax are being handled correctly.

C. Review the county's procedures for disposing of unclaimed and unidentified monies and ensure applicable state laws are followed. The county should review the $12,100 turned over to General Revenue Fund and determine if any of this money should be remitted to the state Unclaimed Property Section.

D. Review the county's procedures for disbursing private car tax collections and ensure applicable state laws are followed.

E. Review the monies collected and deposited in the Civil Fees Fund and determine if any of these monies should be remitted to the General Revenue Fund.

F. Reimburse the Special Road and Bridge Fund for the amount paid for insurance coverage that was not related to road and bridge purposes, and ensure all future expenditures from the Special Road and Bridge Fund comply with state law.

G. Review the payments to the Probate Clerk and ensure adequate documentation is maintained to support the propriety of these payments.

Status:

A. Partially implemented. The County Commission responded in our prior audit that a transfer of $30,000 from the Special Road and Bridge Fund to the General Revenue Fund for administrative costs sufficiently compensated the General Revenue Fund for the amount of interest that was owed on this loan. As a result, no further action was taken. No interfund loans were noted during the two years ended December 31, 2006; however, the financial condition of the General Revenue Fund and the Special Road and Bridge Fund have declined indicating sufficient cash flow may not be available to meet future needs. See MAR finding number 1.

B. Not implemented. There is no evidence this situation was reviewed with the Prosecuting Attorney. In the prior audit report the County Commission indicated they would document the county's administrative costs; however, the county has not calculated and documented its actual administrative costs related to collection of tourism taxes. Effective September 2004, the County Collector began handling the collection of county tourism taxes and the percentage of taxes remitted to the county has remained at one percent. At December 31, 2006, the balance of the Tourism Tax Fund maintained by the County Treasurer was $10,559. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Not implemented. In the prior audit report the County Commission indicated they would follow up and take appropriate action on the recommendation; however, no evidence was provided to indicate the county reviewed whether any of the $12,100 turned over to the General Revenue Fund should have been remitted to the state Unclaimed Property Section. Although not repeated in the current MAR, our recommendation remains as stated above. Additional unclaimed monies consisting of old outstanding checks were noted which should be resolved. See MAR finding number 6.

D. Implemented.

E. Implemented. A transfer of $3,164 was made from the Civil Fees Fund to the General Revenue Fund in 2003 and fees credited to the Civil Fees Fund are monitored annually.

F. Partially implemented. While no evidence was provided to support a reimbursement to the Special Road and Bridge Fund, insurance costs are now charged to the various county funds based on the actual property associated with each fund. Although not repeated in the current MAR, our recommendation remains as stated above.

G. This recommendation is no longer applicable. The Probate Clerk no longer receives the additional compensation.

4. Published Financial Statements

The annual published financial statements of the county did not include financial activity of the Law Library Fund, Circuit Clerk Interest Fund, Family Court Fund, and Pulaski County Public Housing Agency Fund, and included only those amounts that passed through the County Treasurer for the Health Center Fund, Senate Bill 40 Board Fund, 911 Emergency Services Board Fund, and Senior Citizens Services Board Fund.

Recommendation:

The County Commission ensure all required financial information for all county funds is properly reported in the published financial statements.

Status:

Not implemented. See MAR finding number 4.

5. County Procedures

A. Vehicle usage logs were not maintained for county owned vehicles.

B. The County Clerk did not prepare minutes for the closed session meetings of the County Commission. In addition, it was not evident that the final disposition of matters discussed in closed meetings was made public.

C. The County Clerk did not reconcile amounts in the account book to the County Collector's records, and the total charges did not agree to the total credits.

D. The County Clerk and the County Treasurer maintained the majority of the county's accounting records on both computerized and manual records.

Recommendation:

The County Commission:

A. Require usage logs to be maintained on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred.

B. Ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed in closed meetings is made public as required by state law.

C. Require the County Clerk maintain a complete and accurate account book that includes all information regarding property tax charges and credits. The County Clerk and County Commission should make use of this account book to verify the County Collector's annual settlements.

D. Review all current computerized and manual accounting records and determine if any duplicate records and work can be discontinued.

Status:

A. Partially implemented. Effective March 2007 and April 2007, the Sheriff's office and the Assessor's office, respectively, started maintaining usage logs for county vehicles. The Eastern District Associate Commissioner indicated a log book would be used in county vehicles and the Western District Associate Commissioner indicated he would consider implementing a usage log. See MAR finding number 4.

B. Partially implemented. The reason for entering into closed session is now documented in the regular meeting minutes and minutes are maintained for closed sessions. However, instances were noted in which the final disposition of matters discussed in closed meetings and the results of votes taken are not made public. The

County Commission indicated that since January 2007 votes are no longer taken in closed session. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Partially implemented. An account book is maintained by the County Clerk. However, discrepancies noted during a comparison of the account book with the County Collector's annual settlement were not documented or investigated. See MAR finding number 4.

D. Not implemented. Computerized and manual accounting records are still maintained by the County Clerk and the County Treasurer. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Personnel Policies and Procedures

A. Time sheets for the Sheriff department's employees were maintained by the Sheriff and were not submitted to the County Clerk.

B.1. Some employees had accumulated more vacation hours than allowed by county policy.

2. The Sheriff had adopted leave policies for his employees effective January 1, 2001, which were different from the leave policies in the County Personnel Policies Manual for law enforcement personnel.

Recommendation:

The County Commission:

A. Work with the Sheriff to ensure time records and records of leave earned, used, and accumulated are maintained in a central location for all county employees.

B.1. Ensure employees are not allowed to accumulate vacation leave above the maximum established by county personnel policies.

2. Work with the Sheriff to adopt one set of leave policies for the Sheriff's employees.

Status:

A. Not implemented. See MAR finding number 3.

B.1. Partially implemented. While improvement was noted in the number of employees with accumulated vacation hours in excess of county policy, two instances were noted for which employees accumulated more than the maximum number of vacation leave hours allowed. However, the excess amounts were minimal. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Partially implemented. In the July 28, 2003, County Commission minutes a policy was adopted to allow employees of the Sheriff's Department to accumulate up to 480 hours of compensatory time; however, this change was not reflected in the County Personnel Policies Manual. In addition, the vacation policy used by the Sheriff continues to be different from the County Personnel Policies Manual for law enforcement personnel. See MAR finding number 3.

7. Neighborhood Improvement Districts

A. The county had not documented its administrative costs to support a $5 per lot fee.

B. At December 31, 2002 the H Highway NID Fund had an ending balance of $223,117, while the bond debt balance was $400,000. Because the interest rate on the bonds is higher than the amount the county earned on its deposits, the county should have considered early retirement of some of these bonds.

Recommendation:

The County Commission:

A. Document the administrative costs incurred by the county and charged to the NIDs. Any additional unreimbursed costs should be collected from the landowners, and any excess amounts collected should be refunded to landowners.

B. Review the balance of the H Highway NID Fund and determine the feasibility of early retirement of a portion of the general obligation bonds.

Status:

A. Not implemented. In the prior audit report the County Commission agreed with the recommendation and indicated the county's administrative costs would be documented in the future; however, no documentation was maintained. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented. An additional bond principal payment of $40,000 was made in 2003. At December 31, 2006, the balance of the Highway H NID Fund was $146,140; therefore, additional early retirement of a portion of the general obligation bonds may be possible. Although not repeated in the current MAR, our recommendation remains as stated above. In addition, the County Commission should review all NID Funds to determine whether early payment of bonds should be made and to ensure sufficient funding will be available to make future bond payments.

8. Prosecuting Attorney's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Formal bank reconciliations had not been performed since June 30, 2002, for the Prosecuting Attorney's three bank accounts.

C. At June 30, 2002, fifty-two checks written on the bank accounts totaling approximately $6,900 had been outstanding for over one year.

D. Monthly listings of open items (liabilities) were not prepared and, consequently, liabilities were not reconciled to cash balances.

E. Receipts were not deposited intact on a timely basis. In addition, employees were allowed to cash personal checks from receipts.

F.1. Formal bank reconciliations for the Law Library account were not prepared.

2. Monies received monthly from the Circuit Court for the Law Library Fund were not deposited timely.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.

B. Prepare bank reconciliations on a monthly basis.

C. Follow up on old outstanding checks and reissue them or dispose of unclaimed amounts in accordance with state law. Procedures should be established to periodically investigate checks outstanding for a considerable time.

D. Prepare monthly listings of open items and reconcile the listings to cash balances. Unidentified monies should be disposed of in accordance with state law.

E. Deposit receipts intact daily or when accumulated receipts exceed $100, and discontinue the practice of cashing personal checks for employees.

F.1. Prepare monthly bank reconciliations for the Law Library Fund and resolve any differences between the bank and book balances.

2. Deposit the monthly checks received for the Law Library Fund immediately upon receipt.

Status:

A-D. Not implemented. See MAR finding number 9.

E. Partially implemented. No instances of cashing personal checks for employees were noted. However, receipts were not always deposited in a timely manner. See MAR finding number 9.

F.1. Not implemented. Monthly bank reconciliations were not prepared for the Law Library Fund. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Partially implemented. Law library receipts for 2006 and 2005 were deposited monthly by the former Prosecuting Attorney. However, January and February 2007 law library checks issued by the court had not been deposited by the current Prosecuting Attorney as of the end of March. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Public Administrator's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B.1. Annual settlements were not filed in a timely manner.

2. There were 21 instances where the Public Administrator withheld fees from various estates, totaling approximately $10,600, prior to filing the annual settlement, and therefore, prior to approval by the Associate Circuit Judge.

3. During the two years ended December 31, 2002, the Public Administrator listed fees on monthly reports and received payment for estate fees of approximately $14,400 that had not been withheld from the estates and turned over to the county.

Recommendation:

The Public Administrator:

A. Adequately segregate accounting duties or periodically perform and document reviews of the accounting records.

B.1. File annual settlements on a timely basis as required by state law.

2. Discontinue the practice of withholding estate fees prior to the annual settlement being filed and approved by the Associate Circuit Judge.

3. Turn over applicable fees to the county before the corresponding compensation is paid to the Public Administrator.

Status:

A. Implemented. Direct deposit, when possible, is now used for most receipts. All invoices are reviewed by the current Public Administrator prior to payment and disbursements are processed by the current Public Administrator and the accounting clerk. The current Public Administrator performs monthly bank reconciliations for each ward. The accounting clerk prepares the annual settlements which are reviewed and approved by the current Public Administrator. In addition, the Probate Clerk reviews the annual settlements and compares the ending bank statement balance to the balance of the annual settlement. The Probate Clerk also reviews bank statements for unusual items. The annual settlements are also reviewed by the Associate Circuit Judge.

B.1. Not implemented. See MAR finding number 8.

2. Partially implemented. Effective January 1, 2005, the current Public Administrator began not withholding fees until the annual settlement was filed and approved by the Associate Circuit Judge. However, instances were noted where the former Public Administrator withheld fees prior to approval by the Associate Circuit Judge. See MAR finding number 8.

3. Effective January 1, 2005, the current Public Administrator elected to receive a salary in lieu of fees.

10. County Collector's Accounting Controls and Procedures

A. The County Collector had not established effective controls over monies received for tax payments in his office. The method of payment (cash, check, money order, etc.) was not always indicated on the paid tax receipts and the composition of receipts was not reconciled to the daily deposits. In addition, while each paid tax receipt was given a sequential receipt number when paid, the sequence of the numbers was not accounted for to ensure each payment was listed on the daily ledger. The computerized accounting system allowed employees to void or reverse receipt information that was originally entered; however, there was no accounting or audit trail for these voids and reversing entries, which allowed for unaccountable gaps in the numerical sequence of paid tax receipt numbers.

B.1. Bank reconciliations were not prepared for the deposit and protested accounts. In addition, bank reconciliations were prepared for the disbursement account only during the non-peak tax months of March through September.

2. The County Collector did not have adequate policies and procedures in place to ensure the insufficient funds (NSF) checks were collected or added back to the tax books.

3. At February 28, 2003, sixteen checks written on the disbursement account totaling $3,900 had been outstanding for over one year. Some of these checks dated back to 1994.

C. At February 28, 2003, the County Collector had an unidentified balance totaling approximately $3,800 in the bank accounts.

D. The County Collector had not prepared annual settlements since 1996.

Recommendation:

The County Collector:

A. Account for the numerical sequence of numbers assigned to paid tax receipts, indicate the method of payment on all paid tax receipts, and reconcile receipts to the daily deposits. In addition, the County Collector should ensure changes are made to the computerized accounting system to provide for proper documentation and/or audit trails of void and reversing receipt entries.

B.1. Prepare monthly bank reconciliations for all bank accounts. Any discrepancies should be investigated and resolved immediately.

2. Maintain adequate records of NSF checks and remit all checks to the Prosecuting Attorney for collection in a timely manner. In addition, amounts which remain uncollected should be added back to the tax books and adjusted from future distributions to the taxing authorities, as applicable.

3. Follow up on old outstanding checks and reissue them or dispose of unclaimed amounts in accordance with state law. Procedures should be established to periodically investigate checks outstanding for a considerable time.

C. Attempt to identify liabilities for all amounts in the bank account. Any amounts remaining unidentified should be distributed to the political subdivisions in the county on a pro-rata basis.

D. Prepare and file annual settlements annually as required by state law.

Status:

A. Partially implemented. The method of payment is indicated on paid tax receipts. The computer system assigns a sequential transaction number to the paid tax receipt as it is posted to the system. However, receipts are not adequately reconciled to daily deposits. In addition, although documentation of reversals is maintained, no review of this documentation is performed. See MAR finding number 7

B.1,3 &C. Not implemented. See MAR finding number 7.

B2. Partially implemented. Uncollected amounts are added back to the tax books and adjusted from future distributions to the taxing authorities; however, NSF checks are not remitted to the Prosecuting Attorney for collection. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Implemented. The County Collector prepared annual settlements for the years ended February 28, 2007, 2006, and 2005; however, errors and inconsistencies were noted. See MAR finding number 7.

11. Sheriff's Accounting Controls and Procedures

A. Sheriff's personnel indicated that invoices received for boarding of prisoners outside the county jail were reviewed by a deputy to ensure the prisoners on the billings were county inmates, but the invoices were not reviewed to ensure the number of days billed agreed to the county's records of number of days incarcerated.

B. Vending machine commissions received by the Sheriff's office were not deposited in a bank account or turned over to the County Treasurer, and the Sheriff did not maintain a ledger to account for receipts, disbursements, and cash balances. It appeared these monies were used for travel advances to deputies, flowers for funerals, employee Christmas dinners, and undercover drug buys.

C. The Sheriff had an old bank account with a balance of $877 at December 31, 2002. Of this amount, $37 consisted of interest earnings, $296 consisted of miscellaneous fees, and $544 consisted of 28 checks written on the account which had been outstanding for over one year.

D. Receipts were not deposited on a timely basis.

Recommendation:

The Sheriff:

A. Establish procedures to ensure all invoices for board of prisoners are reviewed for reasonableness and propriety.

B. Transmit vending machine commissions to the County Treasurer for deposit into the county treasury. If a petty cash fund is needed, it should be maintained at a constant amount and records of all petty cash receipts and disbursements should be maintained. Expenditures which are not necessary for the operation of the Sheriff's office should be discontinued.

C. Attempt to resolve the old outstanding checks. In addition, the balance of this bank account should be disbursed and the account closed.

D. Deposit all receipts daily or when accumulated receipts exceed $100.

Status:

A. Implemented.

B. Implemented. Approximately $3,400 in vending machine commissions were turned over to the County Treasurer on July 22, 2005. These monies were deposited to the newly established Sheriff Special Equipment Fund. Vending machines commissions are now remitted to the County Treasurer on a monthly basis.

C&D. Not implemented. See MAR finding number 10.

12. Circuit Clerk's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. At December 31, 2002, fifty-two checks totaling $7,149 on the Circuit Clerk's various bank accounts had been outstanding for more than one year.

C. The Circuit Clerk's office maintained an old bank account with a balance of $126,008 at December 31, 2002, which was established by a former Circuit Clerk. Of this balance, $123,033 had not been reconciled to open items (liabilities). It appeared that little or no attempt had been made to identify the amounts in this account to open items since 1997.

Recommendation:

The Circuit Clerk:

A. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.

B. Attempt to resolve the old outstanding checks and establish procedures to periodically investigate checks outstanding for a considerable time.

C. Attempt to identify the monies held in the old bank accounts and disburse the monies to the appropriate parties so the accounts can be closed. Amounts which cannot be identified and remain unclaimed should be disposed of as provided by state law.

Status:

A. Implemented. The duties of receiving, recording, depositing, and disbursing monies are handled by different employees. In addition, the Circuit Clerk reviews the daily deposit and the monthly bank reconciliations.

B. Partially implemented. As of April 30, 2007, thirty-seven checks totaling $2,474 have been outstanding for more than one year. The Circuit Clerk's office is currently investigating these checks in an effort to close the bank account. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented. Some monies were resolved and the remaining unresolved monies were turned over to the state. The bank account was closed in March 2006.

13. 911 Emergency Services Board

A. In December 2002, the 911 Emergency Services Board paid Christmas bonuses to its employees totaling $1,200. In addition, these payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms.

B. No documentation was prepared of the cost of providing dispatching services to entities. There was no documentation to show that the amounts charged were reasonable to cover the cost of providing these services.

Recommendation:

The 911 Emergency Service Board:

A. Discontinue the practice of paying employee bonuses.

B. Perform and document cost analyses of providing dispatching services to other entities and establish rates for providing these services based on the analyses.

Status:

A. Implemented.

B. Not implemented. A cost analysis was not performed; however, the 911 Emergency Service Board no longer provides dispatching services for the Pulaski County Sheriff's Department. The 911 Emergency Service Board currently receives a total of $1,752 annually from three local municipalities for services. Although not repeated in the current MAR, our recommendation remains as stated above.

14. Senate Bill 40 Board

In October 2001, the Senate Bill 40 Board purchased land and a building for $50,239 next to an existing group home for the purpose of expanding the group home. The board did not prepare or obtain formal written plans for the use of the land and building prior to purchase. This property had not been utilized by the Senate Bill 40 Board as planned and was vacant.

In addition, the board chairman indicated the seller of the property had obtained an appraisal of the property (indicated an appraised value of $50,000) and another board member had seen a copy of the appraisal; however, the seller apparently would not provide a copy of the appraisal to the board.

Recommendation:

The Senate Bill 40 Board establish a formal plan for the use of the property or consider selling the property. In addition, independent appraisals should be obtained, and copies of the appraisals retained, prior to all real property purchases.

Status:

Not implemented. The Board indicated they purchased the property to use for a new group home; however, a formal documented plan has not been prepared. No other purchases of real property were noted. Although not repeated in the current MAR, our recommendation remains as stated above.

PULASKI COUNTY
PUBLIC ADMINISTRATOR

1. Misappropriated Funds and Unauthorized Transactions

At least $42,622 was disbursed from various accounts of the Public Administrator for the apparent personal benefit of the former accounting clerk. This clerk also made unauthorized transfers among various accounts of at least $98,377. The accounting records indicated $13,675 was received but never deposited into various accounts, which may have represented additional misappropriations. Overdraft and other bank service fees of at least $945 were incurred on various accounts.

Recommendation:

The Public Administrator continue working with law enforcement authorities and the Probate Court regarding any criminal prosecution and obtain full reimbursement of the misappropriated funds. In addition, the Public Administrator should return the improperly transferred monies to the proper accounts and determine if applicable wards are entitled to receive any lost state and federal aid, follow up and take appropriate action on the recorded receipts that were not deposited, and determine if the bank charges can be recovered and returned to the applicable accounts. Finally, the Public Administrator should continue to review all of her estates to identify and correct any additional misappropriations, errors, and omissions and prepare and file corrected or amended annual settlements.

Status:

Partially implemented. Following investigation by the Missouri State Highway Patrol, criminal charges were filed. On April 21, 2006, the former accounting clerk of the Public

Administrator's office, entered a plea of guilty to 28 separate counts of stealing, all class C felonies. She was given a suspended sentence, placed on five years of supervised probation, and paid restitution of $50,000 which was deposited in a separate bank account maintained by the current Public Administrator. This $50,000 has yet to be disbursed to the applicable wards. In August 2006, a civil suit was filed in circuit court on behalf of various plaintiffs against the bonding company, the former clerk, and another individual for additional amounts, "...representing the funds which the Plaintiffs were unlawfully deprived of...". Although not repeated in the current MAR, our recommendation remains as stated above.

2. Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Checks were not always issued in numerical sequence for various estates, and several check numbers were not recorded on the check registers or otherwise accounted for. In addition, there were numerous other errors and omissions on the check registers and checks that were actually voided were not always properly defaced and retained.

C. Some annual settlements prepared by the Public Administrator's office were not complete or accurate.

D. Some annual settlements were approved by the Probate Court even though corresponding bank statements and canceled checks were not filed with the court.

E. The Public Administrator's current and former accounting clerks were not bonded.

Recommendation:

The Public Administrator:

A. Adequately segregate accounting duties or continue to periodically perform and document reviews of the accounting records and bank reconciliations.

B. Issue checks numerically, account for the numerical sequence, and ensure all check amounts and information are accurately recorded in the check registers. In addition, all voided checks should be properly defaced and maintained.

C. Prepare annual settlements which accurately report all estate receipts and disbursements.

D. File all bank statements and canceled checks with the annual settlements. In addition, the Probate Judge should require bank statements and canceled checks be filed and compared to the annual settlements to help ensure the settlements are complete and accurate prior to approving them.

E. Obtain bond coverage for all employees with access to assets.

Status:

A. Implemented. Direct deposit, when possible, is now used for most receipts. All invoices are reviewed by the current Public Administrator prior to payment being made. Disbursements are processed by the current Public Administrator and the accounting clerk. The current Public Administrator performs monthly bank reconciliations for each ward. The accounting clerk prepares the annual settlements which are reviewed and approved by the current Public Administrator. In addition, the Probate Clerk reviews the annual settlements and compares the ending bank statement balance to the balance of the annual settlement. The Probate Clerk also reviews bank statements for unusual items. The annual settlements are also reviewed by the Associate Circuit Judge.

B. Partially implemented. Checks are issued numerically, accounted for, and accurately recorded in the check register. However, voided checks are not retained. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Partially implemented. Although no problems were noted with the reporting of receipts and disbursements of the annual settlements reviewed, one annual settlement prepared by the former Public Administrator did not accurately report all assets owned by a ward. See MAR finding number 8.

D. Implemented. Bank statements, including canceled checks, are filed with the annual settlements. The Probate Clerk indicated she compares the ending bank statement balance to the balance of the annual settlement and reviews bank statements for unusual items. In addition, the Associate Circuit Judge indicated he reviews the annual settlements and compares the bank statements to the annual settlements on a test basis.

E. Not implemented. Although the current Public Administrator indicated the accounting clerk is covered by the elected officials bond, there is no evidence to support this. See MAR finding number 4.

PULASKI COUNTY
COUNTY COLLECTOR

1. Missing Receipts

At least $21,737 in tax receipts were recorded in daily abstract reports for the period March 1, 2003 through June 30, 2004; however, those receipts were not included in bank deposits.

Recommendation:

The County Collector take the necessary action to recover the missing receipts and work with law enforcement authorities regarding any criminal prosecution.

Status:

Implemented. Following investigation by the Missouri State Highway Patrol, criminal charges were filed. On September 13, 2005, the former chief deputy collector, entered a plea of guilty to the charge of stealing, a class C felony. She was given a suspended imposition of sentence of five years, placed on probation, and ordered to serve eighty hours of community service. A distribution of $33,676 was received from the bonding company.

2. Accounting Controls and Procedures

A. During the audit period, accounting duties were not adequately segregated.

B. Receipts were not adequately reconciled to daily deposits, and monthly bank reconciliations were not prepared.

C. The County Collector did not reconcile the cash balances to liabilities.

D. The County Collector had identified $26,468 in accounting entries which represented reversals of original tax receipt entries, and a legitimate reason for those reversing entries could not be provided.

E. The County Collector had not prepared annual settlements since 1996.

Recommendation:

The County Collector:

A. Adequately segregate accounting duties. If duties cannot be adequately segregated, at a minimum, the County Collector should compare monies received with deposits and should perform periodic reviews of all the accounting records to ensure their accuracy.

B. Adopt procedures to adequately reconcile daily receipts to deposits, including a comparison of daily abstract reports to deposits, and prepare monthly bank reconciliations for all accounts. Any errors or omissions should be investigated and resolved in a timely manner.

C. Reconcile liabilities to the cash balances on a monthly basis and investigate any differences.

D. Ensure documented independent reviews are performed of all receipt reversing entries and retain adequate documentation to support all such entries.

E. Prepare and file annual settlements as required by state law.

Status:

A-C. Not implemented. See MAR finding number 7.

D. Partially implemented. Reversal reports are maintained. The former County Collector indicated he reviewed reversal report; however, no documentation of reviews was maintained. See MAR finding number 7.

E. Implemented. The County Collector prepared annual settlements for the years ending February 28, 2007, 2006, and 2005.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PULASKI COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Pulaski was named after Casimir Pulaski, a Polish General of the American Revolution. Pulaski County is a county-organized, third-class county and is part of the 25th Judicial Circuit. The county seat is Waynesville.

Pulaski County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 482 miles of county roads and 35 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 42,011 in 1980 and 41,165 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate***	$ 232.1	211.2	173.7	162.9	48.5	22.2
Personal property	57.5	52.4	48.3	48.7	12.5	7.4
Railroad and utilities	14.6	14.1	13.3	12.3	6.2	5.4
Total	$ 304.2	277.7	235.3	223.9	67.2	35.0

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.
***Includes Tax Increment Financing.

Pulaski County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
Special Road and Bridge Fund	$ .1826	.1542	.1673	.1608
Health Center Fund	.0748	.0748	.0794	.0793
Senate Bill 40 Board Fund	.0748	.0748	.0794	.0793
Senior Citizens Services Board Fund	.0467	.0467	.0496	.0495

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to

penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 92,816	83,031	72,972	68,249
Special Road and Bridge Fund	546,323	424,262	401,503	369,401
Assessment Fund	153,374	137,962	120,848	91,521
Health Center Fund	224,920	201,625	186,892	175,002
Senate Bill 40 Board Fund	224,920	201,625	186,892	175,002
School districts	8,651,927	7,782,565	6,867,712	6,424,810
Private Car Tax	27,622	24,567	18,326	25,603
Tax Sale Surplus & Advertising	23,854	8,855	16,120	4,523
Library district	404,864	363,472	334,738	314,102
Ambulance districts	817,962	731,692	677,456	634,352
Fire protection districts	434,166	403,177	369,033	345,056
Senior Citizens Services Board Fund	137,296	122,947	114,089	106,781
Tax Increment Financing Commission	396,713	364,163	350,914	338,079
Neighboorhood Improvement Districts	147,574	147,284	150,229	103,365
Cities	109,663	101,785	90,182	79,450
County Clerk	164	349	436	409
Other	387	385	539	366
County Employees' Retirement	62,722	52,399	57,325	55,333
Collector Maintenance Fund	30,266	24,726	28,503	25,439
Guest Transit Tax (Tourism)	397,871	345,471	173,403	0
Commissions and fees:				
General Revenue Fund	213,719	202,012	173,158	155,827
Total	$ 13,099,123	11,724,354	10,391,270	9,492,670

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	93	92	92	84	%
Personal property	87	89	89	86	
Railroad and utilities	100	98	100	97	

Pulaski County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
Emergency 911		.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Tony Crismon, Presiding Commissioner		30,513	30,513	30,513	30,513
Bill Farnham, Associate Commissioner		29,105	28,413		
Gary Carmack, Associate Commissioner				28,413	28,413
Dennis Thornsberry, Associate Commissioner		29,105	28,413	28,413	28,413
Diana Linnenbringer, County Clerk		43,050	43,050	43,050	43,050
Laura Kriebs, Prosecuting Attorney (1)		94,000	96,000	96,000	96,000
J.B. King, Sheriff		48,300	48,300		
J.T. Roberts, Sheriff				49,300	49,300
Barbara M. Shackleford, County Treasurer		43,050	43,050	43,050	43,050
Mikel Hartness, County Coroner		15,750	13,650	13,650	13,650
Loretta Rouse, Public Administrator (2)		44,096	43,050		
Paula Long Weber, Public Administrator (3)				55,454	50,649
George Berry, County Collector, year ended February 28 (29),	44,042	43,050	43,050	43,050	
Roger Harrison, County Assessor (4), year ended August 31,		44,603	43,738	43,815	43,950
Don Mayhew, County Surveyor (5)					

(1) Effective January 1, 2003, Prosecuting Attorney became a full-time position.
(2) Effective January 1, 2005, the Public Administrator elected to receive a salary in lieu of fees.
(3) Includes salary of $10,500 and fees received from probate cases.
(4) Includes $688, $688, $765, and $900, respectively, in annual compensation received from the state.
(5) Compensation on a fee basis.

State-Paid Officials:					
Rachelle Beasley, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,900	47,300
David G. Warren, Associate Circuit Judge		96,000	96,000	96,000	96,000
Colin Long, Associate Circuit Judge (6)		96,000	96,000	11,467	
Tracy L. Storie, Associate Circuit Judge (7)				84,533	96,000

(6) Started effective November 18, 2004.
(7) Resigned as Associate Circuit Judge effective November 17, 2004, to become Circuit Judge.

In August 2004, the county entered into a $182,250 lease purchase agreement with Caterpillar Financial Services Corporation to finance the cost of two motor graders. Principal and interest payments totaling $5,360 are due monthly for 35 months and the lease purchase agreement carries an interest rate of 3.75 percent. The lease purchase agreement is to be paid in full by 2007. The remaining amount due on the lease at December 31, 2006, including principal and interest, was $37,525.

In July 2005, the county entered into a $204,048 lease purchase agreement with Caterpillar Financial Services Corporation to finance the cost of two motor graders. Principal and interest payments totaling $3,786 are due monthly for 60 months and the lease purchase agreement carries an interest rate of 4.30 percent. The remaining amount due on the lease at December 31, 2006, including principal and interest, was $162,779.

In August 2005, the county entered into a $44,379 lease purchase agreement with Deere Credit, Inc. to finance the cost of a tractor. Principal and interest payments totaling $1,329 are due monthly for 36 months and the lease purchase agreement carries an interest rate of 5.25 percent. The remaining amount due on the lease at December 31, 2006, including principal and interest, was $25,256.

In March 2006, the county entered into a $75,957 lease purchase agreement with the Bank of Crocker to finance the cost of three trucks. Principal and interest payments totaling $2,262 are due monthly for 36 months. The remaining amount due on the lease at December 31, 2006, including principal and interest, was $63,342.

In April 2006, the county entered into a $109,636 lease purchase agreement with Caterpillar Financial Services Corporation to finance the cost of a motor grader. Principal and interest payments totaling $2,087 are due monthly for 60 months and the lease purchase agreement carries an interest rate of 5.35 percent. The remaining amount due on the lease at December 31, 2006, including principal and interest, was $108,503.

In September 2006, the county entered into a $140,000 lease purchase agreement with Citizens Bank of Newburg to finance equipment purchases for the Assessor's Office. Principal and interest payments totaling $32,609 are due annually for five years and the lease purchase agreement carries an interest rate of 5.3 percent. The remaining amount due on the lease at December 31, 2006, including principal and interest was $163,043.

The county has established nine neighborhood improvement districts (NIDS). General obligation bonds which were issued to finance the projects had remaining principal due at December 31, 2006, totaling $509,000 for eight of the NIDS. Although these are general obligation bonds, special assessments were levied on the property located in the districts to pay the debt principal and interest. Principal and interest payments are made from the eight NID funds.

On May 12, 2004, the Pulaski County 911 Emergency Service Board entered into a $51,657 lease purchase agreement with Kansas State Bank of Manhattan to finance the costs of equipment. Principal and interest payments totaling $990 are due monthly and the lease

purchase agreement did not identify the interest rate. The lease purchase agreement is to be paid in full by 2009 and has a computed interest rate of approximately 5.7 percent. The remaining principal and interest due on the lease at December 31, 2006, was $24,935 and $1,802, respectively.

In July 2004, the Pulaski County 911 Emergency Service Board entered into a $297,893 lease purchase agreement with Security Bank of Pulaski County to finance the cost of equipment. Principal and interest payments are due annually for seven years and the lease purchase agreement carries an interest rate of 5.445 percent. The remaining principal and interest due on the lease at December 31, 2006, was $223,738 and $37,838, respectively.

In July 2004, the Pulaski County 911 Emergency Service Board entered into a $278,000 lease purchase agreement with the Bank of Crocker to finance furniture, appliances, and equipment. Principal and interest payments totaling $3,865 are due monthly for 84 months and the lease purchase agreement carries an interest rate of 4.5 percent. The remaining principal and interest due on the lease at December 31, 2006, was $191,746 and $20,832, respectively.

In August 2004, the Pulaski County 911 Emergency Service Board entered into a $738,000 lease purchase agreement with the Bank of Crocker to finance the costs of acquiring land and acquiring, constructing, and installing facilities and equipment to be used for providing 911 emergency telephone services in Pulaski County. Principal and interest payments are due annually for 20 years and the lease purchase agreement carries an interest rate of 4.5 percent. The remaining principal due on the lease at December 31, 2006, was approximately $692,000.

In August, 2004, the Pulaski County 911 Emergency Service Board entered into a $125,447 lease purchase agreement with GE Capital Corporation to finance the costs of equipment and software. Principal and interest payments totaling $2,417 are due monthly for 60 months and the lease purchase agreement carries an interest rate of 5.85 percent. The remaining principal and interest due on the lease at December 31, 2006, was $71,441 and $5,895, respectively.

Susan Montee, CPA
Missouri State Auditor

September 2007

Madison County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-50

auditor.mo.gov

Office of
State Auditor Of Missouri
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, such as Madison, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Problems with county budgetary and bidding procedures have been noted in past audit reports; however, little or no improvement has been made and similar problems still exist.

For the year ended December 31, 2006, actual amounts presented in the budget for the General Revenue Fund differed from the Treasurer's annual settlement and did not accurately present the cash balance, receipts, or disbursements of the General Revenue Fund. The budgets contained numerous misclassifications for both budgeted and actual amounts and actual disbursements exceeded budgeted amounts for several funds.

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices or reasons to support sole source purchase determinations.

Our prior report for the two years ended December 31, 2002, indicated that Madison County's General Revenue and Special Road and Bridge Funds were experiencing declining cash balances and increasing disbursements. Similarly, during the two years ended December 31, 2006, the General Revenue and Special Road and Bridge Funds' cash balances were also maintained at significantly low levels, as it appears General Revenue is supplementing the Special Road and Bridge Fund.

The county did not properly assess the value of a real estate purchase and did not properly document how it determined which funds should be used to purchase the property. Supporting documentation for some expenditures was insufficient and the accounts payable process does not provide adequate controls to prevent duplicate payments and ensure goods and services have been received. In addition, the county does not have formal policies regarding the use of cellular phones.

The effective dates for the Collector's and Assessor's salary increases may not have complied with state law. Some payments for services were not handled through normal payroll procedures or reported to the IRS as required. In addition, centralized payroll leave records and complete personnel files were not maintained by the County Clerk.

(over)

In the Collector's office, liabilities are not reconciled to the bank account, partial payment records are not adequate, deposits are not made intact nor on a timely basis, and some disbursements are not made by check. In addition, the former Collector did not properly withhold commissions from tax collections, recalculate the surtax distribution percentages, or properly distribute interest income.

The Sheriff's office does not have a system for tracking the profit and loss from the sale of commissary items. Monthly bank reconciliations are not performed for the commissary account and some invoices are not marked paid or properly approved. In addition, receipt slips are not issued for monies received and receipts are not deposited intact on a timely basis, money orders are not immediately restrictively endorsed, and voided checks are not properly retained. Inmate monies are maintained in cash, rather than deposited into a bank account. The Sheriff's Office does not properly document the monthly bank reconciliation or deposit timely for the fee account, and could not provide authorization for continuing to collect a bond processing fee which was repealed. Also, the Sheriff department's vehicle fuel usage and operating costs are not adequately monitored.

The Prosecuting Attorney's office does not perform bank reconciliations, does not issue receipt slips for some monies, and does not deposit timely. The office does not properly monitor court ordered restitution due from defendants or file a monthly report of fees collected.

The report also includes comments related to the county property tax system, written contracts, the schedule of expenditures of federal awards, Tax Increment Financing investments, capital assets, computer controls, and the Circuit Clerk's and Health Centers controls and procedures.

All reports are available on our Web site: www.auditor.mo.gov

MADISON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Madison County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Madison County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 9, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Madison County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 9, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Kate E. Hazen, CPA
	Chris Vetter
	Steven Re', CPA

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Madison County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies referred to above, we consider finding number 06-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Madison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as finding numbers 06-1 and 06-2.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Madison County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Madison County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 9, 2007

Financial Statements

Exhibit A-1

MADISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	430,440	1,131,955	1,345,898	216,497
Special Road and Bridge		40,633	957,141	938,834	58,940
Assessment		8,816	169,666	162,406	16,076
Emergency 911		16,251	239,918	244,460	11,709
Recorder's User Fees		21,589	6,539	18,079	10,049
Recorder Technology		8,096	3,976	4,074	7,998
Special Law Enforcement		1,900	31	0	1,931
Domestic Violence		4,048	1,138	2,210	2,976
Madison County Forfeiture		8,928	9,381	10,269	8,040
Flood Buy-Out		594	0	594	0
Law Enforcement Sales Tax		128,339	782,756	756,990	154,105
Sheriff Revolving		1,339	851	0	2,190
Inmate Security		7,594	3,314	0	10,908
Law Enforcement Training		15,104	5,309	9,017	11,396
Prosecuting Attorney Training		1,087	794	996	885
Prosecuting Attorney Bad Check		5,036	31,357	33,814	2,579
Tax Maintenance		32,988	15,339	2,710	45,617
Redevelopment Tax Increment Financing		0	295,455	110,561	184,894
Circuit Clerk Interest		1,471	2,168	1,036	2,603
Time Payment Fee		6,015	4,068	2,103	7,980
Associate Circuit Division Interest		113	19	132	0
Health Center		6,822	643,973	615,324	35,471
Sheriff Commissary		2,729	16,758	15,788	3,699
Juvenile Assessment		1,686	268	0	1,954
Total	$	751,618	4,322,174	4,275,295	798,497

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MADISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	136,863	1,175,573	881,996	430,440
Special Road and Bridge		239,192	688,505	887,064	40,633
Assessment		12,129	150,303	153,616	8,816
Emergency 911		12,591	213,601	209,941	16,251
Recorder's User Fees		14,767	6,822	0	21,589
Recorder Technology		3,958	4,138	0	8,096
Special Law Enforcement		346	1,554	0	1,900
Domestic Violence		5,061	1,187	2,200	4,048
Madison County Forfeiture		9,837	470	1,379	8,928
Flood Buy-Out		594	0	0	594
Law Enforcement Sales Tax		158,093	619,111	648,865	128,339
Sheriff Revolving		1,061	278	0	1,339
Inmate Security		3,412	4,182	0	7,594
Law Enforcement Training		13,728	6,775	5,399	15,104
Prosecuting Attorney Training		786	1,088	787	1,087
Prosecuting Attorney Bad Check		102	22,101	17,167	5,036
Tax Maintenance		24,708	14,175	5,895	32,988
Redevelopment Tax Increment Financing		0	100,886	100,886	0
Circuit Clerk Interest		1,064	1,041	634	1,471
Time Payment Fee		1,317	5,361	663	6,015
Associate Circuit Division Interest		197	302	386	113
Health Center		4,725	688,895	686,798	6,822
Sheriff Commissary		1,990	11,818	11,079	2,729
Juvenile Assessment		786	900	0	1,686
Total	$	647,307	3,719,066	3,614,755	751,618

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 3,854,148	4,305,148	451,000	3,667,380	3,706,348	38,968
DISBURSEMENTS	3,864,436	4,259,507	(395,071)	3,690,751	3,603,676	87,075
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,288)	45,641	55,929	(23,371)	102,672	126,043
CASH, JANUARY 1	595,455	747,203	151,748	644,531	644,531	0
CASH, DECEMBER 31	585,167	792,844	207,677	621,160	747,203	126,043
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	201,000	189,520	(11,480)	187,000	187,500	500
Sales taxes	452,487	488,730	36,243	410,000	427,488	17,488
Intergovernmental	169,530	165,498	(4,032)	128,866	121,714	(7,152)
Charges for services	292,800	259,847	(32,953)	307,065	297,049	(10,016)
Interest	4,530	16,934	12,404	1,575	6,462	4,887
Other	92,426	9,006	(83,420)	24,392	38,496	14,104
Transfers in	0	2,420	2,420	0	96,864	96,864
Total Receipts	1,212,773	1,131,955	(80,818)	1,058,898	1,175,573	116,675
DISBURSEMENTS						
County Commission	73,812	71,835	1,977	68,539	70,687	(2,148)
County Clerk	72,404	78,033	(5,629)	67,350	65,684	1,666
Elections	135,375	139,037	(3,662)	36,338	39,714	(3,376)
Buildings and grounds	148,365	151,576	(3,211)	160,149	105,016	55,133
Employee fringe benefit	105,203	117,688	(12,485)	102,150	106,994	(4,844)
County Treasurer	35,440	34,319	1,121	33,520	32,300	1,220
County Collector	65,328	66,918	(1,590)	63,198	61,779	1,419
Recorder of Deeds	53,939	51,549	2,390	50,291	47,445	2,846
Circuit Clerk	38,195	34,248	3,947	15,052	13,706	1,346
Associate Circuit Court	0	0	0	15,905	12,928	2,977
Court administration	6,918	6,926	(8)	6,915	5,611	1,304
Public Administrator	15,739	15,458	281	15,789	15,553	236
Prosecuting Attorney	77,422	71,217	6,205	78,187	73,457	4,730
County Coroner	25,800	33,217	(7,417)	26,807	21,535	5,272
University Extension	46,601	46,601	0	46,601	46,601	0
Other	10,440	60,678	(50,238)	50,178	46,923	3,255
Transfers out	159,619	366,598	(206,979)	109,596	116,063	(6,467)
Emergency Fund	36,987	0	36,987	36,402	0	36,402
Total Disbursements	1,107,587	1,345,898	(238,311)	982,967	881,996	100,971
RECEIPTS OVER (UNDER) DISBURSEMENTS	105,186	(213,943)	(319,129)	75,931	293,577	217,646
CASH, JANUARY 1	278,685	430,440	151,755	136,863	136,863	0
CASH, DECEMBER 31	383,871	216,497	(167,374)	212,794	430,440	217,646

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	285,000	280,419	(4,581)	276,000	274,563	(1,437)
Intergovernmental	415,040	411,422	(3,618)	415,100	386,841	(28,259)
Charges for services	4,609	1,509	(3,100)	0	5,025	5,025
Interest	2,000	3,706	1,706	800	3,391	2,591
Other	10,900	4,016	(6,884)	5,675	18,685	13,010
Transfers in	0	256,069	256,069	0	0	0
Total Receipts	717,549	957,141	239,592	697,575	688,505	(9,070)
DISBURSEMENTS						
Salaries and fringe benefits	325,200	365,978	(40,778)	304,850	297,618	7,232
Supplies	159,680	144,404	15,276	127,350	162,714	(35,364)
Insurance	16,000	907	15,093	0	0	0
Road and bridge materials	167,000	306,016	(139,016)	277,500	328,930	(51,430)
Equipment repairs	10,500	12,262	(1,762)	10,500	14,416	(3,916)
Rentals	3,000	15,780	(12,780)	5,000	8,320	(3,320)
Equipment purchases	43,000	52,176	(9,176)	49,318	43,833	5,485
Construction, repair, and maintenance	10,000	19,583	(9,583)	35,000	0	35,000
Other	17,750	21,728	(3,978)	21,272	15,745	5,527
Transfers out	0	0	0	36,000	15,488	20,512
Total Disbursements	752,130	938,834	(186,704)	866,790	887,064	(20,274)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(34,581)	18,307	52,888	(169,215)	(198,559)	(29,344)
CASH, JANUARY 1	40,633	40,633	0	239,192	239,192	0
CASH, DECEMBER 31	6,052	58,940	52,888	69,977	40,633	(29,344)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	136,081	129,009	(7,072)	124,773	135,672	10,899
Charges for services	900	2,150	1,250	2,243	820	(1,423)
Interest	90	470	380	0	90	90
Other	100	193	93	0	60	60
Transfers in	56,769	37,844	(18,925)	62,596	13,661	(48,935)
Total Receipts	193,940	169,666	(24,274)	189,612	150,303	(39,309)
DISBURSEMENTS						
Assessor	187,749	162,406	25,343	173,717	151,541	22,176
Transfers out	0	0	0	0	2,075	(2,075)
Total Disbursements	187,749	162,406	25,343	173,717	153,616	20,101
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,191	7,260	1,069	15,895	(3,313)	(19,208)
CASH, JANUARY 1	8,816	8,816	0	12,129	12,129	0
CASH, DECEMBER 31	15,007	16,076	1,069	28,024	8,816	(19,208)

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EMERGENCY 911 FUND						
RECEIPTS						
Telephone tax	101,570	104,277	2,707	121,930	111,615	(10,315)
Charges for services	1,500	2,560	1,060	950	1,380	430
Interest	325	398	73	120	310	190
Other	0	683	683	0	296	296
Transfers In	139,000	132,000	(7,000)	100,000	100,000	0
Total Receipts	242,395	239,918	(2,477)	223,000	213,601	(9,399)
DISBURSEMENTS						
Salaries and fringe benefits	203,004	202,148	856	156,008	165,188	(9,180)
Office expenditures	50,200	39,612	10,588	46,085	40,997	5,088
Mileage and training	3,500	2,700	800	2,000	3,756	(1,756)
Other	1,500	0	1,500	1,500	0	1,500
Total Disbursements	258,204	244,460	13,744	205,593	209,941	(4,348)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,809)	(4,542)	11,267	17,407	3,660	(13,747)
CASH, JANUARY 1	16,251	16,251	0	12,591	12,591	0
CASH, DECEMBER 31	442	11,709	11,267	29,998	16,251	(13,747)
RECORDER'S USER FEES FUND						
RECEIPTS						
Charges for services	7,500	6,261	(1,239)	7,500	6,718	(782)
Interest	96	278	182	182	104	(78)
Total Receipts	7,596	6,539	(1,057)	7,682	6,822	(860)
DISBURSEMENTS						
Recorder of Deeds	18,013	18,079	(66)	1,500	0	1,500
Total Disbursements	18,013	18,079	(66)	1,500	0	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,417)	(11,540)	(1,123)	6,182	6,822	640
CASH, JANUARY 1	21,589	21,589	0	14,767	14,767	0
CASH, DECEMBER 31	11,172	10,049	(1,123)	20,949	21,589	640
RECORDER TECHNOLOGY FUND						
RECEIPTS						
Charges for services	4,800	3,819	(981)	4,200	4,099	(101)
Interest	54	157	103	68	39	(29)
Total Receipts	4,854	3,976	(878)	4,268	4,138	(130)
DISBURSEMENTS						
Recorder of Deeds	3,706	4,074	(368)	0	0	0
Total Disbursements	3,706	4,074	(368)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,148	(98)	(1,246)	4,268	4,138	(130)
CASH, JANUARY 1	8,096	8,096	0	3,958	3,958	0
CASH, DECEMBER 31	9,244	7,998	(1,246)	8,226	8,096	(130)

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL LAW ENFORCEMENT FUND						
RECEIPTS						
Charges for services	1,000	0	(1,000)	0	1,550	1,550
Interest	4	31	27	0	4	4
Total Receipts	1,004	31	(973)	0	1,554	1,554
DISBURSEMENTS						
Sheriff	500	0	500	0	0	0
Total Disbursements	500	0	500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	504	31	(473)	0	1,554	1,554
CASH, JANUARY 1	1,900	1,900	0	346	346	0
CASH, DECEMBER 31	2,404	1,931	(473)	346	1,900	1,554
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	30	1,088	1,058	1,000	1,162	162
Interest	1,200	50	(1,150)	40	25	(15)
Total Receipts	1,230	1,138	(92)	1,040	1,187	147
DISBURSEMENTS						
Domestic violence shelter	2,300	2,210	90	2,300	2,200	100
Office expenditures	10	0	10	10	0	10
Total Disbursements	2,310	2,210	100	2,310	2,200	110
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,080)	(1,072)	8	(1,270)	(1,013)	257
CASH, JANUARY 1	4,048	4,048	0	5,061	5,061	0
CASH, DECEMBER 31	2,968	2,976	8	3,791	4,048	257
MADISON COUNTY FORFEITURE FUND						
RECEIPTS						
Intergovernmental	300	9,134	8,834	250	333	83
Interest	140	247	107	65	137	72
Total Receipts	440	9,381	8,941	315	470	155
DISBURSEMENTS						
Sheriff	987	10,269	(9,282)	0	1,379	(1,379)
Total Disbursements	987	10,269	(9,282)	0	1,379	(1,379)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(547)	(888)	(341)	315	(909)	(1,224)
CASH, JANUARY 1	8,928	8,928	0	9,837	9,837	0
CASH, DECEMBER 31	8,381	8,040	(341)	10,152	8,928	(1,224)

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
FLOOD BUY-OUT FUND						
RECEIPTS						
Intergovernmental	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Salaries	0	594	(594)	0	0	0
Total Disbursements	0	594	(594)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(594)	(594)	0	0	0
CASH, JANUARY 1	594	594	0	594	594	0
CASH, DECEMBER 31	594	0	(594)	594	594	0
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	430,000	486,639	56,639	408,000	427,448	19,448
Intergovernmental	6,400	7,168	768	6,800	16,727	9,927
Charges for services	163,000	281,982	118,982	140,000	159,773	19,773
Interest	790	2,577	1,787	570	829	259
Other	20,900	4,390	(16,510)	11,450	14,334	2,884
Total Receipts	621,090	782,756	161,666	566,820	619,111	52,291
DISBURSEMENTS						
Salaries and fringe benefits	369,708	372,461	(2,753)	277,860	293,678	(15,818)
Office expenditures	13,500	11,086	2,414	9,300	12,420	(3,120)
Equipment	50,285	68,959	(18,674)	46,250	68,102	(21,852)
Maintenance and repairs	38,400	23,855	14,545	20,500	24,581	(4,081)
Mileage and training	500	207	293	500	522	(22)
Prisoner expense	10,520	8,622	1,898	10,020	10,517	(497)
Jail	83,742	76,506	7,236	84,000	73,771	10,229
Juvenile office	44,300	43,069	1,231	45,077	44,135	942
Debt service	32,547	30,061	2,486	65,582	38,954	26,628
Transfers out	92,000	122,164	(30,164)	64,000	82,185	(18,185)
Total Disbursements	735,502	756,990	(21,488)	623,089	648,865	(25,776)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(114,412)	25,766	140,178	(56,269)	(29,754)	26,515
CASH, JANUARY 1	128,339	128,339	0	158,093	158,093	0
CASH, DECEMBER 31	13,927	154,105	140,178	101,824	128,339	26,515
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for services	1,000	810	(190)	500	270	(230)
Interest	45	41	(4)	6	8	2
Total Receipts	1,045	851	(194)	506	278	(228)
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,045	851	(194)	506	278	(228)
CASH, JANUARY 1	1,339	1,339	0	1,061	1,061	0
CASH, DECEMBER 31	2,384	2,190	(194)	1,567	1,339	(228)

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
INMATE SECURITY FUND						
RECEIPTS						
Charges for services	4,500	3,129	(1,371)	5,000	4,146	(854)
Interest	65	185	120	24	36	12
Total Receipts	4,565	3,314	(1,251)	5,024	4,182	(842)
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,565	3,314	(1,251)	5,024	4,182	(842)
CASH, JANUARY 1	7,594	7,594	0	3,412	3,412	0
CASH, DECEMBER 31	12,159	10,908	(1,251)	8,436	7,594	(842)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	6,500	4,973	(1,527)	9,000	6,553	(2,447)
Interest	225	336	111	80	222	142
Total Receipts	6,725	5,309	(1,416)	9,080	6,775	(2,305)
DISBURSEMENTS						
Sheriff	6,500	9,017	(2,517)	9,000	5,399	3,601
Total Disbursements	6,500	9,017	(2,517)	9,000	5,399	3,601
RECEIPTS OVER (UNDER) DISBURSEMENTS	225	(3,708)	(3,933)	80	1,376	1,296
CASH, JANUARY 1	15,104	15,104	0	13,728	13,728	0
CASH, DECEMBER 31	15,329	11,396	(3,933)	13,808	15,104	1,296
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	1,500	779	(721)	1,400	1,071	(329)
Interest	18	15	(3)	3	17	14
Total Receipts	1,518	794	(724)	1,403	1,088	(315)
DISBURSEMENTS						
Prosecuting Attorney	850	996	(146)	1,050	787	263
Total Disbursements	850	996	(146)	1,050	787	263
RECEIPTS OVER (UNDER) DISBURSEMENTS	668	(202)	(870)	353	301	(52)
CASH, JANUARY 1	1,087	1,087	0	786	786	0
CASH, DECEMBER 31	1,755	885	(870)	1,139	1,087	(52)

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for service	22,500	31,251	8,751	19,750	22,085	2,335
Interest	18	106	88	13	16	3
Total Receipts	22,518	31,357	8,839	19,763	22,101	2,338
DISBURSEMENTS						
Prosecuting Attorney	18,000	31,394	(13,394)	19,500	17,167	2,333
Transfers out	0	2,420	(2,420)	0	0	0
Total Disbursements	18,000	33,814	(15,814)	19,500	17,167	2,333
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,518	(2,457)	(6,975)	263	4,934	4,671
CASH, JANUARY 1	5,036	5,036	0	102	102	0
CASH, DECEMBER 31	9,554	2,579	(6,975)	365	5,036	4,671
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for service	15,000	14,354	(646)	12,750	13,653	903
Interest	620	985	365	175	522	347
Total Receipts	15,620	15,339	(281)	12,925	14,175	1,250
DISBURSEMENTS						
County Collector	2,000	2,710	(710)	4,000	5,895	(1,895)
Total Disbursements	2,000	2,710	(710)	4,000	5,895	(1,895)
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,620	12,629	(991)	8,925	8,280	(645)
CASH, JANUARY 1	32,988	32,988	0	24,708	24,708	0
CASH, DECEMBER 31	46,608	45,617	(991)	33,633	32,988	(645)
REDEVELOPMENT TAX INCREMENT FINANCING FUND						
RECEIPTS						
Property tax	50,745	121,401	70,656	89,850	93,406	3,556
Intergovernmental	45,570	109,020	63,450	2,110	2,194	84
Interest	913	2,185	1,272	0	0	0
Transfers in	26,270	62,849	36,579	1,000	5,286	4,286
Total Receipts	123,498	295,455	171,957	92,960	100,886	7,926
DISBURSEMENTS						
Transfers out	119,448	110,561	8,887	92,960	100,886	(7,926)
Total Disbursements	119,448	110,561	8,887	92,960	100,886	(7,926)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,050	184,894	180,844	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	4,050	184,894	180,844	0	0	0

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	1,000	2,036	1,036	500	1,041	541
Transfers in	0	132	132	0	0	0
Total Receipts	1,000	2,168	1,168	500	1,041	541
DISBURSEMENTS						
Office expenditures	500	1,036	(536)	500	634	(134)
Total Disbursements	500	1,036	(536)	500	634	(134)
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,132	632	0	407	407
CASH, JANUARY 1	1,471	1,471	0	1,064	1,064	0
CASH, DECEMBER 31	1,971	2,603	632	1,064	1,471	407
TIME PAYMENT FEE FUND						
RECEIPTS						
Charges for services	5,500	4,068	(1,432)	4,000	5,361	1,361
Total Receipts	5,500	4,068	(1,432)	4,000	5,361	1,361
DISBURSEMENTS						
Circuit Clerk	300	2,103	(1,803)	4,000	663	3,337
Total Disbursements	300	2,103	(1,803)	4,000	663	3,337
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,200	1,965	(3,235)	0	4,698	4,698
CASH, JANUARY 1	6,015	6,015	0	1,317	1,317	0
CASH, DECEMBER 31	11,215	7,980	(3,235)	1,317	6,015	4,698
ASSOCIATE CIRCUIT DIVISION INTEREST FUND						
RECEIPTS						
Interest	0	19	19	400	302	(98)
Total Receipts	0	19	19	400	302	(98)
DISBURSEMENTS						
Office expenditures	0	0	0	400	386	14
Transfers out	0	132	(132)	0	0	0
Total Disbursements	0	132	(132)	400	386	14
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(113)	(113)	0	(84)	(84)
CASH, JANUARY 1	120	113	(7)	197	197	0
CASH, DECEMBER 31	120	0	(120)	197	113	(84)

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	92,000	95,915	3,915	96,904	93,729	(3,175)
Intergovernmental	457,183	434,758	(22,425)	606,790	551,682	(55,108)
Charges for services	28,750	27,433	(1,317)	24,000	20,417	(3,583)
Interest	1,830	1,915	85	900	986	86
Other	89,525	83,952	(5,573)	43,015	22,081	(20,934)
Total Receipts	669,288	643,973	(25,315)	771,609	688,895	(82,714)
DISBURSEMENTS						
Salaries and fringe benefits	468,450	458,312	10,138	462,825	442,687	20,138
Office expenditures	89,600	73,833	15,767	149,300	164,259	(14,959)
Equipment	18,000	16,396	1,604	11,500	4,476	7,024
Mileage and training	30,000	27,442	2,558	31,500	29,291	2,209
Building repair	5,600	4,640	960	2,500	1,763	737
Insurance	6,500	5,177	1,323	3,700	6,252	(2,552)
Utilities	12,000	10,370	1,630	13,000	12,183	817
Contracted services	20,000	19,154	846	24,550	21,887	2,663
Building expenses	0	0	0	4,500	4,000	500
Total Disbursements	650,150	615,324	34,826	703,375	686,798	16,577
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,138	28,649	9,511	68,234	2,097	(66,137)
CASH, JANUARY 1	6,822	6,822	0	4,725	4,725	0
CASH, DECEMBER 31	$ 25,960	35,471	9,511	72,959	6,822	(66,137)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Sheriff Commissary Fund and the Juvenile Assessment Fund for the years ended December 31, 2006 and 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	2006
Special Road and Bridge Fund	2006 and 2005
Emergency 911 Fund	2005
Recorder's User Fees Fund	2006
Recorder Technology Fund	2006
Madison County Forfeiture Fund	2006 and 2005
Flood Buy-Out Fund	2006
Law Enforcement Sales Tax Fund	2006 and 2005
Law Enforcement Training Fund	2006
Prosecuting Attorney Training Fund	2006
Prosecuting Attorney Bad Check Fund	2006
Tax Maintenance Fund	2006 and 2005
Redevelopment Tax Increment Financing Fund	2005
Circuit Clerk Interest Fund	2006 and 2005
Time Payment Fee Fund	2006
Associate Circuit Division Interest Fund	2006

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2006 and 2005 did not include the Sheriff Commissary Fund or the Juvenile Assessment Fund.

In addition, the Health Center Board published its financial statements separately from the county's statement for the year ended December 31, 2006. However, the Health Center Board's published financial statements, did not disclose disbursement detail by vendor.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures.* For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit. Cash includes both deposits and investments.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Madison County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county and health center's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

4. Contingent Liability

As of December 31, 2006, the county's legal counsel indicated a potential claim against the county. The instance involved a sexual harassment suit against the county. The potential liability to the county cannot be determined at this time.

5. Subsequent Event

In April 2007, the voters of Madison County approved a county sales tax of one-half percent of retail sales for a period of 8 years for the purpose of construction, reconstruction, maintenance and repairs of roads, bridges, and highways, and the purchase of necessary equipment and supplies. The sales tax is expected to generate annual revenues of approximately $500,000.

6. Prior Period Adjustments

The Juvenile Assessment Fund's cash balance of $786 at January 1, 2005, was not previously reported but has been added.

The County Employee Retirement Fund's cash balance of $1,892 at January 1, 2005, was previously reported but has been removed.

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2006 AND 2005

This schedule includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1. Budgets and Financial Statements

The budget documents contained incorrect amounts and numerous misclassifications. In addition, actual expenditures exceeded budgeted amounts for several funds.

A. The county budget documents contained incorrect amounts and numerous misclassifications. The following problems were noted:

1. For the year ended December 31, 2006, actual amounts presented in the budget for the General Revenue Fund differed from the Treasurer's annual settlement by $58,738 in receipts and disbursements. The differences in the General Revenue Fund disbursements are shown in the table below.

Disbursement Classification		2007 County Budget	Per County Treasurer	Difference
Fringe benefits	$	94,581	101,828	(7,247)
Postage		13,897	8,827	5,070
Record preservation		0	6,195	(6,195)
Purchase of Certificates of Deposit		0	150,000	(150,000)
Transfer to Road and Bridge Fund		256,069	150,893	105,176
Madison County Re-Development TIF		114,913	0	114,913
Tax Maintenance		2,410	2,710	(300)
HAVA Funds Title I		52,222	57,205	(4,983)
Coroner		1,350	1,277	73
Prosecuting Attorney		11,264	9,025	2,239
Court Administration		6,918	6,926	(8)
Total	$	553,624	494,886	58,738

The county budget reflected TIF revenues of $58,738; however, the Treasurer's records did not include this amount.

The county could not provide any explanation of the various errors noted. It appears the county made errors combining the Redevelopment Tax Increment (TIF) Fund with the General Revenue Fund, distributing the fringe benefits and postage to the various classifications, and recording the transfer of the General Revenue Fund's certificate of deposits (CD) to the Road and Bridge Fund. The Treasurer simply shows postage and fringe benefits as one line item; however, the County Clerk attempted to distribute them to the various official's budget. As a result of these errors and adjustments, receipts and disbursements of the TIF Fund and the General Revenue Fund did not agree to the Treasurer's annual settlement and the ending balance did not agree to the reconciled bank balances plus the certificates of deposit. Adjustments were made for the various problems noted and for the handling of the county's CDs (see also part A.2.).

2. At December 31, 2006 and 2005, the Treasurer's fund ledgers and the county's budgets did not accurately present the balance, receipts, or disbursements of the General Revenue Fund. Certificate of deposits (CDs) totaling $206,592 and $151,755 (including accumulated interest) were not included in the balance for the years ended December 31, 2006 and 2005, respectively. In addition, the purchase and redemption of the CDs were shown as transactions and interest income was not recorded in the fund ledgers until the related CD was cashed or redeemed. As a result, the fund ledgers did not present accurate cash balances, receipts, or disbursements for the General Revenue Fund and since these records are used to prepare the budgets, the budgets also reflected these misstatements. The County Clerk uses the Treasurer's records to prepare the actual amounts presented in the budgets due to the inadequate detail of the County Clerk's disbursement records. The former County Clerk simply maintained a check register for the various county funds with no disbursement classifications.

3. Budgets also contained numerous misclassifications for both budgeted and actual amounts, such as "transfers in" classified as "intergovernmental", "charges for services" and "other", and "transfers out" classified as "debt service." For example, "transfers out" of the Madison County Law Enforcement Sales Tax Fund of $122,164 were classified as "repairs, upkeep and utilities". Monies received from the state for the Recorder's office totaling approximately $45,000 each year were recorded as "charges for services" instead of "intergovernmental". In addition, the "other" disbursement classification for the two years ended December 31, 2006 and 2005 reflected actual amounts of approximately $165,000 and $158,000, respectively. This included 911 dispatch fees of $65,000 and $80,000 in 2006 and 2005, respectively, which should have been recorded as "charges for services."

Incorrect amounts and misclassifications on the budgets occurred because a thorough review and comparison to the supporting records was not performed prior to budget approval. In addition, the county should purchase or establish an adequate accounting system to facilitate the preparation of the budgets and financial statements.

Considering the various problems noted, the approved budgets did not provide county citizens with reliable information about the county's finances and are a less effective management tool for the county. Adjustments for these problems have been discussed with the county officials and made to the audited financial statements.

To be of maximum assistance to the county, budget documents need to be accurate and include proper classifications of receipts and disbursements. This is also necessary so that the county can prepare useful and accurate financial statements. Detailed disbursement records should be maintained by the County Clerk's office and used to prepare the budget documents. A thorough review process needs to be implemented to ensure budget documents are accurate and complete prior to approval. In addition, the county should include the balances of any CD's on the fund ledgers and the county budget.

B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

	Year Ended December 31,	
Fund	2006	2005
General Revenue	$ 238,311	N/A
Special Road and Bridge	186,704	20,274
Emergency 911	N/A	4,348
Madison County Forfeiture	9,282	1,379
Law Enforcement Sales Tax	21,488	25,776
Law Enforcement Training	2,517	N/A
Prosecuting Attorney Bad Check	15,814	N/A
Redevelopment Tax Increment Financing	N/A	7,926

The County Commission and other officials receive a quarterly report showing the actual revenue and expenditures to date and prior year's amounts, but the report does not indicate the budgeted amounts. The County Commission and officials review the reports and determine if an amendment to the budget should be made. While the County Commission and other officials apparently reviewed the reports with the budgets and made some amendments, it appears that they did not adequately monitor the fund transactions. As a result, expenditures of several funds exceeded budgeted amounts.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget

is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

Similar conditions were noted in our prior report and the County Commission responded that they would make an effort to implement this recommendation; however, little or no corrective action has been taken.

WE AGAIN RECOMMEND the County Commission:

A. Ensure proper compilation and review procedures are in place to ensure the budget document presents accurate and complete financial information. In addition, the Treasurer should ensure receipts and disbursements activity is properly recorded in the fund ledger and the county should purchase or establish an adequate accounting system.

B. And other county officials ensure that budgets provide reasonable estimates of anticipated financial activity.

AUDITEE'S RESPONSE

A. The County Commission indicated:

This recommendation has been implemented.

The County Treasurer indicated:

This recommendation will be implemented.

The current County Clerk indicated:

Detailed disbursement records are now maintained by my office and have been since I took office in January.

B. The County Commission indicated:

We approved the $150,000 blacktopping expenditure which caused the large overage in the Road and Bridge Fund and the General Revenue Fund. We will ensure the budget is amended in the future.

06-2.	Bids

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations. Concerns were noted related to the following purchases:

Used Truck	$	18,797
Trailer Lease		14,345/year
Equipment Rental		28,500
Used Tractor		15,000

According to the County Commission the purchase of the used tractor was not bid because they are always looking for equipment for the road and bridge department, and if an opportunity presents itself they may purchase the equipment without bidding.

In addition to the above items, we noted other instances in which the county is not adequately bidding and/or documenting factors related to purchases:

- During 2006 and 2005, the county spent approximately $400,000 for asphalt from the Special Road and Bridge Fund. All asphalt was obtained from one vendor and there was no documentation to show that other vendors had been considered. The County Commission indicated that this is the only vendor in the area that sells asphalt. However, the county has not documented reasons to support this sole source purchase determination.

- Fuel and oil purchases made by the county totaled approximately $135,600 and $110,300, during 2006 and 2005, respectively. The County Commission and the Road and Bridge Supervisor indicated that fuel and oil is purchased based upon location of the Road and Bridge crew. The Sheriff's office uses various local service stations for their fuel.

- Prisoner meals costing approximately $38,000 and $28,500 in 2006 and 2005 respectively are not bid. The Sheriff purchases supplies to prepare the prisoner meals from local grocery stores. In addition, prisoner lunches during the work week are purchased from the Site Council. According to the Sheriff and the County Commission, the meals are purchased from the Site Council to help support the senior citizens.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. The

County Commission is not adequately reviewing expenditures to ensure compliance with bid requirements.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. The County Commission should establish a formal bid policy to ensure compliance with bid requirements.

This condition was noted in the prior report.

WE AGAIN RECOMMEND the County Commission perform a competitive procurement process for all major purchases and maintain documentation of decisions made. In addition, a formal bid policy should be established.

AUDITEE'S RESPONSE

The County Commission indicated:

Bids were obtained for the expenditures noted in the chart. We will ensure the bid documentation and bid decisions are properly retained in the future. The Sheriff has done a price comparison for prisoner meals and we will ensure the proper documentation is retained. We will look into obtaining a bulk fuel tank for the county and obtaining bids for fuel.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MADISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Madison County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2004.

04-1. County Budgets and Financial Reports

A. The County did not have procedures in place to ensure the County's budget documents were properly prepared and accurately presented the financial activity of the County. In a few instances, the actual receipt and disbursement amounts were not correctly reported and did not agree with the records maintained by the County Treasurer. Errors included incorrect amounts being reported and inconsistent and erroneous classifications of receipts, disbursements, and transfers.

B. The County Commission approved disbursements in excess of budgeted amounts for various funds and budgets were not prepared for various funds.

Recommendation:

The County Commission and the County Clerk should ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the County budget documents and not authorize warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, or unexpected revenues are received, the original budget should be formally amended and filed with the State Auditor's Office.

Status:

Not implemented. See finding number 06-1.

04-2. Bidding Compliance

Bids were not solicited or advertised by the County nor was bid documentation retained for various purchases.

Recommendation:

The County Commission should solicit bids for purchases in accordance with state law and retain documentation of these bids and the justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

Status:

Not implemented. See finding number 06-2.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MADISON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 9, 2007.

Because the Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Responses. These MAR findings resulted from our audit of the financial statements of Madison County but do not meet the criteria for inclusion in the written report on internal control over financial reporting and on compliance and other matters that is required for an audit performed in accordance with

Government Auditing Standards. Madison County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Financial Condition

Our prior report for the two years ended December 31, 2002, indicated that Madison County's General Revenue and Special Road and Bridge Funds were experiencing declining cash balances and increasing disbursements. Similarly, during the two years ended December 31, 2006, the General Revenue and Special Road and Bridge Funds' cash balances were also maintained at significantly low levels. However, the General Revenue Fund's poor financial condition appears to be due to supplementing the Road and Bridge Fund. The following chart shows General Revenue Fund and Special Road and Bridge Fund receipts, disbursements, and cash balances for the two years ended December 31, 2006.

	Year Ended December 31,			
	General Revenue Fund		Special Road and Bridge Fund	
	2006	2005	2006	2005
Cash balance, January 1	$ 430,440	136,863	40,633	239,192
Receipts	1,131,955	1,175,573	957,141	688,505
Disbursements	1,345,898	881,996	938,834	887,064
Cash balance, December 31	$ 216,497	430,440	58,940	40,633

Based on the county's budgets for the year ended December 31, 2007, the ending cash balance of the General Revenue Fund and the Special Road and Bridge Fund are projected to be only $318,684 and $69, respectively. In 2006, the county transferred $256,069 from the General Revenue Fund to the Special Road and Bridge Fund to supplement that fund. The county continues to budget disbursements in excess of receipts each year for the Special Road and Bridge Fund. Per the County Clerk, the large increase in Special Road and Bridge disbursements was due to increased costs of gravel and blacktop materials.

The County Commission should review discretionary disbursements to ensure sufficient use of resources available to the county and to determine if long term reductions are possible. In addition the County Commission should attempt to maximize receipts from all sources.

WE AGAIN RECOMMEND the County Commission consider various alternatives of increasing receipts and or/reducing disbursements to ensure that the General Revenue and Special Road and Bridge Funds' financial condition improves and is able to maintain an adequate operating cash reserve.

AUDITEE'S RESPONSE

The County Commission indicated:

The Road and Bridge Fund should improve with the passage of the 1/2 cent sales tax in April 2007. The General Revenue Fund should not need to supplement this fund in the future.

2. Expenditures

The county did not properly assess the value of a real estate purchase and did not properly document how it determined which funds would be used to purchase the property. Supporting documentation for some expenditures was insufficient and the accounts payable process does not provide adequate controls to prevent duplicate payments and ensure goods and services have been received. In addition, the county does not have formal policies regarding the use of cellular phones or a written contract with the Prosecuting Attorney's office.

A. The county did not properly assess the value of a real estate purchase. In addition, the county did not properly document how it determined which funds would be used to purchase the property.

1. In December 2002, the county entered into a lease agreement, with an option to purchase some property across the street from the courthouse. The County Commission indicated the original intention was to build a justice center on the property. In December 2004, the county exercised their option to purchase the land and paid a total of $127,100 for this property. Independent appraisals were not obtained prior to entering into the lease agreement and subsequent purchase. The current County Commissioners and County Clerk could offer no explanation as to why an appraisal was not obtained. The County Assessor's appraised market value of the property in 2004 was $55,910, which is considerably less than the purchase price.

   The disparity between these amounts and the actual amounts paid demonstrates the benefit of independent appraisals to help establish the market value for real estate purchases. Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid, and that discussions and reasons supporting the eventual purchase are documented.

2. Of the $127,100 purchase price, $32,046 was paid from the Law Enforcement Sales Tax (LEST) Fund and $95,054 from the General Revenue Fund. The Law Enforcement Sales Tax Fund is restricted to law enforcement related expenditures. The December 20, 2004, commission minutes indicate the County Commission voted to pay half of the lease balance by December 31, 2004 and the remaining half by January 2005. However, the minutes do not indicate from which fund these payments are to be made. Current county personnel could not provide any explanation as to why some of this was paid

from the LEST Fund and some from the General Revenue Fund or how the split between the funds was determined.

As discussed in part 1 above, the county's intention at the time of purchase was to build a justice center on the property, which they believed constituted a law enforcement related expenditure. However, in 2006, the sales tax proposed to fund the justice center was not approved by the voters. Currently the land is being used by the Sheriff's office and the courthouse for additional parking, but there is no clear plan for the property's future use. In the future, the county should ensure such funding decisions are clearly documented.

B. Supporting documentation related to some expenditures was insufficient. The following problems were noted:

- Supporting documentation for three expenditures reviewed consisted of hand written notes from county officials, including a payment for a road and bridge trailer for $16,500 in 2005. In addition, the county used a statement, which did not detail the expenses, instead of the original detailed invoice to pay for an additional three expenditures reviewed. This resulted in at least one duplicate payment. In 2006, the County Clerk paid a vendor $4,171 from a summary statement which had already been paid using the invoice (see also part C.1. below). The county received a refund from the vendor for this overpayment. To ensure the validity and propriety of expenditures, compliance with statutory provisions, and avoid duplicate payments, adequate supporting documentation should be obtained for all payments to vendors.

- The County Commission does not obtain an estimate of the expenditures for the Juvenile Office or documentation of the actual expenditures for the office. The county pays a portion of the operational costs of the Juvenile Office located in St. Francois County. During the audit period these costs were approximately $44,000 per year. To ensure the county is only paying their share of the costs, the County Commission should obtain and review a copy of the Juvenile Office's budget as well as summary documentation of actual expenditures.

The monies in these funds represent public funds and county officials have a fiduciary responsibility to ensure expenditures are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation from vendors and other officials, the County Commission cannot determine the validity and propriety of the expenditures.

C. The county's accounts payable process does not provide adequate controls to prevent duplicate payments or ensure that goods and services have been received prior to payment.

1. Invoices are not marked as paid or otherwise canceled upon payment. In addition, bills are sometimes paid based on a summary statement, rather than an original invoice. Also, an adequate review of the expenditure system is not performed to ensure payment has not already been made. As a result, at least two duplicate payments were processed, one for association fees for $300 and the other for equipment for a police vehicle for $4,171 (see also part B above). While vendors refunded or issued credits for the overpayments noted, there is no assurance that all duplicate payments have been identified.

2. Acknowledgment (or verification) of receipt of goods or services was not documented prior to payment on 10 of 31 invoices reviewed. Procedures to approve billings for goods and services that pertain to various departments/offices do not require review and approval by those officials or employees that have knowledge of the transactions.

3. Approval by the county commission for some expenditures was not adequately documented. The County Commission indicated they review all disbursements and stamp the supporting documentation with their initials. However, supporting documentation did not show the commissioners' stamp on 11 of the 35 expenditures reviewed.

4. Vehicle logs for the road and bridge department are not compared to the fuel and oil purchases. Fuel and oil purchases for the road and bridge department represent a significant cost to the county totaling approximately $86,550 and $80,300 for 2006 and 2005, respectively.

Proper reviews of billings by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings and logs, and verification of receipt are necessary to ensure the county is paying for legitimate goods or services and to avoid duplication of payment.

D. The county does not have formal policies regarding use of county cellular telephones or for reimbursements to officials for use of their personal cellular telephones. In addition, the county has not evaluated the cost of providing county-owned cellular telephones compared to reimbursing certain county officials for usage on their personal cellular telephones. The county spent approximately $3,200 and $3,700 for cellular telephone usage in 2006 and 2005, respectively.

The county provides cellular telephones to some officials and employees, and reimburses one official for the use of his personal cellular telephone. Billing details are not required for reimbursement to the official for the use of his personal cellular telephone, and documentation submitted is limited to the front page of the telephone bill which does not provide any detail of the actual usage. The county does not review telephone bills for personal usage for the county-provided cellular telephones.

The county should adopt a written cellular telephone policy. This policy should provide criteria for determining which employees need a cellular telephone, proper use of county telephones, and a reimbursement policy if the county commission authorizes personal use. Effective review procedures should be implemented to monitor county telephone usage and review detailed billings for propriety prior to approval for payment.

E. The county does not have a written agreement to reimburse the Prosecuting Attorney for maintaining an office outside the courthouse, which is used for both county business and private practice. Starting in January of 2007, the county paid the current Prosecuting Attorney $300 per month for rent and reimbursed her for other expenses such as utilities and postage. A similar problem was noted with the former Prosecuting Attorney who received $504 a month for rent, telephone, and copies. From January 1, 2005 thru July 2006 (when the Prosecuting Attorney moved his office to the courthouse), a total of $9,072 was paid to the Prosecuting Attorney for these services. The county did not prepare an IRS Form 1099-MISC for these payments.

There is no signed contract with the current Prosecuting Attorney outlining the terms of the agreement, rights, and responsibilities of each party. Although the former Prosecuting Attorney indicated he had a contract with the county, a signed copy could not be located. A written contract would help ensure the county is only paying for county business.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Contracts which fully stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the county is able to determine if services are being provided in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties, remedial actions in the event of noncompliance, criteria for detail to be included in billings, and the dates or events upon which billings may be submitted. The county also needs to ensure an IRS Form 1099-MISC is prepared for these payments.

Conditions B, C.1-2, C.4, D, and E were noted in our prior report.

WE RECOMMEND the County Commission:

A.1 Ensure independent appraisals are obtained for all future real estate transactions.

2. Ensure funding decisions are adequately documented.

B. Ensure adequate documentation is obtained and reviewed to support all expenditures from county funds.

C. Establish effective expenditure review procedures to prevent duplicate payments and ensure payments are only made for legitimate goods and services.

D. Review the various methods of providing cellular telephone service to county officials and employees to ensure the most cost-efficient method is used. In addition, the County Commission should work with the other officials and departments to develop formal policies and procedures for telephone usage and review detailed billings for propriety.

E. Enter into a written contract with the Prosecuting Attorney that specifically states the services to be provided to the county. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

AUDITEE'S RESPONSE

The County Commission indicated:

A&E. These recommendations will be implemented immediately.

B. We are working on implementation of this recommendation.

C. Recommendations 1 thru 3 have been implemented. We will review the fourth recommendation.

D. We will review this recommendation.

3. Salaries, Bonding, and Payroll Records and Procedures

The effective dates for the Collector's and Assessor's salary increases may not have complied with state law and the Collector's bond was less than the amount required by state law. Some payments for services were not handled through normal payroll procedures or reported to the IRS as required. In addition, centralized payroll leave records and complete personnel files were not maintained by the County Clerk.

A. It appears the effective dates of the Collector's and Assessor's salary increases did not comply with the law. Increases resulting from changes in the county's assessed valuation were made effective on January 1, rather than on these officials' dates of incumbency as provided by law. Thus, it appears increases in salary should not have taken effect until March 1 and September 1 for the County Collector and the Assessor, respectively, the date of these officeholders' incumbency.

Section 50.333.8, RSMo, provides for salaries to be adjusted each year on the official's year of incumbency for assessed valuation changes that affect the maximum allowable compensation for that office. The county should evaluate whether the timing of these salary increases resulted in overpayments and rectify the situation as appropriate.

B. The County Collector's bond was less than the amount required by state law. The County Collector is bonded for $50,000 for the months of March through October, $70,000 for the months of November and February, and $750,000 for the months of December and January. The $50,000 bond for October and $70,000 bond for November are insufficient by approximately $9,126 and $149,908, respectively. The collector's bond is written for a four year term from March 2007 to February 2011, which coincides with her term of office. The amounts reported to the Department of Revenue, to support the calculations of the bond, did not agree to actual collections.

Per Section 52.020.1, RSMo, the county collector's bond for any one month should be for an amount equal to the average total monthly collection for the same month during the preceding four years (but not to exceed the largest total collections made during any one month of the year preceding his election), plus ten percent of the amount and no collector shall be required to give bond in excess of seven hundred and fifty thousand dollars.

C. The former Prosecuting Attorney's assistant received compensation in addition to her regular salary from the county for the years ended December 31, 2006, and 2005, as noted below.

		2006	2005
Regular County Salary	$	20,930	19,890
Prosecuting Attorney Bad Check Fund		21,665	15,970
Total County Compensation	$	42,595	35,860

The payments from the Prosecuting Attorney's Bad Check Fund were not processed through the normal county payroll procedures. According to the former Prosecuting Attorney, these payments were for time spent processing bad checks. However, the county and former Prosecuting Attorney did not require the assistant to prepare timesheets to support her county salary or this additional pay. Since these additional payments were not processed through the normal county payroll procedures, they were not subject to the proper withholdings and were not reported on the employee's W-2 forms. However, in 2006 the County Clerk did issue the assistant an IRS Form 1099-MISC for the additional payments. Since there was no contract with this employee, it is questionable whether this individual should be treated as an independent contractor or a county employee.

The county should require the employees' time worked be properly recorded on monthly timesheets to ensure compliance with Fair Labor Standards Act (FLSA) and ensure the propriety of payments made. The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. The county needs to ensure it complies with IRS regulations. The failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act (FLSA) and not properly withholding and paying various taxes.

D. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk. The only record of this time is found on the employee's timesheet, except for the Road and Bridge and Sheriff's departments. These departments maintain logs concerning leave; however, these logs are not sent to the county clerk 's office.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act.

E. A sheriff's reserve deputy, when serving as a guard in the transportation of prisoners, was paid mileage fees of thirty cents per mile directly from the county. Because these payments are not processed through the normal county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 or 1099 forms. Approximately, $3,600 was paid to the reserve deputy for guard fees during the year ended December 31, 2006.

Sections 6041 and 6051 of the Internal Revenue Code require payments of at least $600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099.

F. Complete personnel files are not maintained by the county for each employee. Documentation of the approved employees' salaries and any adjustments (e.g. starting salary, raises) is not in the individual personnel files. While the commission does approve the wage and salary expense submitted for each office's budget, this is done in total and not for individual employees.

Personnel files should be maintained for each employee to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain documentation of the county commission's authorization for the hiring of that employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate.

Conditions C, D, and E were noted in our prior report.

WE RECOMMEND the County Commission:

A. Re-evaluate the timing of these salary increases as compared to statutory provisions, seeking legal counsel if necessary. If overpayments are determined, pursue repayments or offset amounts against future salary payments as appropriate.

B. And the County Collector ensure the bond coverage is sufficient as required by state law.

C. Ensure all salary payments are supported by timesheets showing actual time worked, subject to payroll withholdings, and are reported on W-2 forms.

D. Require centralized leave records be maintained by the County Clerk's office.

E. Ensure payments for services are appropriately reported to the IRS.

F. Ensure complete personnel files are maintained for all county employees which include authorization for the employee's hiring, the initial pay rate and any subsequent increases, and any other personnel actions.

AUDITEE'S RESPONSE

The County Commission indicated:

A. We will review this recommendation with the Prosecuting Attorney.

B. We will work with the County Collector to implement this recommendation.

C&D. We have implemented these recommendations.

E. A 1099 will be issued this year.

F. The County Clerk's office is in the process of updating all personnel files.

The County Collector indicated:

B. I will contact the bonding company immediately to determine if changes can be made to the current bond.

The Sheriff indicated:

E. I will review this with the County Commission.

4. Property Tax System

The current and delinquent tax books are not being prepared or verified for accuracy by the County Clerk. Controls over property tax additions and abatements are not adequate. In addition, the County Collector has not filed complete and accurate annual settlements.

A. The former County Clerk did not prepare or verify the accuracy of the current or delinquent tax books. The County Collector enters the tax rates which are obtained from the County Clerk, and also extends and prints the current and back tax books. According to the former County Collector, there were no tests performed to ensure the accuracy of the tax statements, nor did the former County Clerk test the accuracy of the tax statements. Further, the former County Clerk did not perform tests to verify the totals of the current and back tax books.

Because the Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he/she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Controls over property tax additions and abatements are not adequate.

1. The Assessor's office makes changes to the property tax system for property tax additions and abatements. For abatements, the Assessor prepares the court order which is signed by the County Clerk with a copy given to the Collector. At the next commission meeting the County Commissioners also sign the Court Order. For additions, the Assessor enters the addition into the property tax system and notifies the Collector of the change. The Collector then prints an "add on" tax statement and collects payment. A court order is not prepared or approved by the County Clerk or Commission for "add-ons". At the end of the tax year, the Collector prints a report showing all additions and abatements entered into the tax system, which is used to prepare the annual settlement. No independent and subsequent review of the actual changes made to the property tax system as compared to approved change requests and/or court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

   Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

2. Although the former County Clerk attempted to maintain an account book with the County Collector, it was not complete or accurate. The account book only included collection information presented on the monthly settlements of the County Collector, but did not include charges and credits for additions and abatements, Forest Cropland monies, or Payment in Lieu of Taxes. An account book should summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly reports, and totals of charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate. As a result, neither the former County Clerk nor the County Commission detected reporting errors in the County Collector's settlements (see part C below).

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

C. The former County Collector's annual settlements contained errors in amounts reported which caused differences between total collections and distributions. For example - for the year ended February 28, 2007, monies collected for commissions and late assessment penalties totaling $54,400 and $16,950, respectively, were omitted from the annual settlement. In addition, the collections for protested taxes were incorrectly presented, resulting in an understatement in total collections of $77,456. Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the collector was charged with collecting.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND:

A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

B.1. The county develop procedures to ensure any changes to the property tax system are properly approved and monitored.

2. The County Clerk maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

C. The County Collector prepare annual settlements that are complete and accurate.

AUDITEE'S RESPONSE

The current County Clerk indicated:

A. This recommendation will be implemented. I started working on this immediately upon taking office.

B.2. This recommendation will be implemented.

The County Commission indicated:

B.1 &2. These recommendations will be implemented.

The current County Collector indicated:

C. This recommendation will be implemented.

5.	Schedule of Expenditures of Federal Awards

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $155,900 and by $68,000 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. Some programs were understated and other programs were overstated each year. For example, in 2006 the former County Clerk failed to include federal monies of $107,247 for CFDA 10.665 the Schools and Road Program. In addition, the Health Center reported revenues instead of expenditures for several programs. The former County Clerk was unable to provide supporting documentation for some of the amounts originally shown on the SEFA. The former County Clerk also failed to include the required pass-through grantor's number on most of the programs that were reported. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the County Commission, County Clerk, and Health Center Board work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE

The County Commission and the current County Clerk indicated:

This recommendation will be implemented.

The Health Center indicated:

We have implemented procedures to report these amounts based on a calendar year instead of a contract year and using expenditures.

6. Tax Increment Financing (TIF)

As noted in our prior report, some of the TIF monies were not properly invested. In July 2001, the Madison County Commission established a Tax Increment Financing District (TIF) northwest of the city of Fredericktown to try to stimulate business growth. In December 2002, the county sold revenue bonds totaling $1,035,000 to finance the TIF project. At December 31, 2006, the county had $121,304 invested in a Fidelity Treasury Money Market Fund. Investments of local public funds are limited to insured or collateralized bank deposits or direct investment in government securities that can be held to maturity. While this recommendation was made during the prior 2002 audit, no action has been taken.

Section 110.270, RSMo states counties may place money not needed for current operations in obligations described in Article IV, Section 15 of the Missouri Constitution, which states monies not needed for current expenses shall be placed on time deposit in banking institutions in this state or in obligations of the U.S. government. Section 110.010, RSMo requires the public funds of every county, etc. which are deposited in any banking institution be secured by the deposit of securities of the character prescribed by Section 30.270, RSMo.

WE AGAIN RECOMMEND the County Commission invest funds only in allowable investments.

AUDITEE'S RESPONSE

The County Commission indicated:

This recommendation will be implemented.

7. Capital Assets

County capital asset records and procedures need improvement. The following problems regarding various county capital asset records were noted:

- The former County Clerk did not have procedures in place to track capital asset purchases throughout the year and had not updated the overall county capital asset records since 2004. Normally, the former County Clerk sent a listing of capital assets from the previous year to county departments requesting they perform inspections and physical inventories, and update the inventory reports, but this had

not been done since 2004. As a result, some additions have not been entered into the county property records. For example, in May of 2005, the county purchased a tractor out of the Special Road and Bridge Fund for $15,000, but it was never included on the county property records.

- Disposition information such as dates and amounts are not recorded in the county capital asset records.

- Written authorization is not obtained from the County Commission for the disposition of capital assets.

This lack of monitoring or involvement by the County Clerk increases the possibility of theft occurring without detection. In addition, capital assets could be purchased or disposed of without proper modifications to the county's insurance coverage.

Adequate capital asset records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internals controls over county property. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital asset items are necessary to properly protect county assets.

WE RECOMMEND the County Clerk implement a procedure for tagging and tracking new capital assets throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process. In addition, a physical inventory should be performed annually.

AUDITEE'S RESPONSE

The current County Clerk indicated:

This recommendation will be implemented.

8. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification or destruction. A review of the computer operations and controls indicated the following areas where improvements are needed:

A. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed in the Treasurer's, Collector's, Recorder's, and Health Center's offices to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. In addition, the Health Center is not immediately deleting an employee's ID and

password upon termination. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. Passwords are important even in an environment where the computer is physically accessible only to county personnel. Passwords have been successfully providing security for computer systems for a long time. They are integrated into many systems and programs, and users are familiar with them. When properly managed in a controlled environment, passwords can provide effective security.

B. Backup data in the Collector and County Clerk's office is not tested to help prevent loss of information and to ensure that all essential county information and computer systems can be recovered following a disaster or computer failure. Backing up data files and systems is a critical part of system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes and how important those changes are. County officials and users should determine what backup schedule and testing is appropriate.

Backups in the Recorder's office are not stored at an offsite location. Backups are stored in the courthouse, which makes them susceptible to the same damage as the master files. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to get back to where the county was prior to the disruption. Storing backups offsite provides another level of assurance of access to county data.

Important decisions to be addressed include how often backup procedures are performed and how often backups are stored off-site. A minimum level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at the secure off-site location, at a sufficient distance to escape any damage from a disaster at the main site. These procedures should allow the county to maintain business operations or to recover rapidly from most disruptions to or failure of the county's computer systems.

C. A security system is not in place in the Treasurer and County Clerk's office to detect or prevent incorrect log-on attempts or shutdown the system after a certain period of inactivity. An unauthorized individual could try an infinite number of times to log on the system, and if successful, have unrestricted access to programs and data files. To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries. Such a system should

produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

WE RECOMMEND the:

A. Treasurer, Collector, Recorder, and Health Center require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

B. Collector and County Clerk's office ensure backup county data is tested on a regular, predefined basis. In addition, ensure the Recorder's office county data is stored at a secure off-site location.

C. Treasurer and County Clerk implement a security system to detect and report incorrect log-on attempts after a certain number of tries.

AUDITEE'S RESPONSE

The Treasurer indicated:

A&B. These recommendations have already been implemented.

The Collector indicated:

A. I am currently working on this.

B. This recommendation will be implemented.

The Recorder indicated:

A. I will discuss this with my software company.

B. This recommendation will be implemented.

The Health Center indicated:

A. We have implemented a password policy for all employees on each personal computer.

The County Clerk:

B. This recommendation has been implemented.

C. This recommendation will be implemented.

9. County Collector's Controls and Procedures

The collector's liabilities are not reconciled to the bank account, partial payment records are not adequate, deposits are not made intact or on a timely basis, and some disbursements are not made by check. In addition, the former Collector did not properly withhold commissions from tax collections, recalculate the surtax distribution percentages since 1985, properly distribute interest income, or locate some paid delinquent tax bills. Also, a savings account for a soda fund is maintained by the former Collector and the transactions of this fund are not accounted for adequately.

A. Monthly listings of open items (liabilities) were not reconciled to the former County Collector's bank account. The February 28, 2007, bank reconciliation showed the reconciled bank balance exceeded liabilities by $37,870. Of that amount, $26,286 of protested taxes should have been refunded to the taxpayer in November 2006. After this was brought to the current Collector's attention, she made the refund in April 2007. According to the former Collector, the remaining $11,584 is from partial payments. However, a review of the partial payment listing showed only $4,260 was being held in the bank account (see part B.1. below).

   Monthly reconciliations of the cash balance to liabilities are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. In addition, differences noted when performing monthly reconciliations should be promptly investigated and resolved. Various statutory provisions including Sections 447.500 through 447.995, RSMo, provide for the disposition of unclaimed and unidentified monies.

B. Records and procedures related to the collection of partial payments are not adequate. The County Collector accepts partial payments from tax payers who are unable to pay their tax bills in full. Once the tax bill is fully paid the taxes are marked paid in the tax books and the taxes distributed. An adequate ledger is not maintained of the amounts collected and the amounts due from each taxpayer. The former Collector indicated the receipt of partial payments was recorded on the collector's copy of the tax statement, which was filed with the unpaid statements until full payment was received. The following problems were noted regarding partial payment procedures.

   1. Check payments were posted to a partial payment ledger and deposited in the regular checking account until the bill was fully paid. Only the payee, the amount paid, and the date paid were posted to the partial payment ledger. The ledger showed approximately $4,260 in partial payments at February 28, 2007. The current Collector identified 9 tax statements indicating partial payments had been received and deposited; however, only 7 of these were

listed on the partial payment ledger. In addition, one envelope (See B.2.) in the vault indicated a partial payment had been received and deposited; however, this payment was not listed on the partial payment ledger nor was it indicated on the tax statement. In addition, there was no reconciliation between the ledger and the amounts held in the bank account. As discussed in part A above, the February 28, 2007 bank account's unidentified balance was $11,584, which the former Collector indicated was from partial payments.

2. Cash payments are held in the collector's vault. Once payment is received in full, the cash is deposited, taxes are marked paid in the tax books, and the taxes are distributed. The partial payments are placed in separate envelopes labeled with the tax payers name and amount of partial payments received (see also part C.2 below) and recorded on the tax statement. The cash payments are not posted to the partial payments ledger. A cash count on April 11, 2007, included 34 envelopes totaling approximately $1,900. Some of these partial payments were for taxes which had already been paid in full or outlawed; however, the monies were still being held in cash in the vault.

The County Collector should re-evaluate the procedures for accepting and processing partial payments. Accurate and detailed records should be maintained of all amounts collected and due, and all amounts collected should be deposited and reconciled to amounts held in the bank account. In addition, procedures should be implemented to follow-up on the remaining amounts due.

C. Monies received are not always deposited intact or in a timely manner. Cash receipts for merchant licenses and duplicate tax receipts are only deposited once a month. Partial payments paid in cash are not deposited until payment is received in full (see part B.2.). A cash count performed on January 24, 2007, showed cash attributed to duplicate tax receipts and merchant licenses totaling approximately $107. In addition, a cash count performed on April 11, 2007 on the partial payments stored in the vault totaled approximately $1,900 (see also part B.2. above.).

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

D. Some disbursements are not made by check. When an individual over pays their taxes, a money order is obtained from the bank and mailed to the individual. The former Collector indicated refunds were done this way to avoid numerous outstanding checks. To ensure the proper accounting of disbursements all refunds should be issued by check.

E. The former Collector did not properly withhold commissions from tax collections.

1. The former Collector withheld an extra one-half percent commission on utility taxes for tax years 2006 and 2005. As a result the Collector over withheld and remitted to the General Revenue Fund $1,350 and $1,950 for tax years 2006 and 2005, respectively. Section 52.260 RSMo, allows for a 1% commission to be taken on all tax collections.

2. A one-half percent mailing commission is not collected on all current collections including current delinquent collections, exclusive of railroad and utilities taxes as required. As a result, the collector did not withhold and remit to the General Revenue Fund $20,899 and $19,625 for tax years 2006 and 2005, respectively. Section 52.250, RSMo, allows this commission on all current taxes exclusive of railroad and utility taxes as compensation for mailing the statements and receipts.

3. In 2006, the Collector did not include the seven percent add-on commission when he disbursed $9,418 in old partial payment collections to the political subdivisions. As a result the Collector did not collect and remit commissions of $659 to the proper funds. Section 52.290, RSMo, allows this commission to be added to the face of the tax bill for all delinquent and back taxes. Two-sevenths of the fees collected pursuant to the provisions of this section shall be paid into the county general fund, two-sevenths of the fees collected pursuant to the provisions of this section shall be paid into the tax maintenance fund and three-sevenths of the fees collected pursuant to the provisions of this section shall be paid into the county employees' retirement fund.

F. The former County Collector continued to distribute surtax collections using percentages calculated for distributing the 1985 collections and had not recalculated the surtax distribution percentages each year as required by state law. A large commercial development was completed in the county in 2005 which would affect the surtax distribution percentages. Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation. Section 139.600, RSMo, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed.

G. The former County Collector did not distribute interest earned on bank deposits properly. According to the former Collector the allocations were based on a percentage derived from the respective tax levies. No consideration of assessed valuation and its effect on overall collections was included in the allocation. In addition, the former County Collector used the same percentages to allocate interest earned each year of the audit, even though various tax levies and assessed valuations had changed. The former County Collector’s method distributes less money than should be to subdivisions with higher assessed valuations. State law and various

Attorney General Opinions provide for the allocation of interest to various funds. To allocate the interest equitably, the percentage of tax collections should be used.

H. The County Collector could not locate the delinquent tax bills that were paid from February 2005 through October 2005. Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

I. The County Collector maintains a savings account for monies received from the soda machine located in the courthouse. However, the former Collector did not keep adequate records of the transactions of the soda fund, or maintain documentation for all disbursements. In addition, the former Collector withdrew cash from the account to make disbursements. The soda fund monies are used to replenish the soda machine as well as for flowers for funerals and employee Christmas parties. Approximately, $209 and $3 was deposited to the soda fund account during 2006 and 2005, respectively. The ending balance of the account at December 31, 2006 was $140. To ensure proper accounting of all transactions, adequate records should be maintained, and all disbursements should be made by check. In addition, all proceeds of the soda fund should be turned over to the County Treasurer.

Similar conditions to Parts A – D, E.1, F and G were noted in the previous audit report and the former County Collector indicated that he would implement the recommendations. However, it appears nothing was done to correct these problems. This noncompliance could have resulted in significant lost revenue for some of the political subdivisions within the county.

WE RECOMMEND the County Collector:

A. Prepare a monthly listing of open items and reconcile the listing to the account balance. In addition, the Collector should attempt to identify and properly dispose of the unidentified monies in the bank account.

B. Re-evaluate the practice of accepting partial payments. Accurate records should be maintained of all partial payments received and due, including reconciling amounts collected to amounts held in the bank account, and the collection of delinquent amounts due should be actively pursued.

C. Deposit all monies intact on a timely basis.

D. Make all refunds by check.

E. Recalculate commissions for the audit period and past years and withhold from or make adjustments to the various political subdivisions' further distributions to

correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with state statutes.

F. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.

G. Allocate interest based on tax collections and in accordance with state statutes and Attorney General Opinions.

H. Retain financial records in a secure location to prevent misplacement or loss.

I. Turn over all proceeds of the soda fund to the treasurer and adequately track the transactions of the soda fund money. In addition, issue checks for all disbursements and ensure adequate documentation is maintained for the transactions of the fund.

AUDITEE'S RESPONSE

The current Collector indicated:

A. An open items listing is now being generated and an attempt is being made to identify and dispose of the unidentified monies in the account.

B. I will continue the practice of accepting partial payments. I have started keeping a ledger of the payments and will work on reconciling it to the bank statement.

C&D. These recommendations have been implemented.

E. I do not plan to recalculate prior years, but will ensure the proper amounts are calculated and withheld in the future.

F. I will attempt to recalculate the surtax distribution ratios.

G&H. These recommendations will be implemented.

I. I will review this situation.

AUDITOR'S COMMENT

E. With the county's current financial condition, it would appear prudent for the collector to recalculate the commissions.

10. Sheriff's Commissary Account Controls and Procedures

The Sheriff' does not have a system for tracking the profit and loss from the sale of commissary items, perform monthly bank reconciliations, maintain copies of some invoices for commissary purchases, or ensure invoices are marked paid and properly approved. Receipt slips are not issued for monies received and receipts are not deposited intact on a timely basis. The Sheriff also keeps inmate monies in cash in envelopes rather than depositing them into a bank account. Money orders are not immediately restrictively endorsed and voided checks are not properly retained.

The jailer is responsible for all operations of the Sheriff's commissary bank account. The Sheriff's Department purchases commissary items to sell to jail inmates and the profits from these sales are used to buy items for use by the Sheriff's Department. The Sheriff's commissary processed approximately $16,800 and $11,800 for the years ended 2006 and 2005. Several problems were noted in the operation of this system.

A. The Sheriff does not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items are retained in the sheriff's commissary account. The Sheriff does not maintain adequate records of items purchased for the commissary or the monies received from the sale of the items. To adequately account for commissary merchandise, records should be maintained in a manner to allow for the tracking of profit and loss on all sales from the commissary. The profits from the commissary account should be deposited into the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury. Section 50.550, RSMo, authorizes the County Commission to establish separate funds as necessary.

B. Formal bank reconciliations are not performed for the commissary account. The checkbook ledger contained many mathematical errors and pages with no running balance. At December 31, 2006, the checkbook ledger showed a balance of $3,894 in the account; however, the reconciled bank balance was $3,699. Of the $195 difference, $159 represented errors in the checkbook ledger and the remaining $36 was unidentified.

   Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved timely.

C. Several problems were noted regarding disbursements:

   1. The Sheriff's office could not locate the invoices paid in 2005. Record retention is necessary to ensure the validity of transactions and provide an

audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

2. Invoices were not noted as paid or otherwise canceled upon payment. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled. To ensure against duplicate payment of bills, invoices should be marked paid.

3. Payments were made without any indication of proper approval or acknowledgement of receipt of goods or services. To ensure that payments are valid and for goods or services actually received, proper approval should be noted along with evidence of receipt of goods or services.

D. Prenumbered receipt slips are not issued for monies received from or on behalf of the inmates (also see part F). In addition, there is no summary record of monies received for commissary sales. To ensure receipts are properly handled and recorded, prenumbered receipt slips should be issued for all monies received from or on behalf of the inmates and a receipt log should be maintained to record all commissary sales. In addition, to adequately safeguard receipts, the method of payment should be indicated on each receipt slip and the composition (cash and money orders) should be reconciled to the composition of bank deposits.

E. Monies received are not deposited intact or on a timely basis. During the audit period, deposits were made approximately once per week. A cash count of the commissary monies on April 16, 2007, included cash totaling $387. Inmates are paid the balance of their funds in cash and money orders received on behalf of the inmates are cashed (the cash is placed in the inmate's envelope and the money order is deposited to the commissary account) from the cash on hand. As a result, the composition of receipts can not be agreed to the composition of deposits. In addition, deposit slips do not list the individual money orders comprising the deposit. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100 and the composition should be reconciled to the bank deposits.

In addition, money orders received for deposit to the commissary account are not restrictively endorsed immediately upon receipt. The money orders are endorsed by the jailer when the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

F. The Sheriff does not deposit inmates' monies, but rather keeps the cash in separate envelopes for each inmate. During a cash count on April 16, 2007, $211 in cash was on hand that belonged to various inmates. The envelopes indicate the original amount received. When the inmate makes a purchase from the commissary they are required to fill out a request form. The jailor verifies the inmate has sufficient funds in the envelope and indicates the inmates remaining balance on the request form.

To adequately protect this money from loss or misuse, it should be deposited into a separate inmate bank account and a ledger should be maintained documenting each inmate's balance, receipts, and disbursements. This ledger should be reconciled monthly to the inmate bank account.

G. Voided checks are not properly retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the Sheriff:

A. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.

B. Ensure monthly bank reconciliations are prepared.

C.1. Retain financial records in a secure location to prevent misplacement or loss.

2. Ensure invoices are properly canceled upon payment.

3. Ensure all invoices contain an indication of approval and of receipt of goods or services.

D. Issue prenumbered receipt slips for all monies received from or on behalf of the inmates and maintain a log of commissary sales. In addition, the composition of the receipts should be reconciled to deposits.

E. Deposit all monies intact daily or when receipts exceed $100. In addition, all disbursements should be made by check. Restrictively endorse all money orders immediately upon receipt.

F. Deposit all inmate money into a separate bank account and maintain a ledger indicating balances, receipts, and disbursements by inmate. This ledger should be reconciled monthly to the bank account balance.

G. Require all voided checks be defaced and retained.

AUDITEE'S RESPONSE

The Sheriff indicated:

A,B
C2-3
&G. These recommendations will be implemented.

C.1. This recommendation has been implemented.

D. We will begin maintaining logs for inmate monies and commissary sales.

E. We will try to deposit more timely.

F. Due to the lack of manpower, this cannot be implemented.

AUDITOR'S COMMENT

F. There is no evidence that additional manpower would be required to implement this recommendation and decrease the risk of loss and theft of these monies.

11. Sheriff's Fee Account Controls and Procedures

The Sheriff's office does not properly document the monthly bank reconciliation or deposit timely, and could not provide authorization for continuing to collect a bond processing fee which was repealed. In addition, the Sheriff department's vehicle fuel usage and operating costs are not adequately monitored.

The Sheriff's office received approximately $104,400 and $125,800 for the years ended 2006 and 2005 for gun permit fees, bonds, and service fees (subpoenas, summons).

A. Bank reconciliations are not properly documented. The Sheriff's clerk indicated monthly bank reconciliations are performed; however, documentation is not maintained. The bank balance was approximately $5,065 at December 31, 2006. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. The Sheriff should investigate any differences noted and take appropriate action.

   This condition was noted in our prior report.

B. The Sheriff could not provide any authorization to support continuing to collect a bond processing fee after the statute authorizing the fee was repealed. During the year ending December 31, 2006, the Sheriff collected bond processing fees totaling

$1,015. These fees were deposited into the county General Revenue Fund. Although Section 57.280, RSMo 1994, authorized the Sheriff to collect a $5 fee for taking and returning every bond required by law, this statute was repealed in 1996 by Senate Bill No. 869, First Regular Session, 89th General Assembly. The new law does not contain a provision to collect bond processing fees. Therefore, it appears the Sheriff does not have authority to continue to collect the fee, and should refrain from collecting such fees.

C. Fuel usage and operating costs for Sheriff's department vehicles are not adequately monitored. Disbursements for gasoline reflected on the Law Enforcement Sales Tax fund budget totaled approximately $49,000 during 2006. Sheriff's department deputies purchase gas for county owned vehicles with gas purchasing cards, but do not document the mileage of the vehicle and number of gallons purchased on the vehicle logs. The daily mileage logs simply indicate the beginning and ending odometer reading and the calls made for the day. In addition the odometer reading is not noted on the vendor receipt. The county receives a monthly billing statement for these purchases, but the daily mileage logs are not compared to the monthly gas bills, nor is miles per gallon reviewed for the various vehicles.

   Effective monitoring procedures which include reviews of vehicle logs and comparison of log information to fuel purchases and other maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel or other maintenance items occurring without being detected.

D. Some monies received are not deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only one time per week. A cash count performed on March 28, 2007, showed over eight working days of undeposited collections, totaling approximately $1,220 and including approximately $970 in cash. To reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

WE RECOMMEND the Sheriff:

A. Ensure bank reconciliations are prepared and documented on a monthly basis.

B. Discontinue the collection of the bond fees.

C. Ensure vehicle expense log information is compared to vendor billings, and vehicle fuel usage costs are analyzed for reasonableness.

D. Deposit all monies intact on a timely basis.

AUDITEE'S RESPONSE

T*he Sheriff indicated:*

A. We will document the reconciliation in the future.

B&C. These recommendations have been implemented.

D. We will deposit more frequently.

12. Prosecuting Attorney's Accounting Controls and Procedures

Bank reconciliations are not performed, receipt slips are not issued for some monies, and deposits are not made timely. The office does not properly monitor court ordered restitution due from defendants or file a monthly report of fees collected. In addition, the Prosecuting Attorney is not bonded.

The Prosecuting Attorney received approximately $142,000 and $175,000 for the years ended 2006 and 2005 in bad checks, bad check fees, and restitution.

A. Bank reconciliations for the former Prosecuting Attorney's accounts were not performed. In addition, open items listings were not prepared for the account. At December 31, 2006, a reconciled balance of $2,138 was in the restitution bank account and $1,549 was in the bad check bank account. The former Prosecuting Attorney's clerk indicated the balance in the restitution account was open items and old outstanding checks and the amount in the bad check account was made up entirely of old outstanding checks. However, the former Prosecuting Attorney's office did not maintain documentation of outstanding checks for the bank account.

In addition, the former Prosecuting Attorney cannot locate the bank statements before October 2006 for either bank account.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. In addition, reconciling the balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Prosecuting Attorney should investigate any differences noted and take appropriate action.

B. The following concerns were noted regarding receipting procedures:

1. Receipt slips were not issued by the former Prosecuting Attorney's office for some court ordered restitution monies received. In addition, the composition

of receipt slips issued is not reconciled to the composition of deposits. Without issuing receipt slips for all monies collected, the Prosecuting Attorney's office cannot ensure all monies collected are ultimately recorded and deposited in the bank.

2. Monies received were not always deposited in a timely manner by the former Prosecuting Attorney's office. Monies were normally collected each business day, but deposits were normally made only two times per month. Deposit slips for December 2006 indicated deposits ranged from $3,295 to $8,828.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip numbers should be accounted for properly, and the composition should be reconciled to the bank deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

C. The former Prosecuting Attorney's office did not adequately monitor court ordered restitution due from defendants. There were numerous instances where defendants who were on a court ordered restitution plan were delinquent in their payments and no follow up action had been taken by the former Prosecuting Attorney' office such as the issuance of a warrant or the revocation of probation. For example, a $2,500 balance remains due on a case for which restitution was ordered in November 2005 and no payments have been made. There was no documentation in the case file to indicate any follow up procedures to attempt to collect the balance had been performed, and no warrant was issued. Adequate procedures are necessary to ensure proper and timely follow up action on amounts due.

D. A monthly report of fees collected is not filed with the County Commission. Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected. A monthly report of fees would allow the County Commission to review the activity of this office.

E. The Prosecuting Attorney is not covered by a bond. Properly bonding all persons with access to monies would better protect the official and the county from risk of loss.

Conditions A and E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Ensure bank reconciliations are prepared on a monthly basis for each account. In addition, open items listings should be prepared monthly and reconciled to the

account balances. The Prosecuting Attorney should investigate unidentified monies or shortages. In addition, all bank statements should be retained and an outstanding check list maintained.

B.1. Require prenumbered receipt slips be issued for all monies received.

2. Deposit all monies intact on a timely basis.

C. Establish procedures to properly monitor court ordered restitution and ensure appropriate action is taken for individuals who are delinquent.

D. Prepare monthly reports of fees as required by state law.

E. Obtain adequate bond coverage.

AUDITEE'S RESPONSE

The current Prosecuting Attorney indicated:

A. The current office is in the process of trying to determine the ownership of funds remaining in accounts belonging to the former Prosecuting Attorney's office.

B.1. This is the former office holder's issue. Our system prints receipts and allows for reconciliation of monies received, both against the individual cases and the bank deposits.

2 Again, this is the former office holder's issue.

C. The current office is in the process of trying to determine the ownership of funds remaining in accounts belonging to the former Prosecuting Attorney's office.

D. I do not believe that this section is applicable to my office, as the Bad Check Fund is discretionary to my office, and not subject to County Commission oversight.

E. There is no statutory requirement for my office to be bonded, but each of the employees that has any access to the money is bonded through the county. I do not collect monies, deposit monies, or sign checks; I review all records for completeness and accuracy.

AUDITOR'S COMMENT

D. Section 50.370 indicates "every county officer who receives any fees or other remunerations for official services ... which is payable to the county shall at the end of each month file a verified report with the county commission of his county showing all fees charged and accruing to his office ...".

E. While we agree that there is no statutory requirement for the Prosecuting Attorney to be bonded, it would appear necessary to protect the county from loss. The current Prosecuting Attorney has indicated she plans to open bank accounts for these monies.

13. Circuit Clerk Controls and Procedures

Adequate procedures have not been established to ensure all accrued costs are adequately identified and pursued. In addition, procedures need to be established to routinely follow up on old outstanding checks.

Circuit Clerk receipts totaled approximately $635,800 and $819,200 in 2006 and 2005, respectively, from fines and costs for criminal cases, filing fees and court costs for civil cases, and bonds.

A. Adequate procedures have not been established to ensure all accrued costs (court costs, incarceration costs, and fines) are adequately identified and pursued. Warrants are issued in some misdemeanor cases when costs are not paid and follow up procedures are performed on civil cases with accrued costs approximately once a year. The Circuit Clerk relies on Probation and Parole officers to ensure individuals are making payments to the court as required.

In July 2006, the Circuit Clerk began using the Tax Intercept Program for the collection of outstanding court costs. Upon request, the Circuit Clerk ran a report of accrued costs totaling $599,465 that were due to the Circuit Court as of April 9, 2007. The Circuit Clerk does not regularly run and review this report. Additional follow up efforts were not documented and appropriate action has not been taken by the court to collect these costs from the defendants.

The Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lower revenue. The Circuit Clerk should also consider using the state's debt collection agency for the collection of outstanding court costs. In addition, printing a complete accrued costs listing would allow the Circuit Clerk to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.

B. The Circuit Clerk's office does not account for the numerical sequence of manual receipt slips and trace the manual receipt slips to the Justice Information System, (JIS). Periodically, when the JIS is down, manual receipt slips are issued for monies collected and then posted by the same clerk to the JIS when the system is back online. Without accounting for prenumbered manual receipt slips for all monies collected, the court cannot ensure all monies collected are ultimately recorded and deposited.

C. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2006, the Circuit Clerk's bank account had six outstanding checks over two years old totaling $8,906. The Circuit Clerk indicated she has been working with the Attorney General's Office to dispose of the $8,300 check noted in this total. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Clerk:

A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection of all costs owed to the court. In addition, the Circuit Clerk should consider using the state's debt collection agency for the collection of costs owed to the court.

B. Ensure the numerical sequence of manual receipt slips issued is accounted for properly and all manual receipt slips are posted to the JIS.

C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

A. We will prepare a listing, and will attempt to send out letters. In addition, we will look into utilizing the state collection agency.

B&C. These recommendations will be implemented.

14. Health Center's Accounting Controls and Procedures

The Health Center capital asset records are in need of improvement, timesheets are not signed by the employees or the supervisors, and minutes are not prepared for some closed meetings. In addition, the published financial statements in 2006 did not contain vendor detail.

A. Health Center capital asset records and procedures need improvement. The following problems regarding various Health Center capital asset records were noted:

- The Health Center did not document an annual physical inventory of Health Center capital assets.

- Some acquisition/disposition dates are not recorded in the Health Center capital asset records. In addition, disposition records did not contain explanations to identify pertinent details, such as reasons for disposal, method of disposal, to whom disposed, and amount received.

- Written authorization is not obtained from the Health Center Board for the disposition of Health Center property.

Adequate capital asset records and monitoring procedures by the Health Center are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internals controls over Health Center property. The comparison of periodic inventories to overall Health Center capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect Health Center assets.

This condition was noted in our prior report.

B. Employee timesheets are not signed by the employee. In addition, timesheets are not signed by a supervisor to document approval. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

C. Minutes of closed meetings held by the Health Center board are not always taken. The Health Center board held numerous closed sessions over the past several years. Minutes for the closed sessions are not taken, unless there is a vote on an issue. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

D. The Health Center's annual published financial statements did not show the detail of expenditures by vendor in 2006. The Health Center administrator indicated she was not aware expenditures should be listed by vendor.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds.

Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

WE RECOMMEND the Health Center Board:

A. Maintain capital asset records in a manner that balances can be reconciled. Document annual inventories and follow up on discrepancies identified during the annual physical inventory process. In addition, the Health Center should ensure all pertinent information is recorded on the capital asset records and written authorization is documented for disposition of assets.

B. Ensure all timesheets are signed by the employee and by the employee's supervisor to document approval.

C. Ensure minutes are taken for all closed sessions and any discussion held in closed sessions.

D. Ensure all required information is presented in the annual published financial statements.

AUDITEE'S RESPONSE

The Health Center indicated:

A. We will document capital assets with running balances. All items which are deleted from the inventory shall be approved by the County Health Department's Board of Trustees.

B. Employee timesheets which are now electronically generated will be signed by the employee and authorized by a supervisor. Each timesheet is reviewed for accuracy prior to being printed by the Administrator.

C. All closed sessions shall be recorded and minutes produced. Proper documentation of closed sessions during the open session shall be maintained.

D. The annual published financial statement shall detail expenditures by vendor.

Follow-Up on Prior Audit Findings

MADISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Madison County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Financial Condition

   The financial condition of the General Revenue, Special Road and Bridge, and the Madison County Law Enforcement Sales Tax (LEST) fund was weak.

   Recommendation:

   The County Commission continue to take the necessary steps to improve the financial condition of the county.

   Status:

   Not implemented. See MAR finding number 1.

2. Budgetary Practices and Published Financial Statements

   A. Formal budgets were not prepared for various county funds.

   B. The county did not budget emergency expenditures.

   C. The annual published financial statements did not agree to the actual amounts presented in the budget statements prepared by the county for the General Revenue and LEST funds.

      In addition, the published financial statements did not include the financial activity of the Sheriff Commissary Fund, the various TIF funds, and the Tax Maintenance Fund. Also, disbursements were not listed by vendor for the funds presented.

   Recommendation:

   The County Commission:

   A. Ensure budgets are prepared for all funds.

   B. Ensure emergency funds are budgeted in the General Revenue Fund.

C. Ensure financial information for all county funds is properly reported in the annual published financial statements and disbursements are listed by vendor.

Status:

A. Not implemented. Formal budgets were not prepared for the Sheriff Commissary and Juvenile Assessment Fund for the years ended December 31, 2006 and 2005. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

C. Partially implemented. The annual published financial statements agreed to the actual amounts presented in the budget statements by the county; however, published financial statements did not include the financial activity of all county funds. In addition, the budgets did not accurately reflect receipts and disbursements for some funds. See finding number 06-1. Although not repeated in the current MAR, our recommendation remains as stated above. Also, disbursements were not listed by vendor for the Health Center Fund. See MAR finding number 14.

3. Officials' Salaries and Payroll Policies:

A. The county had not taken action on mid-term salary increases given to the associate county commissioners in 1997. A subsequent Supreme Court decision held the statute section unconstitutional.

B. The County Treasurer's salary was increased $7,514 annually, effective with the start of her new term of office on January 1, 2003. A salary commission meeting held in July 2002 approved this increase. There was no written documentation supporting whether the meeting complied with Section 50.333, RSMo.

C. In addition to her regular county salary, the Prosecuting Attorney's secretary received additional compensation. The payments made from the Prosecuting Attorney Bad Check Fund and the IV-D receipts were not processed through the normal county payroll records and procedures. The county and Prosecuting Attorney did not require the secretary to prepare timesheets to support her county salary or this additional pay. Also, because the additional payments were not processed through the normal county payroll records and procedures, they were not subject to the proper withholdings, and were not reported on the employee's W-2 forms.

D. Instead of receiving overtime pay, sheriff's deputies serving as guards in the transportation of prisoners during off duty hours, were paid per diem and mileage fees. In addition, the transporter and each guard received fees of 25 cents per mile.

Because these payments were not processed through the normal county payroll procedures, they were not subject to payroll withholdings and were not reported on

the respective W-2 forms. In addition, the hours spent in transporting prisoners were not included on timesheets.

E. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

F. The county did not have a comprehensive employee manual.

G. Timesheets completed by the 911 supervisor and the road and bridge supervisor did not include documentation of supervisory approval.

Recommendation:

The County Commission:

A. Review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

C. And the Prosecuting Attorney ensure all salary payments are supported by timesheets showing actual time worked, are subject to payroll withholdings, and are reported on W-2 forms.

D. And the Sheriff review this situation. Deputies who serve as guards should be paid their normal salary for the amount of time spent and all payments should be included on W-2 forms.

E. Require records be maintained by the County Clerk's office of vacation, sick, and compensatory leave earned, used, and accumulated.

F. Establish written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned duties.

G. Require all timesheets include supervisory approval.

Status:

A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented. The Prosecuting Attorney provided an opinion that the salary commission meetings may be held in years other than odd-numbered years.

C,D
&E. Not implemented. See MAR finding number 3.

F&G Implemented.

4. Tax Increment Financing Project (TIF)

A. The County Commission sold the TIF revenue bonds through a negotiated, instead of a competitive sale, and did not seek open bids assuring the most competitive rate of return for the taxpayers.

B. The County Commission did not competitively select the bond underwriter, legal counsel, or the servicing bank. In addition, the county did not seek the advice of an independent financial advisor to represent the county's interests in the bond transaction.

C. Some of the TIF monies were not properly invested.

Recommendation:

The County Commission:

A. Pursue fair and open competition in any future bond sales.

B. Request competitive proposals for all services related to bond issuances.

C. Invest funds only in allowable investments.

Status:

A&B. The county did not issue any new bonds during the audit period.

C. Not implemented. See MAR finding number 6.

5. Disbursement Procedures

A. The county processed some payments to vendors without proper supporting documentation.

B. Invoices were not always noted as paid or otherwise canceled upon payment.

C. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services.

Recommendation:

The County Commission:

A. Ensure all payments are supported by an invoice documenting the purchase.

B. Ensure invoices are properly canceled upon payment.

C. Ensure all invoices contain an indication of receipt of goods or services.

Status:

A,B &C. Not implemented. See MAR finding number 2.

6. Contract Procedures

A. The county did not have written agreements for some services such as prisoner boarding, dispatch services, TIF project services, law enforcement office rent, attorney fees, and computer services.

B. The Prosecuting Attorney maintained an office outside the courthouse, which was used for both county business and his private practice. Although there was a written agreement between the Prosecuting Attorney and the county, it was not signed by either party.

The contract stated the county was to pay up to $435 per month for rent, copies, and phone charges; however, the contract did not detail the exact charges for each service. The county did not prepare an IRS Form 1099-MISC information for these payments.

In addition, the contract did not outline what would be provided by the Prosecuting Attorney's private practice.

Recommendation:

The County Commission enter into written contracts that specifically state the services to be provided to the county. Any disbursements made should be monitored for compliance with the terms of the contract. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

Status:

Partially implemented. The county enters into written contracts for most services; however, does not have a signed written agreement with the Prosecuting Attorney. See MAR finding number 2.

7. Telephone Policies

A formal telephone policy had not been established or approved by the county and controls over employee telephone usage could have been improved.

A. Cellular telephone users were not required to identify personal calls and detailed billings were not obtained for all cellular phones.

B. The county paid state and local sales taxes for cellular telephone equipment and services.

C. Detailed bills for regular telephones were not reviewed for personal calls.

Recommendation:

The County Commission establish a formal written policy regarding telephone usage including cellular telephone usage. This policy should outline proper controls over the use of the telephones, such as prohibiting personal use. In addition, the county should discontinue paying state and local sales taxes on cellular telephone usage.

Status:

Not implemented. See MAR finding number 2.

8. Vehicle Records

A. The road and bridge department did not maintain vehicle usage logs which documented how the vehicles were used.

B. The road and bridge department did not reconcile fuel and oil usage to fuel and oil purchased.

Recommendation:

The County Commission:

A. Require vehicle logs be maintained for all county vehicles. In addition, the Commission should review these logs to monitor the usage of county owned vehicles.

B. Reconcile fuel and oil usage to fuel and oil purchased and investigate significant differences.

Status

A. Implemented.

B. Not implemented. See MAR finding number 2.

9. Property Tax Book Procedures

A. Although the County Clerk attempted to maintain an account book with the County Collector, it was not complete or accurate.

B.1) Controls over property tax additions needed improvement.

2) The County Clerk did not prepare the current or back tax books or verify the tax book totals.

Recommendation:

The County Clerk:

A. Maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

B.1) Prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.

2) Prepare the current and back tax books in accordance with state law.

Status:

A. Partially implemented. The County Clerk does maintain an account book with the Collector; however, differences between the County Clerk's account book and the Collector's account book are not properly investigated. See MAR finding number 4.

B. Not implemented. See MAR finding number 4.

10. County Collector's Controls and Procedures

A. As a result of the County Collector not maintaining a complete and accurate list of monies held in his bank account such as partial payments, he could not perform a

complete reconciliation of his bank balance. The reconciled bank balance exceeded the liability listing by over $15,500.

B. The County Collector did not compare the composition and amount of collections received to deposits made to the bank account. The Collector was unable to perform such comparisons due, in part, to the following:

1) The County Collector did not deposit duplicate tax receipt fees, copy fees, and county merchant license fees that were collected in cash, on a daily basis.

2) The County Collector refunded overpayments by cash or money order.

C. Surtax collections were not properly distributed.

D. The County Collector's annual settlements were not complete or correct.

E. The County Collector was not properly withholding commissions from tax collections.

F. The County Collector did not distribute interest earned on bank deposits properly.

Recommendation**:**

The County Collector:

A. Perform complete monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.

B. Deposit all monies received daily and intact. For any overpayments, the excess should be refunded by check.

C. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by law. The County Collector should obtain information from the County Assessor indicating the changes in the assessed valuation of commercial property.

D. File complete and accurate annual settlements.

E. Recalculate commissions for the audit period and past years and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with state statutes.

F. Allocate interest based on tax collections and in accordance with state statutes and Attorney General Opinions.

Status:

A&
C-F. Not implemented. See MAR finding number 9.

B. Partially implemented. The County Collector compares the composition and amount of collections received to deposits made to the bank account. However, cash receipts received for duplicate tax statements and merchant licenses are not deposited on a daily basis and refunds for overpayments are made by money order. See MAR finding number 9.

11. Sheriff's Commissary Account Controls and Procedures

A. The Sheriff did not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items were retained in the sheriff's commissary account. The Sheriff did not keep records indicating what was purchased for the commissary or the receipts received from the sales.

B. The duties of receiving, recording, depositing, and disbursing monies were not adequately segregated.

C. Monthly bank reconciliations were not performed.

D.1) Many payments were processed without proper supporting documentation.

2) Invoices were not noted as paid or otherwise canceled upon payment.

3) Payments were made without any indication of proper approval. In addition, payments were made without requiring acknowledgement of receipt of goods or services.

4) Several items purchased appeared to be questionable in nature.

5) Sales tax was paid on several items.

E. Pre-numbered receipt slips were not issued for monies received. In addition, there was no receipt ledger or record of receipts.

F. Monies received were not deposited intact or on a timely basis. In addition, disbursements were made from cash and the jailers and deputies were allowed to purchase items and write personal checks in excess of the amount purchased. As a result, the composition of receipts did not agree to the composition of deposits.

G. Checks and money orders received for deposit to the commissary account were not restrictively endorsed immediately upon receipt.

H. The Sheriff did not deposit inmates' monies, but rather kept the cash in separate envelopes for each inmate.

Recommendation:

The Sheriff:

A. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.

B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

C. Perform complete monthly bank reconciliations.

D.1) Maintain adequate documentation for all disbursements. Records should be established so that disbursements can be tied directly to their supporting documentation.

2) Ensure invoices are properly canceled upon payment.

3) Ensure all invoices contain an indication of approval and receipt of goods or services.

4) Ensure all purchases are proper.

5) Discontinue paying sales tax on items purchased for the county.

E. Issue pre-numbered receipt slips for all monies received. In addition, the composition of the receipts should be recorded on the receipt slips and reconciled to the deposits.

F. Deposit all monies daily or when receipts exceed $100. The Sheriff should discontinue the practice of allowing deputies and jailers to buy items with personal checks. In addition, all disbursements should be made by check.

G. Restrictively endorse all checks and money orders immediately upon receipt.

H. Deposit all inmate money into a separate bank account and maintain a ledger indicating balances, receipts, and disbursements by inmate. This ledger should be reconciled monthly to the bank account balance.

Status:

A,C
D.2-3
E,G
&H. Not implemented. See MAR finding number 10.

B&
D.5. Implemented.

D.4. Implemented. We were only able to review invoices for 2006.

D.1. Partially implemented. For 2006 proper supporting documentation was present for payments; however, the 2005 invoices could not be located. See MAR finding number 10.

F. Partially implemented. Disbursements are made by check and jailers and deputies are not allowed to purchase items or cash personal checks. However, inmate monies are not deposited into the bank account. See MAR finding number 10.

12. Sheriff's Fee Account Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Receipts were not deposited intact and on a timely basis. In addition, receipts were not recorded immediately upon receipt.

C. The composition and amount of collections received were not compared to deposits made to the bank account.

D. Monthly bank reconciliations were not performed timely.

E. Bond monies received were not deposited or distributed on a timely basis.

Recommendation:

The Sheriff:

A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

B. Deposit all monies daily or when receipts exceed $100. In addition, receipts should be recorded immediately upon receipt.

C. Reconcile the composition of receipts to the composition of bank deposits. The Sheriff should disallow the practice of cashing personal checks.

D. Perform complete monthly bank reconciliations on a timely basis.

E. Deposit and distribute bond receipts in a timely manner.

Status:

A-C
&E. Implemented.

D. Partially implemented. Bank reconciliations are performed, but they are not properly documented. See MAR finding number 11.

13. Prosecuting Attorney's Controls and Procedures

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B. Receipts were not deposited in a timely manner.

C. Monthly bank reconciliations were not performed. As a result, the Prosecuting Attorney could not reconcile his receipt and disbursement records with the bank statements, and an unidentified overage of $1,659 existed in the account.

D. The Prosecuting Attorney had not established procedures to routinely follow up on outstanding checks.

E. Voided checks were not properly retained.

F. The Prosecuting Attorney and his secretary were not covered by an employee bond.

G. The Prosecuting Attorney did not file a monthly report with the County Commission.

H. The Prosecuting Attorney did not require any accounting over money used in undercover operations.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Deposit monies daily or when accumulated receipts exceed $100.

C. Require complete and accurate bank reconciliations be performed each month and attempt to identify and distribute the unidentified monies in his account.

D. Establish procedures to routinely follow up on old outstanding checks.

E. Require all voided checks be defaced and retained.

F. Consider obtaining adequate bond coverage for all employees with access to monies.

G. File monthly reports of fees with the County Commission as required by state law.

H. Require a monthly report and independent count of the undercover money.

Status:

A-E &G. Not implemented. See MAR finding number 12.

F. Partially implemented. The secretary is covered by a bond, but the Prosecuting Attorney is not. See MAR finding number 12.

H. The Prosecuting Attorney no longer has funds for undercover operations.

14. Health Center Procedures

A. Additions of fixed assets were not recorded as they occurred, and fixed asset disbursements were not reconciled to additions in the inventory records. In addition, property tags were not always affixed to assets when acquired. Also, the total value of the health center's land and buildings was not included in the property records.

B. Leave records were not properly reviewed for compliance with policy, and several problems were noted concerning the employees' leave records and balances.

C. The Health Center Administrator earned time and one-half for overtime hours worked and the Health Center Board did not approve this overtime.

D. Invoices were not always noted as paid or otherwise canceled upon payment.

E. The health center paid for Christmas dinners for employees and their spouses.

Recommendation:

The Health Center Board:

A. Require the Administrator to record all additions of fixed assets as they occur, reconcile additions to the property records periodically, affix property tags to assets at the time of purchase, and record the value of land and buildings on the fixed asset records.

B. Require health center policies be followed regarding leave balances and usage.

C. Discontinue paying the Administrator time and one-half for overtime.

D. Ensure invoices are properly canceled upon payment.

E. Discontinue the practice of using health center funds for Christmas dinners.

Status:

A. Partially implemented. Additions of fixed assets are recorded as they occur and property tags are now affixed to the assets when acquired. In addition, the value of land and buildings has been added to the fixed asset records. However reconciliations and annual inventories are not properly documented. See MAR finding number 14.

B-E. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MADISON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1818, the county of Madison was named after President James Madison. Madison County is a county-organized, third-class county and is part of the Twenty-Fourth Judicial Circuit. The county seat is Fredericktown.

Madison County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 309 miles of county roads and 47 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 10,725 in 1980 and 11,800 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 72.3	68.4	63.2	61.4	31.9	14.8
Personal property	27.0	24.0	23.6	22.2	8.2	4.7
Railroad and utilities	8.6	10.0	10.2	10.1	10.4	10.6
Total	$ 107.9	102.4	97.0	93.7	50.5	30.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Madison County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .1347	.1704	.1583	.1600
Special Road and Bridge Fund	.2662	.2662	.2664	.2664
Health Center Fund	.0927	.0917	.0918	.0918
Madison County Council for the Developmentally Disabled Board Fund	.1826	.1806	.1808	.1808

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 34,406	31,266	30,542	29,246
General Revenue Fund	176,049	190,823	180,799	176,424
Special Road and Bridge Fund	299,369	273,242	268,392	265,021
Assessment Fund	76,080	70,739	70,373	43,290
Health Center Fund	102,910	93,121	91,463	90,310
Madison County Council for the Developmentally Disabled Boar	203,259	183,884	180,540	178,055
School districts	3,253,682	2,993,472	2,874,657	3,027,830
Library district	102,910	93,121	91,463	90,310
Hospital	203,260	183,884	180,636	178,343
Colleges	440,388	404,840	391,724	382,960
Cities	52,095	37,843	42,899	46,187
County Clerk	461	543	556	270
Surtax	297,098	272,481	354,294	252,557
County Employees' Retirement	41,114	39,927	40,379	34,484
Tax Maintenance Fund	15,510	13,826	13,205	11,589
Tax Increment Financing	154,057	121,401	93,405	81,933
Land Sales Over Plus	10,204	8,062	9,308	6,300
Commissions and fees:				
General Revenue Fund	70,397	65,961	65,294	58,267
Total	$ 5,533,249	5,078,436	4,979,929	4,953,376

Note: Some disbursements were not properly reflected on the collector's annual settlement. Errors noted on the years ended February 28, 2007 and 2006 have been corrected.

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	91	91	91	91	%
Personal property	90	89	90	89	
Railroad and utilities	100	100	100	100	

Madison County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .0050	None	50 %
Law Enforcement	.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Ken Pate, Presiding Commissioner		23,018	22,196	22,196	21,074
Dennis Bradford, Associate Commissioner		22,572	21,384		
Roy Roberts, Associate Commissioner				20,196	19,074
Terry Hovis, Associate Commissioner		22,572	21,384		
Larry Mungle, Associate Commissioner				20,196	19,074
Paula Francis, Recorder of Deeds		32,300	30,600	30,600	29,024
Joan Whitener, County Clerk		32,300	30,600	30,600	28,900
M. Dwight Robbins, Prosecuting Attorney		38,250	36,550	36,550	34,850
Davis Lewis, Sheriff		37,800	36,000	34,000	33,150
Kay Rehkop, County Treasurer		32,300	30,600	30,600	28,900
Charles C. Follis, County Coroner		9,900	9,000	8,500	8,075
Kim Clauser, Public Administrator		13,500	13,500	12,750	12,750
Danny Thompson, County Collector, year ended February 28 (29),	32,300	30,883	30,600	29,183	
Grace Thomas, County Assessor (1), year ended August 31,		33,600	31,800	30,333	28,900
William Douglas McFarland, County Surveyor (2)					

(1) Includes $688, $688, $765, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.
(2) Compensation on a fee basis.

State-Paid Officials:				
Eileen Provow, Circuit Clerk	49,470	48,500	47,900	48,762
Robert Stillwell, Associate Circuit Judge	96,000	96,000	96,000	96,000

In July 2001, the Madison County Commission established a Tax Increment Financing District (TIF) northwest of the city of Fredericktown to try to stimulate business growth. In December 2002, the county sold revenue bonds totaling $1,035,000 to finance the TIF project. As of December 31, 2006, the Madison County TIF bonds had a remaining balance of $900,000.

In 2004, the Madison County Commission established a TIF in Fredericktown to build a Wal-Mart. The county entered into a redevelopment agreement which stated that within one year of completion of the project the county would issue TIF bonds to repay a revenue promissory note

with Wal-Mart. The amount of the bonds were not to exceed $1,100,000. To date the certification of completion has not been submitted to the county.

Susan Montee, CPA
Missouri State Auditor

September 2007

Thirteenth Judicial Circuit

City of Ashland, Missouri Municipal Division

Report No. 2007-49

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Ashland Missouri Municipal Division.

The city of Ashland Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway Counties. The Honorable Gene Hamilton serves as Presiding Judge.

Court costs of $15 are required to be charged on each municipal division case filed before an Associate Circuit Judge. The municipal division charges this cost, however, for cases paid at the Violation Bureau, it does not remit the state's portion of the cost to the Missouri Department of Revenue as required by state law.

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THIRTEENTH JUDICIAL CIRCUIT
CITY OF ASHLAND, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Associate Circuit Judge
Ashland, Missouri

We have audited certain operations of the city of Ashland Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended April 30, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Ashland Municipal Division of the Thirteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Heather Stiles
	Liang Xu

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Municipal division cases are heard before the Boone County Associate Circuit Judge. Section 488.012.3 (6), RSMo, requires a court cost of $15 to be charged on each municipal division case filed before an Associate Circuit Judge. The municipal division charges this cost as allowed by statute, but does not remit the state's portion of the cost for cases paid at the Violation Bureau (VB) to the Missouri Department of Revenue as required by Section 488.018.2 (4). We noted $828 and $780 was not remitted in fiscal years 2007 and 2006, respectively.

WE RECOMMEND: the city of Ashland Municipal Division remit fees to the state as required by law.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following response:

The Ashland Municipal Division will correct this error by remitting the amounts shown in the auditor's report to the Missouri Department of Revenue and changing the procedures regarding disbursement of funds to disburse future VB fees as indicated.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF ASHLAND, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Ashland Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality, the county, or the state of Missouri, as applicable.

Personnel

Associate Circuit Judge	Leslie Schneider
Court Clerk	Jane Totten
City Clerk	Darla Sapp

Financial and Caseload Information

	Year Ended April 30,	
	2007	2006
Receipts*	$9,028	11,689
Number of cases filed*	159	189

*Includes cases filed in Boone County Circuit Court and the related fines and Law Enforcement Training fees remitted to the city of Ashland Municipal Division.

Susan Montee, CPA
Missouri State Auditor

September 2007

ELEMENTARY AND SECONDARY EDUCATION

Data Confidentiality, Integrity and Availability

Report no. 2007-48

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Missing Security Controls Leave Confidential Data and Technology Resources Susceptible to Risk

This audit reviewed the management and control of information technology resources at the Department of Elementary and Secondary Education (DESE). Auditors found DESE and Information Technology Services Division (ITSD) management have not taken necessary steps to maintain effective controls to protect the confidentiality, integrity and availability of data and the information technology resources supporting the mission and operations of the department.

Management has not required reviews of user accounts	DESE and ITSD management do not have a process in place to perform periodic reviews of user access to data and other information resources to determine whether access rights remain commensurate with job responsibilities. As a result, terminated employees had access to DESE information technology resources, user accounts remained active after not being accessed or used for specified time periods and users have been assigned to more than one user account. Reviewing user accounts and access rights is necessary to reduce the risk that unauthorized alterations of these rights will go undetected and to ensure access rights are aligned with current job duties. (See page 6)
Security program is not fully implemented	Important security controls have not been in place because DESE and ITSD management have not fully established a security program on which department-wide security policies, standards, and procedures can be formulated, implemented, or monitored. DESE and ITSD management developed and documented certain policies for specific security controls. However, management has not completed the process of establishing and documenting policies and procedures for all key security controls nor approved all policies which have been developed. (See page 10)
Risk assessment program is not fully implemented	Identifying and assessing information security risks are essential steps in determining what controls are required and what level of resources should be expended on controls. DESE and ITSD management have not established a comprehensive risk management and assessment program. An ITSD official said DESE and/or ITSD staff perform risk assessments when developing new systems, but do not perform regular risk assessments over the entire system or network. (See page 18)
Business continuity and disaster recovery plans need to be tested	DESE and ITSD officials have documented a business continuity plan and a disaster recovery plan. However, these plans have not been tested, according to DESE and ITSD officials. Without testing the business continuity and disaster recovery plans, DESE and ITSD management cannot confirm the accuracy of individual recovery procedures and the overall effectiveness of the plans. (See page 19)

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Abbreviations

DESE	Department of Elementary and Secondary Education
GAO	Government Accountability Office
ITSD	Information Technology Services Division
MAEA	Missouri Adaptive Enterprise Architecture
MOSIS	Missouri Student Information System
OA	Office of Administration
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
D. Kent King, Commissioner
Department of Elementary and Secondary Education
and
Dan Ross, Chief Information Officer
Office of Administration, Information Technology Services Division
Jefferson City, MO 65102

The Department of Elementary and Secondary Education (DESE) is responsible for maintaining the state's public education system. DESE utilizes several web applications to calculate payments to local school districts and to track, monitor, and report school district and student information. The Office of Administration Information Technology Services Division (ITSD) is responsible for providing technical assistance to support DESE's technology resources. Our audit objective included determining whether DESE and ITSD management established adequate internal control policies and procedures and implemented effective security controls to ensure the confidentiality, integrity, and availability of data and information collected and maintained in DESE information systems.

DESE and ITSD management have not taken some of the measures necessary to maintain effective controls to protect the confidentiality, integrity and availability of data and the information and technology resources supporting the mission and operations of the department. DESE does not review or monitor user accounts which has resulted in unused and potentially unneeded user accounts. DESE and ITSD have not fully implemented security management and risk assessment programs to identify and manage security controls required to protect the department's data, systems and resources from potential threats and vulnerabilities. We found instances where critical security policies have not been developed and instances where procedures have been in place but the corresponding policies have not been documented. We also found DESE and ITSD had documented but not tested the contingency plans necessary to sustain and recover critical technology services following an emergency.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report included Jeff Thelen, Lori Melton, Frank Verslues, and Amanda Locke.

Susan Montee, CPA
State Auditor

Introduction

The Department of Elementary and Secondary Education (DESE) reports to the State Board of Education and is primarily a service agency working with educators, legislators, government agencies and citizens to maintain the state's public education system. Through its statewide school-improvement initiatives and regulatory functions, DESE strives to assure that all citizens have access to high-quality public education, according to the department's website.

The scope of DESE's duties ranges from early childhood to adult education services. DESE does not regulate or evaluate private, parochial or home schools. DESE employs about 1,900 persons throughout the state and has a total budget of approximately $5 billion. The department has six divisions (1) Administrative and Financial Services, (2) School Improvement, (3) Special Education, (4) Teacher Quality and Urban Education, (5) Career Education, and (6) Vocational Rehabilitation. Almost 95 percent of the department's budget consists of state and federal funds that are allocated to local schools and other agencies.

The Office of Administration, Information Technology Services Division (OA ITSD)[1] is responsible for providing technical assistance to support DESE's technology resources. DESE maintains ownership of its information systems and data, while ITSD provides the technical support. As part of the technology support function, OA ITSD has established the Missouri Adaptive Enterprise Architecture (MAEA)[2] to guide information technology decisions. DESE is required to follow MAEA standards and policies.

DESE uses several web applications to maintain data on students and teachers and to track, monitor and record financial information. The web applications maintain private and confidential information, such as social security numbers, assessment test scores, and other sensitive information. Use of the web applications is restricted to DESE and specific non-DESE users, such as school district personnel, contractors, and other entities. Access to DESE web applications is controlled by the User Manager

[1] In this report, OA ITSD refers to the entire division, while ITSD refers to the section within OA ITSD that has been assigned specific responsibility for supporting DESE technology resources.

[2] The Enterprise Architecture includes standards, policies and guidelines established by OA ITSD. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and information. The domains are not fully developed, but define the principles which are needed to help ensure the appropriate level of protection for the state's information and technology assets.

system. According to the DESE user manual, User Manager is designed to facilitate the administration of security throughout all of DESE web applications. Users access the main login page to login to the DESE system. After User Manager verifies user entered information, the DESE Web Application Menu page is opened. This page provides a list of all DESE web applications the specific user is allowed to access.

DESE and ITSD are responsible for maintaining the security, confidentiality and privacy of the data collected and stored in these applications. Security of information refers to protecting data from loss and unauthorized access to ensure the integrity and availability of data. Privacy of information refers to non-disclosure of information without the individual's consent and confidentiality refers to an agency's obligation to protect information obtained and not disclose information without the individual's consent, according to DESE policy.

Scope and Methodology

To determine whether DESE and ITSD management established internal control policies and procedures and implemented security controls we conducted interviews with appropriate officials and staff; requested and reviewed available policies, procedures, and other applicable information; and performed testing.

We obtained data files from ITSD of the various user accounts having access to DESE's technology resources, including specific web applications and the network, from January through March 2007. To ensure completeness of the data, we grouped the accounts by district code and briefly reviewed the codes for reasonableness.

We obtained the employment records for DESE employees and ITSD employees assigned to DESE for fiscal years 2001 through 2007 from the statewide accounting system for human resources. We did not perform specific procedures to ensure reliability because the risk of unreliable results was considered immaterial. We matched this data to the user accounts to determine if any terminated employees had active user accounts. We provided an ITSD official with a list of all terminated employees we identified.

We based our evaluation on accepted state, federal, national and international standards and best practices related to information technology security controls from the following sources:

- Missouri Adaptive Enterprise Architecture (MAEA)
- National Institute of Standards and Technology (NIST)
- U.S. Government Accountability Office (GAO)

- IT Governance Institute Control Objectives for Information and related Technology (COBIT)
- International Organization for Standardization (ISO) / International Electrotechnical Commission (IEC)

We requested comments on a draft of our report from the Commissioner of the Department of Elementary and Secondary Education and the Chief Information Officer. We conducted our work between October 2006 and May 2007.

Missing Security Controls Leave Confidential Data and Technology Resources Susceptible to Risk

DESE information technology resources are susceptible to threats and vulnerabilities including unauthorized use and disclosure of data and insufficient protection of technology assets. This situation has occurred because management had not (1) established adequate user account review processes, (2) fully implemented a security management program to provide a framework for developing controls and documenting key policies and procedures, (3) performed a risk assessment to identify possible threats and the likelihood of occurrence, and (4) tested business continuity and disaster recovery plans to ensure the availability of technology resources. Collectively, these weaknesses impair DESE's ability to ensure the confidentiality, integrity, and availability of data collected and maintained in DESE information systems and to ensure information technology resources are properly protected.

Management Has Not Required Reviews of User Accounts

DESE and ITSD management do not have a process in place to perform periodic reviews of user access to data and other information resources to determine whether the access rights remain commensurate with job responsibilities. According to the MAEA, agencies must periodically review user accounts. At a minimum, this review should include (1) levels of authorized access for each user and (2) identification of inactive, idle or orphaned accounts. Accepted standards also support regular review of all accounts and related privileges. Without a review of user access rights, there is an increased risk that unauthorized alterations of these rights will go undetected or that access rights are not aligned with current job duties. DESE and ITSD management do not have user account review processes or procedures in place to identify:

- Users with inappropriate access
- Terminated employees
- Inactive user accounts
- User accounts with no access rights
- Users with multiple accounts

Supervisors have not reviewed user accounts

According to accepted standards, there should be regular reviews of all user accounts and related privileges. DESE and ITSD management do not have procedures for supervisory reviews of user accounts. In addition, ITSD officials have not provided a list of user accounts to DESE for review or confirmation of user access rights.

We reviewed user access to specific web applications. We discussed the user's current job duties with DESE officials to determine if the access was appropriate and found 10 users no longer required access to the specific application to perform their jobs. In addition, DESE officials could not

identify five users who had access to a web application and these five users were not shown as employees in the statewide accounting system.

We also found 250 active user accounts assigned to DESE where the user has not been shown as an employee in the statewide accounting system since at least fiscal year 2001. These users could be contractors, employees terminated prior to fiscal year 2001, or other users that may or may not require access, according to an ITSD official and our review of the data. Since DESE officials have not performed periodic reviews of the user accounts, they could not determine if the access was appropriate.

ITSD sends a list of user accounts to every school district annually requesting district staff review the access of individuals in the district to the web applications. However, ITSD officials have not included comments in the accompanying letter explaining the importance of reviewing user access rights and keeping accounts accurate and current. ITSD officials have not performed any follow-up with the school districts to ensure the lists have been reviewed. An ITSD official said they do not have authority over the access provided to school district users. Although school district superintendents have responsibility for authorizing and monitoring user access for their districts, DESE and ITSD have ultimate responsibility for the security of the systems and data, according to a DESE official.

Requiring a review of all user accounts ensures the right type and level of access has been provided. Otherwise, user accounts and accesses can be granted to or maintained for users who should not have access, according to accepted standards.

Terminated employees have access to DESE information technology resources

The MAEA states agencies should have a procedure to disable user access when a user leaves employment. DESE does not have a documented policy for disabling access when users leave employment. DESE supervisors are supposed to notify the ITSD help desk when termination and transfer information becomes available, according to an ITSD official. During our review of DESE user accounts having access to any of the department's web applications, we found 162 former employees still had access, some of which included access to financial or confidential information. Unauthorized access to DESE's information resources by former employees may compromise the confidentiality and integrity of data maintained by the department.

User accounts remain active after they are no longer used

Terminating access for inactive user accounts helps prevent intruders from exploiting inactive accounts to masquerade as legitimate users, according to accepted standards. ITSD has not performed any reviews to identify user accounts that have not been accessed or used for a specified period of time.

During review of user accounts from the User Manager system, we found 6,018 (41 percent) of the 14,577 user accounts had not been accessed since 2005 or before. Of the 6,018 user accounts, 782 (13 percent) are assigned to DESE users and 5,236 (87 percent) are assigned to non-DESE users. As shown in Table 2.1, 782 DESE users have not logged into their accounts since 2005 or before.

Table 2.1: Age of Last Login to User Manager Account for DESE Users

Year of Last Login	Count	Cumulative	Percent of Total
2001	453	453	38
2002	47	500	42
2003	23	523	44
2004	107	630	53
2005	152	782	66
2006/2007[1]	401	1,183	100

[1] The user accounts last accessed in 2007 are included with 2006 because the data was obtained as of January 16, 2007.

Source: SAO analysis of DESE User Manager account access.

As noted in Table 2.2, 5,236 non-DESE users have not logged into their accounts since 2005 or before. We also identified 336 out of 1,484 institutions[3] where no user has accessed any web application in over a year.

Table 2.2: Age of Last Login to User Manager Account for Non-DESE Users

Year of Last Login	Count	Cumulative	Percent of Total
2001	1,739	1,739	13
2002	324	2,063	15
2003	426	2,489	19
2004	1,275	3,764	28
2005	1,472	5,236	39
2006/2007[1]	8,158	13,394	100

[1] The user accounts last accessed in 2007 are included with 2006 because the data was obtained as of January 16, 2007.

Source: SAO analysis of DESE User Manager account access.

User Accounts with No Access

According to accepted standards, managing user accounts involves selecting the correct access type and periodically reviewing accounts to ensure the access is correct. During our review, we identified 415 user accounts with no access to any of the web applications. The user can login to the web

[3] These institutions include public and non-public school districts, charter schools, higher education organizations, state agencies and other education institutions.

application menu page but cannot access any web applications. Since these accounts do not have access to any applications, the accounts are no longer required, according to an ITSD official. Periodic reviews of user accounts would identify if a user account is no longer required.

Users have been assigned more than one user account

Procedures are not in place to adequately track and review user accounts to identify if a user has been issued multiple accounts. Good business practices suggest limiting the number of accounts issued to a single user to facilitate user account management. We identified 201 users throughout the state who had multiple user accounts for the same school district. These 201 users had a total of 426 user accounts. Table 2.3 shows the reason there are 426 user accounts for the 201 users.

Table 2.3: Multiple User Manager Accounts

Reason for Multiple Accounts	Total
User account name did not match the user's name based on DESE naming standards	116
User account was the second (or more) account for a user	105
User account name did not match the user's name due to a name change	8
User accounts with no name	5
User accounts with no problem identified	192
Total	426

Source: SAO analysis of DESE User Manager accounts.

A user account may be reassigned to an active employee to grant additional access rights, according to an ITSD official. For the 116 cases where the user account name did not match the user's name listed in the account record, an ITSD official said terminated employee accounts may have been assigned to employees who required the same level of access. Instead of closing the terminated employee accounts and adding the access rights to the active accounts, users end up having two accounts. As shown in Table 2.3, there are 105 accounts assigned to users who already had accounts. ITSD officials said a user should only be assigned one user account for the same school district.

Network user accounts have been reviewed

An ITSD official reviewed all user accounts having access to DESE's network resources. According to this official, OA ITSD required this review for consolidation of statewide network services. As part of the review process, ITSD only retained accounts for active employees or contractors and deleted inactive accounts. We reviewed the network accounts and did not find any of the problems we found with the web application user accounts. Therefore, when DESE and ITSD have dedicated resources to reviewing user accounts, they effectively identified inappropriate accounts,

helping to reduce the risk of unauthorized access. However, without ongoing reviews of user accounts, management lacks assurance that user access will remain appropriate.

Security Program Is Not Fully Implemented

A security program provides a framework for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of an agency's security controls. A security program is the foundation of an agency's security control structure and a reflection of management's commitment to addressing security risks. According to GAO, implementing a security program is essential to ensuring controls over information and information systems work effectively on a continuing basis.

DESE and ITSD management have not fully established a security program on which department-wide security policies, procedures and controls can be formulated, implemented, and monitored. DESE and ITSD officials have developed and documented some policies for specific security controls. However, officials had not completed the process of establishing and documenting policies and procedures for some key security controls and management had not approved all policies developed. Accepted standards state policies are necessary to set organizational strategic directions for security and assign resources for the implementation of security. According to GAO, a critical element of an effective security program is developing and implementing policies and procedures to govern security over an agency's information technology environment.

DESE and ITSD need to develop policies for critical security controls

DESE and ITSD management had not established or documented policies or procedures for the following critical security controls:

- System and data ownership
- System and data classification
- Rules of behavior
- Security activity logging and review
- Segregation of duties
- Security awareness training
- Physical security

System and data owners' responsibilities need to be designated

The MAEA states information owners are necessary to administer information security. It is important to document the ownership of data and information systems because owners make decisions about classifying and protecting information and systems, according to accepted standards.

DESE and ITSD management have not documented policies identifying the data and system resource owners responsible for making decisions regarding data classification and system access. An ITSD official said staff know who

to contact for each system but agreed the detailed responsibilities of information resource owners should be formalized. Without having documented policies and procedures establishing data and information ownership responsibilities, there is an increased risk data and information resources will not be properly protected against unauthorized access.

Systems and data are not classified according to sensitivity and criticality

DESE and ITSD management do not have assurance that systems and data receive an appropriate level of protection. DESE and ITSD have not established a department-wide framework for systems and data classification, according to ITSD officials. Such a framework examines the sensitivity of both the data to be processed and the system itself to identify when to classify information as confidential, public, or other established levels, according to accepted standards.

A general classification framework is established to define an appropriate set of protection levels and the placement of data in information classes, according to accepted standards. Sensitivity is generally classified in terms of confidentiality, integrity, and availability. Factors such as the importance of the system to the organization's mission and the consequences of unauthorized use of the system or data need to be examined when assessing sensitivity. An ITSD official said ITSD personnel have been working on a classification framework and had not developed one sooner because the department was waiting for policy from OA ITSD in this area. OA ITSD issued a draft standard on data classification, but the standard had not been finalized as of May 2007.

System users are not informed of responsibilities

Accepted standards state rules of behavior should be established and made available to every user of the system. The rules of behavior should clearly delineate responsibilities and expected behavior of all individuals with access to the system. These rules should state the consequences of inconsistent behavior or noncompliance. The rules of behavior could also help ensure users are aware of applicable guidelines.

DESE has not documented the rules of behavior for department information and information systems, according to an ITSD official. Staff are informed of expected behavior informally during new hire orientation and training. An ITSD official said formal rules of behavior have not been documented because the process of informing staff of the expected behavior at training has seemed adequate.

Policies needed to log, report and review security activity

DESE and ITSD management have not taken sufficient steps to ensure system security controls have functioned properly. Policies and procedures for logging appropriate security-related events and monitoring specific access are necessary when developing effective security programs.

Accepted standards state a logging and monitoring function enables the early detection of unusual or abnormal security activity[4] that may need to be addressed to ensure the approved security level is maintained.

System security logging is available on the DESE network to identify security events. However, policies and procedures for monitoring, reviewing and investigating the logs have not been established. An ITSD official said DESE and ITSD management have never formally evaluated what needs to be logged and dedicated resources have not been available to determine what security activity needs to be reviewed.

Determining what, when, and by whom specific actions have been taken on a system is crucial to establishing individual accountability, investigating security violations, and monitoring compliance with security policies, according to GAO.

Policies needed to ensure segregation of duties

ITSD officials and staff have access to the program development, testing, and production environments. According to the MAEA, separation of duties must be established and documented so an individual does not have access to more than one critical task. Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, improper program changes implemented, or computer resources damaged or destroyed, according to GAO. Although duties have been informally segregated, there has not been a formal effort to identify incompatible duties or to create a policy requiring segregation of duties among information technology staff, according to an ITSD official.

Programmers responsible for the development and maintenance of information technology resources have also been granted access to the production environment. An ITSD official said programmers' access is temporarily granted only when it is immediately necessary. However, we identified programmers whose access had not been temporary. In addition, an ITSD official said there is no monitoring or periodic review of activities performed by these programmers. Although necessary, temporary access authorizations outside of the normal scope of a user's duties should be granted sparingly and monitored carefully, consistent with the need to maintain separation of duties for internal control purposes, according to accepted standards.

[4] Security activity includes users attempting to access data they are not authorized to access, performing a task they are not authorized to perform, or accessing data they are authorized to access that is of a sensitive nature.

Employees do not receive ongoing security awareness training

Training is an essential component of a security program. Computer intrusions and security breakdowns often occur because computer users fail to take appropriate security measures. For this reason, it is vital employees using computer resources be aware of the importance and sensitivity of information they handle, as well as business and legal reasons for maintaining its confidentiality, integrity, and availability, according to GAO.

An ITSD official said personnel had not been trained on an ongoing basis regarding computer security and their roles in ensuring appropriate use of department resources. New employees receive informal security training as part of orientation and a limited number of DESE employees receive training bi-annually, but employees do not receive any other security awareness training. According to accepted standards, employees play a crucial role in helping ensure the security of computer systems and information technology resources. Accepted standards also state ongoing training programs are necessary to maintain employees' security awareness to the level required to perform effectively.

Additional physical security needed

Management should define and implement procedures to grant, limit and revoke access to premises, buildings and areas according to business needs, including emergencies, according to accepted standards. Access to premises, buildings and areas should be justified, authorized, logged and monitored. This applies to all persons entering the premises, including staff, temporary staff, clients, vendors, visitors or any other third party, according to accepted standards.

DESE and ITSD management have not established adequate policies or procedures for the physical security of DESE computer facilities. ITSD has not formally established responsibility for physical security, could not provide a list of individuals with access to the computer facility and has not kept a visitor log book to track who has been in and out of the computer facility. An ITSD official agreed physical security needs to be improved but said resources had not been available. The official added the consolidation with OA ITSD should provide the resources needed to lock down the computer facility and ITSD staff area. Without ensuring the physical security of DESE computer facilities, management is unable to ensure only authorized individuals gain access to these facilities.

Documented policies are needed for established security procedures

DESE and ITSD management have established, but not documented, policies and procedures for the following security controls:

- User account management
- Network standards

- Remote access
- Computer virus controls
- Patch management
- Software licensing and use
- Review of key standards and policies

User account management policies not documented

DESE and ITSD management have not fully documented or approved user account management policies and procedures for issuing, suspending, modifying and closing user accounts. In addition, policies and procedures for the management of privileged user accounts have not been documented. ITSD has documented some basic user account administration procedures. However, these basic policies and procedures have not been approved by DESE management and have not been fully developed. According to accepted standards, user account management procedures should be established for all user accounts, including system administrators. These procedures should address all stages in the life-cycle of user access, including requesting, establishing, issuing, suspending, modifying and closing user accounts and related user privileges.

DESE and ITSD management have not established procedures to ensure user access requests are appropriately authorized and retained. We found ITSD staff have not been ensuring appropriate approvals are obtained before granting access. We also found source documentation has not always been retained to support web application user access requests nor has source documentation been easily retrievable for user access requests to the network. During our review of access to the Missouri Student Information System[5] (MOSIS) web application, we found four cases where user access request forms had not been available to support the approval of the access. We also identified a network user access request that had not been approved by the user's supervisor. Officials said the method to request user access for DESE and ITSD users, including programmers, has not been standardized; phone calls, emails, or access request forms may be accepted as approval. An ITSD official said school district access approvals have not been validated because it takes too much time to ensure the individual approving the access is appropriate and ITSD does not want to be responsible for this process. This official stated the access request forms submitted to ITSD are maintained for backup in case a person had been granted inappropriate access. Access authorizations should be documented, maintained and approved, according to accepted standards.

[5] Missouri Student Information System is used to assist local schools and districts to track confidential individual student information for state and federal requirements.

Access to the MOSIS web application for school district users must be approved by the school district superintendent or an authorized representative, according to DESE policy. However, DESE has not maintained a list of individuals who may approve school district user access requests, according to a DESE official. We found two cases where the form requesting access to MOSIS had been approved by the same user being granted the access. Without ensuring access is approved by authorized individuals, users may have unauthorized access to confidential information maintained in the MOSIS application.

According to accepted standards, documented descriptions of access profiles[6] allow both administrators and supervisors to identify appropriate access privileges to provide a user. ITSD has not adequately documented access profiles that may be assigned to users for both the network and the web applications. As a result, the user access profiles may not be effectively communicated to both administrators and the supervisors responsible for granting access. An ITSD official said administrators and supervisors are aware of commonly used access profiles and are informally notified of any profiles that are not commonly used.

Without documented user account management policies, including approval and access profile descriptions, for the administration of user accounts, management cannot ensure access has been appropriately granted to only authorized individuals.

Network operation standards need to be documented

According to accepted standards, network operating policies and standards for the general control of the organization's network should be established, documented and maintained on a current basis. ITSD officials have established network operating controls for system logon, user account naming conventions, password requirements or standards, and lost or compromised passwords. While ITSD officials have established operating controls, the network operation policies and procedures have not been documented. Without documented policies and standards for general control of the network, there is an increased risk that network controls will not be applied consistently or will erode over time and not remain appropriate.

No documented policies exist for remote access to department systems

DESE management allows limited access to the department's network through remote access. The policies and procedures to control this access have not been documented. An ITSD official said very few people are allowed remote access to the network so there has not been a need to

[6] Profiles are the various roles available within each application and their respective rights, such as read-only, update, administrator, etc.

formalize the internal procedures for granting the access. According to accepted standards, as employees and organizations employ remote connectivity to corporate and government networks, the security of these remote end points becomes increasingly important to the overall security of a network. Without documented policies and procedures in place regarding methods for obtaining access to the network from outside the department, there is an increased risk of unauthorized access to DESE's information systems and data.

Computer virus control policies need to be completed and approved

The MAEA requires every state agency to have a formal virus detection policy. The goals of the virus detection policy, according to the MAEA, are to detail the procedures for preventing and managing virus outbreaks and to educate end-users about their roles and responsibilities in preventing virus outbreaks. ITSD officials have drafted a data security policy that includes a section on virus protection. This policy had not been approved by DESE management as of April 2007.

The MAEA and accepted standards require employees to be trained to know and understand safe anti-virus computing practices. However, DESE's draft policy does not include any training requirements for current employees and there is no training program to inform staff of established virus protection controls, according to an ITSD official.

Patch management procedures need to be documented

Accepted standards recommend all organizations have a systematic, accountable, and documented process for managing exposure to vulnerabilities through the timely deployment of patches.[7] According to the MAEA, patch management should include duties such as monitoring sources for vulnerabilities and threats; prioritizing and testing remediation; deploying patches; and verifying vulnerabilities have been successfully remediated. ITSD staff manage patches and officials have drafted patch management policies and procedures. However, these policies and procedures did not include all key patch management responsibilities, such as prioritizing, and verifying remediation nor have the policies been approved by DESE management. Without having a systematic, accountable, and documented patch management process for managing exposure to vulnerabilities there is an increased risk that software vulnerabilities can be exploited.

[7] Patches are additional pieces of program code developed to address problems (commonly called “bugs”) in software.

Management needs to ensure computers are reviewed for unlicensed software

DESE and ITSD officials have documented policies and procedures regarding the use of department software. However, these policies and procedures have not been approved by DESE management. The draft software use policy states software on DESE computers may only be installed and used in accordance with license agreements owned by DESE. This policy also states ITSD shall review all department computers annually for any software for which DESE does not hold a valid license. An ITSD official said the last review for unlicensed software was performed around March 2005. Without a review to ensure personal or unlicensed software has not been installed on DESE computers, management risks software license violations or possible virus threats compromising the integrity of all department systems.

DESE needs policies to review key standards and policies

The relevance of policies to support information technology strategy should be confirmed and approved regularly, according to accepted standards. According to a DESE official, an informal procedure is in place to annually validate if the policies and procedures in the administrative manual are accurate. However, these informal procedures have not been documented or formally approved by DESE management. Without documented and approved policies and procedures to guide the review process, management cannot be assured system, technological, or organizational environments are adequately addressed.

Audit Trail Logging and Monitoring Controls Are Needed

A logging and monitoring function enables the early detection of unusual or abnormal activities that may need to be addressed, according to accepted standards. Accepted standards also state that audit records should be reviewed for inappropriate or unusual activity, suspicious activity should be investigated, and appropriate actions should be taken. The MAEA states databases shall provide an audit utility to identify the user, action, time of action and object of the action to adequately track the change to the information.

DESE and ITSD management have not taken sufficient steps to log appropriate security-related events and maintain adequate audit trails for all of the department's web applications. An ITSD official said certain web applications, such as Core Data,[8] had not been designed to maintain sufficient logs or audit trails of events. Without sufficient audit trails to record appropriate events, ITSD officials are unable to adequately monitor changes to data and investigate security concerns.

[8] Core Data is used to collect and archive financial and statistical data for all school districts throughout the state. This data is used for a variety of applications including the distribution of state and federal funding to schools.

Other web applications, such as MOSIS, do maintain an audit trail and history of changes made to student data, but DESE officials have not monitored the activity or events to identify any incidents compromising security or data integrity. A DESE official said an audit trail is available if needed but this official has not seen the need to regularly monitor audit trails.

Missing Security Features Leave Confidential Data and System at Risk

Security must be considered in the design of an information system. Experience has shown it is very difficult to implement security measures properly and successfully after a system has been developed so these measures should be integrated fully into the design and development of the system, according to accepted standards. DESE and ITSD officials implemented the User Manager system without many commonly accepted security features. The system has some basic security; however, these features are inadequate and cumbersome. DESE and ITSD are implementing a new system to accommodate additional security features and expect to have the system operational by December 2007, according to an ITSD official.

The basic security features in User Manager consist of access rights granted to user accounts and passwords to authenticate accounts. However, common security features required by accepted standards are not yet available to more fully safeguard DESE web applications. Collectively, these user account and password weaknesses impair DESE's ability to ensure the confidentiality and integrity of web application data.

Logon Banners Needed

According to accepted standards, a logon banner should be used to ensure every user is notified of the proper use of the system. The MAEA requires a logon banner that notifies users, among other points, what is considered the proper use of the system, that only authorized users are to view the information maintained, and of any disciplinary action for unauthorized system usage. The DESE web applications, except for MOSIS, do not have a logon banner. A DESE official said logon banners had not been considered when developing the web applications but added it would be a good idea to have banners in place. Without a logon banner, users may not be informed or aware of the security features or the appropriate use of the program and its data.

Risk Assessment Program Is Not Fully Implemented

Identifying and assessing information security risks are essential steps in determining what controls are required and what level of resources should be expended on controls. Moreover, by increasing awareness of risks, these assessments generate support for the adopted policies and controls, which helps ensure policies and controls operate as intended, according to GAO. A risk assessment helps identify potential threats and vulnerabilities or weaknesses that could be exploited and to ensure appropriate controls are

implemented to mitigate these vulnerabilities. The MAEA also states risk assessments identify high impact assets, potential threats, and recommended controls for reducing or eliminating risk.

DESE and ITSD management have not established a comprehensive risk assessment and management program. An ITSD official said staff perform risk assessments when developing new systems, but have not performed regular risk assessments over the entire system or network. Since risks and threats change over time and employees leave, the results of risk assessments should be documented to ensure an appropriate action plan is developed to limit vulnerabilities and to reduce risk to an acceptable level.

Business Continuity and Disaster Recovery Plans Need To Be Tested

Contingency planning is designed to mitigate the risk of system and service unavailability by focusing effective and efficient recovery solutions. Ultimately, an organization would use a suite of plans to properly prepare response, recovery, and continuity activities for disruptions affecting the organization's information systems, business processes, and the facility. Plan testing is a critical element of a viable contingency capability. Testing enables plan deficiencies to be identified and addressed. Testing also helps evaluate the ability of the recovery staff to implement the plan quickly and effectively. Each information technology contingency plan element should be tested to confirm the accuracy of individual recovery procedures and the overall effectiveness of the plan, according to accepted standards.

DESE and ITSD officials have documented a business continuity plan and a disaster recovery plan. However, these plans have not been tested, according to DESE and ITSD officials. DESE's disaster recovery plan emphasizes the importance of testing plans stating, "Routine DRP [Disaster Recovery Plan] testing is critical to the success of recoverability of the agency's IT [Information Technology] operations." Without testing the business continuity and disaster recovery plans, DESE and ITSD management cannot confirm the accuracy of individual recovery procedures and the overall effectiveness of the plans. If a disaster did occur, DESE would be required to use these plans for recovery, so it is necessary to ensure the plans are adequate, feasible, and can actually be used to recover and restore information systems and information technology resources.

Conclusions

DESE and ITSD management have not taken necessary steps to fully implement effective internal control policies and procedures and effective security controls to prevent the unauthorized use and disclosure of data and to adequately protect information technology resources. DESE management does not have assurance access to data and other information resources is appropriate because periodic reviews of user accounts are not required to be performed. DESE's control environment is missing important security

components because management has not fully implemented a security program. Important security controls have not been established or have been developed but lack documented policies and procedures to provide consistent guidance. DESE and ITSD management do not have assurance appropriate controls are in place to reduce risks of threats and vulnerabilities to an acceptable level since a formal risk assessment has not been performed. The recovery of services, systems and technology resources may be delayed following a disruption in operations or a disaster since business continuity and disaster recovery plans have not been tested. Faced with the challenge of protecting systems and resources from continuing threats, vulnerabilities, and data breaches, DESE and ITSD management should support establishing and documenting the controls necessary to ensure the confidentiality, integrity, and availability of data and information collected and maintained in DESE information systems.

Recommendations

We recommend the Department of Elementary and Secondary Education management work with Information Technology Services Division officials to:

2.1 Periodically review user access to data and other information resources to ensure access rights are commensurate with user's job duties and responsibilities. DESE should work with school districts to emphasize the importance of keeping user accounts current and accurate. The reviews of user accounts should also include procedures to determine if users:

- Are current or terminated employees.
- Have an active or inactive account.
- Have an account with no authorized access.
- Have multiple accounts that are not needed.

2.2 Fully implement the department's security management program. At a minimum, management should implement security controls and document policies and procedures by taking the following actions:

- Ensure all information resources (data and systems) have an appointed owner who makes decisions about data classification and access rights.
- Establish a system and data classification framework to ensure all systems and data are classified in terms of criticality and sensitivity.
- Document rules of behavior to inform users of their responsibilities and expected behavior when using DESE systems.

- Establish and document policies and procedures to log, monitor, report, and review appropriate security activity and security violations.
- Establish and document policies and procedures to ensure adequate segregation of incompatible duties. These policies and procedures should limit programmer access to the production environment to temporary situations and ensure activity performed by programmers is periodically monitored.
- Establish an ongoing security awareness training program to communicate the security policy and to assure a complete understanding of the importance of security by all personnel.
- Establish and document appropriate physical security policies and procedures and formally assign responsibilities for physical security to ensure information systems and data are protected against unauthorized access.
- Establish where necessary and document policies and procedures for issuing, suspending, modifying and closing user accounts for both the network and the web applications, including privileged accounts.
- Document the operating policies and standards for the general control of the network.
- Document policies and procedures for granting remote access to the network.
- Complete the process of documenting and approving a virus control policy. Once the policies and procedures are approved, establish a training program to communicate the policy to all personnel.
- Document policies and procedures for patch management activities to ensure a systematic, accountable, and documented process for managing exposure to vulnerabilities through the timely deployment of patches.
- Complete the process of documenting and approving the unlicensed software policy. Ensure annual reviews are performed to identify if any software is installed without a valid license.
- Document a formal process to periodically review and re-approve key standards, directives, and policies and procedures.

2.3 Develop or acquire the functionality to maintain audit trails for logging and monitoring of appropriate web application security-related events. Audit trails already in place should be monitored and actions taken to ensure the proper functioning of controls for DESE web applications.

2.4 Implement a new system or develop additional controls for the User Manager security system that will allow management to customize and enhance security configurations.

2.5 Develop and implement logon banners for the DESE web applications to indicate the appropriate use of the applications.

2.6 Implement and document a risk assessment and management program, which includes policies, standards, and procedures for performing periodic risk assessments so management can more effectively reduce risk and protect the department's resources and its ability to perform the department's mission.

2.7 Test the business continuity plan to ensure business operations can continue in the event of a disruption to normal operations.

2.8 Test the disaster recovery plan to ensure data and systems on DESE technology resources can be promptly restored in the event of a disaster or other disruption.

Agency Comments

2.1 ITSD and DESE concur. ITSD and DESE are developing a new security system that will provide the functionality believed necessary to safeguard DESE applications and data.

2.2 ITSD and DESE concur in part. Several of the policies and procedures listed have been established. ITSD and DESE are incorporating a technology awareness program into DESE's new employee orientation program and as part of a training series for current employees. As to item (bullet) #5, ITSD is unable to segregate duties due to the number of staff and the work load. ITSD has procedures in place to monitor activity to ensure protection of the systems. Limiting access to the production environment would degrade support to DESE.

2.3 ITSD will work with DESE and take the recommendation under advisement.

2.4 ITSD and DESE concur. ITSD and DESE are developing a new security system that will provide the functionality believed necessary to safeguard DESE applications and data.

2.5 ITSD and DESE concur. This would be implemented as part of the login page.

2.6 ITSD and DESE concur. ITSD and DESE will work to assess risks and take appropriate action as determined collaboratively by ITSD and DESE.

2.7 ITSD and DESE concur.

2.8 ITSD and DESE concur.

Susan Montee, CPA
Missouri State Auditor

September 2007

Ralls County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-47

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Ralls, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Budgets were not prepared for several county funds, including the Capital Improvement Fund and the Health Center Self Insurance Fund. As a result, receipts of approximately $455,000 and $345,000 and disbursements of approximately $307,000 and $197,000 were not budgeted for the years ended December 31, 2006 and 2005, respectively. Actual disbursements exceeded budgeted amounts for several funds and the General Revenue Fund budget was not amended in a timely manner. Furthermore, the county's annual published financial statements did not include all necessary information and did not comply with state law.

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or document verification of the tax books or maintain an account book with the County Collector, and neither the County Clerk nor the County Commission adequately review the County Collector's annual settlements. In addition, controls over property tax additions and abatements are not adequate.

Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk. Also, while the county has a formal policy establishing work hours, the policy is not being followed.

Accounting duties have not been adequately segregated in the Sheriff's Department. Contracts for boarding of prisoners are not entered into, vehicle usage logs and maintenance logs are not being kept for some Sheriff's vehicles, and conceal and carry permit fees are not deposited into a separate interest-bearing fund.

Accounting duties have not been adequately segregated in the circuit court. Adequate procedures have not been established to ensure the county is reimbursed for state board bills. The Circuit Clerk indicated there were additional costs which could have been claimed for reimbursement prior to September 2005, but those reimbursements were lost because the filing period had expired. We noted one case in early 2005 where the Circuit Clerk missed filing for reimbursement for $1,840. The Circuit Clerk indicated that since the Justice Information System was implemented in September 2005, requests for reimbursements from the state are being issued at the time the eligible case is disposed.

(over)

Controls and procedures of the 911 Board are lacking. Budgetary procedures need improvement and published financial statements did not include the level of detail required by state law. Procedures related to board meeting minutes were insufficient and did not always comply with the law. General capital asset records and procedures and review procedures over board expenditures are in need of improvement. Receipts are not always deposited intact, receipt slips are not issued for all monies received, and the numerical sequence of receipt slips is not accounted for. The financial condition of the 911 Fund declined and needs to be addressed.

Also included in the report were recommendations related to county property records and procedures of the Recorder of Deeds.

All reports are available on our Web site: auditor.mo.gov

RALLS COUNTY, MISSOURI

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SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ralls County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Ralls County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ralls County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 21, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ralls County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

June 21, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Zeb Tharp
	Heather Stiles
	Carrie Rasmussen
	Jeanette Samson

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ralls County, Missouri

We have audited the financial statements of various funds of Ralls County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Ralls County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles

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such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency referred to above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Ralls County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Ralls County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Ralls County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

June 21, 2007

Financial Statements

Exhibit A-1

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$ 60,104	1,621,529	1,627,431	54,202
Special Road and Bridge	222,169	1,235,800	1,072,881	385,088
Assessment	31,339	241,351	201,592	71,098
Law Enforcement Training	2,792	4,007	5,090	1,709
Prosecuting Attorney Training	12,932	1,299	1,249	12,982
Prosecuting Attorney Delinquent Tax	5,517	1,459	0	6,976
Prosecuting Attorney Administration	4,178	5,719	1,887	8,010
Recorder's User Fee	33,491	8,255	4,143	37,603
Sheriff's	6,595	29,060	31,840	3,815
Election Services	3,542	84,445	83,101	4,886
Domestic Violence	193	624	440	377
Recorder's Technology Fee	15,948	4,196	0	20,144
Tax Maintenance	11,351	12,961	9,086	15,226
Capital Improvement	149,570	414,233	286,162	277,641
Civil Circuit Interest Payment	3,234	1,576	1,228	3,582
Juvenile Victim's Compensation	507	50	0	557
911	6,084	442,003	433,626	14,461
Health Center	479,224	970,856	889,597	560,483
Health Center Self Insurance Fund	0	39,553	19,646	19,907
Total	$ 1,048,770	5,118,976	4,668,999	1,498,747

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	30,640	1,521,952	1,492,488	60,104
Special Road and Bridge		195,432	1,583,168	1,556,431	222,169
Assessment		0	227,758	196,419	31,339
Law Enforcement Training		276	3,953	1,437	2,792
Prosecuting Attorney Training		13,021	1,061	1,150	12,932
Prosecuting Attorney Delinquent Tax		5,260	257	0	5,517
Prosecuting Attorney Administration		2,919	2,704	1,445	4,178
Recorder's User Fee		26,397	7,153	59	33,491
Sheriff's		11,816	91,326	96,547	6,595
Election Services		19,201	7,108	22,767	3,542
Domestic Violence		201	349	357	193
Recorder's Technology Fee		12,157	3,791	0	15,948
Tax Maintenance		15,905	11,539	16,093	11,351
Capital Improvement		0	340,870	191,300	149,570
Circuit Division Interest		2,885	34	2,919	0
Associate Circuit Division Interest		664	651	1,315	0
Civil Circuit Interest Payment *		0	3,606	372	3,234
Juvenile Victim's Compensation		1,558	0	1,051	507
911		40,599	535,466	569,981	6,084
Health Center		500,232	818,479	839,487	479,224
Total	$	879,163	5,161,225	4,991,618	1,048,770

The accompanying Notes to the Financial Statements are an integral part of this statement.

* The Circuit Division Interest and Associate Circuit Division Interest funds were combined into the Civil Circuit Interest Payment Fund in 2005.

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 4,482,138	4,663,564	181,426	4,642,365	4,816,064	173,699
DISBURSEMENTS	4,906,475	4,361,963	544,512	4,984,646	4,794,661	189,985
RECEIPTS OVER (UNDER) DISBURSEMENTS	(424,337)	301,601	(363,086)	(342,281)	21,403	(16,286)
CASH, JANUARY 1	884,124	895,459	11,335	874,047	874,056	9
CASH, DECEMBER 31	459,787	1,197,060	737,273	531,766	895,459	363,693
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	403,220	403,220	0	373,141	373,141	0
Sales taxes	677,011	677,011	0	652,161	652,161	0
Intergovernmental	53,556	53,556	0	60,353	60,353	0
Charges for services	214,283	214,295	12	217,107	217,107	0
Interest	9,873	9,873	0	3,191	3,191	0
Other	196,742	206,328	9,586	112,685	114,259	1,574
Transfers in	57,246	57,246	0	101,740	101,740	0
Total Receipts	1,611,931	1,621,529	9,598	1,520,378	1,521,952	1,574
DISBURSEMENTS						
County Commission	83,375	83,375	0	82,570	82,570	0
County Clerk	64,427	64,427	0	64,614	64,614	0
Elections	63,417	63,417	0	40,822	40,822	0
Buildings and grounds	63,967	63,967	0	50,180	50,180	0
Employee fringe benefit	178,376	178,376	0	188,009	188,009	0
County Treasurer	31,301	31,301	0	31,154	31,154	0
County Collector	69,395	69,395	0	64,885	64,885	0
Circuit Clerk	61,412	61,412	0	50,057	50,057	0
Associate Circuit (Probate)	0	0	0	9,524	9,524	0
Court administration	7,664	7,664	0	8,627	8,627	0
Public Administrator	41,377	41,377	0	41,194	41,194	0
Sheriff	619,702	619,702	0	517,694	517,694	0
Prosecuting Attorney	81,691	81,691	0	81,904	81,904	0
Juvenile Officer	33,015	33,015	0	28,044	28,044	0
County Coroner	15,265	15,265	0	13,728	13,728	0
Planning and Zoning	17,655	17,655	0	16,512	16,512	0
Other General Government	122,987	132,473	(9,486)	101,431	103,078	(1,647)
Audit expense	0	0	0	6,020	6,020	0
Transfers out	62,919	62,919	0	93,872	93,872	0
Emergency Fund	48,358	0	48,358	45,611	0	45,611
Total Disbursements	1,666,303	1,627,431	38,872	1,536,452	1,492,488	43,964
RECEIPTS OVER (UNDER) DISBURSEMENTS	(54,372)	(5,902)	48,470	(16,074)	29,464	45,538
CASH, JANUARY 1	60,104	60,104	0	30,640	30,640	0
CASH, DECEMBER 31	5,732	54,202	48,470	14,566	60,104	45,538

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	405,472	427,148	21,676	378,197	422,155	43,958
Sales taxes	130,000	135,391	5,391	133,333	130,421	(2,912)
Intergovernmental	647,535	568,437	(79,098)	933,932	956,720	22,788
Charges for services	65,000	74,716	9,716	55,000	60,868	5,868
Interest	10,000	20,776	10,776	4,500	9,799	5,299
Other	0	8,652	8,652	2,500	2,525	25
Transfers in	700	680	(20)	680	680	0
Total Receipts	1,258,707	1,235,800	(22,907)	1,508,142	1,583,168	75,026
DISBURSEMENTS						
Salaries	297,000	265,465	31,535	298,917	263,203	35,714
Employee fringe benefit	139,100	113,009	26,091	136,700	120,956	15,744
Supplies	203,700	199,629	4,071	172,200	179,621	(7,421)
Insurance	29,500	26,546	2,954	27,600	26,170	1,430
Road and bridge materials	378,000	236,071	141,929	429,000	329,451	99,549
Equipment repairs	32,000	24,687	7,313	32,000	27,608	4,392
Rentals	2,500	0	2,500	1,000	2,940	(1,940)
Equipment purchases	215,000	117,428	97,572	125,000	131,299	(6,299)
Construction, repair, and maintenance	102,000	34,638	67,362	377,000	390,109	(13,109)
Other	8,500	5,294	3,206	7,000	13,614	(6,614)
Transfers out	70,415	50,114	20,301	80,321	71,460	8,861
Total Disbursements	1,477,715	1,072,881	404,834	1,686,738	1,556,431	130,307
RECEIPTS OVER (UNDER) DISBURSEMENTS	(219,008)	162,919	381,927	(178,596)	26,737	205,333
CASH, JANUARY 1	222,169	222,169	0	195,432	195,432	0
CASH, DECEMBER 31	3,161	385,088	381,927	16,836	222,169	205,333
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	135,525	167,454	31,929	131,345	145,218	13,873
Charges for services	1,600	1,700	100	1,600	2,735	1,135
Interest	500	3,630	3,130	60	1,034	974
Other	1,800	6,567	4,767	2,000	14,271	12,271
Transfers in	62,000	62,000	0	62,000	64,500	2,500
Total Receipts	201,425	241,351	39,926	197,005	227,758	30,753
DISBURSEMENTS						
Assessor	220,965	201,592	19,373	197,005	196,419	586
Total Disbursements	220,965	201,592	19,373	197,005	196,419	586
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,540)	39,759	59,299	0	31,339	31,339
CASH, JANUARY 1	31,359	31,339	(20)	0	0	0
CASH, DECEMBER 31	11,819	71,098	59,279	0	31,339	31,339

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	3,900	3,693	(207)	4,000	3,823	(177)
Interest	45	132	87	9	44	35
Other	0	182	182	2,000	86	(1,914)
Total Receipts	3,945	4,007	62	6,009	3,953	(2,056)
DISBURSEMENTS						
Public Safety	6,009	5,090	919	6,009	1,437	4,572
Total Disbursements	6,009	5,090	919	6,009	1,437	4,572
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,064)	(1,083)	981	0	2,516	2,516
CASH, JANUARY 1	2,792	2,792	0	277	276	(1)
CASH, DECEMBER 31	728	1,709	981	277	2,792	2,515
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	609	641	32	598	680	82
Interest	381	658	277	133	381	248
Total Receipts	990	1,299	309	731	1,061	330
DISBURSEMENTS						
Tuition	2,000	1,249	751	12,000	1,150	10,850
Total Disbursements	2,000	1,249	751	12,000	1,150	10,850
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,010)	50	1,060	(11,269)	(89)	11,180
CASH, JANUARY 1	12,932	12,932	0	13,021	13,021	0
CASH, DECEMBER 31	11,922	12,982	1,060	1,752	12,932	11,180
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	105	1,160	1,055	10	101	91
Interest	160	299	139	54	156	102
Total Receipts	265	1,459	1,194	64	257	193
DISBURSEMENTS						
Other	500	0	500	500	0	500
Total Disbursements	500	0	500	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(235)	1,459	1,694	(436)	257	693
CASH, JANUARY 1	5,517	5,517	0	5,260	5,260	0
CASH, DECEMBER 31	5,282	6,976	1,694	4,824	5,517	693

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY ADMINISTRATION FUND						
RECEIPTS						
Charges for services	2,598	5,406	2,808	1,738	2,598	860
Interest	106	313	207	42	106	64
Total Receipts	2,704	5,719	3,015	1,780	2,704	924
DISBURSEMENTS						
Prosecuting Attorney	1,500	1,887	(387)	2,000	1,445	555
Total Disbursements	1,500	1,887	(387)	2,000	1,445	555
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,204	3,832	2,628	(220)	1,259	1,479
CASH, JANUARY 1	4,178	4,178	0	2,919	2,919	0
CASH, DECEMBER 31	5,382	8,010	2,628	2,699	4,178	1,479
RECORDER'S USER FEE FUND						
RECEIPTS						
Charges for services	6,400	6,482	82	5,200	6,284	1,084
Interest	875	1,773	898	150	869	719
Total Receipts	7,275	8,255	980	5,350	7,153	1,803
DISBURSEMENTS						
Recorder	31,000	4,143	26,857	31,000	59	30,941
Total Disbursements	31,000	4,143	26,857	31,000	59	30,941
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,725)	4,112	27,837	(25,650)	7,094	32,744
CASH, JANUARY 1	33,490	33,491	1	26,397	26,397	0
CASH, DECEMBER 31	9,765	37,603	27,838	747	33,491	32,744
SHERIFF'S FUND						
RECEIPTS						
Intergovernmental	9,077	4,833	(4,244)	70	38,220	38,150
Charges for services	18,514	21,364	2,850	18,000	18,514	514
Interest	335	360	25	100	335	235
Other	5,115	2,503	(2,612)	0	5,114	5,114
Transfers in	0	0	0	0	29,143	29,143
Total Receipts	33,041	29,060	(3,981)	18,170	91,326	73,156
DISBURSEMENTS						
Sheriff	38,261	31,840	6,421	18,170	67,404	(49,234)
Transfers out	0	0	0	0	29,143	(29,143)
Total Disbursements	38,261	31,840	6,421	18,170	96,547	(78,377)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,220)	(2,780)	2,440	0	(5,221)	(5,221)
CASH, JANUARY 1	6,595	6,595	0	11,816	11,816	0
CASH, DECEMBER 31	1,375	3,815	2,440	11,816	6,595	(5,221)

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	81,000	81,913	913	0	5,664	5,664
Charges for services	1,000	1,009	9	0	923	923
Interest	292	604	312	50	292	242
Transfers in	229	919	690	300	229	(71)
Total Receipts	82,521	84,445	1,924	350	7,108	6,758
DISBURSEMENTS						
Elections	85,000	83,101	1,899	4,000	22,767	(18,767)
Total Disbursements	85,000	83,101	1,899	4,000	22,767	(18,767)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,479)	1,344	3,823	(3,650)	(15,659)	(12,009)
CASH, JANUARY 1	3,542	3,542	0	19,201	19,201	0
CASH, DECEMBER 31	1,063	4,886	3,823	15,551	3,542	(12,009)
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	346	615	269	440	346	(94)
Interest	3	9	6	1	3	2
Total Receipts	349	624	275	441	349	(92)
DISBURSEMENTS						
Domestic Violence Shelte	357	440	(83)	441	357	84
Total Disbursements	357	440	(83)	441	357	84
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8)	184	192	0	(8)	(8)
CASH, JANUARY 1	193	193	0	201	201	0
CASH, DECEMBER 31	185	377	192	201	193	(8)
RECORDER'S TECHNOLOGY FUND						
RECEIPTS						
Charges for services	3,500	3,298	(202)	3,500	3,384	(116)
Interest	500	898	398	75	407	332
Total Receipts	4,000	4,196	196	3,575	3,791	216
DISBURSEMENTS						
Recorder	15,500	0	15,500	15,500	0	15,500
Total Disbursements	15,500	0	15,500	15,500	0	15,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,500)	4,196	15,696	(11,925)	3,791	15,716
CASH, JANUARY 1	15,948	15,948	0	12,157	12,157	0
CASH, DECEMBER 31	4,448	20,144	15,696	232	15,948	15,716

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	0	12,961	12,961	10,000	11,539	1,539
Total Receipts	0	12,961	12,961	10,000	11,539	1,539
DISBURSEMENTS						
County Collector	19,000	9,086	9,914	21,000	16,093	4,907
Total Disbursements	19,000	9,086	9,914	21,000	16,093	4,907
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,000)	3,875	22,875	(11,000)	(4,554)	6,446
CASH, JANUARY 1	0	11,351	11,351	15,905	15,905	0
CASH, DECEMBER 31	(19,000)	15,226	34,226	4,905	11,351	6,446
911 Fund						
RECEIPTS						
Sales taxes	397,000	405,964	8,964	397,000	391,783	(5,217)
Intergovernmental	0	0	0	0	54,000	54,000
Charges for services	9,240	9,240	0	9,240	9,240	0
Interest	45	43	(2)	45	50	5
Loan proceeds	0	25,000	25,000	0	78,000	78,000
Other	26,000	1,756	(24,244)	134,550	2,393	(132,157)
Total Receipts	432,285	442,003	9,718	540,835	535,466	(5,369)
DISBURSEMENTS						
Salaries and Benefits	334,400	328,912	5,488	330,100	331,330	(1,230)
Office expenses	15,133	16,016	(883)	28,715	15,312	13,403
Equipment	26,927	29,411	(2,484)	119,001	119,663	(662)
Network	15,000	16,370	(1,370)	12,150	12,156	(6)
Loan repayment	0	25,306	(25,306)	0	78,594	(78,594)
Other	41,155	17,611	23,544	91,460	12,926	78,534
Total Disbursements	432,615	433,626	(1,011)	581,426	569,981	11,445
RECEIPTS OVER (UNDER) DISBURSEMENTS	(330)	8,377	8,707	(40,591)	(34,515)	6,076
CASH, JANUARY 1	6,081	6,084	3	40,591	40,599	8
CASH, DECEMBER 31	5,751	14,461	8,710	0	6,084	6,084

Exhibit B

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	155,000	155,140	140	140,000	153,489	13,489
Intergovernmental	223,400	226,222	2,822	246,735	211,429	(35,306)
Charges for services	431,800	507,012	75,212	419,800	416,147	(3,653)
Interest	15,000	19,841	4,841	10,000	15,559	5,559
Other	17,500	62,641	45,141	13,000	21,855	8,855
Total Receipts	842,700	970,856	128,156	829,535	818,479	(11,056)
DISBURSEMENTS						
Salaries	500,000	492,917	7,083	503,000	483,906	19,094
Fringe benefits	138,250	127,865	10,385	131,205	123,288	7,917
Office expenses	70,500	60,616	9,884	77,500	76,035	1,465
Equipment	30,000	33,142	(3,142)	6,000	3,405	2,595
Mileage and training	44,000	40,457	3,543	38,500	39,439	(939)
Program expenses	103,000	109,804	(6,804)	92,200	89,474	2,726
Building expenses	24,000	24,796	(796)	24,000	23,940	60
Total Disbursements	909,750	889,597	20,153	872,405	839,487	32,918
RECEIPTS OVER (UNDER) DISBURSEMENTS	(67,050)	81,259	148,309	(42,870)	(21,008)	21,862
CASH, JANUARY 1	479,224	479,224	0	500,230	500,232	2
CASH, DECEMBER 31	412,174	560,483	148,309	457,360	479,224	21,864

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Capital Improvement Fund	2006 and 2005
Juvenile Victim's Compensation Fund	2006 and 2005
Circuit Division Interest Fund	2005
Associate Circuit Division Interest Fund	2005
Civil Circuit Interest Payment Fund	2006 and 2005
Health Center Self Insurance Fund	2006

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Sheriff's Fund	2005
Election Services Fund	2005
Prosecuting Attorney Administration Fund	2006
Domestic Violence Fund	2006
911 Fund	2006

A deficit budget balance is presented for the Tax Maintenance Fund for the year ended December 31, 2006. The budget of that fund did not include receipts and beginning balances available to finance current or future year disbursements. Such resources if presented would have been sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Capital Improvement Fund	2006 and 2005
Tax Maintenance Fund	2006 and 2005
Health Center Fund	2006 and 2005
Juvenile Victim's Compensation Fund	2006 and 2005
Health Center Self Insurance Fund	2006
Circuit Division Interest Fund	2005
Associate Circuit Division Interest Fund	2005
Civil Circuit Interest Payment Fund	2006 and 2005

In addition, the 911 Board published its financial statements separately from the county's statements. However, these financial statements did not disclose disbursement detail by vendor for the years ended December 31, 2006 and 2005.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Ralls County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, Health Center Board's and the 911 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

Fund	Balance
Juvenile Victim's Compensation Fund	$ 1,558
911 Fund	40,599

Supplementary Schedule

Schedule

RALLS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state Department of Health and Senior Services			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-3156W	17,770	12,894
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state Department of Public Safety			
16.592	Local Law Enforcement Block Grants Program	2004-LBG-069	0	6,525
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2005-LBGJ-081	4,833	0
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO - B087 (15)	0	353,587
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	135	20
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payments	EAE2 & ESC2	80,258	22,012
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-3156T	1,500	1,000
93.268	Immunization Grants	PGA064-3187A	2,975	1,227
		N/A	39,223	17,068
			42,198	18,295
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	N/A	3,500	3,500
		DH020097001	3,896	6,600
	National Cancer	N/A	42,677	24,324
			50,073	34,424

Schedule

RALLS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	352	317
	Department of Health and Senior Services-			
93.575	Child Care and Development Block Gran	PGA067-3156C	1,939	1,305
		PGA067-3156S	480	480
			2,419	1,785
	Department of Social Services			
93.778	Medical Assistance Progran	N/A	12,700	15,030
93.917	HIV Care Formula Grants	DH020088001	12,930	8,950
93.994	Maternal and Child Health Services Block Gran to the States	ERS146-3156M	21,507	15,799
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2003-MU-TU-0003	0	54,000
		2003-MU-TU-0003	0	29,143
		FY2004-4414	0	9,571
		2004-ODP	0	300
			0	93,014
	Total Expenditures of Federal Awards		$ 246,675	583,652

* These expenditures include awards made under CFDA 39.011

N/A - Not applicable

The accompanying notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

RALLS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ralls County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ralls County, Missouri

Compliance

We have audited the compliance of Ralls County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ralls County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

The management of Ralls County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Ralls County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

June 21, 2007

Schedule

RALLS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	___x___ no
• Significant deficiency identified that is not considered to be a material weakness?	___x___ yes	_____ none reported
Noncompliance material to the financial statements noted?	___x___ yes	_____ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	___x___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___x___ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	___x___ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction
90.401	Help America Vote Act Requirements Payments

Dollar threshold used to distinguish between Type A

and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1. Budgetary Procedures and Published Financial Statements

Budgets were not prepared for several county funds, and actual disbursements exceeded budgeted amounts for several funds. In addition the General Revenue Fund budget was not amended in a timely manner. Furthermore, published financial statements are in need of improvement.

A. Budgetary procedures need improvement. The following problems regarding budgets were noted:

1. The County Commission and various elected officials did not ensure that budgets were prepared for several county funds. Receipts of approximately $455,000 and $345,000 and disbursements of approximately $307,000 and $197,000 were not budgeted for the years 2006 and 2005, respectively. In 2006, these amounts represent more than six percent of the county's actual receipts and disbursements.

   The lack of budgetary information for these funds, especially the Capital Improvement Fund, represents a significant omission from the county's financial statements. Although the County Treasurer held the Capital Improvement Fund, the county did not prepare budgets for this significant fund. The Capital Improvement Fund was started in 2005 to handle the Capital Improvement Sales Tax revenues received to pay for the renovations to the courthouse. The County Clerk said he did not realize a budget was necessary for this fund.

   The Juvenile Victim's Compensation Fund was not budgeted. Actual 2005 revenues and expenditures and budgeted revenues were not included in the 2006 budget for the Tax Maintenance Fund. In addition, the Health Center Self Insurance Fund, a new fund added in 2006 to pay for employee insurance costs, was not budgeted for 2006. These three funds were held by other officials and the County Clerk did not obtain adequate budgets for these funds.

   The county has not complied with statutory provisions and cannot effectively

monitor disbursements or fund balances without a comprehensive budget document.

Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. By preparing or obtaining budgets for all county funds, the County Commission and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

2. Actual disbursements exceeded budgeted amounts for several funds, as follows:

	Year Ended December 31,	
Fund	2006	2005
Sheriff's	$ N/A	78,377
Election Services	N/A	18,767
Prosecuting Attorney Admin.	387	N/A
Domestic Violence	83	N/A

Although the County Commission receives budget to actual comparison reports quarterly, the commission and other county officials do not ensure expenditures remain within the budget.

In addition, the County Commission did not file budget amendments for the General Revenue Fund in a timely manner. For most expenditure categories, there were no variances between the revised budget and the actual amounts, however this is due to the County Commission amending the budget after expenditures were made. The General Revenue Fund budget was amended and filed with the State Auditor's office on December 28, 2006 and December 29, 2005, after the budgets had already been overspent.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

B. The county's annual published financial statements did not include financial information for several county funds. Receipts of approximately $1,440,000 and $1,175,000, and disbursements of $1,200,000 and $1,048,000 were omitted from the 2006 and 2005 annual published financial statements, respectively. The significant unpublished funds were the Capital Improvement Fund and the Health Center Fund.

The county's published financial statements also did not include the bonded debt of the county. At December 31, 2006, the principal and interest balance of the county's bonded debt was $2.1 million.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

Conditions similar to A and B were also noted in our prior report.

WE RECOMMEND the County Commission:

A.1. The Health Center Board and other county officials ensure budgets are prepared for all county funds.

2. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office in a timely manner.

B. And the Health Center Board ensure all required information is presented in the county's annual published financial statements.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and the County Clerk provided the following responses:

A.1. We will budget the Capital Improvement Fund for 2008.

2. We will try to comply with this recommendation.

B. We will try to comply with this recommendation when publishing the 2007 financial statements.

The Health Center Administrator provided the following responses:

A.1. We will budget the Health Center Self Insurance Fund for 2008.

B. We will publish the Health Center financial statements for 2007.

The Circuit Clerk provided the following response:

A.1. I prepared financial statements and submitted them to the County Commission, but I was not aware I needed to submit a budget. I will submit budgets for the Juvenile Victim's Compensation Fund and the Civil Circuit Interest Payment Fund for 2008.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RALLS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ralls County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2004.

04-1. County Budgets

Actual expenditures exceeded budgeted expenditures of various funds by approximately $114,000 and $2,000 during the years ended December 31, 2004 and 2003 respectively.

Recommendation:

The County Commission ensure that disbursements are not authorized in excess of budgeted expenditures by reviewing the budgetary status reports before authorizing disbursements. The County officeholders should also review the budgetary status reports for their office to alleviate spending in excess of their budget. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved.

Status:

Not implemented. See finding number 06-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RALLS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

04-2. Schedule of Expenditure of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-087(15) BRO-087(14) COE-087(5) COE-087(4)
Award Years:	2004 and 2003
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	93.283
Program Title:	Center for Disease Control and Prevention Investigations and Technical Assistance
Pass-Through Entity Identifying Numbers:	DH040022024 DH030096001 DH05011003 DH040021010 DH03057001
Award Years:	2004 and 2003
Questioned Costs:	Not Applicable

The county prepared a schedule of expenditures of federal awards (SEFA) for each year of the period covered by the auditee's financial statements, however, the information shown on these schedules was not accurate.

Recommendation:

The County Clerk should prepare a complete and accurate schedule of federal expenditures annually. The County Clerk's office should consult with the grantor agencies to determine if funds are considered to be federal monies, so no federal programs are omitted from the schedule. The amounts reported should be reconciled with the County's general ledger.

Status:

Partially implemented. The County Clerk appears to have made improvements in this area. However, federal expenditures were understated by $62,820 in 2005 of which $54,000 relates to a Homeland Security grant received by the 911 Board and were understated by $10,025 in 2006, which appears to be primarily due to $12,700 for the Medical Assistance Program being omitted from the Health Center's SEFA. Although not repeated in the current report, the recommendation remains as stated above.

04-3. Cash Management

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-087(15) BRO-087(14) COE-087(5) COE-087(4)
Award Years:	2004 and 2003
Questioned Costs:	Not Applicable

The County did not always pay for the costs prior to requesting reimbursements and in several instances did not pay the vendor for several months after receiving the money.

Recommendation:

The County Clerk should make sure that all bills are paid prior to submitting the requests for reimbursement. If the contractor's invoices are confusing, the County Clerk should call the contractor or engineering company immediately to obtain the necessary clarification.

Status:

Implemented. The county has developed cash management procedures to ensure payment is made to the contractor/consultant within two business days of receipt of funds.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RALLS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Ralls County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 21, 2007. We also have audited the compliance of Ralls County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 21, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Ralls County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed

in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Ralls County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Property Tax System

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the current and back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements or adequately review property tax additions and abatements.

A. The County Clerk does not prepare or document verification of the accuracy of the current or delinquent tax books. The County Collector enters the tax rates which are obtained from the County Clerk, and extends and prints the current tax books. The County Collector also prepares the back tax books. According to the County Collector, she randomly tests the accuracy of several tax statements, but does not document this procedure. The County Clerk also stated he randomly tests the accuracy of the tax books, but does not document this procedure either. Further, the County Clerk does not perform tests to verify the totals of the current and back tax books.

   Because the Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

   Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Controls over property tax additions and abatements are not adequate. The County Assessor makes changes to the property tax system for personal property tax additions and abatements and real estate tax additions and abatements. The County Collector prints out the personal property and real estate property tax additions and abatements in total at the end of the year for the County Commission to review. The County Collector indicated this was due to not wanting citizens to have to wait for the commission's approval when they came in to pay their taxes. The County Clerk has no involvement in the process. No independent and

subsequent review of the actual changes made to the property tax system as compared to approved change requests is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

C. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

Conditions similar to A, B, and C were also noted in our prior audit report.

WE AGAIN RECOMMEND:

A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

B. The county develop procedures to ensure any changes to the property tax system are properly approved and monitored.

C. The County Clerk establish and maintain an account book with the County Collector. The County Commission should use this account book to verify the County Collector's annual

settlements.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

A. The County Clerk will document his review of the tax books.

B. At the end of each month, the Collector now provides the County Clerk's office with a list of additions and abatements. This list is approved by the County Commission. The Deputy County Clerk is tracking the additions and abatements each month and agreeing her spreadsheet to the Collector's records at the end of the year.

C. The County Clerk's office will use the monthly lists of additions and abatements and the Collector's monthly settlements to verify the Collector's annual settlements.

2. Payroll Records and Procedures

Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk. The county's policy regarding work hours is not being followed.

During the two years ended December 31, 2006, Ralls County expended over $1,800,000 for payroll costs. The County Commission is responsible for approving payroll related expenditures, and the County Clerk is responsible for maintaining adequate records to support these expenditures.

A. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk. Supervisors and officials informally track their employees' accumulated leave balances. However, these records are not provided to the County Clerk's office for monitoring of the liability.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

B. The county has a formal policy establishing employee work hours. The work hours are from 8:00 a.m. to 4:30 p.m., however, timesheets reflect that most employees work 8:30 a.m. to 4:00 p.m. with an hour for lunch but are paid for 8 hours each day. Some Assessor's office employees are receiving compensatory time for starting to work at 8:00 a.m., when they are already being paid for a forty hour week. This is not in accordance with the county's personnel manual. The County Commission should review its current policy and practices and revise the policy if necessary. In

addition, the County Commission should ensure that employees are paid for actual hours worked and that timesheets accurately reflect the hours worked.

WE RECOMMEND the County Commission:

A. Require centralized payroll records be maintained by the County Clerk's office.

B. Ensure county employees are paid for actual hours worked based on county policies. Ensure timesheets accurately reflect hours worked.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

A. The County Commission will send a memo to each official requiring timesheets to include the beginning balance, time used and earned and ending balance for annual, sick leave, and compensatory time. The County Clerk will keep track of the balances and the County Commission will review.

B. We will discuss this and ensure employees are paid for actual hours worked.

3. County Property Records and Procedures

Procedures to account for county property are not sufficient and county property records are not complete.

The county has no procedure to identify property purchases throughout the year. An overall county property record was not updated in 2005 and was not complete and accurate in 2006. In addition, tags identifying property items as county property are not being assigned and affixed to all items and the age and value of assets is not included on the record. The County Clerk sends a letter to each official in September asking them to perform and submit annual physical inventory reports and explanations of significant changes to the County Clerk's office. These reports are used to update the overall county property record. However, the county does not have a procedure to track property purchases throughout the year and compare to inventory reports submitted by the various departments. We noted a plat cabinet

located in the Recorder's office and some mobile radios purchased for the Sheriff's Department that were not included on the listing.

Because property purchases are not tracked throughout the year, the benefit of periodic reporting by the various other county departments is diminished, and the possibility of theft occurring without detection is increased. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage.

Adequate property records and monitoring procedures by the county are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internals controls over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

WE RECOMMEND the County Commission implement a procedure for tagging and tracking new property items throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

We have started procedures to track property purchases made during the year.

4. Sheriff's Accounting Controls and Procedures

Sheriff procedures related to accounting duties, contracts, vehicle logs, and accounting for conceal and carry weapon receipts are in need of improvement.

The Sheriff processes approximately $37,000 annually in civil and criminal case fees, gun permits, conceal and carry weapons, trailer inspections, and bonds.

A. Accounting duties have not been adequately segregated in the Sheriff's Department. The Sheriff's bookkeeper collects monies, records transactions, prepares deposits, and prepares bank reconciliations. The Sheriff reviews and initials the bank reconciliations and bank statements once the bank reconciliation is completed by his bookkeeper. According to the Sheriff, he ensures the bank reconciliation is completed, but he does not review the receipts and checks.

   Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the receipt and disbursement records should be performed and documented.

   A similar condition was noted in our prior audit report.

B. The county did not always enter into contracts when appropriate. The Sheriff's office boards county prisoners at other political subdivisions and paid approximately $262,800 and $188,200 to board prisoners during the years ended December 31, 2006 and 2005, respectively. The county is charged between $37.50 and $42 per day

depending on the political subdivision boarding the prisoners. The county does not have written contracts with any of the political subdivisions.

The County Commission and Sheriff should develop written contracts with those entities regarding inmate boarding and related fees.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

C. Vehicle usage logs and maintenance logs are not being kept for some Sheriff's vehicles.

The Sheriff's department spent $54,770 and $49,948 in 2006 and 2005 respectively on patrol car expenses. The Sheriff, five full-time deputies, and three part-time deputies have assigned vehicles they may drive home. There are two other vehicles that are kept in a pool for transport of prisoners and for checkout if another vehicle is being worked on. The assigned vehicles have maintenance and gas purchase logs in them and the Sheriff will periodically compare them to the gas bills. However, the assigned vehicles do not have usage logs in them. While two pool vehicles have usage logs in them which can be verified by dispatch, maintenance logs are not maintained for these vehicles.

Vehicle logs should include the employee, dates used, beginning and ending odometer readings, destination, purpose, fuel and maintenance. These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and to evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

D. The Sheriff's conceal and carry permit fees are not deposited into a separate interest-bearing fund known as the County Sheriff's Revolving Fund. The Sheriff's Department received approximately $3,800 and $2,200 for conceal and carry permits during the years ended December 31, 2006 and 2005, respectively. These fees were deposited into the Sheriff's Fund along with civil fees.

Section 50.535, RSMo, requires the conceal and carry permit fees to be deposited into a separate interest-bearing fund known as the County Sheriff's Revolving Fund. While the county does not feel the receipts in this fund are large enough to warrant a separate fund, the conceal and carry permit fees should be accounted for separately to ensure monies are spent according to statute.

WE RECOMMEND the Sheriff:

A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews of receipts and checks are performed and documented.

B. And County Commission enter into written contracts as required by law.

C. Prepare vehicle logs for each vehicle that indicate the date, odometer readings, destination, and purpose of trips, and maintenance and cost data to ensure vehicles are used for official purposes only and maintenance costs are reasonable.

D. Ensure conceal and carry permit fees are deposited into the County Sheriff's Revolving Fund in accordance with Section 50.535, RSMo or ensure funds are accounted for separately.

AUDITEE'S RESPONSE

The current Sheriff provided the following responses:

A. Upon receipt of the bank statement, I will ensure all receipt slips are included in bank deposits.

B. We will look into this.

C. We will try to develop a log to include this data.

D. We will work with the County Treasurer to determine the best way to account for these fees.

The County Commission provided the following response:

B. We will enter into agreements with these counties for 2008.

5. Circuit, Associate, and Probate Court's Controls and Procedures

Accounting duties have not been adequately segregated and the Circuit Clerk does not perform bank reconciliations in a timely manner. In addition, the court does not have adequate procedures to ensure the county is reimbursed for state board bills or to follow up on checks outstanding for over one year. Also, checks and money orders are not restrictively endorsed upon receipt.

The Circuit, Associate, & Probate Courts collect all monies related to civil and criminal cases as well as garnishments for restitution. The Circuit, Associate and Probate Courts were separate offices until September 2005, when they went onto the Justice Information System (JIS), and were combined into one office with one checking account. During 2005

and 2006, the courts received approximately $490,255 and $555,115, respectively.

A. Accounting duties have not been adequately segregated in the court. One deputy clerk collects monies, records transactions, approves daily cashier sessions, and prepares daily deposits. While the Circuit Clerk indicated that she prepared bank reconciliations, as of January 2007, none had been performed for the JIS account since December 2005. At our request, the Circuit Clerk prepared bank reconciliations for each month of 2006.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, to allow old outstanding checks to be resolved more timely and to provide supervisory review when accounting duties are not segregated.

B. Adequate procedures have not been established to ensure the county is reimbursed for state board bills. Section 221.105, RSMo allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Circuit Clerk does not prepare state board bill reimbursement requests in a timely manner and does not maintain records indicating which cases are eligible for reimbursement by the state. During 2003, 2004, 2005, and 2006, the Circuit Clerk collected approximately $15,750, $10,975, $25,205, and $59,846, respectively. The Circuit Clerk indicated there were additional costs which could have been claimed for reimbursement prior to the conversion to JIS in September 2005, but these reimbursements were lost because the filing period had expired for these amounts. We noted one case in early 2005 where the Circuit Clerk missed filing for reimbursement for $1,840. The statute of limitations is now up on this case. The Circuit Clerk indicated she does not know how many cases were missed, but that since JIS was implemented in September 2005, requests for reimbursements from the state are now being issued at the time the eligible case is disposed of because it is now easier to track eligible cases.

To ensure that revenues are maximized, the Circuit Clerk should implement procedures to track all reimbursable board of prisoner costs and submit timely reimbursement claims to the state.

C. At the time of our review, the Circuit Clerk's office had approximately $300 in outstanding checks from the old circuit account that had been held for over a year. These old outstanding checks create additional and unnecessary record-keeping responsibilities and are preventing the account from being closed. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks.

D. Checks and money orders are not restrictively endorsed upon receipt. During our cash count performed on January 16, 2007, we noted checks which were not

endorsed. In addition, not all of these checks and money orders were recorded on the day of receipt.

To adequately safeguard monies and reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis.

WE RECOMMEND the Circuit Clerk:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented. In addition, bank reconciliations should be prepared on a monthly basis for each account.

B. Establish and implement procedures to track reimbursable board of prisoner costs and submit applicable reimbursement claims to the state in a timely manner.

C. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, the clerk should develop procedures to periodically follow up on outstanding checks so the checks can be disbursed in a timely manner.

D. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. Bank reconciliations are now being performed monthly. During this process, receipts recorded on the daily cashier session are compared to bank deposits.

B. We have implemented procedures to track reimbursable costs. They are now being submitted to the state at the time of disposition.

C. We are in the process of turning these old checks over to the Unclaimed Property Section after reasonable efforts to locate the payees.

D. We have started endorsing checks upon receipt.

6. Recorder of Deeds' Accounting Controls and Procedures

The Recorder of Deeds processes approximately $113,000 annually in land applications, marriage licenses, tax liens, surveys, Uniform Commercial Code filings, and copies. Receipt slips are not always issued for copies and certified copies of marriage licenses. Manual receipt slips are issued only if the payor asks for one and the numerical sequence of manual receipt slips is not accounted for. In addition, monies received for copies and

certified copies of marriage licenses are held to make change and deposited at the end of the month. Also, checks and money orders are not endorsed immediately upon receipt.

Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the Recorder cannot ensure all monies collected are ultimately recorded and deposited. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt. Deposits should be more frequent if significant amounts of cash are collected.

WE RECOMMEND the Recorder of Deeds issue receipt slips for all monies received and ensure the numerical sequence of receipt slips is accounted for by an independent person, deposit all monies intact on a timely basis, restrictively endorse checks and money orders immediately upon receipt, and if a change fund is needed, maintain it on an imprest basis.

AUDITEE'S RESPONSE

The Recorder provided the following response:

We are now issuing manual receipt slips for all monies received. All monies received are deposited intact daily. A change fund has been established.

7. 911 Board's Accounting Controls and Procedures

In 2001 the voters of Ralls County passed a sales tax for the purpose of providing 911 services to the county. These services are governed by a five member board. The board employs a Director to prepare budgets, maintain accounting records and supervise the day-to-day activities of the 911 system. Receipts include the loan proceeds, sales tax revenues, and fees collected for map sales and rural addressing as well as trainings provided to other 911 entities. Receipts of the 911 Fund for 2006 and 2005 totaled $442,003 and $535,466 respectively. Minimal board oversight, as well as inadequate controls and procedures of the 911 system have caused concerns and deficiencies that need correcting.

Budgetary procedures need improvement. The published financial statement did not include the level of detail required by state law. Procedures related to board meeting minutes were not adequate and did not always comply with the law. General capital asset records and procedures need improvement. Receipts are not always deposited intact, receipt slips are not issued for all monies received, and the numerical sequence of receipt slips is not accounted for. Review procedures over board expenditures are in need of improvement. The financial condition of the 911 Fund is weak.

A. Budgetary procedures need improvement. In addition, published financial statements did not include the level of detail required by state law.

   1. The 911 Board overspent the amount budgeted in 2006 by $1,011, even

though a budget amendment had occurred during the year. 911 Board members receive budget to actual comparison reports approximately quarterly. However, there were no notations on the report copies or evidence in the board meeting minutes of discussion regarding the budget status.

Case law provides that strict compliance with budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

2. Although formal budgets were adopted as required by law, the budget for 2007 did not include the two previous years' actual revenues and expenditures and the budget for 2006 did not include the 2004 actual revenues and expenditures. For 2006, the amounts shown on Exhibit B were obtained from the 911 Board's receipts and disbursements ledgers.

   Section 50.590, RSMo, requires budgets to include the figures for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year.

3. The 911 Board's published financial statement did not disclose disbursement detail by person or vendor as required by Section 50.800 RSMo. To adequately inform the citizens of the 911 Board's financial activities and show compliance with statutory requirements, all monies received and disbursed should be presented in the level of detail required by law.

B. The 911 Board minutes do not always include sufficient detail of matters discussed. Minutes of closed meetings held by the 911 Board are not documented. In addition, board minutes are not signed by a board member to attest to their completeness and accuracy.

1. Information provided in board meeting minutes was generally limited. For example, the February 27, 2007 meeting minutes recorded that a motion passed to apply for two separate grants; however, the minutes did not include information about the scope of the grants. Also, the July 18, 2006 meeting minutes recorded that a motion was passed to implement a Paid Time Off (PTO) policy, however, details of the conversion process were not documented in the meeting minutes. The January 9, 2007 meeting minutes indicate discussion was held regarding how many PTO hours would be

credited to each employee's time off bank and recorded a motion passed to clarify this issue.

2. Closed meeting minutes are not taken. The 911 Board held numerous closed sessions over the past several years. Open session minutes indicate that the meeting is being closed as well as the reason and the vote to close the meeting; however, minutes of the closed session are not documented. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance that various statutory provisions are being followed.

3. 911 board minutes are not signed by the preparer or a board member to attest to their completeness and accuracy.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission. In addition, minutes should be signed by the preparer and a board member to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

C. General capital asset records of the 911 Board did not always include the necessary information for some assets such as acquisition date, cost, identification number, and the date and method of disposal. In addition, information included on the capital asset listing was not always accurate. A printer purchased in March 2006 for $400 was entered into the capital asset records as having been purchased in February 2006 for $300.

Adequate property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets.

D.1. Receipts are not deposited intact on a timely basis. Checks received are normally deposited the same day they are received; however, cash receipts are held to make change and deposited less often. The amount of cash held does not remain constant. To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be deposited intact on a timely basis. Because some of the fees increased during 2007, this is even more important. If a change fund is needed, it

should be established and maintained at a constant amount.

2. Prenumbered receipt slips are not being issued for some monies received. According to 911 procedures, receipt slips are to be issued for all cash receipts received; however, we noted instances where this did not occur. Also, the numerical sequence of receipt slips is not accounted for. Because receipt slips are not issued for some monies received, the composition of receipt slips cannot be reconciled to the composition of deposits. Without issuing and accounting for prenumbered receipt slips for all monies collected, the 911 Board cannot ensure all monies collected are ultimately recorded and deposited.

E. The 911 Board made expenditures of $433,600 and $570,000 in the years ended 2006 and 2005 respectively. We noted the following problems relating to 911 Board expenditures.

1. The 911 Director periodically requests reimbursement from the board to replenish the petty cash fund; however, purchase receipts or other supporting documentation are not submitted to support or document the amount being requested to replenish the fund.

   Without adequate supporting documentation, the board cannot evaluate the necessity and reasonableness of petty cash expenditures. Petty cash invoices should be retained to support expenditures and submitted with the request for replenishment of petty cash.

2. Review procedures over 911 expenditures are in need of improvement. Controls were not adequate resulting in some questionable expenditures and documentation was not retained for some expenditures. The Board Treasurer signs authorization forms for expenditures during the month, however, the other board members do not review expenditures prior to payment. At each board meeting, members receive a treasurer's report that lists the checks written, the payee, and amounts paid since the last board meeting.

   - In February 2005, the 911 Director was reimbursed for mileage expenses incurred in excess of the board's mileage reimbursement policy and the director approved her own request for reimbursement.

   - Meals charged to an agency credit card while attending training conferences were in excess of the board's meal reimbursement policy (which, at the time of this expenditure allowed a reimbursement of $10 each for lunch and dinner per day). On one occasion, the board's credit card was charged approximately $84 for one meal for three individuals.

- Supporting documentation was not included for some items charged to the board's credit card and in one instance a handwritten note was submitted as documentation for request of payment for meals provided by the 911 Director for training.

To ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments to vendors to allow the 911 Board a basis for determining whether the amount paid was reasonable and followed agency policies.

F. The cash balance of the 911 Fund has declined from $40,599 at December 31, 2004 to $14,461 as of December 31, 2006. In order to meet cash flow needs, the 911 Board obtained operating loans of $25,000 and $24,000 during the years ended December 31, 2006 and 2005, respectively. In addition, the 911 Board has entered into a lease-to-own agreement to purchase a new 911 facility where beginning in 2008 the board will be responsible for a payment of $30,000 a year for the next 30 years.

The 911 Board should address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed and contracts closely monitored.

The financial condition of the 911 Fund along with the control and procedural weaknesses noted above indicate a need for increased board oversight and review.

WE RECOMMEND the 911 Board:

A.1. Keep expenditures within budgetary limits and amend budgets when needed.

2. Report actual revenues and expenditures of the two previous years on the budgets, as required by state law.

3. Ensure all required information is presented in the annual published financial statements.

B.1. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.

2. Ensure minutes are taken for all closed sessions.

3. Ensure that minutes are signed by the preparer and by a board member to attest to their completeness and accuracy.

C. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition.

D.1. Deposit all monies intact on a timely basis, and if a change fund is needed, maintain it on an imprest basis.

2. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, ensure the composition of receipt slips is reconciled to deposits.

E.1. Ensure invoices are maintained for all petty cash disbursements and submitted with the request for replenishment as supporting documentation.

2. Require adequate supporting documentation prior to approving expenditures for payment.

F. Closely monitor the financial condition of the 911 Fund and take the necessary steps to improve the financial condition.

AUDITEE'S RESPONSE

The 911 Board and the 911 Director provided the following responses:

A.1. We will amend the budget as needed and will not overspend the budget.

2. We will report actual revenues and expenditures on the 2008 budget as required by law.

3. We will ensure all required information is presented when the 2007 financial statements are published.

B.1. Additional information is provided in the director's report and correspondence files and is available to the public. In the future, these items will be filed together.

2. Due to the lack of secure facilities, closed meeting minutes were not kept. They will be kept now that we have access to a secure facility.

3. Minutes were read and approved at the following meeting. Minutes will be signed in the future.

C&D. These recommendations have been implemented.

E.1. This recommendation will be implemented.

2. Some of these expenditures were reimbursed by a different agency. In the future, this agency will reimburse the 911 Director directly. We will obtain copies to ensure there is supporting documentation for expenditures charged to the board's credit card.

F. The board will continue to monitor the financial condition of the 911 Fund. The $24,000 loan in 2005 was to purchase equipment to be reimbursed by a grant. The operating loans in 2006 and 2007 were only for a few days and were not needed (just precautionary).

Follow-Up on Prior Audit Findings

RALLS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ralls County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices and Published Financial Statements

A. Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001.

B. Disbursements exceeded budget amounts in various funds during the years ended December 31, 2002 and 2001.

C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

Recommendation:

The County Commission:

A. Ensure a budget is prepared or obtained for all county funds.

B. And the Associate Division not authorize disbursements in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.

C. And the County Clerk and the Health Center Board ensure the financial information for all county funds is properly reported in the annual published financial statements.

Status:

A-C. Not implemented. See finding number 06-1.

2. Controls Over County Expenditures

Bids were not always solicited or advertised by the county, nor was bid documentation always retained by the County Clerk for various purchases.

Recommendation:

The County Commission solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.

Status:

Implemented.

3. Special Road and Bridge Fund Administrative Service Fee

Budgeted expenditures, upon which the county calculated the transfer amount, exceeded actual expenditures of the Special Road and Bridge Fund during the years ended 2002, 2000, and 1999. In addition, during 2002, 2001, and 2000, the county transferred an additional $10,000 per year from the Special Road and Bridge Fund to the General Revenue Fund to reimburse the General Revenue Fund for one-half of a Deputy County Clerk's salary. As a result, the county transferred $46,046 in excess of 3 percent of actual expenditures. At December 31, 1998, $52,667 was due from the General Revenue Fund to the Special Road and Bridge Fund for prior accumulated excess administrative transfers. This amount was not repaid and at December 31, 2002, $98,713 in excess administrative transfers is due from the General Revenue Fund to the Special Road and Bridge Fund.

Recommendation:

The County Commission base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of $98,713 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

Status:

Partially implemented. The county has reduced the amount due from the General Revenue Fund to the Special Road and Bridge Fund by approximately $20,000. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Property Tax Reduction Due to Sales Tax

The county did not sufficiently reduce its general revenue property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by Ralls County voters under the provisions of Section 67.505, RSMo.

Recommendation:

The County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Status:

Implemented. The county has reduced its levy and at December 31, 2006 has actually rolled back approximately $13,000 more than necessary.

5. Property Tax Controls and Procedures

A. The County Clerk did not prepare or verify the current or back tax books.

B. The County Clerk did not maintain an account book with the County Collector.

C. Controls over property tax book additions and abatements were not adequate.

Recommendation:

A. The County Clerk prepare the current and back tax books in accordance with state law.

B. The County Clerk establish and maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

C. The County Commission establish procedures requiring the tax books only be changed by the County Clerk under order of the County Commission.

Status:

A-C. Not implemented. See MAR finding number 1.

6. Personnel Policies and Procedures

A. There was no evidence deputies who handled monies were covered by an employee bond.

B. Although the County Commission had adopted a county wide leave policy for all county employees and leave taken was approved by the respective elected official, centralized accumulated vacation leave, sick leave and compensatory time records were not maintained by the County Clerk.

Recommendation:

The County Commission:

A. Obtain adequate bond coverage for all employees with access to monies.

B. Require the County Clerk to maintain centralized leave records for all county employees.

Status:

A. Implemented. The county provided documentation that employees with access to monies were bonded on August 15, 2007.

B. Not implemented. See MAR finding number 2.

7. General Fixed Asset Records and Procedures

The County Clerk made no effort to maintain property records or to number, tag, or otherwise identify property items.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition and usage, and any other concerns associated with county property. In addition, all general fixed assets should be tagged or identified as county-owned property.

Status:

Partially implemented. The County Clerk has made some improvements to the county's general fixed asset records, but further improvements are needed. See MAR finding number 3.

8. Assessor's Accounting Controls and Procedures

A. The Assessor did not transmit receipts to the County Treasurer on a timely basis. Some receipts were held for approximately three months before being transmitted to the County Treasurer.

B. Receipt slips were issued; however, copies of voided receipt slips were not maintained. In addition, the method of payment and the initials of the individual who receipted the monies were not always indicated on the receipt slips.

C. Accounting duties were not adequately segregated. One individual was primarily responsible for receiving, recording, and transmitting monies to the County Treasurer.

Recommendation:

The Assessor:

A. Transmit all monies to the County Treasurer intact monthly.

B. Retain copies of voided receipt slips, ensure the method of payment and the initials of the individual who receipted the monies are indicated on all receipt slips, and reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer.

C. Adequately segregate accounting duties or establish a documented periodic review of the accounting records by an independent person.

Status:

A
&C. Implemented.

B. Partially implemented. The Assessor generally receives about $3,000 per year. The Assessor performs a periodic review and signs off on transmittals turned over to the County Treasurer; however, the Assessor does not always reconcile total cash, checks and money orders received to the amounts transmitted to the County Treasurer or the receipt slips issued for monies receipted. Although not repeated in the current MAR, our recommendation remains as stated above.

9. County Clerk's Accounting Controls and Procedures

A. Receipt slips were not issued for some monies received, nor were they issued in numerical sequence and properly accounted for. In addition, some receipts were not recorded on the monthly fee sheet and therefore, receipt slips issued could not be reconciled to amounts transmitted to the County Treasurer.

B. Checks received were not restrictively endorsed immediately upon receipt. Instead, the endorsement was applied at the time of transmittal.

C. The County Clerk was a license fee agent for the Department of Revenue (DOR) and operated the fee office from his office in the courthouse. The County Clerk received a fee for each license or permit processed. Based on an agreement between the County Clerk and the County Commission, the County Clerk paid the county $100 per month for rent. In addition, the County Clerk paid 50 percent of the salary of one of his three deputies. No documentation existed to document the adequacy of the

monthly rental amount or the salary allocation of the deputy.

Recommendation:

The County Clerk:

A. Issue pre-numbered receipt slips for all monies received, account for their numerical sequence, and reconcile the composition of the receipts to the composition of the transmittal to the County Treasurer. In addition, all receipts should be posted to the monthly fee sheet.

B. Restrictively endorse checks immediately upon receipt.

C. Reconsider the decision to operate the DOR license office from the County Clerk's office. If these operations are continued, the County Clerk should hire sufficient personnel to operate the license office, discontinue using county-paid personnel, and document the adequacy of the rental payments.

Status:

A
&B. Implemented.

C. Implemented. Since April 2005, the County Clerk is no longer a license fee agent for the DOR.

10. Sheriff's Accounting Control and Procedures

Accounting duties were not adequately segregated. The Sheriff's bookkeeper was responsible for receiving, depositing and disbursing monies, preparing bank reconciliations, maintaining the accounting records, and preparing the monthly fee reports.

Recommendation:

The Sheriff adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

Status:

Partially implemented. See MAR finding number 4.

11. Circuit Clerk's Accounting Controls and Procedures

A. The Circuit Clerk's open items listing as of December 31, 2002, included numerous older cases containing balances which were insufficient to cover all costs charged to the case.

B. A listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.

Recommendation:

The Circuit Clerk:

A. Review older cases along with the Circuit Judge and determine the appropriate disposition of inactive cases.

B. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

Status:

A. Partially implemented. While the implementation of JIS has helped with more recent cases, there are still old outstanding cases that need to be followed-up on. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 5.

12. Associate Division Controls and Procedures

A. Accounting duties were not adequately segregated. One individual was responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. There was no documentation that an independent review of deposits and accounting records was performed.

B. No record was maintained of receipts, disbursements or cash balances of the petty cash fund.

Recommendation:

The Associate Division:

A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

B. Deposit all monies intact into the Associate Division's official bank account and disburse all fees to the county treasury monthly. If a petty cash fund is determined to be necessary, it should be funded by the county and maintained on an imprest basis. A log of petty cash fund transactions, including invoices for expenditures, should be maintained to properly document the financial activity of the fund.

Status:

A. Not implemented. See MAR finding number 5.

B. Implemented.

13. Health Center's Accounting Controls and Procedures

A. Bids were not always solicited or advertised by the Health Center nor was bid documentation always retained for various purchases.

B. The Health Center did not require acknowledgment of receipt of goods or services to be noted on the invoices.

C. Employee time sheets were not approved and signed by a supervisor.

Recommendation:

The Health Center:

A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official Health Center Board minutes should reflect the necessitating circumstances.

B. Require evidence of receipt of goods or services on each invoice before approving payment.

C. Ensure employee time sheets are approved by the applicable supervisor and filed in a central location with the Health Department's payroll records.

Status:

A. Partially implemented. The Health Center did not solicit bids for occupational, speech, and physical therapy, stating that they are contracting with the only local provider. In addition, the Health Center did not maintain documentation of phone bids received for home health software purchased during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

C. Implemented. During the two years audited, supervisor approval was not noted on employee timesheets, however, the new administrator started approving timesheets in May 2007.

14. 911 Board's Accounting Controls and Procedures

A.1. Disbursements exceeded budget amounts by $19,876 during the year ended December 31, 2002. The 911 Board did not have sufficient procedures in place to adequately monitor the budget.

2. The budget documents prepared by the 911 Board were not adequate. The 2002 budget was not mathematically correct and the actual receipt and disbursement amounts presented for 2001 did not agree to the board's receipt and disbursement records. In addition, the 2002 budget did not reflect actual cash on hand at the beginning of the year.

B. Individuals who handle monies were not covered by a bond.

C.1. Receipt slips were not issued for some monies received. Generally, receipt slips were only issued for cash receipts.

2. Checks and money orders were not restrictively endorsed immediately upon receipt. Instead, the endorsement was applied at the time the deposit was made.

3. Cash receipts were not always deposited and posted to the cash control ledger. In addition, some check receipts were not posted to the cash control ledger on a timely basis.

D. No record was maintained of receipts, disbursements or cash balances of the petty cash fund and the 911 Board did not review these transactions.

E. The 911 Board did not require acknowledgment of receipt of goods or services to be noted on the invoices.

F. The 911 Board did not issue IRS Forms 1099-MISC apparently because they were not aware of this requirement. Payments for legal services totaling $3,600 and $4,550 during 2002 and 2001, respectively, did not have Forms 1099-MISC issued.

G. Additions of fixed assets were not always recorded as they occurred, and fixed asset expenditures were not reconciled to additions to the inventory records. In addition, some items were added to the fixed asset listing but the description, purchase price, and purchase date were not properly recorded. Also, property tags were not affixed to all assets.

Recommendation:

The 911 Board:

A.1. Not authorize disbursements in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.

2. Ensure the budget documents prepared are complete and accurate.

B. Obtain adequate bond coverage for all employees with access to monies.

C.1. Issue prenumbered receipt slips for all monies received, account for their numerical sequence, and reconcile the composition of receipts to the composition of bank deposits.

2. Restrictively endorse checks and money orders immediately upon receipt.

3. Deposit all monies intact into the 911 Board's official bank account and post all receipts to the cash control ledger on a timely basis.

D. If a petty cash fund is determined to be necessary, it should be funded by the 911 Board and maintained on an imprest basis. A log of petty cash fund transactions, including invoices for expenditures, should be maintained to properly document the financial activity of the fund and the 911 Board should review all petty cash transactions.

E. Require evidence of receipt of goods or services on each invoice before approving payment.

F. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

G. Properly record all additions of fixed assets as they occur and reconcile additions to the property records periodically. In addition, identify all fixed assets with a number, tag, or similar identifying device.

Status:

A,
C.1
&C.3. Not implemented. See MAR finding number 7.

B,
C.2,
E&F. Implemented.

D. Partially implemented. A petty cash fund was established and is maintained on an imprest basis; however, proper documentation of financial activity of the fund was not submitted to the 911 Board for review. See MAR finding number 7.

G. Partially implemented. Capital assets owned by 911 are currently being identified with a numbered tag, however, capital asset additions are not being placed in property records as they occur and property records continue to be incomplete. See MAR finding number 7.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RALLS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1820, the county of Ralls was named after Daniel Ralls, one of the first representatives to the state legislature. Ralls County is a county-organized, third-class county and is part of the Tenth Judicial Circuit. The county seat is New London.

Ralls County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 450 miles of county roads and 67 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 8,911 in 1980 and 9,626 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 91.6	93.5	87.6	84.2	51.4	27.4
Personal property	46.8	47.2	42.3	40.2	9.9	5.1
Railroad and utilities	16.7	16.7	16.5	15.9	13.7	10.6
Total	$ 155.1	157.4	146.4	140.3	75.0	43.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ralls County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .2490	.2490	.2300	.2300
Special Road and Bridge Fund	.2700	.2700	.2700	.2700
Health Center Fund	.1000	.1000	.1000	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 46,031	46,063	42,830	38,824
General Revenue Fund	385,994	383,947	331,353	302,197
Special Road and Bridge Fund	409,013	409,334	380,635	345,872
Assessment Fund	94,655	91,464	85,721	62,281
Health Center Fund	151,484	151,602	140,974	128,104
Surtax	210,796	202,488	194,860	179,402
School Districts	5,358,577	5,243,248	4,885,716	4,453,020
Library District	169,701	159,186	159,944	135,309
Ambulance District	308,876	313,939	262,392	248,893
Fire Protection District	61,637	58,136	64,600	40,335
Nursing Home Fund	13,864	13,862	13,298	12,622
Tax Maintenance Fund	12,455	12,884	10,881	12,495
Cities	17,640	12,528	14,617	12,156
County Clerk	122	135	148	117
County Employees' Retirement	28,963	30,629	28,606	34,388
Commissions and Fees:				
General Revenue Fund	119,586	119,019	107,907	100,776
Total	$ 7,389,394	7,248,464	6,724,482	6,106,791

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	94.2	93.7	94.1	94.7	%
Personal property	89.9	94.6	94.1	93.4	
Railroad and utilities	100.0	100.0	100.0	100.0	

Ralls County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
General (1/3 road and bridge, 1/3 general revenue 1/3 law enforcement)		.0050	2011	None	
911		.0050	None	None	
Capital Improvement		.0050	2014	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
George Lane, Presiding Commissioner		28,400	28,400	28,400	27,080
James Thompson, Associate Commissioner		26,400	26,400	26,400	25,080
Steven Whitaker, Associate Commissioner		26,400	26,400		
Jesse Poage, Associate Commissioner				26,400	25,080
Ernest Duckworth, County Clerk		40,000	40,000	40,000	38,000
John Briscoe, Prosecuting Attorney		47,000	47,000	47,000	45,000
Bernard Berghager, Sheriff		44,000	44,000	44,000	42,000
Jena Epperson, County Treasurer		29,600	29,600	29,600	28,120
Willard St. Clair, County Coroner		12,000	12,000	12,000	11,000
Sheila Foster, Public Administrator		40,000	40,000	25,000	25,000
Connie Berry, County Collector, year ended February 28 (29),	40,000	40,000	40,000	38,000	
Thomas Ruhl, County Assessor (1), year ended August 31,		40,688	40,688	40,765	38,900
Marty Wasson, County Surveyor (2)					

(1) Includes $688, $688, $765, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.
(2) Compensation on a fee basis.

State-Paid Officials:					
Gina Jameson, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	45,329
Sandra Bangert, Circuit Clerk and Ex Officio Recorder of Deeds					1,971
David Mobley, Associate Circuit Judge		96,000	96,000	96,000	96,000

The County Commission entered into a lease agreement with the United Missouri Bank of Missouri on September 20, 2004. The terms of the agreement called for the trust company to issue Certificates of Participation of $2,455,000 to pay for the renovation of the courthouse and for the county to make payments totaling the principal and interest due on the outstanding certificates. Payments are made from the Capital Improvement sales tax revenues. The certificates of participation are scheduled to be paid off in 2014. The remaining principal and interest due on the lease at December 31, 2006, was $2,145,000 million.

Susan Montee, CPA
Missouri State Auditor

September 2007

Phelps County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-46

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Phelps, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Monies received from the Equitable Sharing of Seized and Forfeited Property Program were used to pay overtime, vacation, and holiday time to a Sheriff's jailer, totaling $20,675, and such costs appear to be unallowable as described by the federal program guide. While the Sheriff believes these were permissible uses of these funds, the county needs to contact the grantor agency for resolution of this matter.

The county's procedures to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) should be improved. Total federal expenditures were overstated by approximately $345,000 for 2006 and understated by approximately $177,700 for 2005.

The county has established separate funds primarily to set aside money for future use and to make interfund loans for cash flow purposes. The accumulated balances of these funds ($1.8 million at December 31, 2006) make it difficult to analyze the true financial condition of the county's main operating funds. In addition, the county makes significant transfers between the various county funds which unnecessarily inflate total county receipts and disbursements. These interfund transfers and loans totaled approximately $2.29 million and $1.55 million during 2006 and 2005, respectively, and represented approximately 15 percent and 11 percent, respectively, of total receipts for all county funds.

The county does not have formal policies for mileage reimbursements paid to county officials and employees, and there were several reimbursement requests where the purpose of trips was not documented.

Concerns were noted with the County Collector's procedures for calculating certain withholdings and fees. The County Collector re-calculated fees, and $19,100 is due to the county General Revenue Fund and $45, 575 is due to the county Assessment Fund from the Rolla 31 School District.

The audit also suggested improvements in the procedures of the Sheriff and Prosecuting Attorney related to reconciliations and depositing, respectively.

All reports are available on our Web site: www.auditor.mo.gov

PHELPS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Phelps County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Phelps County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Phelps County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 31, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Phelps County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 31**,** 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Tom Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Robert McArthur II
Audit Staff:	Terese Summers, CPA
	Denise Huddleston
	Patrick Pullins

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Phelps County, Missouri

We have audited the financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Phelps County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Phelps County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Phelps County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 31, 2007

Financial Statements

Exhibit A-1

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	642,871	4,142,263	4,127,637	657,497
Special Road and Bridge		1,248	2,247,150	2,134,871	113,527
Assessment		117,034	497,049	517,029	97,054
Road and Bridge Debt Service		178,696	109,382	0	288,078
Unemployment		67,799	51,791	18,160	101,430
Use Tax		278,455	40,642	8,277	310,820
Health Department		173,886	1,404,836	1,319,637	259,085
Community Care Clinic		316,999	275,002	404,797	187,204
25th Juvenile FPS		900	1,155	900	1,155
Crisis Intervention		1,355	1,053	953	1,455
Election Services		44,717	162,183	171,571	35,329
Sheriff Training		985	11,675	10,920	1,740
Sheriff Drug Enforcement		33,947	572,341	191,836	414,452
Sheriff Civil Fee		26,373	84,939	76,513	34,799
Sheriff Revolving		22,891	8,078	15,290	15,679
Sheriff Inmate Security		4,472	4,887	9,331	28
Law Enforcement Sales Tax		184,892	3,794,936	3,713,058	266,770
Law Enforcement Debt Service/ Building Maintenance		0	665,769	651,758	14,011
Prosecuting Attorney Drug Enforcement		4,256	116,172	20,541	99,887
Prosecuting Attorney Training		287	2,013	2,122	178
Prosecuting Attorney Delinquent Tax		2,034	1,938	747	3,225
Prosecuting Attorney Bad Check		63,351	59,327	26,853	95,825
Shelter		2,874	13,187	12,802	3,259
Recorder User Fee		28,592	27,927	49,414	7,105
Senior Companions		0	354,978	354,978	0
Retired and Senior Volunteer Program		0	40,931	40,931	0
Collector Tax Maintenance		22,467	46,093	47,287	21,273
Public Facilities Authority		1,011,510	32,861	61,207	983,164
Jay White Estate		223,114	9,406	9,097	223,423
E911		958,774	383,068	543,330	798,512
Developmentally Disabled Board		99,903	336,146	248,100	187,949
Law Library		40,571	14,284	23,768	31,087
Water District No. 4 Grant		0	45,335	45,335	0
Circuit Clerk Interest		38,954	28,258	10,658	56,554
Family Court		14,113	33,632	15,246	32,499
Total	$	4,608,320	15,620,687	14,884,954	5,344,053

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PHELPS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	700,233	3,971,023	4,028,385	642,871
Special Road and Bridge		242,710	2,815,528	3,056,990	1,248
Assessment		118,153	455,932	457,051	117,034
Road and Bridge Debt Service		74,568	104,128	0	178,696
Unemployment		44,462	45,847	22,510	67,799
Use Tax		304,392	132,021	157,958	278,455
Health Department		42,562	1,419,334	1,288,010	173,886
Community Care Clinic		91,739	586,930	361,670	316,999
25th Juvenile FPS		807	393	300	900
Crisis Intervention		263	2,649	1,557	1,355
Election Services		38,246	143,697	137,226	44,717
Sheriff Training		2,345	11,285	12,645	985
Sheriff Drug Enforcement		103,510	35,693	105,256	33,947
Sheriff Civil Fee		6,442	49,143	29,212	26,373
Sheriff Revolving		17,146	8,025	2,280	22,891
Sheriff Inmate Security		464	4,008	0	4,472
Law Enforcement Sales Tax		717,311	3,058,652	3,591,071	184,892
Prosecuting Attorney Drug Enforcement		18,840	1,611	16,195	4,256
Prosecuting Attorney Training		164	1,886	1,763	287
Prosecuting Attorney Delinquent Tax		1,243	1,697	906	2,034
Prosecuting Attorney Bad Check		41,847	43,262	21,758	63,351
Shelter		3,798	12,172	13,096	2,874
Recorder User Fee		20,543	30,057	22,008	28,592
Senior Companions		0	349,525	349,525	0
Retired and Senior Volunteer Program		0	40,386	40,386	0
Collector Tax Maintenance		19,148	46,019	42,700	22,467
Public Facilities Authority		1,000,000	32,827	21,317	1,011,510
Jay White Estate		321,474	9,097	107,457	223,114
E911		1,121,304	548,970	711,500	958,774
Developmentally Disabled Board		82,161	324,118	306,376	99,903
Law Library		44,208	14,965	18,602	40,571
Water District No. 4 Grant		0	10,000	10,000	0
Circuit Clerk Interest		33,647	49,351	44,044	38,954
Family Court		0	19,898	5,785	14,113
Total	$	5,213,730	14,380,129	14,985,539	4,608,320

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 15,766,009	15,587,055	(178,954)	15,543,028	14,360,231	(1,182,797)
DISBURSEMENTS	15,822,072	14,869,708	952,364	16,199,448	14,979,754	1,219,694
RECEIPTS OVER (UNDER) DISBURSEMENTS	(56,063)	717,347	773,410	(656,420)	(619,523)	36,897
CASH, JANUARY 1	4,595,207	4,594,207	(1,000)	5,101,744	5,213,730	111,986
CASH, DECEMBER 31	4,539,144	5,311,554	772,410	4,445,324	4,594,207	148,883
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	561,491	576,827	15,336	526,704	562,240	35,536
Sales taxes	1,590,847	1,639,561	48,714	1,622,870	1,544,512	(78,358)
Intergovernmental	757,367	743,300	(14,067)	816,629	672,928	(143,701)
Charges for services	654,170	658,499	4,329	646,250	632,657	(13,593)
Interest	65,000	54,079	(10,921)	50,000	48,145	(1,855)
Other	140,895	127,975	(12,920)	172,163	103,939	(68,224)
Transfers in	315,671	342,022	26,351	622,483	406,602	(215,881)
Total Receipts	4,085,441	4,142,263	56,822	4,457,099	3,971,023	(486,076)
DISBURSEMENTS						
County Commission	181,993	177,639	4,354	162,856	158,451	4,405
County Clerk	227,849	189,186	38,663	224,877	181,460	43,417
Elections	331,725	330,718	1,007	414,740	177,303	237,437
Buildings and grounds	428,057	426,869	1,188	521,701	514,238	7,463
Employee fringe benefit	367,184	359,564	7,620	356,361	337,784	18,577
County Treasurer	59,605	55,315	4,290	58,837	55,576	3,261
County Collector	167,492	167,441	51	168,279	162,464	5,815
Recorder of Deeds	122,447	120,344	2,103	121,635	114,519	7,116
Circuit Clerk	88,623	69,318	19,305	88,709	68,069	20,640
Associate Circuit Court	25,900	18,086	7,814	26,100	21,482	4,618
Court administration	23,100	21,347	1,753	17,350	17,073	277
Public Administrator	92,962	90,674	2,288	92,182	89,100	3,082
Prosecuting Attorney	485,582	481,468	4,114	486,960	458,767	28,193
Juvenile Officer	374,170	369,038	5,132	406,495	344,372	62,123
County Coroner	32,257	29,254	3,003	36,292	36,233	59
Circuit Judges	172,671	112,711	59,960	124,162	104,633	19,529
Courthouse security	118,427	118,232	195	108,014	96,383	11,631
Civil defense	0	0	0	173	0	173
Public health and welfare service	81,400	81,368	32	80,836	80,836	0
Other	170,934	145,912	25,022	276,435	248,651	27,784
Transfers out	797,376	763,153	34,223	759,538	760,991	(1,453)
Emergency Fund	122,061	0	122,061	115,011	0	115,011
Total Disbursements	4,471,815	4,127,637	344,178	4,647,543	4,028,385	619,158
RECEIPTS OVER (UNDER) DISBURSEMENTS	(386,374)	14,626	401,000	(190,444)	(57,362)	133,082
CASH, JANUARY 1	642,871	642,871	0	615,988	700,233	84,245
CASH, DECEMBER 31	256,497	657,497	401,000	425,544	642,871	217,327

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	335,027	369,155	34,128	316,463	322,769	6,306
Sales taxes	856,610	882,841	26,231	870,718	831,660	(39,058)
Intergovernmental	1,036,160	846,682	(189,478)	1,413,944	1,243,328	(170,616)
Charges for services	75,000	81,545	6,545	88,000	87,481	(519)
Interest	6,500	9,124	2,624	5,000	6,519	1,519
Other	124,200	57,803	(66,397)	160,700	172,026	11,326
Interfund loans	0	0	0	152,000	151,745	(255)
Total Receipts	2,433,497	2,247,150	(186,347)	3,006,825	2,815,528	(191,297)
DISBURSEMENTS						
Salaries	604,796	535,803	68,993	567,934	542,320	25,614
Employee fringe benefit	212,200	164,001	48,199	188,323	178,600	9,723
Supplies	26,600	29,805	(3,205)	26,600	23,259	3,341
Insurance	40,000	37,909	2,091	44,758	38,971	5,787
Road and bridge materials	980,500	922,385	58,115	1,008,500	1,062,268	(53,768)
Equipment repairs	60,000	62,486	(2,486)	60,000	49,136	10,864
Equipment purchases	75,928	81,438	(5,510)	317,617	310,708	6,909
Construction, repair, and maintenance	155,500	26,318	129,182	625,950	481,834	144,116
Debt service	0	0	0	11,000	10,518	482
Other	144,843	140,536	4,307	118,500	129,983	(11,483)
Interfund loans	100,000	28,000	72,000	123,800	123,745	55
Transfers out	28,000	106,190	(78,190)	100,000	105,648	(5,648)
Total Disbursements	2,428,367	2,134,871	293,496	3,192,982	3,056,990	135,992
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,130	112,279	107,149	(186,157)	(241,462)	(55,305)
CASH, JANUARY 1	1,248	1,248	0	242,710	242,710	0
CASH, DECEMBER 31	6,378	113,527	107,149	56,553	1,248	(55,305)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	359,600	386,678	27,078	339,434	331,300	(8,134)
Charges for services	15,275	14,664	(611)	15,000	15,273	273
Interest	6,100	7,860	1,760	4,600	6,460	1,860
Other	3,500	9,431	5,931	3,000	5,170	2,170
Transfers in	78,416	78,416	0	97,729	97,729	0
Total Receipts	462,891	497,049	34,158	459,763	455,932	(3,831)
DISBURSEMENTS						
Assessor	536,200	513,970	22,230	503,856	455,091	48,765
Transfers out	3,060	3,059	1	2,258	1,960	298
Total Disbursements	539,260	517,029	22,231	506,114	457,051	49,063
RECEIPTS OVER (UNDER) DISBURSEMENTS	(76,369)	(19,980)	56,389	(46,351)	(1,119)	45,232
CASH, JANUARY 1	117,034	117,034	0	118,153	118,153	0
CASH, DECEMBER 31	40,665	97,054	56,389	71,802	117,034	45,232

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ROAD AND BRIDGE DEBT SERVICE FUND						
RECEIPTS						
Interest	4,500	9,382	4,882	3,000	4,128	1,128
Transfers in	100,000	100,000	0	100,000	100,000	0
Total Receipts	104,500	109,382	4,882	103,000	104,128	1,128
DISBURSEMENTS						
Transfers out	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	104,500	109,382	4,882	103,000	104,128	1,128
CASH, JANUARY 1	178,696	178,696	0	74,568	74,568	0
CASH, DECEMBER 31	283,196	288,078	4,882	177,568	178,696	1,128
UNEMPLOYMENT FUND						
RECEIPTS						
Transfers in	51,197	51,791	594	47,000	45,847	(1,153)
Total Receipts	51,197	51,791	594	47,000	45,847	(1,153)
DISBURSEMENTS						
State unemployment benefits	22,000	8,160	13,840	21,000	12,510	8,490
Transfers out	10,000	10,000	0	10,000	10,000	0
Total Disbursements	32,000	18,160	13,840	31,000	22,510	8,490
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,197	33,631	14,434	16,000	23,337	7,337
CASH, JANUARY 1	67,799	67,799	0	16,721	44,462	27,741
CASH, DECEMBER 31	86,996	101,430	14,434	32,721	67,799	35,078
USE TAX FUND						
RECEIPTS						
Interest	8,000	12,642	4,642	8,300	8,276	(24)
Interfund loans	28,000	28,000	0	123,800	123,745	(55)
Total Receipts	36,000	40,642	4,642	132,100	132,021	(79)
DISBURSEMENTS						
Interfund loans	0	0	0	152,000	151,745	255
Transfers out	8,277	8,277	0	6,213	6,213	0
Total Disbursements	8,277	8,277	0	158,213	157,958	255
RECEIPTS OVER (UNDER) DISBURSEMENTS	27,723	32,365	4,642	(26,113)	(25,937)	176
CASH, JANUARY 1	278,455	278,455	0	304,392	304,392	0
CASH, DECEMBER 31	306,178	310,820	4,642	278,279	278,455	176

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH DEPARTMENT FUND						
RECEIPTS						
Intergovernmental	660,800	672,605	11,805	629,100	739,360	110,260
Charges for services	159,400	182,672	23,272	146,000	165,859	19,859
Interest	1,400	8,359	6,959	1,500	4,145	2,645
Other	220,700	253,530	32,830	290,700	232,620	(58,080)
Transfers in	334,062	287,670	(46,392)	288,238	277,350	(10,888)
Total Receipts	1,376,362	1,404,836	28,474	1,355,538	1,419,334	63,796
DISBURSEMENTS						
Salaries	796,770	762,558	34,212	766,131	740,630	25,501
Employee fringe benefit	183,859	174,418	9,441	161,414	164,702	(3,288)
Operating expenses	53,050	47,419	5,631	54,500	51,971	2,529
Program expenses	253,700	270,860	(17,160)	303,850	265,283	38,567
Core public health	53,900	51,059	2,841	67,000	52,775	14,225
Equipment	6,500	5,750	750	11,800	6,186	5,614
Transfers out	7,168	7,573	(405)	6,570	6,463	107
Total Disbursements	1,354,947	1,319,637	35,310	1,371,265	1,288,010	83,255
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,415	85,199	63,784	(15,727)	131,324	147,051
CASH, JANUARY 1	173,886	173,886	0	42,562	42,562	0
CASH, DECEMBER 31	195,301	259,085	63,784	26,835	173,886	147,051
COMMUNITY CARE CLINIC FUND						
RECEIPTS						
Intergovernmental	388,341	222,002	(166,339)	631,916	544,713	(87,203)
Interest	11,700	11,639	(61)	1,500	5,816	4,316
Other	43,110	41,361	(1,749)	40,100	36,401	(3,699)
Total Receipts	443,151	275,002	(168,149)	673,516	586,930	(86,586)
DISBURSEMENTS						
Missouri Foundation for Health programs						
Operating expense	180,050	178,995	1,055	223,100	153,577	69,523
Dental expense	15,500	12,624	2,876	19,350	8,187	11,163
In-kind expense	16,250	20,570	(4,320)	18,350	16,794	1,556
Transfers out	193,000	192,608	392	203,000	183,112	19,888
Total Disbursements	404,800	404,797	3	463,800	361,670	102,130
RECEIPTS OVER (UNDER) DISBURSEMENTS	38,351	(129,795)	(168,146)	209,716	225,260	15,544
CASH, JANUARY 1	316,999	316,999	0	91,739	91,739	0
CASH, DECEMBER 31	355,350	187,204	(168,146)	301,455	316,999	15,544
25TH JUVENILE FPS FUND						
RECEIPTS						
Intergovernmental	1,160	1,155	(5)	400	393	(7)
Total Receipts	1,160	1,155	(5)	400	393	(7)
DISBURSEMENTS						
Alternative care	900	900	0	300	300	0
Total Disbursements	900	900	0	300	300	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	260	255	(5)	100	93	(7)
CASH, JANUARY 1	900	900	0	807	807	0
CASH, DECEMBER 31	1,160	1,155	(5)	907	900	(7)

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CRISIS INTERVENTION FUND						
RECEIPTS						
Intergovernmental	3,000	1,053	(1,947)	7,000	2,649	(4,351)
Total Receipts	3,000	1,053	(1,947)	7,000	2,649	(4,351)
DISBURSEMENTS						
Crisis intervention	5,000	953	4,047	7,000	1,557	5,443
Total Disbursements	5,000	953	4,047	7,000	1,557	5,443
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	100	2,100	0	1,092	1,092
CASH, JANUARY 1	1,355	1,355	0	263	263	0
CASH, DECEMBER 31	(645)	1,455	2,100	263	1,355	1,092
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	171,700	159,860	(11,840)	149,122	141,743	(7,379)
Interest	2,000	2,187	187	600	1,954	1,354
Other	0	136	136	0	0	0
Total Receipts	173,700	162,183	(11,517)	149,722	143,697	(6,025)
DISBURSEMENTS						
Equipment	1,410	401	1,009	15,600	11,366	4,234
Training	6,000	5,999	1	6,600	535	6,065
Other	15,020	14,430	590	27,500	2,833	24,667
Transfers out	152,570	150,741	1,829	122,500	122,492	8
Total Disbursements	175,000	171,571	3,429	172,200	137,226	34,974
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,300)	(9,388)	(8,088)	(22,478)	6,471	28,949
CASH, JANUARY 1	44,717	44,717	0	38,246	38,246	0
CASH, DECEMBER 31	43,417	35,329	(8,088)	15,768	44,717	28,949
SHERIFF TRAINING FUND						
RECEIPTS						
Intergovernmental	3,500	3,619	119	3,500	3,465	(35)
Charges for services	7,000	8,056	1,056	7,500	7,232	(268)
Other	500	0	(500)	0	588	588
Total Receipts	11,000	11,675	675	11,000	11,285	285
DISBURSEMENTS						
Training	11,984	10,920	1,064	13,000	12,645	355
Total Disbursements	11,984	10,920	1,064	13,000	12,645	355
RECEIPTS OVER (UNDER) DISBURSEMENTS	(984)	755	1,739	(2,000)	(1,360)	640
CASH, JANUARY 1	985	985	0	2,345	2,345	0
CASH, DECEMBER 31	1	1,740	1,739	345	985	640

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF DRUG ENFORCEMENT FUND						
RECEIPTS						
Intergovernmental	569,600	568,072	(1,528)	21,000	33,473	12,473
Interest	4,300	4,269	(31)	2,500	2,220	(280)
Total Receipts	573,900	572,341	(1,559)	23,500	35,693	12,193
DISBURSEMENTS						
Equipment and supplies	41,900	41,495	405	67,900	67,860	40
Other	53,000	5,413	47,587	37,400	16,388	21,012
Transfers out	140,000	144,928	(4,928)	0	21,008	(21,008)
Total Disbursements	234,900	191,836	43,064	105,300	105,256	44
RECEIPTS OVER (UNDER) DISBURSEMENTS	339,000	380,505	41,505	(81,800)	(69,563)	12,237
CASH, JANUARY 1	33,947	33,947	0	103,510	103,510	0
CASH, DECEMBER 31	372,947	414,452	41,505	21,710	33,947	12,237
SHERIFF CIVIL FEE FUND						
RECEIPTS						
Charges for services	58,000	49,755	(8,245)	45,000	48,788	3,788
Interest	1,500	1,418	(82)	242	355	113
Other	27,000	33,766	6,766	0	0	0
Total Receipts	86,500	84,939	(1,561)	45,242	49,143	3,901
DISBURSEMENTS						
Equipment and supplies	25,674	25,674	0	2,000	1,194	806
Vehicles	25,449	24,999	450	41,500	27,350	14,150
Other	6,877	6,840	37	1,500	668	832
Transfers out	19,000	19,000	0	0	0	0
Total Disbursements	77,000	76,513	487	45,000	29,212	15,788
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,500	8,426	(1,074)	242	19,931	19,689
CASH, JANUARY 1	26,373	26,373	0	6,442	6,442	0
CASH, DECEMBER 31	35,873	34,799	(1,074)	6,684	26,373	19,689
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for services	7,000	7,200	200	11,000	7,300	(3,700)
Interest	621	878	257	165	725	560
Total Receipts	7,621	8,078	457	11,165	8,025	(3,140)
DISBURSEMENTS						
Missouri State Highway Patrol	4,000	2,014	1,986	4,200	2,280	1,920
Fingerprint equipment	6,757	6,841	(84)	6,435	0	6,435
Transfers out	6,435	6,435	0	0	0	0
Total Disbursements	17,192	15,290	1,902	10,635	2,280	8,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,571)	(7,212)	2,359	530	5,745	5,215
CASH, JANUARY 1	22,891	22,891	0	17,146	17,146	0
CASH, DECEMBER 31	13,320	15,679	2,359	17,676	22,891	5,215

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF INMATE SECURITY FUND						
RECEIPTS						
Charges for service	4,000	4,564	564	6,000	3,853	(2,147)
Interest	229	323	94	35	155	120
Total Receipts	4,229	4,887	658	6,035	4,008	(2,027)
DISBURSEMENTS						
Inmate ID bracelet systen	9,400	9,331	69	5,000	0	5,000
Total Disbursements	9,400	9,331	69	5,000	0	5,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,171)	(4,444)	727	1,035	4,008	2,973
CASH, JANUARY 1	4,472	4,472	0	464	464	0
CASH, DECEMBER 31	(699)	28	727	1,499	4,472	2,973
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	1,891,200	1,891,178	(22)	1,864,601	1,778,747	(85,854)
Intergovernmental	920,063	947,366	27,303	940,319	525,312	(415,007)
Interest	27,000	8,260	(18,740)	32,000	25,030	(6,970)
Other	158,000	177,769	19,769	103,500	108,555	5,055
Transfers in	765,435	770,363	4,928	600,000	621,008	21,008
Total Receipts	3,761,698	3,794,936	33,238	3,540,420	3,058,652	(481,768)
DISBURSEMENTS						
Salaries	1,654,476	1,657,778	(3,302)	1,601,077	1,587,847	13,230
Employee fringe benefit	365,653	349,808	15,845	353,156	344,045	9,111
Facility expense	256,700	291,347	(34,647)	294,500	328,729	(34,229)
Office and operating expense	136,950	115,368	21,582	159,250	127,086	32,164
Equipment, vehicles, and upkee	176,700	180,757	(4,057)	192,300	182,099	10,201
Prisoner expense	393,600	396,952	(3,352)	328,300	311,127	17,173
Jail lease/purchase	0	0	0	655,695	647,557	8,138
Other	56,938	45,670	11,268	67,218	44,558	22,660
Transfers out	673,518	675,378	(1,860)	16,302	18,023	(1,721)
Total Disbursements	3,714,535	3,713,058	1,477	3,667,798	3,591,071	76,727
RECEIPTS OVER (UNDER) DISBURSEMENTS	47,163	81,878	34,715	(127,378)	(532,419)	(405,041)
CASH, JANUARY 1	184,892	184,892	0	717,311	717,311	0
CASH, DECEMBER 31	232,055	266,770	34,715	589,933	184,892	(405,041)
LAW ENFORCEMENT DEBT SERVICE/ BUILDING MAINTENANCE FUND						
RECEIPTS						
Interest	500	10,269	9,769			
Transfers in	655,500	655,500	0			
Total Receipts	656,000	665,769	9,769			
DISBURSEMENTS						
Jail lease/purchase	655,240	651,758	3,482			
Total Disbursements	655,240	651,758	3,482			
RECEIPTS OVER (UNDER) DISBURSEMENTS	760	14,011	13,251			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	760	14,011	13,251			

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY DRUG ENFORCEMENT FUND						
RECEIPTS						
Intergovernmental	115,000	114,958	(42)	0	0	0
Interest	1,300	1,214	(86)	400	611	211
Other	0	0	0	0	1,000	1,000
Total Receipts	116,300	116,172	(128)	400	1,611	1,211
DISBURSEMENTS						
Training	18,600	16,072	2,528	16,500	16,195	305
Equipment and supplies	2,700	2,192	508	1,000	0	1,000
Transfers out	2,300	2,277	23	0	0	0
Total Disbursements	23,600	20,541	3,059	17,500	16,195	1,305
RECEIPTS OVER (UNDER) DISBURSEMENTS	92,700	95,631	2,931	(17,100)	(14,584)	2,516
CASH, JANUARY 1	4,256	4,256	0	18,840	18,840	0
CASH, DECEMBER 31	96,956	99,887	2,931	1,740	4,256	2,516
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	1,900	2,013	113	2,200	1,812	(388)
Other	0	0	0	0	74	74
Total Receipts	1,900	2,013	113	2,200	1,886	(314)
DISBURSEMENTS						
Training	2,187	2,122	65	2,200	1,763	437
Total Disbursements	2,187	2,122	65	2,200	1,763	437
RECEIPTS OVER (UNDER) DISBURSEMENTS	(287)	(109)	178	0	123	123
CASH, JANUARY 1	287	287	0	164	164	0
CASH, DECEMBER 31	0	178	178	164	287	123
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	2,000	1,717	(283)	1,000	1,534	534
Interest	200	221	21	100	163	63
Total Receipts	2,200	1,938	(262)	1,100	1,697	597
DISBURSEMENTS						
Prosecuting Attorney	2,200	747	1,453	1,000	906	94
Total Disbursements	2,200	747	1,453	1,000	906	94
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,191	1,191	100	791	691
CASH, JANUARY 1	2,034	2,034	0	1,243	1,243	0
CASH, DECEMBER 31	2,034	3,225	1,191	1,343	2,034	691

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	52,500	56,180	3,680	41,500	41,652	152
Interest	3,200	3,147	(53)	1,200	1,610	410
Total Receipts	55,700	59,327	3,627	42,700	43,262	562
DISBURSEMENTS						
Prosecuting Attorney	38,100	17,281	20,819	40,600	21,758	18,842
Transfers out	9,572	9,572	0	0	0	0
Total Disbursements	47,672	26,853	20,819	40,600	21,758	18,842
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,028	32,474	24,446	2,100	21,504	19,404
CASH, JANUARY 1	63,351	63,351	0	41,847	41,847	0
CASH, DECEMBER 31	71,379	95,825	24,446	43,947	63,351	19,404
SHELTER FUND						
RECEIPTS						
Charges for services	13,000	12,954	(46)	12,000	11,998	(2)
Interest	250	233	(17)	200	174	(26)
Total Receipts	13,250	13,187	(63)	12,200	12,172	(28)
DISBURSEMENTS						
Shelter services	13,000	12,802	198	13,100	13,096	4
Total Disbursements	13,000	12,802	198	13,100	13,096	4
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	385	135	(900)	(924)	(24)
CASH, JANUARY 1	2,874	2,874	0	3,798	3,798	0
CASH, DECEMBER 31	3,124	3,259	135	2,898	2,874	(24)
RECORDER USER FEE FUND						
RECEIPTS						
Charges for services	28,700	26,311	(2,389)	27,900	29,107	1,207
Interest	800	1,496	696	485	950	465
Other	0	120	120	0	0	0
Total Receipts	29,500	27,927	(1,573)	28,385	30,057	1,672
DISBURSEMENTS						
Recorder of Deeds	49,534	49,414	120	28,385	22,008	6,377
Total Disbursements	49,534	49,414	120	28,385	22,008	6,377
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,034)	(21,487)	(1,453)	0	8,049	8,049
CASH, JANUARY 1	28,592	28,592	0	20,543	20,543	0
CASH, DECEMBER 31	8,558	7,105	(1,453)	20,543	28,592	8,049

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SENIOR COMPANIONS FUND						
RECEIPTS						
Intergovernmental	354,978	354,978	0	349,525	349,525	0
Total Receipts	354,978	354,978	0	349,525	349,525	0
DISBURSEMENTS						
Senior companions stipends and expense	245,150	245,151	(1)	248,638	248,780	(142)
Other	20,510	20,509	1	12,893	12,681	212
Transfers out	89,318	89,318	0	87,994	88,064	(70)
Total Disbursements	354,978	354,978	0	349,525	349,525	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
RETIRED AND SENIOR VOLUNTEER PROGRAM FUND						
RECEIPTS						
Intergovernmental	40,931	40,931	0	40,386	40,386	0
Total Receipts	40,931	40,931	0	40,386	40,386	0
DISBURSEMENTS						
Operating expenses	16,470	16,454	16	14,311	16,123	(1,812)
Transfers out	24,461	24,477	(16)	26,075	24,263	1,812
Total Disbursements	40,931	40,931	0	40,386	40,386	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
COLLECTOR TAX MAINTENANCE FUND						
RECEIPTS						
Intergovernmental	14,673	14,340	(333)	14,273	14,550	277
Charges for services	30,000	30,193	193	29,500	30,303	803
Interest	1,000	1,460	460	800	1,166	366
Other	0	100	100	0	0	0
Total Receipts	45,673	46,093	420	44,573	46,019	1,446
DISBURSEMENTS						
County Collector	30,490	20,534	9,956	31,140	15,784	15,356
Transfers out	26,760	26,753	7	26,920	26,916	4
Total Disbursements	57,250	47,287	9,963	58,060	42,700	15,360
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,577)	(1,194)	10,383	(13,487)	3,319	16,806
CASH, JANUARY 1	22,467	22,467	0	19,148	19,148	0
CASH, DECEMBER 31	10,890	21,273	10,383	5,661	22,467	16,806

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC FACILITIES AUTHORITY FUND						
RECEIPTS						
Interest	33,000	32,861	(139)	22,000	32,827	10,827
Total Receipts	33,000	32,861	(139)	22,000	32,827	10,827
DISBURSEMENTS						
Building expenses	49,700	49,697	3	0	0	0
Transfers out	11,510	11,510	0	21,317	21,317	0
Total Disbursements	61,210	61,207	3	21,317	21,317	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(28,210)	(28,346)	(136)	683	11,510	10,827
CASH, JANUARY 1	1,011,510	1,011,510	0	1,000,000	1,000,000	0
CASH, DECEMBER 31	983,300	983,164	(136)	1,000,683	1,011,510	10,827
JAY WHITE ESTATE FUND						
RECEIPTS						
Interest	8,000	9,406	1,406	8,600	9,097	497
Total Receipts	8,000	9,406	1,406	8,600	9,097	497
DISBURSEMENTS						
Other	0	0	0	0	120	(120)
Transfers out	9,097	9,097	0	107,546	107,337	209
Total Disbursements	9,097	9,097	0	107,546	107,457	89
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,097)	309	1,406	(98,946)	(98,360)	586
CASH, JANUARY 1	223,114	223,114	0	321,474	321,474	0
CASH, DECEMBER 31	222,017	223,423	1,406	222,528	223,114	586
E911 FUND						
RECEIPTS						
Intergovernmental	0	0	0	40,000	0	(40,000)
Charges for services	350,000	347,513	(2,487)	525,000	510,575	(14,425)
Interest	35,600	35,525	(75)	39,000	38,395	(605)
Other	0	30	30	0	0	0
Total Receipts	385,600	383,068	(2,532)	604,000	548,970	(55,030)
DISBURSEMENTS						
Communication service contracts	393,548	352,040	41,508	329,000	328,262	738
Equipment, software and maintenance	115,670	50,964	64,706	245,000	244,540	460
GIS system	49,400	49,315	85	65,800	65,753	47
Phone expenses	56,560	56,551	9	21,000	20,202	798
Other	11,602	9,044	2,558	8,515	8,014	501
Transfers out	25,416	25,416	0	44,729	44,729	0
Total Disbursements	652,196	543,330	108,866	714,044	711,500	2,544
RECEIPTS OVER (UNDER) DISBURSEMENTS	(266,596)	(160,262)	106,334	(110,044)	(162,530)	(52,486)
CASH, JANUARY 1	958,774	958,774	0	1,121,304	1,121,304	0
CASH, DECEMBER 31	692,178	798,512	106,334	1,011,260	958,774	(52,486)

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DEVELOPMENTALLY DISABLED BOARD FUND						
RECEIPTS						
Property taxes	281,315	324,557	43,242	267,299	317,618	50,319
Intergovernmental	1,715	2,085	370	2,200	1,690	(510)
Interest	4,000	9,504	5,504	3,500	4,810	1,310
Total Receipts	287,030	336,146	49,116	272,999	324,118	51,119
DISBURSEMENTS						
Program expenses	277,000	246,200	30,800	305,100	305,100	0
Operating expenses	2,000	1,900	100	2,000	1,276	724
Total Disbursements	279,000	248,100	30,900	307,100	306,376	724
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,030	88,046	80,016	(34,101)	17,742	51,843
CASH, JANUARY 1	99,903	99,903	0	82,161	82,161	0
CASH, DECEMBER 31	107,933	187,949	80,016	48,060	99,903	51,843
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	14,500	14,098	(402)	10,500	14,575	4,075
Interest	200	186	(14)	200	218	18
Other	0	0	0	0	172	172
Total Receipts	14,700	14,284	(416)	10,700	14,965	4,265
DISBURSEMENTS						
Law Library	14,100	11,768	2,332	16,000	12,602	3,398
Transfers out to the Family Court Fund	6,000	12,000	(6,000)	0	6,000	(6,000)
Total Disbursements	20,100	23,768	(3,668)	16,000	18,602	(2,602)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,400)	(9,484)	(4,084)	(5,300)	(3,637)	1,663
CASH, JANUARY 1	40,571	40,571	0	44,208	44,208	0
CASH, DECEMBER 31	35,171	31,087	(4,084)	38,908	40,571	1,663
WATER DISTRICT NO. 4 GRANT FUND						
RECEIPTS						
Intergovernmental	45,400	45,335	(65)	55,335	10,000	(45,335)
Total Receipts	45,400	45,335	(65)	55,335	10,000	(45,335)
DISBURSEMENTS						
Water District No. 4	45,400	45,335	65	55,335	10,000	45,335
Total Disbursements	45,400	45,335	65	55,335	10,000	45,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0		0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

PHELPS COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	60,000	28,258	(31,742)	18,600	49,351	30,751
Total Receipts	60,000	28,258	(31,742)	18,600	49,351	30,751
DISBURSEMENTS						
Circuit Clerk	23,100	10,658	12,442	30,200	44,044	(13,844)
Total Disbursements	23,100	10,658	12,442	30,200	44,044	(13,844)
RECEIPTS OVER (UNDER) DISBURSEMENTS	36,900	17,600	(19,300)	(11,600)	5,307	16,907
CASH, JANUARY 1	39,954	38,954	(1,000)	33,647	33,647	0
CASH, DECEMBER 31	$ 76,854	56,554	(20,300)	22,047	38,954	16,907

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Law Library Custodian, or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Family Court Fund for the years ended December 31, 2006 and 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the Law Library Fund for the years ended December 31, 2006 and 2005, and the Circuit Clerk Interest Fund for the year ended December 31, 2005.

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the Crisis Intervention Fund and Sheriff Inmate Security Fund for the year ended December 31, 2006.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. However, the county's published financial statement for the year ended December 31, 2005, did not include the Family Court Fund. In addition, the county's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Law Library Fund, Water District No. 4 Grant Fund, and Circuit Clerk Interest Fund. Also, the county's published financial statement for the year ended December 31, 2006, did not disclose disbursement detail by vendor for the Family Court Fund.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Phelps County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury

and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

3. Prior Period Adjustments

The General Revenue Fund's cash balance at January 1, 2005, as previously stated has been increased by $84,245 to reflect a 2004 interfund transfer which was not reported as received in the General Revenue Fund until 2005.

The Unemployment Fund's cash balance at January 1, 2005, as previously stated has been increased by $27,741 to reflect a 2004 interfund transfer which was not reported as received in the Unemployment Fund until 2005.

This Circuit Clerk Interest Fund's cash balance of $33,647 at January 1, 2005, was not previously reported as a separate operating fund, as it was combined for presentation purposes with the Circuit Clerk's agency funds. The Circuit Clerk Interest Fund is reported as a separate operating fund in this report.

Supplementary Schedule

Schedule

PHELPS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	N/A	$ 140,487	147,886
10.559	Summer Food Service Program for Children	N/A	420	140
	Office of Administration			
10.665	Schools and Roads - Grants to State	N/A	136,958	0
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Economic Development			
14.228	Community Development Block Grants/State's Program	N/A	45,335	10,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.606	State Criminal Alien Assistance Program	N/A	0	1,524
16.607	Bulletproof Vest Partnership Program	N/A	1,505	1,070
16.710	Public Safety Partnership and Community Policing Grant	N/A	0	64,978
16	Equitable Sharing of Seized and Forfeited Propert	N/A	184,434	119,400
	Passed through:			
	State Department of Public Safety			
16.523	Juvenile Accountability Incentive Block Grant	N/A	21,218	3,450
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Program	N/A	0	8,593
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	912	955

Schedule

PHELPS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Constructior	BRO-081(6)	6,229	0
		BRO-081(9)	0	448,472
	Program Total		6,229	448,472
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training an Planning Grants	N/A	3,456	3,694
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Propert	N/A	601	0
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	152,700	136,226
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects - State an Local Childhood Lead Poisoning Prevention and Surveillanc of Blood Lead Levels in Childrer	N/A	7,234	134
93.235	Abstinence Education Program	N/A	21,626	24,726
93.268	Immunization Grants	N/A	97,913	81,090
93.283	Centers for Disease Control and Prevention - Investigatior and Technical Assistance	AOC06380085	121,102	0
		AOC05380054	0	161,901
		ERS16160074	9,599	0
		ERS16150014	0	8,118
		DH060031044	8,452	0
		ERS1466181C	1,129	0
		ERS1465181C	0	441
	Program Totals		140,282	170,460
93.557	Education and Prevention Grants to Reduce Sexual Abuse o Runaway, Homeless and Street Youtl	N/A	9,006	0

Schedule

PHELPS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	30,468	40,050
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	N/A	6,245	6,668
93.919	Cooperative Agreements for State-Based Comprehensive Brea and Cervical Cancer Early Detection Program	N/A	9,741	8,935
93.945	Assistance Programs for Chronic Disease Prevention and Contr	N/A	24,892	26,983
93.977	Preventative Health Services - Sexually Transmitted Diseas Control Grants	N/A	0	1,307
93.994	Maternal and Child Health Services Block Grant to the State	N/A	77,535	72,593
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
	Direct Programs:			
94.002	Retired and Senior Volunteer Program	N/A	40,931	40,386
94.016	Senior Companion Program	N/A	354,978	349,525
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	N/A	18,134	51,493
	Total Expenditures of Federal Awards		$ 1,533,240	1,820,738

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

PHELPS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Phelps County, Missouri, except for the programs accounted for in the Phelps County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for the nine months ended June 30, 2006 and the year ended September 30, 2005.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Equitable Sharing of Seized and Forfeited Property (no CFDA number) include both cash disbursements and the estimated fair market value of property at the time of receipt.

Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) include the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $45,335 and $10,000 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 2006 and 2005, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Phelps County, Missouri

Compliance

We have audited the compliance of Phelps County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs, Phelps County, Missouri, did not comply with requirements regarding allowable costs/cost principles that are applicable to its Equitable Sharing of Seized and Forfeited Property

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program. Compliance with such requirements is necessary, in our opinion, for Phelps County, Missouri, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Phelps County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-2.

Internal Control Over Compliance

The management of Phelps County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. Of the significant deficiencies referred to above, we consider finding number 06-1 to be a material weakness.

The responses of Phelps County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Phelps County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 31, 2007

Schedule

PHELPS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weakness identified?	__x__ yes	_____ no
• Significant deficiency identified that is not considered to be a material weakness?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs, except CFDA Number 16, which was qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
16	Equitable Sharing of Seized and Forfeited Property
20.205	Highway Planning and Construction
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
94.016	Senior Companion Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Equitable Sharing of Seized and Forfeited Property

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not Applicable
Federal CFDA Number:	16
Program Title:	Equitable Sharing of Seized and Forfeited Property
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	2006 and 2005
Questioned Costs:	$20,675

Monies received from the Equitable Sharing of Seized and Forfeited Property Program were used to pay overtime, vacation, and holiday time to a Sheriff's jailor, which appear to be unallowable as described by the program guide.

The county transferred $20,675 of federal awards in 2005 to the Law Enforcement Sales Tax Fund. These funds were used to make payments for an employee's accumulated overtime, vacation, and holiday time. Per the Guide to Equitable Sharing of Federally Forfeited

Property for State and Local Law Enforcement Agencies, payment for overtime is allowable when it is to support investigations and operations that may result in further seizures and forfeitures. However, this payment does not appear to be an allowable cost because the employee's position was that of a jailor, which does not appear to support investigations and operations. Also, payments for accumulated vacation and holiday time do not appear to be listed as allowable costs in the guide. Therefore, the $20,675 transfer appears questionable and could be disallowed by the granting agency.

WE RECOMMEND the County Commission and Sheriff contact the granting agency to resolve the questioned costs and ensure future funds are used only for allowable costs as stated in the Guide to Equitable Sharing of Federally Forfeited Property for State and Local Agencies.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission responded:

The Sheriff ordered that employee overtime and leave time be reimbursed from this fund, and he believes that this expenditure is within federal guidelines. We will await a decision from the Department of Justice regarding this matter.

The Sheriff responded:

We respectfully disagree with this finding. In a review of "A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies," dated March 1994, Section X, A1, and a footnote explanation of the cited publication states as follows:

"A1. Permissible Uses: Subject to laws, rules, regulations, and orders of the state or local jurisdiction governing the use of public funds available for law enforcement purposes . . . the expenses noted below are pre-approved as permissible uses of shared funds and property. Among the following uses, priority should be given to supporting community policing activities, training, and law enforcement operations calculated to result in further seizures and forfeitures:

d. Detention Facilities – The costs associated with construction, expansion, improvement, or operation of detention facilities managed by the recipient agency."

(Please note that this section says only that "priority" should be given to these programs–it does not exclude other uses of seized funds.)

"Note: The fact that the shared property was forfeited as a result of a particular federal violation does not limit its use. For example, when an agency receives a share of property that was forfeited for a federal drug violation, the shared property does not have to be used in a department's drug program. Priority consideration should be given, however, to completely equipping units that generate forfeitures in order to foster future forfeiture investigations."

Again, please note that this footnote explanation merely says that "priority" should be given to funding drug programs, and it does specifically state that use of forfeited funds are "not" limited to use only to support the drug programs.

We believe that the funds used to payout a departing jail supervisor complies with the spirit and intent of this program as a "pre-approved" permissible expenditure specifically outlined in paragraphs A1 and A1d above. The loss of manpower created by the departing jail supervisor had a direct adverse impact on the operation of our detention facility that housed persons detained during our drug operations. The fact that we would not have been able to hire a replacement jailor until the accumulated vacation, comp-time, and holiday time were "timed out" would have created a serious adverse operational and safety concern in our jail. By using forfeited funds to pay out the departing person's accumulated time, we were able to immediately fill that vacancy and eliminate the adverse operational and safety concerns that would have been created by a vacant manpower position.

06-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not Applicable
Federal CFDA Number:	16
Program Title:	Equitable Sharing of Seized and Forfeited Property
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-081(6) and BRO-081(9)
Award Year:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	State Department of Health and Senior Services
Federal CFDA Number:	93.283
Program Title:	Centers for Disease Control and Prevention - Investigations and Technical Assistance
Pass-Through Entity Identifying Number:	AOC06380085, AOC05380054, ERS16160074, ERS16150014, DH060031044, ERS1466181C, ERS1465181C
Award Year:	2005 and 2006
Questioned Costs:	Not Applicable

Federal Grantor:	Corporation for National and Community Service
Pass-Through Grantor:	Not Applicable
Federal CFDA Number:	94.016
Program Title:	Senior Companion Program
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	2006 and 2005
Questioned Costs:	Not Applicable

The county's procedures to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) need to be improved. Total federal expenditures were overstated by approximately $354,000 for 2006 and understated by approximately $177,700 for 2005.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to some federal grants were reported incorrectly or not included on the schedule. In particular, two significant errors and omissions accounted for the majority of the discrepancies. The county reported revenues instead of expenditures for the Equitable Sharing of Seized and Forfeited Property program, which overstated federal expenditures by $489,085 in 2006 and understated federal expenditures by $118,999 in 2005. In addition, the value of vaccines received for the Immunization Grants program was not reported on the SEFA, which understated federal expenditures by $96,859 and $81,090 for 2006 and 2005, respectively.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials. The County Commission and County Clerk should take steps to ensure all departments and/or officials properly track federal awards, or consider appointing a county-wide grants coordinator to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards. The County Commission should take steps to ensure other departments and/or officials properly track federal awards, or consider appointing a county-wide grants coordinator.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will meet with all officeholders and department heads who receive federal funds to impress upon them the importance of reporting all federal funds, even those which are not monetary. The reporting of federal funds has always been done in the same manner. The difference in this audit is that the amount received into the Sheriff Drug Enforcement Fund was considerably higher and was not expended within one calendar year. The County Clerk will report only federal funds expended in the future, and not receipts.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PHELPS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PHELPS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PHELPS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 31, 2007. We also have audited the compliance of Phelps County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 31, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for Equitable Sharing of Seized and Forfeited Property (CFDA number 16).

Because the Phelps County Public Housing Agency (PCHA) and the Phelps County Regional Medical Center (PCRMC) are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed the audit reports and other applicable information of the PCHA for the nine months ended June 30, 2006 and year ended September 30, 2005, and the PCRMC for the years ended December 31, 2006 and 2005.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Phelps County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Phelps County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Funds

As similarly noted in our prior report, the county has established funds separate from the county's main operating funds. The accumulated significant balances make it difficult to analyze the true financial condition of the operating funds. In addition, the county still makes a significant amount of transfers between various county funds, and it appears the county could significantly reduce the amounts transferred.

A. The County Commission has established separate funds which are used primarily to set aside money for future use and to make interfund loans for cash flow purposes. These funds include the Use Tax Fund and Jay White Estate Fund which can be used for general purposes and had a combined balance of $534,243 at December 31, 2006. The County Commission also established the Road and Bridge Debt Service Fund ($288,078 balance at December 31, 2006) and the Law Enforcement Debt Service/Building Maintenance Fund ($14,011 balance at December 31, 2006) in which restricted-use monies are transferred from the Special Road and Bridge Fund and Law Enforcement Sales Tax Fund, respectively, and set aside for future use. In addition, since 1998 the county has maintained approximately $1 million for future use in the Public Facilities Authority Fund, which contains proceeds from a sales tax that expired several years ago that was legally restricted for the construction and maintenance of the county courthouse. The balances of these funds set aside for future use totaled $1.8 million at December 31, 2006.

While setting aside money for future use can be desirable and represents prudent fiscal policy, the county's methods make it difficult to analyze the true financial condition of the county's main operating funds. In addition, the majority of the transactions in these funds are interfund transfers, which in many instances appear unnecessary and overstate total county receipts and disbursements. For example in 2005, approximately $100,000 was transferred from the Jay White Estate Fund to reimburse the General Revenue Fund for expenses that the County Commission desired to be paid from the Jay White Estate Fund. It would appear that these

expenses could have been paid directly from the Jay While Estate Fund, thus eliminating the need for the interfund transfer. Also, the county made an interfund loan from the Use Tax Fund to the Special Road and Bridge Fund for $151,475 in 2005 because of cash flow concerns in the Special Road and Bridge Fund. Although the Special Road and Bridge Fund had experienced cash flow concerns, the county still transferred $100,000 in both 2005 and 2006 from the Special Road and Bridge Fund to the Road and Bridge Debt Service Fund to set aside for future use.

In addition, in 2006 the county transferred $655,500 from the Law Enforcement Sales Tax Fund to the Law Enforcement Debt Service/Building Maintenance Fund for the purpose of setting aside some money for future use as well as for the lease/purchase payments for the new county jail, totaling $651,758 in 2006. The lease/purchase payments had been made from the Law Enforcement Sales Tax Fund for several years because this sales tax was passed specifically for the construction of the new jail. It appears unnecessary to transfer this money and make the lease/purchase payments from another fund, and this large transfer unnecessarily overstates total county disbursements for law enforcement purposes.

B. Interfund transfers, which have significantly increased since our prior audit, totaled approximately $2.29 and $1.55 million for the years ended December 31, 2006 and 2005, respectively, and represented approximately 15 percent and 11 percent, respectively, of total receipts for all county funds. Some of these amounts represent required operating transfers, such as transfers from the General Revenue Fund to the Assessment Fund; however, as noted in Part A, many of the transfers appear unnecessary. In particular, transfers are made for expenses incurred in one fund that could have been paid from another fund.

For example, transfers of $150,741 and $122,492 were made in 2006 and 2005, respectively, from the Election Services Fund to reimburse the General Revenue Fund for equipment purchased for the federal Help America Vote Act Requirements Payments program. It appears that these expenditures could have been made directly from the Election Services Fund.

In addition, the entire salaries of some employees are incurred in various funds, including the Senior Companions, Retired and Senior Volunteer Program, and Community Care Clinic funds. Instead of paying salaries directly from these funds, the county transfers money from these funds, totaling approximately $600,000 for 2006 and 2005, to the General Revenue and Health Department funds and makes the related payroll disbursements from the General Revenue and Health Department Funds. County officials indicated that their accounting system does not allow for the payment of payroll from certain funds, requiring the need for such transfers: however, these transfers unnecessarily inflate total disbursements made for payroll purposes.

The County Commission indicated it considers the balances of all county funds, including the funds established for future use, when the annual budgets are prepared, and the county's budget messages describe the purposes of the interfund transfers. However, the county's

current procedures make it more difficult to analyze the true financial condition of the county's main operating funds and unnecessarily inflate total county receipts and disbursements. The county should consider combining and eliminating certain funds and make interfund transfers and loans only when necessary. If the county wishes to set aside monies for future operations, this can be done by establishing reserves within the operating funds and clearly marking these amounts on the county's budgets as reserved for future operations.

WE AGAIN RECOMMEND the County Commission:

A. Reduce or eliminate interfund loans for cash flow purposes and consider combining these additional funds with the normal county operating funds.

B. Reduce or eliminate interfund transfers in which expenses are paid from one fund and reimbursed from another fund.

AUDITEE'S RESPONSE

The Use Tax, Jay White Estate, and Road and Bridge Debt Service funds have all been in existence for many years. Through maintaining separate funds for the Use Tax and Jay White Estate, the balances in these funds have remained intact and provide an operating reserve in emergencies. Any transfers made from these funds to another fund due to cash flow shortages are repaid by the borrowing fund as soon as funds are available. The Public Facilities Authority Fund has also been in existence for many years and is held separate due to the funds including sales tax receipts which are restricted to construction and maintenance of the courthouse. Major projects for the building are budgeted directly from the Public Facilities Authority Fund.

Payroll functions are not performed in these miscellaneous funds. Therefore, when the expense involved is a payroll expenditure, the payroll must be paid from the General Revenue, Law Enforcement Sales Tax, Special Road and Bridge, Assessment, or Health Department funds initially and then reimbursed.

The Law Enforcement Debt Service/Building Maintenance Fund was created to assure that funds are available for retirement of the jail debt service, as well as future upkeep to the jail building.

The transfers into the Road and Bridge Debt Service Fund are done on a monthly basis and used for equipment purchases. Because the transfers are done monthly, they had already been accomplished when a cash shortage resulted in the necessity for an interfund loan from the Use Tax Fund into the Special Road and Bridge Fund.

HAVA funds were received as a reimbursement for voting equipment. Because the Election Services Fund did not have a cash balance large enough to withstand the initial outlay for voting equipment, it was necessary to make initial payment for the voting equipment from the General Revenue Fund and reimburse when HAVA funds were received. To best track HAVA funds, all HAVA expenditures (not just the voting equipment) flowed through the Election Services Fund.

Senior Companions and Retired and Senior Volunteer Program are federal grant programs, not county agencies. Community Care Clinic is also grant funded. Regular employees from the Health Department also work in the Community Care Clinic. Performing payroll from each fund would result in problems with payroll taxes, unemployment, etc. Regular payroll is not performed through outside agency funds.

2.	**Mileage Reimbursements**

The county does not have formal policies for mileage reimbursements paid to county officials and employees. A review of reimbursement requests noted several instances where the purpose of the trips was not documented. For example, a mileage reimbursement claim for $672 from the Director of Support Services (IT and building maintenance) indicated "Misc. Mileage" for the months of March through June 2006, for which there was no documentation of the purpose of the trips.

In addition, our review noted untimely reimbursement requests for mileage incurred over several months. In December 2006, the former Prosecuting Attorney claimed 1,979 miles totaling $881 incurred during the previous 12 months, and the Juvenile Guardian Ad Litem claimed 10,899 miles totaling $4,087 incurred during the previous 10 months.

A written policy should be adopted to require specific information be included on mileage reimbursement requests, such as dates, total miles driven, destinations traveled, and purpose of official county business. In addition, the policy should require mileage reimbursement requests be submitted monthly. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the establishment and enforcement of a policy which requires adequate detailed and timely information is necessary.

WE RECOMMEND the County Commission develop and enforce a mileage reimbursement policy which requires dates, total miles driven, destination, and purpose, and requires reimbursement requests to be submitted monthly.

AUDITEE'S RESPONSE

The County Commission has adopted a stricter policy regarding mileage reimbursement. The policy requires that dates, total miles, destination, and purpose of each trip be included on reimbursement requests, and also requires that such requests be submitted within 30 days of the date of travel. A letter has been prepared to inform all offices of this policy change.

3. Sheriff's Accounting Controls and Procedures

The Sheriff's department received over $1.9 million for drug and evidence seizures during the two years ended December 31, 2006. The cash balance of the evidence account was not reconciled to open items, and some accounting records were not prepared or retained. The Sheriff's department also handles various receipts including document serving fees, gun permit fees, jail board bills, bond monies, donations, and inmate/commissary revenues, and our review noted some weaknesses with the procedures and accounting controls related to these other receipts.

A. Our review of the seized evidence account noted the following concerns:

1. The balance of the seized evidence bank account was not reconciled to open items (liabilities). At December 31, 2006, the reconciled balance of the evidence account was $508,005 while the open items listing prepared by the Sheriff's department cases totaled $362,270. While the Sheriff's department indicated open items listings are prepared each month, they apparently do not reconcile the open items to the account balance or identify differences. During our review of applicable accounting records, we identified the majority of the $145,735 difference as additional amounts that had been received but not included on any lists but the applicable case was still pending.

   Accurate listings of open items should be prepared and reconciled to cash balances monthly to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

2. Certain accounting records were not prepared or retained for the evidence account. Check registers for 2005 could not be located, and copies of open items listings were not retained for each month. In addition, bank statements for October and November of 2005 could not be located and duplicate copies had to be obtained from the bank.

   Proper recordkeeping and supporting documentation should be retained to provide an adequate audit trail and to adequately account for the monies in the evidence bank account.

B. Bank reconciliations for the inmate commissary account and the fee account were not properly documented, and as a result, errors noted in both accounts went undetected.

   As of February 2007, bank reconciliations for the inmate commissary account had not been prepared for the preceding two months. Subsequent preparation of the December 2006 bank reconciliation indicated the account had a negative cash

balance of $3,409, apparently because receipts had been recorded in December 2006 but were not deposited until January 2007. While the cause for this negative balance was not fully investigated and resolved, subsequent monthly bank reconciliations show positive cash balances as well as agreement of the cash balances to the open items listings.

In addition, the December 2006 bank reconciliation for the fee account indicated a cash balance of $1,083; however, because all monies are to be distributed at the end of the month, the account balance should have been zero. We noted an error in October 2006 in which fees of $981 were deposited but not distributed, and upon notifying the Sheriff's department, these fees were subsequently distributed. This error went undetected because the balance in the account is not reconciled to zero or to the actual balance of open items (liabilities).

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely. In addition, reconciling the balances to open items is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities.

C. Procedures have not been established to routinely follow-up on outstanding checks. At December 31, 2006, the inmate commissary account had 24 checks totaling $228 outstanding for more than a year. The fee account had 40 checks totaling $8,611 outstanding for more than a year, four of these totaling $8,286 which were issued in 1999. These old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

D. Accounting duties have not been adequately segregated in the Sheriff's department. For each of the three bank accounts, most of the functions of receiving, depositing, recording, disbursing, and reconciling monies are performed by the one individual assigned to that account. Little supervisory oversight is provided over these functions.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

WE RECOMMEND the Sheriff:

A.1. Prepare accurate monthly listings of open items and reconcile to the cash balances.

2. Retain all accounting records related to the evidence account, including check registers, bank statements, and monthly open items listings.

B. Prepare bank reconciliations and reconcile the cash balance to liabilities on a monthly basis for the inmate commissary and fee accounts.

C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

D. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

We agree and have already implemented these recommendations.

4. Prosecuting Attorney's Accounting Controls and Procedures

Receipt slips are not issued for some monies received, and receipts are not deposited intact on a timely basis. Money orders are not restrictively endorsed immediately upon receipt. An old bank account of the former Prosecuting Attorney containing outstanding checks and undistributed interest earnings should be closed.

The Prosecuting Attorney collected approximately $373,000 and $475,000 in 2006 and 2005, respectively, in bad check fees and court-ordered restitution.

A. The following concerns were noted regarding receipting procedures:

1. Our review of March 2006 deposits noted receipt slips were not issued for some monies received, and the numerical sequence of receipt slips was not accounted for properly. Without issuing and accounting for pre-numbered receipt slips for all monies collected, the Prosecuting Attorney's office cannot ensure all monies collected are ultimately recorded and deposited.

2. Monies received are not always deposited intact or in a timely manner. Monies are normally received each business day, but deposits are normally made only once a week. Deposits for the month of March 2006 indicated weekly deposits ranged from approximately $5,200 to $12,000. A cash count

performed on February 15, 2007, showed over seven working days of un-deposited collections, totaling approximately $4,100.

In addition, some monies received are held and not immediately deposited. Staff in the Prosecuting Attorney's office indicated these monies were not immediately deposited because they were for restitution cases that had not yet been finalized by the court. However, it appears that such receipts could be deposited immediately and the case file information be resolved at a later date. Also, money orders are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, pre-numbered receipt slips should be issued for all monies received immediately upon receipt, and the receipt slip numbers should be accounted for. In addition, money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis.

Similar conditions were noted in our prior report.

B. An old bank account maintained by the former Prosecuting Attorney, now in the custody of the current Prosecuting Attorney, needs to be closed out. As of May 31, 2007, the balance in this account of approximately $4,500 was comprised of outstanding checks ($2,000) and undistributed interest income ($2,500). Maintaining this old bank account creates additional and unnecessary record keeping responsibilities. The current Prosecuting Attorney should follow-up on the outstanding checks, re-issue them if possible, turn over any unclaimed or unidentified amounts in accordance with state law, and distribute the interest income.

WE RECOMMEND the Prosecuting Attorney:

A.1. Require pre-numbered receipt slips be issued for all monies immediately upon receipt and the numerical sequence of those receipt slips be accounted for properly.

2. Deposit all monies intact on a timely basis and restrictively endorse money orders immediately upon receipt.

B. Resolve the old outstanding checks, distribute the interest earnings, and close the bank account.

AUDITEE'S RESPONSE

A.1. We will begin to print our receipts slips for payment if possible with our computer program. If this is not possible, we will immediately issue manual receipt slips and account for all receipt slips in numerical sequence.

2. *All monies are currently being deposited on a daily basis and all money orders are being restrictively endorsed upon receipt.*

B. *The old outstanding checks from the prior administration have been balanced, letters have been sent to victims regarding the re-issuance of checks, and all unclaimed money will be sent to the State's Unclaimed Property Division. Any interest will be turned over to the County Treasurer and the bank account will be closed as soon as any re-issued checks clear.*

5. County Collector's Commissions

Concerns were noted with the County Collector's procedures for calculating certain withholdings and fees. The County Collector is responsible for collecting and distributing property taxes for political subdivisions within the county. Collections and distributions totaled approximately $18 million and $17 million for the years ended February 28, 2007 and 2006, respectively.

State law, Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school taxes due to a statewide education sales tax known as Proposition C. For the purposes of computing Proposition C withholdings, the County Collector computes ratios of unadjusted and adjusted school tax levies. The County Collector's spreadsheet to calculate the Proposition C withholdings had errors. On the spreadsheet, the ratios were correctly used to calculate withholdings for the county's one-percent commission; however, these ratios were not used to calculate the county's one-half-percent mailing commissions on current collections or the one-percent assessment withholdings. As a result, the county General Revenue and Assessment funds received less commissions and withholdings than allowed. These errors apply to the Rolla 31 School District, currently the only school district in the county whose property taxes are affected by Proposition C.

Upon discovering the errors, we requested the County Collector to recalculate the amounts which should have been withheld from the Rolla 31 School District. His calculations indicate under-withholdings from the district of approximately $19,100 in one-half percent mailing commissions and approximately $45,575 in one-percent assessment fees. The County Collector should review all incorrect Proposition C calculations, recalculate the proper amounts of withholdings, and make applicable adjustments to the distributions to the applicable school districts, General Revenue Fund, and Assessment Fund.

WE RECOMMEND the County Collector recalculate Proposition C commissions and assessment withholdings and make corrections for amounts improperly distributed to the schools, General Revenue Fund, and Assessment Fund. Procedures should be adopted to ensure future Proposition C withholdings are computed properly.

AUDITEE'S RESPONSE

Our ratios are correct but the calculations used against them were incorrect and this was corrected immediately and will be checked each year to ensure that this error doesn't occur again. The distributions that were incorrectly made will be corrected as funds become available from future collections as to not place a burden on the school districts effected by this error.

Follow-Up on Prior Audit Findings

PHELPS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Phelps County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations**.**

1. County Funds

   A. The County Commission had not enacted the formal process of annually setting the tax rate for the E911 Fund. In addition, the county always levied the maximum rate authorized by the voters, and as a result, the E911 Fund had accumulated a significant balance exceeding $1 million.

   B. The county made a significant amount of interfund transfers between various county funds, many of which appeared unnecessary. In addition, the County Commission had established separate funds which were used primarily to set aside money for future use and to make interfund loans for cash flow purposes.

   Recommendation:

   The County Commission:

   A. Annually set the E911 tax rate in accordance with state law. In addition, the County Commission should document its plans for the future use of E911 funds and consider reducing the accumulated fund balance.

   B. Reduce or eliminate interfund transfers in which expenses are paid from one fund and reimbursed from another fund. In addition, the County Commission should reduce or eliminate interfund loans for cash flow purposes and consider combining these additional funds with the normal county operating funds.

   Status:

   A. Implemented. In August 2005, the Commission reviewed the revenues and expenditures for the E911 Fund and approved a decrease in tax rate from $0.15 to $0.10 for 2006. In August 2006, the Commission again set the tax rate at $0.10 for 2007.

   B. Not implemented. See MAR finding number 1.

2. Officials' Salaries

A. Salary increases of approximately $12,000 given to each of the Associate County Commissioners in 1999 and 2000 were determined by the Missouri Supreme Court to be unconstitutional.

B. The County Treasurer's salary was increased $8,599 annually, effective with the start of a new term of office on January 1, 2003. It was unclear whether this salary increase complied with state law because the salary commission met and approved the increase in an even-numbered year.

Recommendation:

The County Commission:

A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

Status:

A. Not implemented. The County Commission responded that they would not pursue reimbursement of these funds from the associate commissioners because the salary commission acted in good faith in compliance with the state law and the intent of the legislature when making the decision to approve the mid-term increase. As a result, no further action was taken. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. The salary commission indicated they acted in compliance with the new legislation, legal opinions received, and other information which overall indicated meeting in an even-numbered year was allowed. As a result, no further action was taken. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Sheriff's Seized Property

A. Due to significant weaknesses in records and procedures and concern about the status of various weapons and drugs seized as evidence, the circuit court ordered the Sheriff's Department to investigate the status of seized property for about 730 cases. As a result, significant changes were adopted in March 2003 to improve controls over seized property; however, an investigation into this matter was still ongoing.

B. The Sheriff's Department did not prepare listings of open items (liabilities) for the bank account which contained seized monies.

Recommendation:

The Sheriff:

A. Continue to address the problems regarding seized property.

B. Prepare monthly listings of open items for the seized property account and reconcile the listings to the account balance. Amounts that are unclaimed or unidentified should be disposed of in accordance with state law.

Status:

A. Partially implemented. Significant improvements have been made; however, the Sheriff's Department is waiting for authorizations to dispose of a large amount of property no longer needed as evidence and the investigation has not been finalized. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. Open items listings are prepared, but unidentified amounts still remain. See MAR finding number 3.

4. Prosecuting Attorney's Procedures

Receipts for bad check restitution and court ordered restitution were not deposited intact on a daily basis, and receipts slips were not issued for some payments received.

Recommendation:

The Prosecuting Attorney record all monies immediately upon receipt and deposit all receipts intact daily.

Status:

Not implemented. See MAR finding number 4.

5. County Collector's Procedures

A. The County Collector did not properly reconcile liabilities to an old bank account balance. Approximately $3,200 of the account balance was not identified to specific liabilities.

B. Incorrect unadjusted tax levies were used when computing Proposition C ratios for some school districts. As a result, there were over withholdings of approximately $8,840 in commissions and $5,960 in assessment fees for school districts for the year ended February 28, 2003.

Recommendation:

The County Collector:

A. Prepare monthly listings of liabilities and reconcile the listings to the cash balance. An attempt should be made to identify the remaining balance in the old bank account and close the account. Any remaining unclaimed or unidentified monies should be disposed of in accordance with applicable state laws.

B. Recalculate Proposition C commissions and assessment withholdings related to the applicable school districts and make corrections for amounts improperly distributed to the schools, General Revenue Fund, and Assessment Fund. Procedures should be adopted to ensure accurate school tax levy information is obtained and future Proposition C withholdings are computed properly.

Status:

A. Implemented.

B. Partially implemented. Corrections were made for the improper distributions noted above; however, similar concerns were noted during the current audit. See MAR finding number 5.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PHELPS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1857, the county of Phelps was named after John F. Phelps, a former Governor and member of Congress. Phelps County is a county-organized, third-class county and is part of the Twenty-Fifth Judicial Circuit. The county seat is Rolla.

Phelps County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 640 miles of county roads and 47 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 33,633 in 1980 and 39,825 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 261.3	248.8	238.6	230.0	110.5	62.1
Personal property	97.3	89.1	82.3	88.9	16.2	11.9
Railroad and utilities	17.7	17.4	16.5	16.0	8.9	7.6
Total	$ 376.3	355.3	337.4	334.9	135.6	81.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Phelps County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ 0.1673	0.1611	0.1611	0.1751
Special Road and Bridge Fund	0.1030	0.0991	0.0859	0.0999
Developmentally Disabled Board Fund	0.0910	0.0910	0.0910	0.0900

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 113,862	108,555	103,901	104,150
General Revenue Fund	622,180	579,462	551,044	599,538
Special Road and Bridge Fund	401,808	368,974	311,905	353,481
Assessment Fund	222,532	208,250	195,931	143,940
Developmentally Disabled Board Fund	341,547	325,570	311,709	309,589
School districts	14,119,744	13,140,709	12,590,562	12,532,372
Ambulance districts	23,850	117,474	111,297	108,311
Fire protection districts	529,955	308,739	273,542	2,433
Hospital	1,758	4,442	4,287	4,533
Tax Maintenance Fund	34,182	29,673	29,306	26,489
Sewer Fees	0	1,860	1,387	899
Cities	1,410,122	1,455,532	1,366,459	30,525
County Clerk	308	317	318	337
County Employees' Retirement	119,062	106,459	98,606	92,930
Commissions and fees:				
General Revenue Fund	306,628	312,588	240,928	237,524
Collector and employees	14,126	14,656	13,572	0
Total	$ 18,261,664	17,083,260	16,204,754	14,547,051

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	95	95	96	95	%
Personal property	92	93	92	92	
Railroad and utilities	100	99	100	100	

Phelps County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
Law Enforcement		.0038	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Randy Verkamp, Presiding Commissioner		37,871	37,871	36,768	35,697
Charles (Bud) Dean, Associate Commissioner		34,486	34,486	33,482	32,506
Larry J. Stratman, Associate Commissioner		34,486	34,486		
J. Glendon Klossner, Associate Commissioner				33,482	32,506
Robin Kordes, Recorder of Deeds		47,740	47,740	46,350	45,000
Carol Bennett, County Clerk		53,751	53,751	52,186	50,666
Kenneth G. Clayton, Prosecuting Attorney		96,000	96,000	96,000	96,000
Donald Blankenship, Sheriff		59,189	59,189	57,465	55,791
Carol Green, County Treasurer		47,740	47,740	46,350	45,000
Larry Swinfard, County Coroner		18,611	18,611	18,069	17,542
Judith Faust Aaron, Public Administrator		50,795	50,795	49,316	47,880
Davis R. Haas, County Collector (1), year ended February 28 (29),	60,856	61,079	59,232	50,919	
Kevin D. Rasmussen, County Assessor (2), year ended August 31,		62,700			
Jack L. Harris, County Assessor (2), year ended August 31,			62,237	60,529	53,616
Richard Elgin County Surveyor (3)		0	0	0	0

(1) Includes $7,063, $7,328, and $6,786 of commissions earned for collecting city property taxes in 2007, 2006, and 2005, respectively. The County Collector's employees were also paid compensation totaling these same amounts for collecting city property taxes.

(2) Includes $6,716, $6,835, $6,600, and $1,100 annual compensation for E911 addressing services and $688, $688, $765, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.

(3) Compensation on a fee basis.

State-Paid Officials:					
Sue Brown, Circuit Clerk		49,470	48,500	47,850	47,449
Ronald D. White, Associate Circuit Judge		96,000	96,000		
Mary W. Sheffield, Associate Circuit Judge				96,000	96,000
Ralph J. Haslag, Associate Circuit Judge		96,000	96,000	96,000	96,000

In 2000, the county contracted with an underwriter to finance the building of a new county jail. The financing arrangement required the underwriter to issue $5 million in certificates of participation (COPs) and for the county to lease the facility over the ten-year time period that the debt would be paid off. In 2004, $2.485 million in refunding COPs were issued to pay the costs of refunding and defeasing the original COPs. The county's lease payments equal the amount of debt principal and interest, and the county will take ownership of the jail when the debt is extinguished, which is scheduled for 2007. The remaining principal payment due on the debt at December 31, 2006 was $635,000.

Susan Montee, CPA
Missouri State Auditor

September 2007

City of Lawson

Year Ended June 30, 2006

Report No. 2007-45

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Lawson, Missouri.

The city of Lawson is in poor financial condition as a result of numerous internal control weaknesses; cash flow deficits; inefficient management practices; and inadequate controls over expenditures, as well as the theft of over $96,000 by the former City Clerk. In August 2006, the city was contacted by its bank and informed that the general checking account was negative and most of the other restricted accounts established related to bond issues had been depleted. During the three years ended June 30, 2006, General Fund expenditures exceeded revenues by approximately $600,000, causing the fund balance to go from approximately $700,000 down to approximately $99,000. During the same time period, the proprietary fund had a net loss of approximately $373,000. The city had to secure over $289,000 of tax anticipation notes to fund normal operating expenditures in August 2006.

Unauthorized disbursements totaling almost $94,000 were made by the former City Clerk to herself and approximately $2,500 in unauthorized purchases were charged to the city credit card for her personal benefit. The fraudulent transactions made by the former City Clerk occurred between 2003 and 2006 and included duplicate payroll checks for the same period that were issued on several occasions. In addition, the former City Clerk processed payments directly to herself but posted the disbursements to the computer as vendor payments. Although the city bank accounts require two signatures, the former City Clerk was apparently able to falsify signatures on the improper checks. Charges were filed against the former City Clerk and she was found guilty of felony stealing and forgery in Ray County Circuit Court and was sentenced to the Department of Corrections. She was also ordered to pay restitution.

There were also two unauthorized payments made to the former City Administrator in March 2006 totaling over $4,300. These payments were included in two separate checks written as payments for unused leave; however, both checks included a payroll distribution that had already been paid for the same period. These duplicate payroll distributions were subsequently questioned and repaid in November 2006.

The city has not established separate funds nor accounting records for restricted receipts to ensure they are expended only for their intended purpose. All of the city's financial transactions are commingled in one accounting system and the system does not provide for segregation of activities by fund such as a General Fund, Utility (water-sewer-trash) Fund, Street Fund, or various other funds. The city primarily uses one bank account for most general and operating receipts and disbursements, but does maintain other bank accounts for certain types of receipts, such as bond and grant proceeds, court appearance bonds, and police department donations. Many of these other bank accounts were depleted by June 30, 2006, as a result of transfers to the city's general bank account.

(over)

There is no independent oversight or adequate segregation of duties related to the City Clerk's office and there is no evidence the various reports provided to the board periodically are reviewed for accuracy. The lack of oversight provided by either the City Administrator or the Board of Alderman has allowed the city's financial condition to seriously decline in the last several years without detection. Adequate controls over disbursements did not exist and an independent review of the composition of receipts to deposits was not performed. Controls over the city's bank accounts, bank statements, bank reconciliations, and subsidiary accounts receivable records for water and sewer accounts, property taxes, and municipal court transactions need to be improved. In addition, monthly open items (liabilities) for the municipal court bond account are not prepared.

The city did not adopt a procurement policy until February 2007 and although the city administrator indicated it was the city's practice to bid purchases exceeding $2,000, bid documentation could not be located for numerous expenditures and the evaluation process for selecting the successful vendor was often not documented. In addition, the city did not have written contracts with all vendors, supporting documentation was not adequate for some expenditures, and numerous invoices were not paid timely.

Budgets prepared the last two years did not present financial information by fund or include several other required components and the budgets are not used to monitor revenues and expenditures throughout the year. In addition, semi-annual financial statements have not been published as required and annual financial reports have not been filed with the State Auditor's office as required by state law.

The city has not performed and documented formal reviews of the adequacy of the water, sewer, and trash user rates. The former City Administrator indicated he calculated the rates informally but had not retained information on the calculations. The Board of Alderman raised water and sewer rates between June 2005 and June 2006 by 30 percent. However, there is no documentation to support the board's decisions or justification for these rate increases.

The city has not properly monitored an agreement with a contractor for the construction, operation, and maintenance of a golf course.

Also included in the report are recommendations related to bond and grant administration, minutes, board meetings, ordinances, and public records, capital assets and vehicle usage, and a street maintenance plan.

All reports are available on our website: www.auditor.mo.gov

CITY OF LAWSON, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
And
Board of Aldermen
City of Lawson
Lawson, Missouri 64062

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Lawson, Missouri. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by April 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Lawson, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Brian S. Huff

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Condition

The city of Lawson is in poor financial condition as a result of various factors. Numerous internal control weaknesses; cash flow deficits; inefficient management practices; and inadequate controls over expenditures, as well as the theft of over $96,000 by the former City Clerk, contributed to the poor financial condition of the city. Because of the financial problems and cash flow deficits, the city transferred approximately $360,000 of general obligation bond proceeds in May and August 2005 to the city's general checking account. Although the bond proceeds were designated for street improvements, it does not appear that the monies were expended for the designated purposes, but were used to fund normal operating expenses of the city.

In August 2006, the city was contacted by its depositary bank and informed that the general checking account was negative and most of the other restricted accounts established related to bond issues had been depleted. At that time, the city discovered approximately $100,000 in unpaid invoices and had to secure over $289,000 of tax anticipation notes to fund normal operating expenses.

During the three years ended June 30, 2006, General Fund expenditures exceeded revenues by approximately $600,000, causing the fund balance to go from approximately $700,000 down to approximately $99,000. During the same period, the proprietary fund (Water, Sewer, and Trash Fund) had a net loss of approximately $373,000, before receiving transfers totaling approximately $195,000 from the General Fund.

Inadequate procedures and internal control weaknesses have inhibited the Board of Aldermen's ability to effectively monitor and manage the city and have resulted in the problems noted above. The board should review disbursements and reduce discretionary spending as much as possible.

The board must monitor the financial condition of the city and develop a long range plan which will allow the city to reduce its disbursements and/or increase receipts to operate within its available resources. The recommendations contained in the remaining MARs, if implemented, will help the city establish procedures to operate within its available resources.

WE RECOMMEND the Board of Aldermen develop a long term plan to operate within its available resources. In addition, the board must closely monitor the financial condition of the city by preparing a detailed operating budget and periodically comparing budgeted and actual receipts and disbursements. Finally, the city should repay the $360,000 transferred improperly from the general obligation bond construction funds to the general checking account.

AUDITEE'S RESPONSE

A finance committee has been established to prepare a long term plan to operate the city within available resources. The board and the finance committee will monitor the financial condition of the city. Comprehensive operating budgets will be prepared to address the operating costs, debt retirement needs, and available resources of the city. The long term plan will address funds borrowed from the general obligation bond.

2. Improper Transactions

Unauthorized disbursements totaling almost $94,000 were made by the former City Clerk to herself and approximately $2,500 in unauthorized purchases were charged to the city credit card for her personal benefit. In addition, two unauthorized payments were made to the former City Administrator totaling over $4,300.

		City Administrator	City Clerk
Payroll	$	4,357	10,407
Direct disbursements		0	83,508
Credit card purchases		0	2,581
		4,357	96,496
Repayments		(4,357)	(8,500)
	$	0	87,996

The fraudulent transactions made by the former City Clerk occurred between 2003 and 2006 and included duplicate payroll checks for the same period which were issued on several occasions. In addition, the former City Clerk processed payments directly to herself but posted the disbursements to the computer as vendor payments. Although the city bank accounts require two signatures, the former City Clerk was apparently able to falsify signatures on the improper checks. As noted in the chart above, $8,500 appears to have been repaid to the city, which was identified by the independent auditor, although city personnel were unaware of these repayments. Finally, the lack of credit card controls allowed the former City Clerk to charge items to the city credit card. Charges were filed against the former City Clerk and she was found guilty of felony stealing and forgery in Ray County Circuit Court and was sentenced to the Department of Corrections. She was also ordered to pay restitution.

The unauthorized payments to the former City Administrator were included in two separate checks written as payments for unused leave in March 2006. However, both checks included a payroll distribution that had already been paid for the same period. The duplicate payroll distributions totaling $4,357 were questioned by the independent auditor and repaid by the former City Administrator in November 2006.

These improper transactions were not detected by the city due to the lack of adequate internal controls over disbursements, which are discussed more fully in MAR finding numbers 3 and 4.

WE RECOMMEND the Board of Aldermen review the salary overpayments and improper transactions and work with law enforcement officials to obtain restitution of the remaining amounts due the city. In addition, the board should develop adequate review procedures for authorizing disbursements.

AUDITEE'S RESPONSE

The former City Clerk has been prosecuted and ordered to pay full restitution. Procedures have been established to oversee the disbursement process.

3. Accounting Controls and Procedures

Significant problems were identified in the control procedures used to account for transactions including a lack of accountability for restricted monies and a lack of segregation of duties or independent reviews over receipts, disbursements, banking, or accounting records. Receipts are not issued for some monies received; the numerical sequence of receipts was not accounted for; some checks were issued without proper authority; and bank account reconciliations, transactions, and some balances were not adequately monitored. In addition, accounts receivable records were not subject to an independent review. Finally, monthly open items listings are not prepared for the court account and reconciled to the cash balance.

A. The city has not established separate funds or accounting records for restricted receipts to ensure they are expended only for their intended purpose. During the year ended June 30, 2006, the city's receipts for restricted purposes included:

Receipt type	Restricted purpose	Receipts: Year ended June 30, 2006
Sales taxes	Capital improvements	$ 102,000
Property taxes	General obligation debt retirement	102,000
Utility service revenues	Utility operations and debt retirement	735,000
Motor vehicle revenues distributed by the state	Street purposes including patroling	95,000

In addition, other restricted revenues are received for crime victim's compensation, police officer standards training, and law enforcement training.

The city's accounting system does not provide for separate accounting of these funds and the city has no other means of ensuring these restricted funds are spent for their intended purpose.

All of the city's financial transactions are commingled in one accounting system and the system does not provide for segregation of activities by fund such as a General Fund, Utility (water-sewer-trash) Fund, Street Fund, or various other funds. The city primarily uses one bank account for most general and operating receipts and disbursements, but does maintain various other bank accounts for certain types of receipts, such as bond and grant proceeds, court appearance bonds, and police department donations. Many of these other bank accounts were not used for their intended purpose and were depleted by June 30, 2006, as a result of transfers to the city's general bank account. Because financial and banking records commingle various restricted revenues, the city cannot adequately demonstrate that restricted revenues have been used for restricted purposes and cannot determine a balance of funds available for restricted purposes.

Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street related purposes including policing. Section 250.150, RSMo, requires the revenues of a water and sewer system be segregated from all other revenues or funds of the city, as do the bond covenants. Because the city does not separately account for restricted revenues, they are not able to demonstrate compliance with the related legal and contractual requirements.

B. There is no independent oversight or adequate segregation of duties related to the City Clerk's office. Her duties include receiving and depositing monies, recording receipts and disbursements, preparing and distributing checks, maintaining payroll records, preparing and distributing monthly utility billings, and preparing monthly bank reconciliations. Additionally, the former City Clerk and Assistant City Clerk signed checks.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary.

The fraudulent transactions and the city's poor financial condition noted in MAR finding numbers 1 and 2 may have been detected and corrected on a timely basis if independent reviews had been performed.

C. There was no evidence the City Administrator or Board of Aldermen provided adequate supervision or review of the work performed by the City Clerk's office.

Various reports were provided to the board periodically for review; however, the reports were not verified for accuracy. These reports were inadequate to provide sufficient information to support various board decisions as they did not include key information such as available budget or cash balances. The lack of oversight provided by either the City Administrator or the Board of Alderman has allowed the city's financial condition to seriously decline in the last several years without detection.

The Board of Alderman needs to take steps to ensure they are adequately monitoring the activities of city personnel, as well as the financial position of the city funds. Good management practices require extensive and detailed oversight by the board.

D. Adequate controls over disbursements did not exist resulting in $96,000 being misappropriated. Reviews of disbursements by the former City Administrator and the Board of Aldermen were apparently insufficient to ensure that disbursements were valid, properly approved, and agreed with information in the accounting system. Disbursements checks were prepared by the City Clerk or Assistant City Clerk and a listing of disbursements was provided to the Board of Aldermen for approval. However, the listing provided to the board did not include check numbers and none of the board members or City Administrator compared the payments on the listing to actual invoices and the entries posted to the computer to ensure that all disbursements were reported to the board. Although physical reviews were occasionally performed by the former City Administrator of specific checks prepared by the former City Clerk, a detailed review and accounting of each check issued by the city was not performed. There has been very little improvement in this process since the time of the misappropriation.

The fraudulent transactions made by the former City Clerk included payments to herself, but posted to the computer as vendor payments. Preparation of a detailed listing of each check issued for review and approval by the City Administrator and Board of Aldermen and verification of agreement between the checks written and information recorded in the accounting system could have detected the fraudulent transactions in a timely manner. Our review also identified several payments posted by the City Clerk's office as disbursements in the accounting records; however, the checks were not actually issued, resulting in insufficient payments to the federal government for payroll taxes and the city's deferred compensation program administrator. While the city has brought their deferred compensation program payments up-to-date, they still owe the federal government over $30,000 in delinquent payroll taxes.

To adequately document the review and approval of all disbursements, the numerical sequence of disbursements prepared by the city clerk's office should be accounted for; disbursements should be agreed with information in the accounting system; and a complete and detailed listing of bills should be prepared, signed or

initialed by the aldermen to denote their approval, and retained with the official minutes.

E. An independent review of the composition of receipts to deposits was not performed. The city's primary sources of receipts are utility payments, property taxes, court fines, permits, and grants. While manual receipt slips are issued for receipts other than property taxes and utility payments, a comparison of receipt slips issued to amounts deposited was not performed. Utility stubs and property tax statements are retained for those type payments, but again, a comparison of the original record of receipt is not compared to deposits. The Assistant City Clerk and the Utility System/Municipal Court Clerk are primarily responsible for receiving and recording payments and preparing and transporting deposits to the bank. However, an independent comparison of the composition of amounts received to amounts deposited, or a cross check of each others work, is not performed.

To ensure the proper handling and safeguarding of city monies, receipt records should be reconciled to bank deposits by an independent person, including the composition of cash and checks received.

F. Controls over the city's bank accounts, bank statements, and bank reconciliations need to be improved. Bank statements are received by the City Clerk's office and bank reconciliations are prepared by the same staff who prepare, sign, and distribute checks. In addition, two bank accounts were held by the police department.

The bank statements included copies of the checks issued by the City Clerk's office, including the fraudulent checks discussed in MAR finding number 2; however, the transactions were not detected because the former City Administrator did not perform reviews of the bank statements or the monthly reconciliations. In addition, some Alderman indicated cash balances were periodically reported to the Board of Aldermen verbally by the former City Clerk; however, there was no verification of those reported balances. As a result, the improper transactions and the city's declining cash balance remained undetected because financial activities were not properly supervised.

Internal controls should provide for reasonable assurances that all transactions are accounted for properly, and assets are adequately safeguarded. A thorough review of the bank statements would have detected the fraudulent activity in a timely manner and would have detected the city's cash flow shortage.

G. Controls over subsidiary accounts receivable records for water and sewer accounts, property taxes, and municipal court transactions need to be improved. Various reconciliations are not performed to ensure the accuracy of the subsidiary accounting records. In addition, there are no independent reviews of the various subsidiary accounting records to ensure that amounts the clerks are charged with

collecting are appropriately received and recorded or that credit adjustments are proper.

- Periodic reconciliations are not performed of the subsidiary records for the water and sewer accounts, municipal court, or special assessments to ensure the beginning receivable balance adjusted for receipts, judgments/billings, and authorized adjustments reconciles to the ending receivable balance.
- Ending account receivable balances of the municipal court and special assessments are not reconciled to the detail account balances.
- Although a monthly reconciliation of the property tax receivable balance is performed and agreed to the detail account balances, it is not reviewed by an independent person.
- Written policies and procedures do not exist to provide for controls and independent approvals of adjustments to account balances.

To safeguard against possible loss or misuse of funds, various reports and reconciliations should be prepared for the city's subsidiary accounts receivable systems and reviewed by the city administrator.

H. Monthly listings of open items (liabilities) for the municipal court bond account are not prepared and reconciled to the available cash balance. As a result, the municipal court could not ensure the amounts being held were sufficient to cover the liabilities. The bond bank account had an unidentified balance of $1,703 on March 31, 2007.

A monthly listing of open items is necessary to ensure accountability over open cases and to ensure monies held in trust by the municipal court are sufficient to meet liabilities. Also, for unidentified bond monies, an attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo. For those bonds which relate to closed cases, Sections 447.500 through 447.595, RSMo, which relate to unclaimed property, should be used to disburse these monies.

WE RECOMMEND the Board of Aldermen:

A. Establish the necessary records to account for those monies restricted for specified purposes.

B. Segregate the duties of the City Clerk's office to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.

C. Verify the accuracy of reports provided to the board and ensure the reports include sufficient information to support various board decisions and provide for adequate monitoring of the city's financial activities and financial position.

D. Verify the numerical sequence of disbursements, perform physical reviews of the checks written, ensure disbursements agree to the accounting records, and sign off on a complete and detailed listing of bills approved which is retained with the official board minutes.

E. Ensure all receipts are reconciled to bank deposits by an independent person, including verification of the composition of cash and checks received to the composition of cash and checks deposited.

F. Ensure all bank accounts are held by the City Clerk's office, bank statements are received and reviewed by an independent person, and bank reconciliations and reported cash balances are verified for accuracy.

G. Ensure adequate reports and reconciliations are prepared for the city's subsidiary accounts receivable systems and provide for adequate segregations of duties. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.

H. Require the Court Clerk to prepare monthly listings of open items and reconcile the listing to the monies held by the municipal court. Also, follow up on all bonds held for more than one year, and dispose of bonds in accordance with state law.

AUDITEE'S RESPONSE

A. A fund accounting system has been implemented with the assistance of an independent CPA to account for monies restricted for specific purposes.

B&C. We are in the process of developing oversight procedures for our employees and determining the financial reports necessary for the board and the finance committee to adequately monitor the city's financial position and will develop procedures to ensure the accuracy of the reports.

D. Detailed disbursement reports will be prepared for the board's review and filed with the minutes after approval. The invoices will be reviewed by the supervisory individuals who sign checks.

E,F &G. We agree and will begin doing these.

H. We have identified the payees for the unidentified funds and will pay the funds to those individuals. We will begin preparing monthly reconciliations.

4. Expenditures

Bids were not always solicited and contracts were not always obtained, supporting documentation for expenditures did not always include an adequate invoice or indication of the receipt of goods, and some payments were not made timely.

A. The city did not adopt a procurement policy until February 2007. Although the city administrator indicated it was the city's practice to bid purchases exceeding $2,000, bid documentation could not be located for numerous expenditures and the evaluation process for selecting the successful vendor was often not documented. The city made the following purchases without evidence of bid or proposals:

	Amount expended between June 30, 2005 and February 2007
Trash collection services	$ 143,111
Lamp posts	42,168
Lagoon catwalk construction	26,405
Worker's Comp Insurance	15,982
Security cameras	6,000

In addition, there is no indication that the city procures professional service vendors using requests for qualification or proposals. The city did not request qualifications for engineering services utilized on several projects or accounting services, which totaled approximately $98,000. There was no evidence of any solicitation of proposals for the selection of accounting services and, although the city board minutes showed some evidence of solicitation of proposals for engineering services for a lagoon catwalk, no documentation was maintained of the information received nor of the justification for selecting or rejecting the vendors.

Formal bidding and professional service procurement procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive procurement also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid and professional services can be solicited using requests for qualification and proposals for services. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and statements of qualification received and reasons noted why a bid or vendor was selected.

B. The city does not have written contracts for trash collection or some construction services indicating the services to be provided and at what amount. Between June 30, 2005, and February 28, 2007, the city paid $143,111 to the trash collection vendor and $101,208 to two different construction contractors for water and sewer system projects. The payments to the trash collection vendor are based on a percentage of the amount billed by the city to residents for trash collection services, but the city had no support for how that percentage was determined. The July 2005 minutes indicate that a contractor's bid was accepted for lagoon catwalk engineering services but there is no evidence of a contract.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

C. Supporting documentation was not adequate for some expenditures, invoices did not contain an indication of approval for payment or receipt of goods or services, and invoices were not always paid timely. Several disbursements were not adequately supported by invoices, including the fraudulent disbursements made by the former City Clerk and travel reimbursements. The city does not require department directors to approve invoices for payment or to verify receipt of goods prior to payment.

To ensure the obligation was actually incurred and properly approved, all expenditures should be supported by properly approved invoices containing indication that goods or services have been received.

D. The city failed to pay numerous invoices timely resulting in significant increases in current liabilities. Numerous invoices which were not paid timely included payroll liabilities payable to the IRS, the state, and the city's deferred compensation vendor. In addition, the former City Administrator indicated that the city identified nearly $100,000 in unpaid bills in September 2006 after the former City Clerk resigned.

Procedures should be in place to ensure bills are paid timely to avoid late charges and interest. Payroll transactions should be closely monitored to ensure taxes are remitted on a timely basis. Procedures need to be changed to ensure federal payroll taxes are deposited timely.

WE RECOMMEND the Board of Aldermen:

A. Ensure major purchases are bid and professional services are competitively procured, document the justification for selecting vendors or professional services, and maintain bid documentation on file.

B. Enter into written agreements for all services.

C. Ensure expenditures are supported by adequate invoices, all invoices are properly approved, and payment documentation contains indication that goods or services have been received.

D. Implement procedures to ensure bills are paid timely.

AUDITEE'S RESPONSE

A. By January 1, 2008 the board will prepare a revised procurement policy that will address this recommendation.

B,C &D. We agree and will implement these recommendations.

5. Budgets, Financial Monitoring and Reporting

Significant weaknesses were identified in the city's budgeting and financial monitoring and reporting. Fiscal year 2006 and 2007 budgets did not include all information required by state law, actual expenditures exceeded the budget, and budget to actual reports and other financial data were not submitted to the Board of Aldermen for review in fiscal year 2006. In addition, financial reports were not published or submitted on a timely basis in accordance with state law.

A. The budgets prepared for the fiscal years ended June 30, 2007 and 2006 did not present financial information by fund, and did not include a budget message, a general budget summary, information regarding the city's debt, or actual revenues and expenditures for the two preceding budget years. The 2007 and 2006 budgets only included actual amounts for the partially completed previous year through March 2006 and April 2005, respectively. Additionally, the budgets did not present cash or fund balances and did not provide a reconciliation of the prior year's receipts and disbursements to the city's cash balances in the accounting or banking records. Section 67.010, RSMo, requires the preparation of an annual budget with specific information.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific costs and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years. Additionally, the

beginning cash balances of the funds should agree to the accounting records and summary totals should accurately reflect the detail amounts.

B. The city's combined general and utility fund budget is not properly used to monitor revenues and expenditures throughout the year. For the year ended June 30, 2006, the city's actual expenditures exceeded the original and/or amended budgeted amounts. While the board approved only one $900 budget amendment for revenues and expenses related to a new source of income in February 2006, significant other items in the budget which also needed to be amended were not. The board did not receive budget to actual financial reports during fiscal year 2006, did not budget all expenditure activity, and did not properly monitor the city's compliance with budgetary restrictions, resulting in significant overspending.

	Fiscal Year Ended June 30, 2006		
	Amended Budget	Actual Expenditures	(Over) Budget
$	1,514,129	2,476,089	(961,960)

The majority of the overspending was caused by unbudgeted expenditures totaling approximately $884,000. The Board of Alderman had been receiving monthly budget to actual financial reports for the year ended June 30, 2007, beginning in September 2006, but these reports are no longer kept up to date and presented to the board. The city was unable to provide us budget to actual financial reports for the year ended June 30, 2007; however, a review of the February 2007 report indicated the city had exceeded approved budgeted expenditures by $126,000. Unbudgeted expenditures totaling $371,000 caused the majority of this overage; however, if unbudgeted expenditures are removed from the analysis, the February 2007 report indicated the city had spent 83% of the budget during the first 67% of the year. In addition, the report did not include information on the available cash balances.

The budget process provides a means to allocate financial resources in advance and to monitor revenues and expenditures throughout the year. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of the process. Section 67.040, RSMo, requires political subdivisions to keep expenditures within amounts budgeted and allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The city should formally amend the budget before the related expenditures are incurred.

C. The City has not published semi-annual financial statements as required by state law. While six month statements were published for 2005, those statements did not include receipt and disbursements information as required by law, but rather

presented assets and liabilities. Statements were not published for 2006. In addition, the statements do not appear to be supported by the financial records of the city as shown below.

	Balance Sheet information as of June 30, 2005	
	City published financial statement	CPA compiled financial statement
Assets	4,817,891	6,988,595
Liabilities	3,605,197	5,420,448
Equity	1,212,694	1,568,147

The city had no documentation to support the numbers presented in their financial statement and it is unclear if the amounts presented by the city include all activity.

Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

D. Annual financial reports were not filed with the State Auditor's office as required by state law. Audits for the fiscal years ended June 30, 2003 and 2002 were submitted in February 2004 and October 2003, respectively, but no audits or financial reports have been filed for subsequent years, although the city obtained financial statement compilations. Section 105.145, RSMo, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's office.

WE RECOMMEND the Board of Aldermen:

A. Prepare budgets which contain all information as required by state law. Ensure information is presented by fund and includes all planned financial transactions. Additionally, the budget should present available cash balances, reconciliations of cash balances to the city's financial records, and reconciliations to the prior year's beginning cash balances and financial activities.

B. Use the city's budgets to monitor revenues, expenditures, and cash balances throughout the year and ensure actual expenditures do not exceed budgeted amounts. In addition, budget amendments should be made prior to incurring the actual expenditures.

C. Publish semi-annual financial statements as required by state law.

D. Submit annual reports of financial transactions to the State Auditor's office as required by state law.

AUDITEE'S RESPONSE

A. We contracted with a private CPA to assist in the preparation of the 2008 budget and have addressed the deficiencies noted in the recommendation.

B. The board and the finance committee will, at a minimum, review budget reports on a monthly basis.

C&D. We agree and will implement these recommendations.

6. Utility System

In addition to the improvements needed in accounting controls and procedures and bond administration, as discussed in MAR finding number 3 and 7, the city needs to improve documentation of utility service rate calculations, assess the overall financial viability of the Utility Fund, and comply with city ordinances which require service shut offs when customer accounts are delinquent.

The city utility system includes water, sewer, and trash services. During the year ended June 30, 2006, utility operating revenues exceeded $735,000.

A. The city has not performed and documented formal reviews of the adequacy of the water, sewer, and trash user rates. The former City Administrator indicated he calculated the rates informally but had not retained information on the calculations. The Board of Alderman raised water and sewer rates between June 2005 and June 2006 by 30 percent. However, there is no documentation to support the board's decisions or justification for these rate increases.

The city's financial statements reported Utility Fund operating income or (loss) during the years ended June 30, 2006, 2005, and 2004, of about $7,300, ($107,700), and ($104,000), respectively. However, non-operating revenues and expenses consisting primarily of interest income and debt service payments resulted in total net losses during those years of about ($36,100), ($150,200), and ($187,000), respectively. These utility losses have contributed significantly to the poor financial condition of the city because the General Fund has transferred approximately $195,000 to the Utility Fund during the last three years. In addition, the Utility Fund financial statements reported no unrestricted cash balances for the three years ended June 30, 2006, 2005, and 2004 indicating that the Utility Fund has been operating from General Fund cash balances during the three years.

Water, sewer, and trash collection fees are user charges which should cover the cost of providing the related services including related debt retirement, and depreciation and replacement costs. The city should perform a detailed review of its water, sewer, and trash collection costs, including depreciation and debt service costs, and set rates to cover the total costs of operation. In addition, the city should document their justification for setting the rates for utilities and should assess the overall financial viability of the Utility Fund.

B. Water and sewer service is not always shut-off in accordance with city ordinance when customer accounts are delinquent. Utility billings are due on the fifteenth day of each month and delinquent as of the twenty-fifth day. The city sends notices to delinquent customers each month indicating water will be shut-off if the bill is not paid by the first of the month following the month in which the bill was rendered. Test work revealed numerous instances where utilities were not disconnected as provided by the city policy even though customers had not paid their delinquent balances.

To reduce delinquencies, ensure delinquent accounts are properly handled, and ensure equitable treatment of all customers, the city should be more consistent in their shut-off procedures for customers whose water and sewer bills are delinquent.

WE RECOMMEND the Board of Aldermen:

A. Periodically perform and retain documentation of reviews of water, sewer, and trash collection rates to ensure revenues are sufficient to cover costs of providing the services and to support the board's justification for changes made to utility rates. In addition, the board should assess the overall financial viability of the Utility Fund when reviewing rates and make adjustments to rates when necessary to improve the financial condition of the fund.

B. Ensure more consistency in shut-off procedures for compliance with city ordinance.

AUDITEE'S RESPONSE

A. The board will perform a detailed review of the water, sewer, and trash rates by December 31, 2007 and take appropriate action.

B. We have implemented this recommendation.

7. Bond and Grant Administration

The city has not complied with bond covenant restrictions and has not properly expended some bond and grant proceeds.

A. A review of proceeds from four bonds and one grant acquired by the city between 2002 and 2007 indicated that the city did not always expend the funds for restricted purposes.

- The city received bond proceeds from a general obligation bond series issued for street improvements and maintenance. The proceeds totaling nearly $783,000 were received by the city at the date of bond issuance and were deposited to a bank account designated for general obligation bond construction activities. Due to the poor controls and procedures over expenditures and financial reporting, the former City Clerk was able to divert approximately $360,000 to the city's general checking account. The former City Administrator indicated that the diverted funds were primarily used to pay general operating expenses of the city and utility systems. Neither the former City Administrator or members of the Board of Alderman reviewed bank statements or monthly reports of activity related to the bond and grant funds, which allowed the transfer of these funds to go undetected. These diverted funds also provided cash balances sufficient to support the misappropriations that are discussed in MAR finding number 2.

- The city has not adopted procedures to ensure monies drawn down from bond proceeds held by a trustee bank are paid to vendors. Cash draw downs of $4,000 and $11,500 were made by the city from the bond trustee of the 2005 and 2002 series special revenue bond construction accounts. The draw down requests were supported by copies of vendor invoices for project construction services which the city needed to issue payment on; however, the related cash disbursements did not appear to be made to the vendors by the city.

Revenues restricted for a specific purpose should not be used for general operating expenses of the city or other non-allowed purposes. The city's General Fund owes the 2004 bond proceeds construction account approximately $360,000 and the city should ensure that the cash draw downs from the 2005 and 2002 special revenue bonds were used to pay allowable costs or should return the unspent funds to the trustee.

B. Covenants in some of the city's bond transcripts require the city to set revenue rates to provide funding sufficient to meet operating and debt retirement costs and to obtain and provide annual financial audits to the trustee. The city has not complied with various bond covenants.

1. Rate covenants on sewer system revenue bonds issued in 2002 and 2005 require the city to establish user charges to produce income sufficient to operate and maintain the utility systems, provide net revenues of at least 110 percent of the current year's debt service requirement, and provide for reasonable and adequate reserves for bond repayments. However, the city

has failed to establish rates sufficient to meet the rate covenant requirements. A formal review of sewer rates has not been performed during the past several years. For the year ended June 30, 2006, the city's independent auditor reported that the net revenues available for debt service was under funded by approximately $49,000, and there were no reserve or replacement accounts maintained. As a result, rates were not set at an amount sufficient to generate required revenues and the water and sewer fund has been operating at a loss for the past several years, as discussed in MAR finding number 6.

The failure of the city to comply with the revenue bond covenants could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds. The city should perform periodic detailed reviews of the costs of providing sewer services and set rates appropriately.

2. The city has not obtained annual audits of its water and sewer system as required. The bond covenant and Section 250.150, RSMo, requires the city to obtain annual audits of the water and sewer system. In addition to being required by state law and the city's bond covenants, annual audits of city funds would help ensure city financial transactions have been properly recorded.

C. Documentation of special projects funded by bond or grant proceeds is not adequate. Since July 2002, the city has issued bonds totaling $1,410,000 for water and sewer system improvement projects; $800,000 for street projects; $700,000 for storm water system projects; and $83,000 for a city beautification project. In addition, in 2005, the city was awarded a grant totaling $269,300 for the city beautification project.

The city does not maintain a central filing system for each project. As a result there was inadequate documentation of pre-project planning, cost estimates, procurement of consultants and financing, bidding and contractor selection, project inspections and progress monitoring, or cash draws and related project invoices. In addition, financial reports are not prepared detailing project activities including budgets, receipts, disbursements, cash balances, and available project budget. Finally, the city's budget does not provide information sufficient to monitor project activities, budget balances, or cash balances of the projects.

Organized accounting and project records are necessary to provide documentation of the sources and uses of projects funded by special revenue sources, to document the city's decisions and activities related to project planning and administration, and to demonstrate compliance with legal or contractual requirements.

WE RECOMMEND the Board of Aldermen:

A. Ensure restricted revenues are expended only for their intended purpose and repay the restricted revenue cash accounts held by the city or the city's bond trustee for monies not used for allowable purposes.

B.1. Monitor compliance with the rate covenant on an annual basis and take steps to adjust water and sewer system user charges if noncompliance is detected.

2. Obtain annual audits of the Water, Sewer, and Trash Fund, as required by state law and bond covenants.

C. Maintain adequate centralized records of projects funded by special revenue sources.

AUDITEE'S RESPONSE

A. We have established a fund accounting system to ensure restricted assets are properly accounted for. The contractors have now been paid in full.

B.1. The board will perform a detailed review of the water, sewer, and trash rates by December 31, 2007 and will take appropriate action.

B.2. We have procured a CPA to perform a compilation of the year ended June 30, 2007. The city will procure annual audits for subsequent years.

C. We will implement a project file for each active special revenue project by June 30, 2008.

8. Minutes, Board Meetings, Ordinances, and Public Records

Agendas and minutes for board meetings are sometimes not properly documented and maintained or kept in a central location and minutes are frequently not properly approved. In addition, board meeting minutes do not always contain sufficient detail of meeting activities and closed meetings are frequently not conducted or documented in accordance with state law. Also, the city needs to improve its policies and procedures over record keeping and documenting information requested by the public.

A. Numerous problems were noted with board meeting minutes. Board meeting minutes are prepared by the city clerk and reviewed for approval at the next board meeting.

- Meeting minutes frequently indicated that prior meeting minutes were approved by the board; however, the dates of the approved minutes were not documented.

- Approved minutes were frequently not signed or dated by the mayor and city clerk.
- Minutes for two meetings (including one closed meeting) could not be located by the city and formal minutes had not been typed and entered into the city's official records for two meetings (including one closed meeting).
- Minutes did not always include adequate detail as to what was being discussed or voted on. For example, meeting minutes for several closed sessions indicated only that "the audit and litigation was discussed" and minutes did not always include documentation of bids received or the reason a bid was selected. Additionally, some actions were taken by the board without recording a vote and votes were not recorded for some actions taken in closed session.
- Bill and ordinance numbers were not always accurately recorded in the minutes and some ordinance and bill numbers were not used at all causing a break in the sequence of numbers used.
- Closed minutes did not document how some items approved or discussed in closed session complied with state law. For example, the board approved a contract for water meters. The board discussed coordination of background checks between the police department and schools, employee bonding, procurement of a firm for audit services, levy increases, loans or tax anticipation notes, and options for reducing expenditures. Discussing such topics in closed session does not allow the public an opportunity to provide input on these matters.
- Roll call votes taken during open meetings often did not indicate the purpose of closing the meeting.
- Actions taken during closed meetings were not subsequently disclosed during open session.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings and specifies details that must be recorded; states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session; provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote; requires sufficient documentation of discussions held in closed meetings to demonstrate compliance with statutory provisions, and support important decisions made; and requires certain votes taken in closed session to be disclosed in open session.

Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission. In addition, minutes should be signed by the board to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

B. The city ordinances do not appear complete and up-to-date. Additionally, the city has not adopted ordinances required by state law and/or needed to govern the city.

- Many of the city ordinances appear old and outdated.
- It appears the ordinances were last codified in 2002 and the codification has not been updated regularly since then.
- Copies of the proposed ordinances are not posted for public inspection. The board reads proposed ordinances by title only during the board meetings. Although city officials indicated that proposed ordinances are listed on the tentative agendas that are posted for public inspection, interested parties must request copies of the proposed ordinances from the city clerk's office.

Since ordinances represent legislation passed by the board to govern the city and its residents, it is important that they be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances. A complete set of the original signed ordinances should be maintained at the city hall. Section 79.130, RSMo, states copies of proposed ordinances shall be made available for public inspection prior to the time the bill is under consideration by the board of aldermen. To achieve full public disclosure, proposed ordinances should be posted for public inspection along with tentative agendas.

C. The city does not have adequate controls to ensure information requests from the public are handled in compliance with the Sunshine Law. The city has not adopted a policy establishing a records custodian and setting forth policies for documenting requests, responding to requests, or fees to be charged for researching and providing copies of requested public documents.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. To ensure the city is complying with this statute, the city should document adequate information in a request log to determine if requests are completed timely and that all requests are adequately filled. In addition, the board should pass a resolution setting the custodian's requirements, documentation request procedures, and setting the price for obtaining documentation, including a schedule for document search.

WE RECOMMEND the Board of Aldermen:

A. Ensure complete and accurate minutes of the board's meetings are maintained including, but not limited to, a record of any votes taken and other information required by state law. In addition, minutes should be signed to attest to their accuracy and handling of closed meetings should be done in accordance with state law.

B. Ensure a complete and up-to-date set of codified ordinances is maintained and post proposed ordinances for public inspection.

C. Establish a records policy to ensure compliance with the Sunshine law. This policy should include appointing a records custodian, maintaining a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

A. We will take action to ensure the minutes are complete, accurate, and meetings are conducted in accordance with state law.

B. The fiscal year ending June 30, 2008 budget includes funds to update the ordinance codification. We will ensure that proposed ordinances are available for public inspection in compliance with state law.

C. We will develop a public records access policy by October 1, 2007.

9. Capital Assets and Vehicle Usage

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. In addition, controls over the use of city owned vehicles are not adequate.

A. The city does not maintain property records to account for the capital assets owned by the city and does not conduct physical inventories. The city maintained an insurance policy listing of insured city assets; however, it did not indicate the purchase date or value of the assets. Adequate capital asset records are necessary to provide better internal controls over city property and provide a basis for proper financial reporting. Formal policies and procedures for the annual physical inventory are necessary to ensure all personnel understand the duties assigned to them.

To develop appropriate records and procedures for capital assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all capital asset transactions and ensure the accuracy of the recorded capital assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

B. The city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city and used by the street or water department. As a

result, fuel usage by vehicle for the street or water department cannot be reviewed for reasonableness and cannot be reconciled to billings received and paid by the City Clerk's office. The police department maintains fuel usage and maintenance logs and reviews fuel usage by each vehicle for reasonableness; however, the fuel usage is not compared to billings received and paid by the City Clerk's office. The city's insurance records indicate the city owned nineteen vehicles and pieces of heavy equipment and the city's financial statements indicate the city expended approximately $27,000 for fuel during the year ended June 30, 2006.

Mileage/usage logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings (or hours of use for equipment), and the operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

WE RECOMMEND the Board of Aldermen:

A. Maintain property records for capital assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

B. Maintain complete and accurate mileage/usage and maintenance logs for all vehicles and heavy equipment. The logs should be reviewed by a supervisor periodically for completeness and reasonableness. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

AUDITEE'S RESPONSE

A. We are in the process of updating a capital asset listing and will ensure physical inventories are conducted during the fiscal year ending June 30, 2009.

B. We will implement mileage logs by October 1, 2007 for all vehicles and require department supervisors to perform reviews and provide reports of fuel usage on a monthly basis.

10. Golf Course Contract

The city did not properly monitor an agreement with a contractor for the construction, operation, and maintenance of a golf course. In 1992, the city received a donation of property and entered into a contract with a developer to build and maintain a golf course

on the property. Apparently, title was transferred to the contractor, who was responsible, at his own expense, for constructing an 18-hole course on the property. The agreement provided purchase option dates that the city could exercise to buy back the golf course at specified purchase prices, including a final option of $1 in January 2023. The city has not exercised any of the purchase options as of April 2007. The agreement also provided that, after 1993, the contractor would pay the city ten percent of the net profits realized from the operations of the golf course and allowed the city full access to the financial records and tax returns of the golf course.

According to the former city administrator, the golf course is currently owned by a local business man who purchased the property from the developer in 2000. The contract with the developer included a clause that the terms would be enforceable against any future purchaser of the property.

Numerous documents were filed with the Clay County Recorder of Deeds' Office between 1992 and 2006 to document the original and subsequent property transfers, various loans and loan releases, and notices of agreements between the parties which placed restrictions on the use of the property. It appears from a review of these documents that some deeds were not filed timely by the city based on the time frames stated by the former city administrator. The city was unable to provide documentation to substantiate that the terms of the original contract with the developer were still valid against the new owner of the golf course and it is unclear from a review of documents filed with the Clay County Recorder of Deeds Office whether the appropriate documents were filed to enforce the original contract against the current owner. Our review of the minutes for the last two years disclosed no discussions by the board regarding the golf course and the former city administrator indicated the city has not sought any legal opinions or advice from their city attorney regarding this issue. In addition, the city has received no financial records or tax returns from either the developer or the current owner to determine whether payment should have been received by the city based on the terms of the contract.

Failure to monitor and enforce the original terms of the contract with the developer or subsequent purchaser of the property could have resulted in a substantial loss of revenue to the city. Because it is unclear whether the city properly filed the deed documents related to the land and contract terms, the city's ability to enforce the terms of the original contract are in question. This entire situation should be discussed with the city attorney to determine what action the city should take to protect their rights to the golf course.

WE RECOMMEND the Board of Aldermen request an opinion from their attorney regarding their rights related to the golf course and determine whether any payments are due from the parties involved.

AUDITEE'S RESPONSE

We will consult with the city attorney and ensure appropriate actions are taken.

11. Street Maintenance Plan

A formal maintenance plan for city streets has not been prepared annually. The city spent approximately $184,000 on identifiable street related expenditures during the year ended June 30, 2006. A maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for the city streets at the beginning of the year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

We will develop a street maintenance plan in conjunction with the long term financial plan and the budget for FYE June 30, 2009.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF LAWSON, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Lawson is located in Clay and Ray Counties. The city was incorporated in 1871 and is currently a fourth class city. The population of the city in 2000 was 2,336.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2006, are identified below. The Mayor is paid $340 and Aldermen are paid $240 annually. The compensation of these officials is established by ordinance.

Mayor and Board of Aldermen	Dates of Service During the Year Ended June 30, 2006
George Green, Mayor (1)	July 2005 – June 2006
Ed Duncan, Alderman (2)	July 2005 – June 2006
Bob McCullah, Alderman (3)	July 2005 – June 2006
Roy Sparks, Alderman (4)	September 2005 – June 2006
Jack Crowley, Alderman	July 2005 – August 2005
Josh Thomas, Alderman (5)	July 2005 – June 2006

Other Officials	Dates of Service During the Year Ended June 30, 2006	Compensation Paid for the Year Ended June 30, 2006
John Tracy, City Administrator (6)	July 2005 – June 2006	$ 66,141
Rhonda Minnick, City Clerk (7)	July 2005 – June 2006	41,152
Norm Hemmerling, Police Chief	July 2005 – June 2006	46,619
Brian Hall, City Attorney	July 2005 – June 2006	1,528
Melissa Howard, Municipal Judge	April 2006 – June 2006	1,000
Thomas Fincham, Municipal Judge	July 2005 – March 2006	4,500

(1) George Green resigned in May 2007 and Josh Thomas was appointed to the position of Mayor.
(2) Marcia Petty was elected Alderwoman in April 2007.
(3) Steven Pickett was elected Alderman in April 2007.
(4) Jack Crowley resigned in August 2005 and Roy Sparks was appointed to the position of Alderman.
(5) Josh Thomas was appointed to the position of Mayor in May 2007 and Martin Hummel was appointed to the position of Alderman.

(6) John Tracy resigned May 15, 2007. This position remains vacant.
(7) Rhonda Minnick resigned August 31, 2006.

In addition to the officials identified above, the city employed fourteen full-time employees and two part-time employees on June 30, 2006.

Assessed valuations and tax rates for 2006 and 2005 were as follows:

ASSESSED VALUATIONS		2006	2005
Clay County			
Real estate	$	2,886,030	2,751,100
Personal property		577,856	467,036
Railroad and utility		325,240	259,702
Total Clay County	$	3,789,126	3,477,838
Ray County			
Real estate	$	14,860,350	14,394,680
Personal property		4,088,419	3,902,197
Railroad and utility		793,202	785,118
Total		19,741,971	19,081,995
City Total	$	23,531,097	22,559,833

TAX RATES PER $100 ASSESSED VALUATION

		2006 Rate	2005 Rate
General Fund	$	0.6300	0.4400
Debt service		1.1700	0.9700

TAX RATES PER $1 OF RETAIL SALES

		2006 Rate	2005 Rate
General	$	0.0100	0.0100
Capital improvement		0.0050	0.0050
Parks and Recreation		0.0050	n/a

Susan Montee, CPA
Missouri State Auditor

September 2007

City Of East Lynne, Missouri

Year Ended December 31, 2006

Report No. 2007-44

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

The following findings were included in our audit report on the City of East Lynne, Missouri.

A previous state audit of the city of East Lynne (Report No. 2002-56) made 35 management recommendations to the city. Of those recommendations, 12 have been implemented, 7 have been partially implemented and 16 have not been implemented by the city. While the former board agreed with most of the prior recommendations, little action was taken to implement them. Many of those prior conditions have been repeated in this report.

The city of East Lynne needs to improve its accounting records. The city does not maintain separate funds for the financial activity of its utility operations and restricted funds. The utility operations are separate accounting entities designed to account for specific city activities. Utility receipts should be used only to fund the operations of the respective utility services. In addition, adequate documentation is not maintained to support the allocation of some wage expenses among the various funds, and transfers between funds and/or bank accounts are not always properly classified in the actual receipts and disbursements in the fund ledgers.

Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or review of the work performed by the City Clerk and Treasurer. Errors and discrepancies in the accounting records are not always identified, investigated, and resolved, and the board does not receive adequate information on which to base its management decisions. In addition, the city should procure its banking services through a competitive bid process and consider consolidating its bank accounts and CDs.

The city is not properly accounting for sewer receipts and disbursements in accordance with its bond covenant and some required accounts are over-funded. The failure of the city to comply with the bond covenant could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds. Also, the city does not obtain an audit of the sewer receipts and disbursements.

During 2006, the city did not reconcile the total gallons of water billed to the gallons of water pumped. In 2007, the City Clerk started preparing a reconciliation; however, there were significant differences which were not investigated and resolved. In addition, the city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower. Also, controls over water deposits need to be improved.

(over)

The Special Revenue Fund (SRF) includes tax monies for the city's street bonds, capital improvement sales tax monies, road and bridge money from the county, and motor vehicle-related receipts from the state. These monies are co-mingled and are not accounted for separately.

The city does not have a policy for procuring professional services. In addition, disbursements were not always supported by adequate documentation. Some purchases by the police chief, including a hand gun costing $460, appeared questionable.

Potential conflict of interest issues were not properly handled. In May 2004, the board approved renting a building from former Mayor Cox, and paid approximately $7,000. The rental arrangement was not competitively bid, and the board minutes did not indicate the city was renting from the former mayor. Additionally, during 2006, while Mayor Martin was in office, the city purchased office supplies totaling almost $600 from his business without competitive bids.

The police chief's employment contract and related benefits are not clear. The city did not report and withhold payroll taxes or pay the employer's share of social security for compensation paid the mayor and board members; health insurance benefits paid to the former police chief; or extra compensation paid to a police officer. The city had nothing to support why these payments would not be considered taxable compensation.

The city needs to improve its controls over capital assets. Purchases and sales of vehicles through the Internet were not properly documented, and the disposition of assets was not formally handled. Additionally, controls over vehicles and fuel usage need improvement.

Also included in the report are recommendations related to budgets and financial reporting, minutes, meetings, and ordinances, and the municipal court controls, records, and procedures.

All reports are available on our website: www.auditor.mo.gov

CITY OF EAST LYNNE, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of East Lynne, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of East Lynne. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

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provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by May 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of East Lynne.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Cara Hoff

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls, Records, and Procedures

There are numerous weaknesses in the city's accounting controls, records, and procedures. A complete accounting system has not been established and an independent review of the City Clerk's and Treasurer's activities is not performed. Also, checks are not restrictively endorsed upon receipt, receipts are not always deposited on a timely basis, bids are not solicited for banking services, and bank accounts are not consolidated. Finally, the petty cash fund is not operated on an imprest basis.

A. The city needs to improve its accounting records. A complete financial accounting system has not been established.

1. The city does not maintain separate funds for the financial activity of its utility (water, sewer, and trash) operations and restricted funds, as needed. The utility operations are accounted for in the Proprietary Fund, while restricted funds are accounted for in the Special Revenue Fund. Although there are separate categories for receipts and disbursements, the accumulated balances of the respective utility operations and the restricted funds are not accounted for separately.

   The utility operations are separate accounting entities designed to account for specific city activities. Utility receipts should be used only to fund the operations of the respective utility services only. Rates for utility services should be set to cover the costs of producing and delivering service (including administrative costs), repaying debt, if applicable, and repairing and replacing infrastructure. (See MAR finding number 2.)

   In addition, the use of certain receipts, such as capital improvement sales taxes and state motor vehicle-related receipts, are limited by state law for specified purposes. (See MAR finding number 3.)

   Receipts and disbursements associated with specific activities or restricted usage should be recorded in a fund established to account for these activities/usage and to ensure compliance with state law, as appropriate. Complete, organized and timely accounting records are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made.

2. Adequate documentation is not maintained to support the allocation of some wage expenses among the various funds. Also, the city retains an administrative fee of $1.45 from each customer's monthly payment for

trash services; however, the city has not documented the administrative costs of providing trash collection services. With an average of 135 trash customers per month, this administrative fee totals over $2,300 a year.

The City Clerk's wages are allocated equally between the General Fund and Proprietary Fund, the Treasurer's wages are allocated 75 percent to the General Fund and 25 percent to the Proprietary Fund, and maintenance personnel wages are allocated equally between the General Fund and Special Revenue Fund. Additionally, the compensation of the mayor and board members is paid entirely from the Proprietary Fund. Although city employees use a time clock to record time in and out, no detail of the activities performed by the employee was noted. Consequently, the city has no support or reasons for these various allocations. In addition, the city had no documentation which showed how the administrative fee for the trash service was determined.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Also, adequate documentation and proper allocation of expenses is useful for both management and planning purposes. Salary expense should be allocated to the various city funds based on actual time or estimated time based on historical data. Additionally, the city should calculate and document the administrative costs of providing trash collection services. The user fee charged to city residents should be set at a level sufficient to cover the costs of the service.

3. Transfers between funds and/or bank accounts are not always properly classified in the actual receipts and disbursements in the fund ledgers.

For example, the transfer of monies to the General Fund from other funds for the allocation of wage expense is improperly classified as a receipt and disbursement in both the General Fund and the other funds. Also, the same disbursement is sometimes recorded in two funds when money is transferred from one bank account to another account. Although the city's Certified Public Accountant (CPA) prepares adjusting entries to properly classify receipts, disbursements, and transfers when preparing the compiled financial statements, the compiled statements are sometimes prepared months after the end of the city's fiscal year.

The city's way of handling these transactions does not provide the board or citizens with accurate information about the true financial position of city funds in a timely manner. The failure to present accurate financial information decreases the effectiveness of budget to actual reports or the

comparison of historical data as a management tool for the board to monitor the financial condition of the city.

To ensure the proper classification of receipts, disbursements, and transfers and to help ensure accurate financial reports can be prepared and evaluated in a timely manner, the city should develop procedures to properly record the transfer of monies between funds and/or bank accounts.

Complete and adequate accounting records are necessary for the board to adequately monitor the financial condition of the city. The city's compiled financial statements show the cash and/or fund balances of the city's fund have declined each year for several years because disbursements have exceeded revenues. Also, the Proprietary Fund has had a deficit balance for the past several years. The board needs an effective financial reporting system and procedures to monitor budgeted and actual activity. In addition, the city may be headed for financial problems unless action is taken to increase revenues or reduce expenditures.

B. The board does not provide adequate oversight and monitoring of the city's accounting activities and records.

1. Neither the board or other personnel independent of the cash custody and record keeping functions provide adequate supervision or review of the work performed by the City Clerk and Treasurer.

The City Clerk is responsible for billing, collecting and preparing the deposit for water/sewer/trash receipts and other city receipts, recording utility payments and monitoring accounts for delinquencies, and initiating utility service shutoff orders. The receipts are remitted to the Treasurer for depositing and recording in the city's financial records. The Treasurer is responsible for all record keeping duties of the city such as performing bank reconciliations, maintaining payroll records, recording disbursement information, preparing and distributing checks, and preparing monthly financial reports. Also, the City Clerk and Treasurer co-sign the checks for reoccurring bills before the board approves the payments, and no one independently reviews the invoices and checks to ensure they are in agreement.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by timely independent reviews of the work performed the City Clerk and Treasurer, and investigation into unusual items and variances.

2. The board does not perform supervisory reviews of the accounting records. Thus, errors and discrepancies in the accounting records are not always identified, investigated, and resolved, and the board does not receive adequate information on which to base its management decisions.

   For example, the summary reports of receipts and disbursements of the various funds do not always agree to the detail records of receipts and disbursements. In addition, the fund balances, which are given to the board along with disbursement information, do not include the certificate of deposit (CD) balances.

   To effectively evaluate, monitor, and manage the city's resources, the board needs to ensure that it receives complete and accurate accounting information. A periodic supervisory review of the city's accounting records would help ensure complete and accurate records.

C. Checks are not restrictively endorsed immediately upon receipt. According to the City Clerk, she endorses the checks when she prepares the deposits. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

D. Receipts are not always deposited on a timely basis. For example, in December 2006, deposits in the Proprietary Fund were made between three to seven days, with deposit totals ranging between $1,600 to $4,600. In addition, there were several instances when the city was charged bank fees because sufficient funds were not available to cover the checks issued.

   To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

E. The city has not solicited bids for its banking services nor entered into a written agreement with its depositary bank. The city has maintained its bank accounts and Certificates of Deposit (CDs) with the same bank for several years.

   To ensure the quality of banking services and interest earnings received are maximized, the city should procure its banking services through a competitive bid process. In addition, the city should enter into a written agreement with its depositary bank. All such agreements should require that deposits in excess of Federal Depository Insurance Corporation (FDIC) limits be secured by bank assets pledged to the city. Also, the bank service agreement provisions should include, but not be limited to, any bank fees for check printing, checking account services, and interest rate for invested funds. A written depositary agreement helps the city and bank understand and comply with the requirements of any banking arrangement.

F. The city should consider consolidating its bank accounts and CDs. At December 31, 2006 the city's cash balance totaled approximately $148,800 and $60,000 in eight bank accounts and six CDs, respectively. In addition, one account, totaling almost $39,000 has had no activity since March 2005 and another account had a negative balance of $4.

Except for separate accounts required by bond covenants, it appears the remaining bank accounts and CDs could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. A large number of accounts requires additional record keeping and increases the likelihood that errors will occur in the handling of funds. Consolidating accounts would also allow funds to be pooled for increased investment opportunities. At December 31, 2006, the city was earning 1 percent interest on its general operating account and rates ranging from 4.9 to 5.75 percent on CDs.

G. The petty cash fund is not operated on an imprest basis and a ledger is not maintained to support the receipts and disbursements of petty cash. Also, the fund is not reviewed by a person independent of the accounting process. Although the balance of the fund is established at $100, our cash count on February 6, 2007 found a total of $110 consisting of cash and invoices. The city's records indicate the fund was replenished for $59 in 2006.

The petty cash fund should be operated an imprest basis, meaning that cash and the invoices should always total the established balance, and checks issued to replenish the fund should equal the amount of the invoices. In addition, the city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect errors, and to prevent these monies from being misused.

Similar conditions to A., B., C., and G. were noted in our prior report, and the board agreed with the issues; however, no action was taken to implement the prior recommendations.

WE RECOMMEND the Board of Aldermen:

A.1. Ensure a complete financial accounting system is established, with specific activities accounted for in separate funds, as appropriate. Additionally, the city should determine and establish the proper balance of the separate funds and maintain the balances in the future.

2. Ensure employee wages and the mayor and board member's compensation are properly allocated to the various funds and are supported by adequate documentation. Additionally, the board should review the city's costs of

administering the trash pick-up service and document the amount of administration costs associated with the service.

3. Develop procedures to ensure the transfer of monies between funds and/or bank accounts are properly classified in the financial records.

B. Perform timely independent reviews of the work performed by the City Clerk and Treasurer and the city's accounting records. Errors, discrepancies, unusual items and variances should be identified, investigated, and resolved. Additionally, the mayor or a member of the board should ensure checks and invoices are reviewed.

C. Require the City Clerk to restrictively endorse all checks immediately upon receipt.

D. Require all receipts be deposited intact daily or when accumulated receipts exceed $100.

E. Seek competitive bids for the city's banking services on a periodic basis, and enter into a written agreement with the depositary bank.

F. Consider consolidating the city's bank accounts and CDs to the extent possible.

G. Maintain the petty cash fund on an imprest basis and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. A log of petty cash fund transactions should be maintained to properly document the financial activity of the fund.

AUDITEE'S RESPONSE

A,B,
F&G. We agree and we will implement these recommendations.

C&D. We agree and we have already implemented these recommendations.

E. We agree and we will look into implementing this recommendation.

2. Utilities

The city is not in compliance with its revenue bond covenant restrictions. In addition, monthly utility records are not reconciled, gallons of water billed to customers are not reconciled to the gallons of water pumped, and controls over water deposits are not adequate. Also, access to the computerized utility records is not restricted and backup copies of these records are not stored off-site.

A. The city is not properly accounting for sewer receipts and disbursements in accordance with its bond covenant and some required accounts are over-funded. Also, the city does not obtain an audit of the sewer receipts and disbursements.

In 1986, the city issued a revenue bond for sewer improvements. The bond covenant requires the city to establish certain separate bank accounts and to fund these accounts with transfers from the sewer operating receipts. The agreement required the city to establish 1) a Revenue Fund to handle all sewer income, receipts, and disbursements, 2) a Sinking Fund to handle the payment of the bond principal and interest payments, 3) a Bond Reserve Fund to be maintained while the bonds are outstanding, and 4) a Replacement and Extension Fund to be used to pay any unusual or extraordinary maintenance, repairs, or replacements costs.

1. Although a bank account has been established for the Revenue Fund, the account is not used properly. In addition, the sewer income, receipts, and disbursements are not accounted for in a separate fund.

   The city deposits all sewer receipts in a bank account that also includes water and trash receipts, rather than depositing the receipts in the Revenue Fund bank account. Thus, sewer receipts are co-mingled with other utility funds, and this account is used for all water, sewer and trash disbursements. Also, all utility transactions are accounted for in the city's Proprietary Fund. At December 31, 2006, the utility bank account totaled over $60,000.

   The city uses the Revenue Fund bank account to pay the bond principal and interest payments. However, as noted below, these payments should be made from the Sinking Fund. At December 31, 2006, the balance of the Revenue Fund account was $14,087.

2. The Sinking Fund is not being used to make the bond principal and interest payments and is over-funded. The account is to be funded monthly up to the total needed for the yearly payment, which is $5,750. The city has invested the funds for the Sinking Fund in a certificate of deposit (CD), and its balance at December 31, 2006 was $7,329.

3. Both the Bond Reserve and Replacement and Extension accounts are over-funded. These accounts should be funded up to $5,800. The city has also invested the funds for these accounts in CDs and each balance at December 31, 2006 was $7,329.

4. The city does not obtain an audit of the accounts, books, and records of the sewer system, as required by the bond covenant and Section, 250.150, RSMo. In addition to being required by state law and the bond covenant, annual audits of the city funds would help ensure city financial transactions have been properly recorded.

The failure of the city to comply with the bond covenant could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds.

The city should use the Revenue Fund to separately account for all sewer receipts and disbursements. The Sinking Fund should be used to pay the bond principal and interest payments and should be funded monthly, up to the amount needed for the yearly payment. The balance of the Bond Reserve Fund and Replacement and Extension Fund can be reduced to $5,800, and the excess funds used for sewer expenses. Additionally, the sewer receipts and disbursements should be accounted for in a fund ledger, separate from other utility monies, which shows the beginning balances, monthly receipts and disbursements, and ending balances of the sewer accounts. (See also MAR finding number 1.) Also, the city should obtain an annual audit of the sewer accounts.

B. Although monthly reports comparing amounts billed, collected, and delinquencies are generated from the computerized utility system, the reports are not reconciled to each other or to bank deposits, and discrepancies are not investigated and resolved.

For example, for January 2007 activity, the total receipts per the receipt report prepared for each deposit, were greater than the end-of-month (EOM) allocation receipt report. Additionally, the EOM allocation receipt report did not agree to the month's billing register and EOM receipts report. It appears some of these discrepancies may be due to whether the receipt is a current or delinquent payment.

Monthly accounts receivable listings should be reconciled to beginning accounts receivable, plus billings, less collections and other adjustments. Also, monthly billing/collection reports should be reconciled to each other and agreed to the bank activity. Any discrepancies should be investigated and resolved, in a timely manner.

C. During 2006, the city did not reconcile the total gallons of water billed to customers to the gallons of water pumped. In 2007, the City Clerk started preparing a reconciliation; however, there were significant differences which were not investigated and resolved. In addition, the city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile gallons of water pumped to the gallons of water billed on a monthly basis and compare these amounts to gallons of water purchased. Significant differences should be investigated.

D. Controls over water deposits need to be improved. Adequate records of water meter deposits are not maintained, and the deposits recorded on the city's records are not reconciled to the monies in the bank.

The master deposit list indicates that each customer has a $100 deposit; however, according to the City Clerk, the amount of the deposit and the date paid may not be accurate for long time customers. At December 31, 2006, the master deposit list totaled over $15,000. Given the Proprietary Fund balance of over $100,000, the city needs to determine the accuracy of the list so a portion of that fund's balance can be reserved.

To ensure the city is properly holding water deposits from customers, an accurate list of water deposits held by the city should be maintained, which includes the deposit amount, the date received, and the date and amounts of deposit refunds. The deposit list should be reconciled monthly to the monies held in the bank to ensure records are in balance and meter deposits are properly accounted for.

E. Access to the city's computerized utility records is not restricted, and the backup copies of these computerized records are not stored off-site.

1. Passwords and user identification codes (IDs) are not used to restrict access to the city's computerized utility billing and collection records. This unrestricted access to these computerized records weakens controls over the city's utility systems and increases the risks of unauthorized use and modification of the data.

   The ability to access and change computerized information should be limited to those individuals who need such access for the performance of their duties. Passwords and IDs should be used to restrict access to the computerized utility records and should be changed on a regular basis.

2. Although backup copies of the utility records are prepared on a weekly basis, the backup copies are not stored off-site. Backup copies of computer programs and data are necessary to provide a means for recreating destroyed data. Backup copies should be maintained and stored off-site to provide increased assurance that the city data can be recreated.

Conditions similar to A., C., and D. were noted in our prior report, and the board agreed with these issues; however, little action was taken to implement the prior recommendations.

WE RECOMMEND the Board of Aldermen:

A. Ensure compliance with all terms of the bond covenant.

B. Ensure monthly accounts receivable listings are reconciled to beginning accounts receivable, plus billings, less collections and other adjustments, and the monthly utility billing/collection reports are reconciled to each other. Also, collections should be agreed to bank deposits. Any discrepancies should be investigated and resolved in a timely manner.

C. Compare the gallons of water pumped to the gallons billed on a monthly basis, reconcile to the gallons of water purchased, and investigate significant differences.

D. Ensure adequate records of water meter deposits are maintained, including deposits received, disbursed, and the balance, which should be reconciled to the monies in the bank on a periodic basis.

E.1. Implement a password and ID system which restrict access to the city's computerized utility records. Passwords and IDs should be kept confidential and changed periodically.

2. Ensure backup copies of the computer program and data for the utility system are stored in a secure, off-site location.

AUDITEE'S RESPONSE

A&D. We agree and we will implement these recommendations.

B. We agree and we are working on implementing this recommendation.

C&E. We agree and we have already implemented these recommendations.

3. Restricted Funds

Funds in the Special Revenue Fund (SRF) are not always accounted for properly, and city records are not maintained in a manner to clearly indicate these funds are utilized as required. In addition, a separate fund and/or accounting has not been established for law enforcement training fees. (See MAR finding number 1.)

The SRF includes tax monies for the city's street bonds, capital improvement sales tax monies, road and bridge money from the county, and motor vehicle-related receipts from the state. These monies are co-mingled and are not accounted for separately.

A. The city is not in compliance with some terms of their General Obligation Street Bonds agreement. Additionally, the bank balance used in the 2006 tax rate calculation does not appear reasonable.

In 1999, the city voters approved issuing general obligation bonds to be used for the improvement of city streets. Each year the city sets a tax levy, based on an estimate of the revenues to be generated plus the existing fund balance, needed to pay current debt obligations plus a reasonable reserve for the following year's payments, as allowed by state law. In addition, the bond agreement provides the tax money be deposited into a Debt Service Fund, the monies be kept separate and apart from other city funds, and the monies be used solely for the payment of the principal and interest on the bonds. The agreement also requires the city to obtain an annual audit.

1. The city has not established a Debt Service Fund. Rather, these tax monies are deposited in the street bank account and accounted for in the SRF. Since the tax monies for the street bonds are co-mingled with other city funds, the city has little assurance that these funds are used strictly for the payment of bond principal and interest.

   The city should establish a Debt Service Fund, as required by its bond agreement. Also, to establish the proper balance for this fund, the city should determine the amount of monies which should have been deposited into the Debt Service Fund and deduct the total bond payments from this amount.

2. The city does not obtain an annual audit. Rather, the city has a CPA compile financial statements. To be in compliance with the bond agreement, the city should obtain an annual audit.

3. The bank balance used on the 2006 tax rate calculation worksheet does not appear reasonable. The city used $33,790 as the anticipated bank balance of the bond monies at December 31, 2006. However, the actual bank balance of the SRF, excluding capital improvement sales tax monies, was less than $8,000.

   Overstating the monies in the bank in the rate calculation causes the rate to be set at a level lower than necessary. As a result, the city may have used city funds, needed for other purposes, to pay bond payments. The tax levy needs to be properly calculated and set in accordance with state law.

B. The city needs to better account for its capital improvement sales tax monies. Although the city established a separate bank account for these tax monies, the city did not establish a special trust fund, as required by Section 94.577, RSMo.

In 1996, the city voters passed a one-half of one percent capital improvement sales tax to be used solely for the purpose of funding capital improvements. At December 31, 2006, the capital improvement sales tax bank account totaled almost $13,000, and the SRF showed capital improvement sales tax receipts of $6,673.

The city should establish a special trust fund for the capital improvement sales tax monies to account for the receipt, disbursement, and balance of these monies, as required by state law.

C. The city has not established a separate fund and/or accounting for the receipts and related disbursements of motor vehicle-related receipts received from the state. Article IV, Section 30, of the Missouri Constitution, requires these receipts, apportioned by the state of Missouri, be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets.

According to city records, for year ended December 31, 2006, the city received motor vehicle-related receipts totaling $12,639. Since these receipts are recorded in the SRF, a separate accounting is not maintained and city records did not clearly document that these receipts were spent for street-related purposes.

To ensure compliance with state law, the city should maintain a separate fund and/or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution.

D. The city has not established a separate fund and/or accounting for law enforcement training (LET) fees. Section 488.5336, RSMo, provides that LET fees should only be used to pay for the training of peace officers or other law enforcement personnel. In addition, the city cannot retain more than $1,500 of fees for each certified law enforcement officer. Any excess fees should be remitted quarterly to the city's general fund.

Although the city identifies the LET fees and related disbursements in the General Fund with a specific receipt and disbursement category, a balance for the fees is not maintained. Also, in 2006, the city did not record fees consistently in the appropriate category and could not readily determine the total LET fees received. In addition, in March 2007, LET monies, totaling $2,100, were used to pay for various supplies for the police department. The payment of police supplies is not a proper use of LET monies.

The city should establish a separate fund and/or accounting for LET fees and ensure the fees are used in accordance with state law.

Conditions similar to B. through D. were noted in our prior report, and the board agreed with these issues; however, no action was taken to implement the prior recommendations.

WE RECOMMEND the Board of Aldermen:

A.1. Establish a Debt Service Fund and separate bank account for the taxes collected for the General Obligation Street Bond and ensure these monies are only used to pay the principal and interest on the bonds. Also, the city should determine the amount of monies which should have been deposited into the Debt Service Fund

and deduct the total bond payments from this amount, to determine the proper balance of the fund.

2. Obtain an annual audit of the city's financial statements.

3. Ensure future debt service tax rates are properly calculated and set in accordance with state law.

B. Establish a special trust fund to account for the capital improvement sales tax monies.

C. Establish a separate fund and/or accounting for the motor vehicle-related receipts received from the state, and ensure these receipts are used for their intended purpose, as allowed by state law.

D. Establish a separate fund and/or accounting for the law enforcement training fees and ensure these fees are used in accordance with state law.

AUDITEE'S RESPONSE

A-C. We agree and we will implement these recommendations.

D. We agree and we have already implemented this recommendation.

4. Disbursements

The city does not have a policy for procuring professional services. In addition, disbursements were not always supported by adequate documentation and some purchases by the police chief were questionable. Also, Form 1099-MISC was not always issued, as needed.

A. The city has not adopted a policy regarding the criteria for obtaining proposals and selecting firms or individuals to perform professional services. As a result, the city does not always solicit proposals for professional services. In addition, the city has not obtained written contracts for all professional services.

For example, in 2006 the city paid $3,300 for accounting services, $7,343 for legal services, $11,624 for trash hauling, and $23,453 for management of the city's water/wastewater systems. The city did not have documentation to show that proposals had been solicited for these services, and did not have signed written contracts for the accounting and legal services.

While professional services may not be subject to standard bidding procedures, proposals should be solicited for such services and the best proposal selected based on costs, experience, the type of service to be provided, and any other

relevant factors. The city needs to develop a policy for obtaining professional services. In addition, a written contract, signed by both parties, should specify the services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties, rights and responsibilities and to provide protection to all parties. Section 432.070, RSMo, requires all contracts to be in writing.

B. Vendor invoices or other supporting documentation were not always obtained and/or retained. For example, no invoices were available for police supplies and police training, totaling $660 and $200, respectively. Additionally, the city sometimes made payments from billing statements rather than detailed invoices. As a result, the city made an overpayment of $2,523 when paying from just a billing statement. (The vendor gave the city a credit in the next month.) In addition, the invoices from the current city attorney are not itemized.

All disbursements should be supported by paid receipts and/or vendor provided invoices to ensure the obligations were actually incurred and the disbursement was an appropriate use of public funds. Additionally, to ensure the amount spent on legal expense is appropriate, invoices for legal services should be itemized. The board should ensure adequate documentation is available prior to approval of the payment and payments are made for the proper amount.

C. Some purchases and procurement procedures of the police chief were questionable.

1. The police chief purchased a hand gun, costing $460, which he indicated was to be used as a gift. This item was included with other purchases on an invoice submitted to the city. While the city processed and paid for most items, the police chief wrote a personal check about a month later to the vendor for this purchase.

   By purchasing the gun in this manner, the police chief may have received the gun at a special price and avoided paying sales tax. A sales tax exemption granted to a municipality should not be used to benefit an individual as this is a violation of the sales tax exemption letter.

2. The police chief does not always submit invoices on a timely basis to the city for payment.

   The city allows the police chief to charge uniforms and other police equipment and supplies to city accounts. The police chief receives and approves these invoices and submits the invoices to the city for payment. However, in several instances, invoices were not submitted timely. For example, for one vendor there were 5 invoices, totaling over $472, which were over 90 days past due and 2 invoices, totaling $132, which were over

30 days past due. For another vendor, a statement, totaling over $1,100, received in January 2007 included charges from June 2005.

The city should require that employees submit invoices for payment on a timely basis. Thus, the city could ensure that they are not charged late fees. In addition, the city needs to know the amount of its liabilities in a timely manner in order to properly plan and budget its expenses.

D. The city has no procedures in place to ensure Forms 1099-MISC are filed with the Internal Revenue Service (IRS) as required. In 2006, the city made payments to individuals or unincorporated businesses for legal services and accounting services, totaling over $6,000 and $3,000, respectively, which were not reported to the IRS.

Section 6041 through 6051 of the Internal Revenue Code require that nonwage payments of at least $600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-MISC.

A condition similar to A. was noted in our prior report and the board agreed with this issue; however, little action was taken to implement the prior recommendation.

WE RECOMMEND the Board of Aldermen:

A. Adopt a policy requiring the solicitation of proposals for professional services. Adequate documentation of the various proposals received should be maintained, and the best proposal should be selected based on cost, experience, type of service to be provided, and any other relevant information. In addition, the city should enter into formal written contracts for services which specify the services to be rendered and the manner and amount of compensation to be paid, as applicable.

B. Obtain and retain adequate supporting documentation, including invoices, for all disbursements. Also, invoices for legal services should be itemized.

C.1. Prohibit individuals from purchasing items for personal use through the city and with the city's sales tax exemption.

2. Require city personnel to submit vendor invoices for payment on a timely basis.

D. Ensure Forms 1099-MISC are filed as required by the Internal Revenue Code, and file amended forms, as needed, for payments made in prior years.

AUDITEE'S RESPONSE

A,B, &D. We agree and we will implement these recommendations.

C. We agree and we have already addressed these recommendations.

5. Budgeting, Financial Reporting, and Planning

Significant weaknesses were identified in the city's budgeting, financial reporting, and planning. Budgets do not include all information required by state law and actual disbursements exceeded the budgeted amounts in the Proprietary Fund in 2006. In addition, published financial statements do not include sufficient information and financial reports are not filed with the State Auditor's Office in a timely manner. Finally, the city does not prepare an annual maintenance plan for city streets.

A. The city does not prepare and adopt annual budgets in accordance with statutory provisions. The budgets do not include a budget message, actual receipts and disbursements for the two preceding budget years, or estimated ending available resources. The budgets show only the beginning balance and the current year budgeted receipts and disbursements.

Section 67.010, RSMo, requires the preparation of an annual budget which should present a complete financial plan for the ensuing budget year and Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendments of the annual budget. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific costs and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. It will also assist in setting tax levies and informing the public about city operations and current finances.

B. Actual expenses exceeded the $100,179 budgeted amount in the Proprietary Fund by almost $43,000 for the year ended December 31, 2006. It appears the board did not detect the overspending because budget to actual comparisons are not prepared and reviewed by the board prior to approving disbursements.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted. If there are valid reasons which necessitate excess disbursements, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for the increase. Budgets are a planning tool and should serve as a guide throughout the year to monitor receipts and disbursements. A periodic comparison of budgeted versus

actual receipts and disbursements is necessary to properly monitor the financial condition of city funds.

C. The city's published semiannual financial statements do not comply with statutory requirements. In addition, the city did not publish financial statements for the period July to December 2006.

The city published statements of the assets (excluding Certificates of Deposit), liabilities, and fund equity for the various city funds. While this may be useful information, the published financial statements do not include a detailed statement of receipts and disbursements of city funds and the indebtedness of the city.

Section 79.160, RSMo, requires the city to prepare and publish semiannual financial statements, within one month of the end of the period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published. Complete, accurate, and detailed financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. The financial statements should be published in accordance with state law.

D. The city does not submit an annual financial statement to the State Auditor's Office on a timely basis. The city filed financial statements, compiled by a CPA firm, for the year ended December 31, 2005, in February 2007, and the financial statements for the year ended December 31, 2006 had not been filed as of June 2007.

Section 105.145, RSMo, requires the city to file an annual report of its financial transactions with the State Auditor's Office, and 15 CSR, 40-3.030 requires unaudited reports to be filed with the State Auditor's Office within four months of the end of the city's fiscal year.

E. The city does not prepare an annual maintenance plan for city streets. In 2006, the city spent $8,270 for street maintenance. Additionally, Cass County, through a county sales tax, paid $10,900 and $25,500 in 2006 and 2005, respectively, directly to a vendor for city street repair work.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to

continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

Conditions similar to A., C., and E. were noted in our prior report, and the board agreed with these issues; however, little action was taken to implement the prior recommendations.

WE RECOMMEND the Board of Aldermen:

A. Prepare annual budgets that contain all information as required by state law.

B. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended. In addition, the board should ensure that complete and accurate monthly budget to actual reports are prepared and used to monitor the city's financial activity.

C. Ensure the city's published semiannual financial statements present all required financial information as required by state law.

D. Submit complete and accurate annual financial reports to the State Auditor's Office as required by state law.

E. Prepare an annual street maintenance plan as part of the budget.

AUDITEE'S RESPONSE

A&B. We agree and we will implement these recommendations.

C&D. We agree and we will review state law and comply.

E. We agree and we are working on this recommendation at the present time.

6. Minutes, Meetings, and Ordinances

The board's procedures for conducting and documenting board meetings and for establishing and maintaining ordinance records need improvement.

A. The city needs to improve its policies and procedures related to closed meetings. Various requirements in Chapter 610, RSMo (the Sunshine Law) regarding closed meetings were not always followed.

1. Minutes are not maintained of closed board meetings. Section 610.020, RSMo, provides that minutes of closed meetings should be prepared and retained.

2. Open meeting minutes and related agendas do not document the specific reason(s) for a closed meeting. Typically, the open meeting minutes only indicate the vote to go into "Executive Session". The agendas generally use the same statement to indicate a closed meeting. The statement indicates the board may have an executive session to "discuss personnel, legal, or privileged matters under section 610.021 (1) (3), RSMo."

   Section 610.022, RSMo, requires the specific reason(s) for closing a meeting to be announced publicly at an open meeting and entered into the minutes. A statement which includes all issues which might be discussed in a closed session appears to miss the intent of the law. In addition, this law provides that public governmental bodies shall not discuss other business during the closed meeting that differs from the specific reason(s) used to justify such meeting, record, or vote.

3. Some issues discussed in closed meetings did not appear to be allowable per the Sunshine Law. These items included discussing the guidelines for a building code ordinance, the city's budget, and the need to assign a mayor pro tem.

   Section 610.021, RSMo, allows matters to be discussed in closed session only if they if they relate to certain specific subjects, including litigation, real estate transactions, and personnel issues. The city needs to ensure only matters specifically authorized by state law are discussed in closed session.

B. Open minutes did not always include sufficient detail of matters discussed and action taken. For example, the vote and/or whether or not a vote was taken was not always documented, the title and/or number of an ordinance being voted on was not always documented, and the approval of the sale of city property (including a mower) was not documented. In addition, the follow-up of city business was not always documented in subsequent minutes.

   Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes. Minutes serve as the only official permanent record of decisions made by the board. Therefore, it is necessary the minutes be prepared to clearly document all business conducted.

C. The city ordinances do not appear complete and up-to-date. Additionally, the city has not adopted ordinances required by state law and/or needed to govern the city.

   1. The city ordinances are not codified and some ordinances were not in the ordinance book. In addition, the city does not maintain a summary listing of ordinances passed, rescinded, or superseded by a subsequent ordinance.

Thus, it is difficult to determine which city ordinances are currently in effect.

Since ordinances represent legislation passed by the board to govern the city and its residents, it is important that they be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and rescinded by the city could help keep track of additions and changes made to the city ordinances. A complete set of the original signed ordinances should be maintained at city hall.

2. The city has not adopted ordinances to address some issues required by state law. Although the city has established an ordinance for board members compensation, the city has not established an ordinance for employee compensation, the term of office for the City Clerk, or the powers and duties of other city officers. The last ordinance approved by the board for employee compensation was in 1978 and this ordinance does not reflect the current positions and wages for the city employees.

   Also, ordinances have not been adopted which are needed to govern the city. For example, the city has not adopted ordinances regarding part-time employee status, the hiring practices and termination of city employees, allowing police officers that live outside the city limits to take their city-owned patrol car home at the end of their shift, and employee benefits.

   Section 79.270, RSMo provides that city officials and employee salaries be set by ordinance and Section 79.320, RSMo, requires the City Clerk's term of office be established by ordinance. Also, Section 79.270, RSMo, provides that "…the salary of an officer shall not be changed during the time for which he was elected or appointed." Thus, the term of office is significant in determining when pay increases are allowable under state law. Finally, Section 79.290 provides that the powers and duties of city officers be established by ordinance. In addition, the city's policies and procedures should be set forth in ordinances to provide guidance and control for the effective and consistent management of city employees and to give the taxpayers information on how the city is to be governed.

D. The board does not hold public hearings on the city's proposed property tax rate and the rate is not set by ordinance.

Section 67.110, RSMo, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing. Sections 94.190.3 and 94.210, RSMo, require the property tax rate be set annually by ordinance.

Conditions similar to A.2 through D. were noted in our prior report, and the board agreed with these issues; however, no action was taken to implement the prior recommendations.

WE RECOMMEND the Board of Aldermen:

A.1. Maintain minutes of closed sessions in accordance with state law.

2. Ensure the open minutes and related agenda state the specific reason(s) for going into a closed session.

3. Ensure the items discussed in closed sessions are allowed by state law.

B. Ensure minutes clearly document all business conducted.

C. Ensure a complete and up-to-date set of codified ordinances is maintained. This would include passing new ordinances where appropriate and required.

D. Hold a public hearing on the proposed property tax rate and set the rate by ordinance, as required by state law.

AUDITEE'S RESPONSE

A.1. We agree and we have already implemented this recommendation.

A.2, A.3,B, &D. We agree and we will implement these recommendations.

C. We agree and we are working on implementing this recommendation.

7. Personnel Policies, Procedures, and Records

The city needs to improve its personnel policies, procedures, and records. Conflict of interest issues were not properly handled and concerns were noted with the police chief's employment contract. Also, some taxable compensation paid to employees was not properly reported and there were errors on some employees' W-2s.

A. Actual and/or potential conflict of interest issues were not properly handled.

In May 2004, the board needed a temporary city hall and approved renting a building from former Mayor Cox. The rent payments ($500 per month) continued into 2005 and totaled approximately $7,000. The rental arrangement was not competitively bid, and the board minutes did not indicate the city was renting from the mayor.

Additionally, during 2006, while Mayor Martin was in office, the city purchased office supplies totaling almost $600 from his business without competitive bids.

Section 105.454, RSMo, prohibits financial transactions between a city and an officer (or spouse, dependent child, or business and corporate interest of the officer or employee) of the city that involved more than $5,000 ($1,500 before August 2005) per year or $500 per transaction unless there had been notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received. In addition, any amounts involving an elected official create the appearance of conflicts of interest and a lack of independence which may harm public confidence in the board and reduce the board's effectiveness.

Discussions and decisions where an actual or potential conflict of interest exist should be completely documented so that the public has assurance that no city official has acted improperly.

B. The police chief's employment contract and related benefits are not clear. The contract provides for a yearly salary of $21,500, for the period April 1, 2007 to April 1, 2008.

1. Although the police chief was appointed in November 2006, in March 2007, the board for the first time, approved an employment contract for this position. Since an employment contract did not appear necessary in the past, it is questionable why the board saw a need for such a contract at this point and approved the contract a month before municipal elections.

   The timing of this contract limited the city's flexibility in establishing the police chief's compensation in relation to his performance and financial condition of the city.

2. Several provisions in the contract are not clear.

   - The termination clause does not clearly indicate the amount of compensation, if any, the police chief should receive if the city terminates his employment.

   - The annual salary and the provisions for the health and life insurance benefits were handwritten on the contract. However, the board minutes did not show that the salary and benefits were discussed and approved by the board.

   Contract provisions should be clearly stated to ensure there are no misunderstandings. In addition, the board's approval and intentions regarding contract provisions should be clearly documented in board minutes.

3. The police chief's time log indicates the number of hours worked each day, however the time sheet does not indicate his start or end time.

   The police chief's employment contract provides for a 40 hour work week, with working hours from nine to five. However, the police chief indicated that he mainly works the night shift. There was no documentation that the city approved a change in his work hours or that the board monitored the hours worked.

   The board needs to monitor the hours worked by the police chief to ensure the appropriateness of his compensation. In addition, the board should formally approve his work hours, if they differ from the terms of his contract.

4. Although the employment contract provides for various leave including personal days, vacation, sickness, and emergency leave, the city has not established a method to account for the leave earned and used. The city needs to establish a method to account for the benefits provided to the police chief.

C. The city did not report and withhold payroll taxes or pay the employer's share of social security for compensation paid the mayor and board members; health insurance benefits paid to the former police chief; or extra compensation paid to a police officer. The city had nothing to support why these payments would not be considered taxable compensation.

1. The city did not issue a W-2 to city officials for their compensation or withhold applicable taxes. The compensation paid to the mayor and board members totaled almost $4,400 for the period May 2006 to April 2007.

2. The city does not require employees to furnish proof of payment of insurance premiums when reimbursing employees for health and life insurance. Additionally, in 2006, the payments were not included on the employee's W-2.

   In 2006, the city paid the former police chief $585 per month (for 5 months) for health related costs. Also, in March 2007, the board approved paying the current police chief $1,320 ($330 per month) for him to procure health and life insurance. This payment was for the period November 2006 through February 2007, and since February, the city has continued paying him $330 per month for insurance.

3. In June 2006, the city paid one of its police officers extra compensation, totaling $465, for law enforcement during a motorcycle rally; however, the city did not include this extra compensation on the employee's 2006 W-2.

IRS regulations require employers to report taxable compensation on W-2 forms, withhold payroll taxes, and pay the employer's share of social security on the compensation paid to employees. Similarly, Chapter 143, RSMo, includes requirements for reporting compensation and withholding state income taxes. Additionally, IRS regulations provide that when an employer issues a check to an employee to pay for health insurance without requiring proof of payment of premiums, the amount is a taxable fringe benefit.

D. For three employees, the total federal wages did not agree to the total state wages on their W-2 form; however, the federal wages agreed to the payroll records. The differences ranged from $450 to $1,943. City personnel were not aware of the problem until we brought it to their attention. It appears they depend upon the city's accounting software to prepare the W-2s and do not review the W-2s to ensure they are complete and accurate. The city should develop procedures to ensure employees' W-2s are complete and accurate and agree to the city's payroll records.

WE RECOMMEND the Board of Aldermen:

A. Refrain from entering into business transactions with city officials unless there has been public notice and competitive bidding in accordance with state law. Conflict of interest issues should be fully documented so that the public has assurance that no city official has acted improperly.

B. Ensure its actions do not obligate a future board when approving employment agreements. In addition, the board should ensure the contract terms are specific and clear, and properly approved. Also, the board should monitor the hours worked by the police chief to ensure his compensation is appropriate, and establish a method to account for the various types of leave provided to the police chief.

C. Contact the IRS for guidance regarding the reporting of the mayor and board members compensation and the life and health insurance payments to employees, and the withholding and payment of applicable payroll and social security taxes. Also, the city should obtain and retain documentation to support the payments of health and life insurance to employees. In addition, the city needs to include all compensation paid to its employees on the employee's W-2. Amended W-2s should be prepared, as needed.

D. Develop procedures to ensure employees' W-2s are complete and accurate and agree to the city's payroll records.

AUDITEE'S RESPONSE

A-D. We agree and we will implement these recommendations. Additionally, board member Hottle indicated this agreement was a way for the city to secure a qualified person in a position that had seen turnover in the past. The board did not believe a year was excessive.

8. Capital Assets

The city has not established formal policies and procedures for its capital assets. As a result, various problems existed and errors were noted in the city's capital asset records.

A. The city does not maintain current, complete, and detailed records for its capital assets, including land, buildings, vehicles, equipment, and furniture. Although the city maintains a list of capital assets for insurance purposes, this list is not complete. Office equipment including computers were not included on the list. In addition, property is not tagged for specific identification and an annual physical inventory of the property is not performed.

Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

The city needs to maintain capital asset records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare to the detailed records. All capital assets should be recorded at historical costs or estimated historical cost, if actual cost is not available.

B. The city needs to improve its policies and procedures when purchasing police cars. The city obtained two used police cars, one in December 2005 and one in June 2006. However, the city had little assurance that the best price was paid for these vehicles.

In September 2005, the board approved paying insurance and fuel for a used 1999 police car, with over 110,000 miles, which had been personally purchased by the city's police officers off the Internet for $4,851. However, the total cost of the vehicle increased to $15,994 because over $1,000 was spent for travel expenses to pick-up the vehicle and over $10,000 was spent for emergency lights, radar, other equipment and parts and repair to make the car operational. Police Chief Hughes apparently paid for these repairs and submitted documentation to the board. In December 2005, the board approved purchasing the vehicle and paid Chief Hughes $15,994.

In December 2005, the board also approved the purchase of a second 1999 police vehicle. This vehicle, with over 100,000 miles, was purchased for $6,038 off the Internet by Police Chief Hughes in December 2005. The board approved paying Police Chief Hughes for this vehicle in June 2006.

City personnel indicated that the board did not investigate the cost of used police cars, or contact the Missouri State Highway Patrol (MSHP). Rather, the board allowed the police officers to handle these purchases. The MSHP sells their used police cars to political subdivisions in Missouri. According to MSHP personnel, cars on the average are sold when they are several years old with about 50,000 miles.

The city should investigate and evaluate the cost of used police cars to ensure that they receive the best value for their costs, and the board should determine the best method to purchase these vehicles.

C. The city does not have a formal policy for the sale of capital assets. Thus, the city has little assurance that the amounts received for the sale of its capital assets are reasonable.

In December 2005, the board approved the sale of their Dodge Intrepid police car to purchase the second 1999 police car, noted above. However, the board did not indicate the method of sale (e.g. sealed bids, public auction, etc). Thus, the police chief sold the car on the Internet for $4,051. City personnel indicated that they did not investigate and/or evaluate the trade-in value and/or fair value of the vehicle.

Also, in May 2005, the city sold some capital assets, including a mower in a benefit auction for the police department. The city did not maintain a list of the items sold or their sale price. The city deposited $539 from this sale.

The city needs to establish formal procedures in this area to ensure the disposition of capital assets is properly handled, approved, and recorded in the capital asset records. These procedures should ensure the method of disposition (e.g. bids, public sale, etc.) allows for participation by the public and provides the best price for the city.

D. Control over the usage of the police vehicles is not adequate. The city does not maintain mileage and/or usage logs for these vehicles. Additionally, police officers do not always use the city's bulk fuel tank (see below). Mileage and/or usage logs are necessary to document the appropriate use of vehicles and are useful in evaluating fuel costs. In 2006, city records indicated that approximately $3,400 was spent on fuel for police cars from area gas stations.

The mileage/usage logs should document the beginning and ending odometer readings, destination, and purpose of each trip. These logs should be reviewed by the city management to help ensure vehicles are used for city business, are being properly utilized, and help identify any vehicles that should be replaced. In addition, police officers should use the city's bulk fuel, if possible, so that the logs can be readily reviewed in conjunction with gasoline and other maintenance charges.

E. Equipment fuel usage logs are not reconciled to fuel purchases and fuel on hand. The city maintains gasoline in a bulk tank for use in city equipment and police vehicles. In 2006, city records indicated that bulk fuel purchases totaled almost $3,200.

Employees complete fuel usage logs for equipment such as the mower and backhoe, indicating how much fuel was pumped; however, the city does not maintain information regarding the total amount of gasoline pumped from the tank. Also, as noted above, logs are not maintained for police vehicles.

The city should periodically determine and document the number of gallons pumped. To ensure all fuel is properly recorded on the fuel usage logs and accounted for, the city should reconcile gallons of gasoline pumped to gallons of gasoline recorded on equipment/vehicle logs and reconcile the gallons of gasoline purchased to the gallons of gasoline pumped and remaining on hand.

WE RECOMMEND the Board of Aldermen:

A. Maintain complete and detailed capital asset records that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions or dispositions as they occur, and all items should be tagged or otherwise identified as city property. In addition, annual physical inventories should be performed and compared to the detailed records.

B. Investigate and evaluate the costs when purchasing used vehicles to ensure the city receives the best value for their costs. In addition, the board should approve the method of purchase.

C. Establish formal polices and procedures related to the handling and approval of capital asset dispositions. Complete records should be maintained to support all dispositions and such transactions should be recorded in the detail capital asset records.

D. Require complete and accurate mileage/usage logs be maintained for each police vehicle. In addition, fuel purchases should be recorded in the log and periodically reconciled to applicable disbursement records. City management should periodically review the logs for completeness and reasonableness.

E. Maintain records of the gallons of gasoline pumped and reconcile these records to the gallons of gasoline recorded on equipment/vehicle logs and the gallons of gasoline purchased.

AUDITEE'S RESPONSE

A-E. We agree and we will implement these recommendations.

9. Municipal Court Controls, Records, and Procedures

Municipal court controls, records, and procedures need improvement. Duties are not adequately segregated, the Court Clerk is not bonded, and the change fund is not maintained at a constant amount. In addition, traffic tickets are not accounted for properly.

The city's municipal court started operations in July 2006, and court receipts from July to December 2006 totaled over $22,400. Before July, municipal violations were handled by the Cass County Circuit Court, and in 2006, the circuit court remitted over $7,900 to the city for municipal violations.

A. The duties of receiving, recording, and disbursing bond, fine, and court costs monies collected by the municipal court division are not adequately segregated. Currently, the Court Clerk performs all these duties.

Although the Municipal Judge reviews the receipt ledger and deposit slips and the Treasurer ensures the composition of receipts agrees to the deposit slip when making the bank deposit, there is no independent review of the bank statements or month-end bank reconciliations and applicable liabilities prepared by the Court Clerk.

To adequately safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by a documented independent review of the court's bank statements, month-end bank reconciliations, and applicable liabilities.

B. The Court Clerk is not bonded. The failure to properly bond the Court Clerk exposes the municipal court and the city to risk of loss.

C. The change fund is not maintained at a constant amount. According to the Court Clerk the balance of the change fund was established at $75; however, our cash count on February 2, 2007 indicated a $5 shortage.

The change fund should be maintained at a constant amount. Periodically, the fund should be counted and reconciled to the authorized balance by an

independent person to ensure the funds are being accounted for properly and to detect any errors.

D. The municipal court and the police department do not account for the numerical sequence of tickets issued. According to the police chief, ticket books are assigned to a police vehicle, rather than to each officer and no record of the tickets issued is maintained. Records indicate that in June 2003 1,000 tickets were made available to the city from the MSHP.

Without proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured that all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the Municipal Court:

A. Adequately segregate the duties of receiving, recording, and disbursing court monies, to the extent possible and/or establish a documented review of the bank statements, month-end bank reconciliations, and applicable liabilities by an independent person.

B. Request the city to obtain bond coverage for the Court Clerk.

C. Maintain the change fund at an authorized amount. The fund should be periodically counted and reconciled to the authorized balance by an independent person.

D. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets.

MUNICIPAL JUDGE'S RESPONSE

A. The court clerk and the municipal judge are part-time employees who perform the duties outlined in this section. The court recommends, as an additional safeguard, that the city treasurer either reconcile the month end bank statements or prove an independent review of the court clerk's reconciliation.

B. The city should notify its insurance carrier to add the court clerk to its list of bonded city employees.

C. The court disputes a finding that the cash account/change fund has been short. If it were, the court could have applied to the city to fund the shortage. Notwithstanding, this court recommends that the city treasurer provide an independent reconciliation of the change fund.

D. State statute provides that the police department order, disburse and track all tickets. That is not a municipal court function. However, the court clerk has offered to provide a tracking system to the police department. The court recommends that the city instruct the police department to implement the court's recommended ticket accounting system.

AUDITOR'S COMMENT

C. The amount represented to us as the municipal court's change fund totaled only $70 rather than the $75 they established.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

CITY OF EAST LYNNE, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of East Lynne is located in Cass County. The city was incorporated in 1871 and is currently a fourth-class city. The population of the city in 2000 was 300.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2006, are identified below. The Mayor is paid $40 for each regular and special meeting and the Mayor and Mayor Pro Tem are paid $27.50 per hour for time spent in taking care of city business outside the regular and special meetings. The members of the Board of Aldermen are paid $38.50 for each regular and special meeting and $25 per hour for time spent in taking care of city business outside the regular and special meetings. The compensation of these officials is established by ordinance, and the annual compensation for May through April is paid in April each year.

Mayor and Board of Aldermen	Dates of Service During the Year Ended December 31, 2006	Compensation Paid
John Naylor, Mayor (1)	August to December	$ 1,125
David Martin, Mayor (2)	January to August	510
Verna Carver, Alderwoman (3)	January to December	833
Charles Hottle, Alderman	January to December	756
Ethan Shull, Alderman (4)	November to December	346
Bill Rusk, Alderman	July to October	358
Bill Gregg, Alderman (5)	January to June	0
Cleve Sauceman, Alderman (6)	August to December	462

Other Officials	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
Teri Riggs, City Clerk	January to December	$ 10,296
Marilyn McClure, Treasurer	January to December	8,639
William Hughes, Police Chief (7)	November to December	6,463
Roger Trout, Police Chief	January to October	19,109
Laura Ellis, Court Clerk (8)	July to December	2,400
Gerald Furnell, Municipal Judge (9)	July to December	2,700
Gerald Furnell, City Attorney (10)	January to June	4,306
Ronald L. Jurgeson, City Attorney (11)	July to December	2,113

(1) Roy Sparks was elected Mayor in April 2007.

(2) David Martin resigned in August 2006. John Naylor was appointed to replace him. Mr. Naylor served as Alderman from January to July 2006.

(3) Michael Akins was elected Alderman in April 2007.

(4) Bill Rusk resigned in October 2006. Ethan Shull was appointed to replace him.

(5) Bill Rusk replaced Bill Gregg in a run-off election in June 2006.

(6) Cleve Sauceman was appointed to replace Alderman Naylor. Andrea Harris was elected Alderwoman in April 2007.

(7) Bill Hughes was a part-time police office from January to October, 2006.

(8) Laura Ellis is paid $400 per month as municipal clerk. The municipal court was established in June 2006.

(9) Gerald Furnell is paid $450 per month as municipal judge.

(10) Gerald Furnell was paid $125 per hour plus expenses for his services as city attorney.

(11) Ronald Jurgeson is paid $150 per hour for his services as city attorney and $100 per hour for his services as the city prosecuting attorney.

In addition to the officials identified above, the city employed 3 part-time employees on December 31, 2006.

Assessed valuations and tax rates for 2006 were as follows:

ASSESSED VALUATIONS

Real estate	$	1,455,940
Personal property		386,735
Railroad and utility		400,430
Total	$	2,243,105

TAX RATE(S) PER $100 ASSESSED VALUATION

		Rate
General Fund	$	.8224
Debt service		.6654

TAX RATE(S) PER $1 OF RETAIL SALES

		Rate
General	$	.0100
Capital improvement		.0050

The city makes annual principal and interest payments of $5,750 on its Sewerage System Revenue Bonds. The final principal and interest payment is due in April 2018.

In 2006, the city made principal and interest payment of $23,985 on its General Obligation Street Bonds. The current principal balance as of December 31, 2006 is $150,000. The final principal and interest payment is due in March 2015.

A summary of the city's financial activity, taken from the compiled financial statements prepared by the city's Certified Public Accountant for the year ended December 31, 2006, is presented below:

	General Fund	Special Revenue Fund	Total
REVENUES			
Taxes and franchise fees	$ 41,756	20,831	62,587
Intergovernmental	0	13,445	13,445
Licenses, fees, and permits	2,573	0	2,573
Court and fines	25,681	0	25,681
Interest	1,370	293	1,663
Miscellaneous	5,380	0	5,380
Total Receipts	76,760	34,569	111,329
DISBURSEMENTS			
Salaries	40,228	21,341	61,569
Council fees	4,997	0	4,997
Payroll taxes	3,785	1,845	5,630
Repairs and maintenance	1,730	8,971	10,701
Debt service	0	24,385	24,385
Parks	308	0	308
Utilities	6,671	3,309	9,980
Insurance	4,628	1,462	6,090
Office supplies and rent expense	3,911	0	3,911
Professional fees	7,343	0	7,343
Capital outlay	(235)	7,237	7,002
Election	1,581	0	1,581
Police	15,206	8,131	23,337
Miscellaneous	235	0	235
Total Disbursements	90,388	76,681	167,069
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,628)	(42,112)	(55,740)
OPERATING TRANSFER IN (OUT)	8,066	(3,850)	4,216
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(5,562)	(45,962)	(51,524)
FUND BALANCE, JANUARY 1, 2006	37,831	71,117	108,948
FUND BALANCE, DECEMBER 31, 2006	$ 32,269	25,155	57,424

	Proprietary Fund
REVENUES	
Charges for services	$ 123,219
EXPENSES	
Water purchases	49,131
Contract services	35,077
Depreciation	16,602
Salaries	5,148
Employee taxes and benefits	445
Repair and maintenance	11,145
Utilities	3,656
Professional fees	10,594
Office expense	3,359
Supplies	3,894
Total expenses	139,051
INCOME (LOSS) FROM OPERATIONS	(15,832)
OTHER INCOME (EXPENSE)	
Interest income	2,308
Interest expense	(2,750)
Miscellaneous income	1,559
Total Other Income (Expense)	1,117
OPERATING TRANSFER OUT	(4,216)
NET LOSS	(18,931)
RETAINED EARNINGS, JANUARY 1, 2006	(106,791)
RETAINED EARNINGS, DECEMBER 31, 2006	$ (125,722)

Susan Montee, CPA
Missouri State Auditor

September 2007

Fourteenth Judicial Circuit

City of Moberly, Municipal Division

Report No. 2007-43

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

An audit was conducted by our office of the Fourteenth Judicial Circuit, city of Moberly, Missouri Municipal Division.

The city of Moberly Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph Counties. The Honorable Scott Hayes serves as Presiding Judge.

We had no findings in this audit.

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FOURTEENTH JUDICIAL CIRCUIT
CITY OF MOBERLY, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
Moberly, Missouri

We have audited certain operations of the city of Moberly Municipal Division of the Fourteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

No findings resulted from our audit of the city of Moberly Municipal Division of the Fourteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Christina Davis
Audit Staff:	Heather Stiles
	Liang Xu

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

FOURTEENTH JUDICIAL CIRCUIT
CITY OF MOBERLY, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Moberly Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Sonya Faiella
Court Administrator	Pam Jackson
City Finance Director	Greg Hodge
City Clerk	Diana Kay Galloway

Financial and Caseload Information

	Year Ended June 30,	
	2007	2006
Receipts	$272,790	254,730
Number of cases filed	3,827	3,672

Susan Montee, CPA
Missouri State Auditor

September 2007

Fourteenth Judicial Circuit

City of Fayette, Missouri
Municipal Division

Report No. 2007-42

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

An audit was conducted by our office of the Fourteenth Judicial Circuit, city of Fayette, Missouri Municipal Division.

The city of Fayette Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph Counties. The Honorable Scott Hayes serves as Presiding Judge.

Checks and money orders are not restrictively endorsed until the deposits are prepared and monies received are not always deposited in a timely manner. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and monies should be deposited in a timely manner, preferably daily. In addition, a monthly listing of liabilities is not prepared and bond monies are refunded to individuals other than the person who originally posted the bond. Also, neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate disposition.

Two different ledgers showing the total amounts owed by defendants to the municipal division are maintained, rather than one comprehensive control ledger. The first ledger, an electronic listing from the computer system, indicated 148 defendants owing approximately $17,800 as of July 2007. The second ledger, a manual listing, included only 38 defendants as of July 2007, and the amount owed could not be determined.

Fines and court costs are not paid to the city treasury monthly, and the Court Clerk does not file a monthly report with the city of all cases heard in court, as required by state law.

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FOURTEENTH JUDICIAL CIRCUIT
CITY OF FAYETTE, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
Fayette, Missouri

We have audited certain operations of the city of Fayette Municipal Division of the Fourteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Fayette Municipal Division of the Fourteenth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Terri Erwin
Audit Staff:	Terese Summers, CPA
	James Samek

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

FOURTEENTH JUDICIAL CIRCUIT
CITY OF FAYETTE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Checks and money orders are not restrictively endorsed until the deposits are prepared, and monies received are not always deposited in a timely manner. A monthly listing of open items is not prepared, bond monies are refunded to individuals other than the person who originally posted the bond, and neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate disposition. A comprehensive control ledger showing the total amounts owed by defendants is not maintained. Fines and court costs are not paid to the city treasury monthly, and the Court Clerk does not file a monthly report with the city of all cases heard in court.

A. The following concerns relating to receipts were noted:

1. Checks and money orders are not restrictively endorsed until the deposits are prepared. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

2. Monies received are not always deposited in a timely manner. Monies are normally collected each day, but deposits are usually made only two times per month. For example, two deposits totaling $4,369 were made during March 2007, of which $2,042, or 47 percent, was cash. To reduce the risk of loss, theft, or misuse of funds, monies should be deposited in a timely manner, preferably daily.

B. A monthly listing of open items (liabilities) is not prepared. The City Administrator indicated she reviews open items while performing the bank reconciliation; however, a formal open items listing is not prepared. Without proper documentation to support this review, the municipal division cannot ensure this review is being conducted.

Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. Any discrepancies or fluctuations should be promptly investigated.

C. Bond monies are refunded to individuals other than the person who originally posted the bond. Cash bonds are deposited into the municipal division bank account and held by the Court Clerk until disposition of the case. If fines and

court costs are assessed, the person who posted the bond can apply the amount of fines and court costs against the cash bond. Refunds from bond deposits are disbursed by check. We noted one instance where a $750 bond was refunded to an acquaintance of a defendant although the defendant posted the bond. The Court Clerk indicated that the defendant was present when the money was refunded and agreed to the refund. However, there was no record of this agreement in the case file. In another case a $40 bond was refunded to a defendant; however, the defendant did not post the bond initially and there was no agreement indicating the refund should go to the defendant.

Bond refunds should be made to the individuals who originally posted the bonds. Documentation should be maintained of any agreements to refund the monies to the defendant or someone else instead of the individual who posted the bond.

D. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate disposition. A ticket book is assigned to each police car and officers issue tickets from the book assigned to each police car. No log is maintained to provide ticket issuance information.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured that all tickets assigned and issued are properly submitted to the division. A log listing ticket books assigned, each ticket number, the date issued, and the violator's name would ensure all tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

E. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time, but instead of one ledger, two different subsidiary ledgers are maintained. These two ledgers show the amounts due, payments made, and the balance for each defendant who owes money to the municipal division. The first ledger is an electronic listing from the computer system which indicated 148 defendants owing approximately $17,800 as of July 2007. The second ledger is a manual listing which included only 38 defendants as of July 2007, and the amount owed could not be determined. In addition, some names from the manual listing were not included on the electronic listing. Two separate ledgers could lead to confusion or payments being posted incorrectly.

One complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants would allow the municipal division to properly monitor the amounts due and ensure deferred payments are processed correctly.

F. Fines and court costs are not paid to the city treasury monthly, and the Court Clerk does not file a monthly report with the city of all cases heard in court. Fines and court costs, totaling $7,390, collected during June, July, and August 2006, were not distributed to the proper entities until October 2006. In addition, the Court Clerk is required to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Municipal Judge, and filed with the City Administrator. This listing should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge). We noted that the Court Clerk's report has only provided the City Administrator with a listing of the fines and court costs collected.

Section 479.080, RSMo, states that all fines and court costs shall be paid to and deposited monthly into the city treasury, and requires the Court Clerk to prepare a monthly listing of all cases heard in court.

WE RECOMMEND the city of Fayette Municipal Division:

A.1. Restrictively endorse checks and money orders immediately upon receipt.

2. Deposit all monies on a timely basis, preferably daily.

B. Prepare and maintain monthly listings of open items to document the reconciliation of these listings to monies held in trust.

C. Refund bonds to the individual who posted the bond, unless written authorization to refund otherwise is documented in the case file.

D. Work with the police department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

E. Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.

F. Pay all fines and court costs collected to the city treasury at least monthly. In addition, the Court Clerk should prepare monthly reports of cases heard in court and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A.1. Agree. Now, we are more aware of this and we are stamping the checks immediately when received.

2. Agree. Deposits will be more timely as we will begin to deposit weekly or when cash is over $250.

B. Agree. We will give a copy of the bond ledger to the City Administrator monthly to include with the bank reconciliation.

C. Agree. We will be more aware of individuals who post bond and, if instructed by the individual to refund to another individual, we will have a written form for the individual to sign.

D. Thank you for the recommendation. Not all tickets written by the Fayette Police Department are processed in Municipal Division, instead some tickets are certified and processed in the State division (Howard County Circuit Court). Voided ticket copies are kept in the court records or in the Police Department. We will discuss this issue with the Police Chief.

E. Agree. We will attempt to merge the manual list and the computer list to be aware of the amount due to the court from individuals on time pay. We will also provide the manual time pay list for the Judge to review, and will provide the manual and computer generated listing (which should be the same) to the City Administrator. We will be in compliance with these reports by December 17, 2007.

F. Agree. We only had one incident where we mistakenly did not write checks to the city for the monthly receipts. Currently, we give the city a report of funds received and distributed monthly. We will prepare a listing for the city of cases heard and will attempt to be in compliance after the court session on November 6, 2007.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

FOURTEENTH JUDICIAL CIRCUIT
CITY OF FAYETTE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Fayette Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	David Dimond
Court Clerk	Lisa Asbury
City Administrator	Robin Overstreet

Financial and Caseload Information

	Year Ended June 30,	
	2007	2006
Receipts	$38,370	30,270
Number of cases filed*	226	239

*Certain cases not included in case number count.

Susan Montee, CPA
Missouri State Auditor

September 2007

Putnam County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-41

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Putnam, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county's procedures to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) should be improved. Total federal expenditures were overstated by approximately $37,100 for 2006 and understated by approximately $20,000 for 2005.

The county did not follow statutory requirements when obtaining engineering services totaling $50,561 for certain bridge projects paid from federal funds. There is no documentation that the County Commission considered other engineering firms when procuring these services. State law requires the county to consider the qualifications and performance data of at least three firms when contracting for engineering services.

The county has not calculated the cost of non-emergency dispatching services provided by the Enhanced 911 Board. The county pays the 911 board $2,000 per month for providing non-emergency dispatching services for the Sheriff's department. To ensure the amount paid for dispatching services is reasonable and represents the true cost of the services, the county should work with the Enhanced 911 Board to establish some criteria for calculating or estimating the dispatching costs.

The county does not maintain records of compensatory time earned, taken, or accumulated for county employees. County officials indicated the Sheriff's department employees are the only ones to regularly earn compensatory time; however, there was no record of this leave maintained by either the County Clerk or the Sheriff's office.

Also included in the report are recommendations related to budget overspending and county property records. The audit also suggested improvements in the procedures of the Sheriff, Prosecuting Attorney, and Senior Citizen Tax Board.

All reports are available on our Web site: www.auditor.mo.gov

PUTNAM COUNTY, MISSOURI

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State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Putnam County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Putnam County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Putnam County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 21, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Putnam County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

June 21, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Liang Xu
	Terese Summers, CPA
	Patrick Pullins

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Putnam County, Missouri

We have audited the financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Putnam County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Putnam County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Putnam County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

June 21, 2007

Financial Statements

Exhibit A-1

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	76,270	784,595	737,127	123,738
Special Road and Bridge		195,335	1,046,026	976,588	264,773
Assessment		4,543	91,341	90,392	5,492
Law Enforcement		11,162	209,960	217,418	3,704
Law Enforcement Training		2,679	1,211	0	3,890
Record Preservation		9,544	3,677	885	12,336
Local Emergency Planning Commission		3,518	6,676	3,070	7,124
Victims of Domestic Violence		0	247	0	247
Prosecuting Attorney Bad Check		6,582	5,686	2,856	9,412
Prosecuting Attorney Training		983	325	0	1,308
K-9		2,815	1,071	0	3,886
Technology		4,703	1,871	520	6,054
Tax Maintenance		754	5,554	1,161	5,147
Election		405	36	0	441
Senior Citizen Tax		12,767	30,195	32,940	10,022
Sheriff Revolving		1,559	443	0	2,002
Help America Vote Act		15,185	125,764	98,074	42,875
Law Restitution		404	1,649	0	2,053
Health Center		77,520	381,638	315,580	143,578
Enhanced 911		103,661	238,700	234,876	107,485
Associate Circuit Division Interest		98	726	6	818
Circuit Clerk Interest		3,434	525	110	3,849
Law Library		213	2,283	2,281	215
Total	$	534,134	2,940,199	2,713,884	760,449

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	73,689	713,365	710,784	76,270
Special Road and Bridge		287,561	628,607	720,833	195,335
Assessment		4	105,202	100,663	4,543
Law Enforcement		8,290	256,059	253,187	11,162
Law Enforcement Training		1,670	1,009	0	2,679
Record Preservation		7,388	3,681	1,525	9,544
Local Emergency Planning Commission		1,123	3,752	1,357	3,518
Victims of Domestic Violence		0	168	168	0
Prosecuting Attorney Bad Check		4,293	3,528	1,239	6,582
Prosecuting Attorney Training		715	268	0	983
K-9		2,101	764	50	2,815
Technology		3,842	1,951	1,090	4,703
Tax Maintenance		8,787	4,992	13,025	754
Election		1,010	27	632	405
Senior Citizen Tax		13,173	28,624	29,030	12,767
Sheriff Revolving		1,054	505	0	1,559
Help America Vote Act		0	15,324	139	15,185
Law Restitution		0	404	0	404
Health Center		70,774	330,837	324,091	77,520
Enhanced 911		78,032	225,895	200,266	103,661
Associate Circuit Division Interest		159	358	419	98
Circuit Clerk Interest		3,206	228	0	3,434
Law Library		179	2,512	2,478	213
Total	$	567,050	2,328,060	2,360,976	534,134

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 3,132,212	2,940,199	(192,013)	2,655,228	2,328,060	(327,168)
DISBURSEMENTS	3,109,947	2,713,884	396,063	2,840,311	2,360,976	479,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	22,265	226,315	204,050	(185,083)	(32,916)	152,167
CASH, JANUARY 1	534,134	534,134	0	567,050	567,050	0
CASH, DECEMBER 31	556,399	760,449	204,050	381,967	534,134	152,167
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	235,000	233,372	(1,628)	220,000	226,445	6,445
Sales taxes	340,000	339,167	(833)	320,000	334,338	14,338
Intergovernmental	55,900	71,441	15,541	23,750	64,128	40,378
Charges for services	63,474	60,943	(2,531)	62,918	67,285	4,367
Interest	2,500	6,374	3,874	2,100	2,672	572
Other	4,452	33,298	28,846	1,722	18,497	16,775
Transfers in	60,000	40,000	(20,000)	40,000	0	(40,000)
Total Receipts	761,326	784,595	23,269	670,490	713,365	42,875
DISBURSEMENTS						
County Commission	64,762	62,540	2,222	64,726	63,117	1,609
County Clerk	64,170	63,199	971	73,102	73,138	(36)
Elections	38,850	37,389	1,461	8,910	11,458	(2,548)
Buildings and grounds	54,200	87,881	(33,681)	61,190	49,451	11,739
Employee fringe benefit	34,090	36,232	(2,142)	24,747	27,536	(2,789)
County Treasurer and Ex Officio Collecto	44,742	47,841	(3,099)	48,918	42,066	6,852
Circuit Clerk and Ex Officio Recorder of Deed	25,350	10,930	14,420	24,106	10,475	13,631
Associate Circuit Court	6,421	4,595	1,826	6,872	5,833	1,039
Associate Circuit (Probate)	554	0	554	555	48	507
Court administration	5,649	2,506	3,143	5,388	2,445	2,943
Public Administrator	16,017	15,481	536	15,717	15,537	180
Prosecuting Attorney	77,490	74,566	2,924	76,310	73,715	2,595
Juvenile Officer	12,398	5,946	6,452	12,398	8,021	4,377
County Coroner	9,510	9,106	404	9,160	9,096	64
County Hospital	170,000	169,540	460	160,000	167,180	(7,180)
County Extension Office	27,500	27,500	0	26,500	26,500	0
Other	68,455	81,875	(13,420)	31,503	70,373	(38,870)
Transfers out	17,645	0	17,645	17,449	54,795	(37,346)
Emergency Fund	22,134	0	22,134	18,915	0	18,915
Total Disbursements	759,937	737,127	22,810	686,466	710,784	(24,318)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,389	47,468	46,079	(15,976)	2,581	18,557
CASH, JANUARY 1	76,270	76,270	0	73,689	73,689	0
CASH, DECEMBER 31	77,659	123,738	46,079	57,713	76,270	18,557

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	29,500	35,276	5,776	30,600	29,481	(1,119)
Intergovernmental	1,209,000	975,682	(233,318)	892,200	580,839	(311,361)
Interest	4,800	17,440	12,640	4,000	4,892	892
Other	8,000	17,628	9,628	99,800	7,100	(92,700)
Transfers in	0	0	0	0	6,295	6,295
Total Receipts	1,251,300	1,046,026	(205,274)	1,026,600	628,607	(397,993)
DISBURSEMENTS						
Salaries	79,560	79,560	0	76,440	70,183	6,257
Employee fringe benefit	12,300	10,301	1,999	11,700	10,843	857
Supplies	3,100	2,798	302	3,100	3,348	(248)
Insurance	2,700	1,106	1,594	2,700	0	2,700
Road and bridge materials	360,000	381,507	(21,507)	420,000	518,977	(98,977)
Equipment repairs	2,200	0	2,200	2,200	255	1,945
Construction, repair, and maintenance	700,000	451,116	248,884	560,000	79,978	480,022
Other	24,800	10,200	14,600	81,300	37,249	44,051
Transfers out	60,000	40,000	20,000	40,000	0	40,000
Total Disbursements	1,244,660	976,588	268,072	1,197,440	720,833	476,607
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,640	69,438	62,798	(170,840)	(92,226)	78,614
CASH, JANUARY 1	195,335	195,335	0	287,561	287,561	0
CASH, DECEMBER 31	201,975	264,773	62,798	116,721	195,335	78,614
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	92,775	88,985	(3,790)	85,161	94,189	9,028
Interest	0	990	990	0	599	599
Other	240	1,366	1,126	740	1,414	674
Transfers in	17,595	0	(17,595)	14,949	9,000	(5,949)
Total Receipts	110,610	91,341	(19,269)	100,850	105,202	4,352
DISBURSEMENTS						
Assessor	110,610	90,392	20,218	99,700	100,663	(963)
Total Disbursements	110,610	90,392	20,218	99,700	100,663	(963)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	949	949	1,150	4,539	3,389
CASH, JANUARY 1	4,543	4,543	0	4	4	0
CASH, DECEMBER 31	4,543	5,492	949	1,154	4,543	3,389

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT FUND						
RECEIPTS						
Sales taxes	171,000	169,628	(1,372)	164,000	167,159	3,159
Intergovernmental	7,000	6,605	(395)	13,000	10,281	(2,719)
Charges for services	32,100	33,090	990	42,650	38,401	(4,249)
Interest	50	342	292	500	75	(425)
Other	1,450	295	(1,155)	0	643	643
Transfer in	0	0	0	2,500	39,500	37,000
Total Receipts	211,600	209,960	(1,640)	222,650	256,059	33,409
DISBURSEMENTS						
Sheriff and jail	183,700	191,418	(7,718)	230,440	253,187	(22,747)
Dispatching services	26,000	26,000	0	0	0	0
Total Disbursements	209,700	217,418	(7,718)	230,440	253,187	(22,747)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,900	(7,458)	(9,358)	(7,790)	2,872	10,662
CASH, JANUARY 1	11,162	11,162	0	8,290	8,290	0
CASH, DECEMBER 31	13,062	3,704	(9,358)	500	11,162	10,662
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	500	500	0	500	500	0
Charges for services	500	538	38	300	457	157
Interest	50	173	123	0	52	52
Total Receipts	1,050	1,211	161	800	1,009	209
DISBURSEMENTS						
Sheriff	800	0	800	800	0	800
Total Disbursements	800	0	800	800	0	800
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	1,211	961	0	1,009	1,009
CASH, JANUARY 1	2,679	2,679	0	1,670	1,670	0
CASH, DECEMBER 31	2,929	3,890	961	1,670	2,679	1,009
RECORD PRESERVATION FUND						
RECEIPTS						
Charges for services	3,500	3,105	(395)	3,500	3,471	(29)
Interest	125	572	447	100	210	110
Total Receipts	3,625	3,677	52	3,600	3,681	81
DISBURSEMENTS						
Ex Officio Recorder of Deed	8,300	885	7,415	3,700	1,525	2,175
Total Disbursements	8,300	885	7,415	3,700	1,525	2,175
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,675)	2,792	7,467	(100)	2,156	2,256
CASH, JANUARY 1	9,544	9,544	0	7,388	7,388	0
CASH, DECEMBER 31	4,869	12,336	7,467	7,288	9,544	2,256

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING COMMISSION FUND						
RECEIPTS						
Intergovernmental	3,639	6,368	2,729	4,466	3,652	(814)
Charges for services	0	0	0	0	100	100
Interest	70	308	238	0	0	0
Other	0	0	0	4,300	0	(4,300)
Total Receipts	3,709	6,676	2,967	8,766	3,752	(5,014)
DISBURSEMENTS						
Training and mileage	3,400	794	2,606	5,700	191	5,509
Equipment	0	1,352	(1,352)	180	507	(327)
Other	1,637	924	713	2,886	659	2,227
Total Disbursements	5,037	3,070	1,967	8,766	1,357	7,409
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,328)	3,606	4,934	0	2,395	2,395
CASH, JANUARY 1	3,518	3,518	0	1,123	1,123	0
CASH, DECEMBER 31	2,190	7,124	4,934	1,123	3,518	2,395
VICTIMS OF DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	170	240	70	150	165	15
Interest	0	7	7	0	3	3
Total Receipts	170	247	77	150	168	18
DISBURSEMENTS						
Domestic violence shelter	170	0	170	150	168	(18)
Total Disbursements	170	0	170	150	168	(18)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	247	247	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	247	247	0	0	0
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	3,000	5,274	2,274	2,750	3,407	657
Interest	100	412	312	0	121	121
Total Receipts	3,100	5,686	2,586	2,750	3,528	778
DISBURSEMENTS						
Prosecuting Attorney	4,350	2,856	1,494	4,000	1,239	2,761
Total Disbursements	4,350	2,856	1,494	4,000	1,239	2,761
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,250)	2,830	4,080	(1,250)	2,289	3,539
CASH, JANUARY 1	6,582	6,582	0	4,293	4,293	0
CASH, DECEMBER 31	5,332	9,412	4,080	3,043	6,582	3,539

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	240	270	30	250	244	(6)
Interest	0	55	55	0	24	24
Total Receipts	240	325	85	250	268	18
DISBURSEMENTS						
Prosecuting Attorney	750	0	750	1,200	0	1,200
Total Disbursements	750	0	750	1,200	0	1,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(510)	325	835	(950)	268	1,218
CASH, JANUARY 1	983	983	0	715	715	0
CASH, DECEMBER 31	473	1,308	835	(235)	983	1,218
K-9 FUND						
RECEIPTS						
Interest	0	160	160	0	79	79
Other	500	911	411	400	685	285
Total Receipts	500	1,071	571	400	764	364
DISBURSEMENTS						
K-9 care and food	500	0	500	200	50	150
Total Disbursements	500	0	500	200	50	150
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,071	1,071	200	714	514
CASH, JANUARY 1	2,815	2,815	0	2,101	2,101	0
CASH, DECEMBER 31	2,815	3,886	1,071	2,301	2,815	514
TECHNOLOGY FUND						
RECEIPTS						
Charges for services	1,800	1,585	(215)	1,800	1,831	31
Interest	50	286	236	40	120	80
Total Receipts	1,850	1,871	21	1,840	1,951	111
DISBURSEMENTS						
Ex Officio Recorder of Deed	2,500	520	1,980	2,500	1,090	1,410
Total Disbursements	2,500	520	1,980	2,500	1,090	1,410
RECEIPTS OVER (UNDER) DISBURSEMENTS	(650)	1,351	2,001	(660)	861	1,521
CASH, JANUARY 1	4,703	4,703	0	3,842	3,842	0
CASH, DECEMBER 31	4,053	6,054	2,001	3,182	4,703	1,521

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	4,500	5,369	869	5,200	4,688	(512)
Interest	275	185	(90)	200	304	104
Total Receipts	4,775	5,554	779	5,400	4,992	(408)
DISBURSEMENTS						
Office expenditures	0	0	0	440	13,025	(12,585)
Equipment	2,000	861	1,139	10,000	0	10,000
Training and mileage	500	300	200	0	0	0
Total Disbursements	2,500	1,161	1,339	10,440	13,025	(2,585)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,275	4,393	2,118	(5,040)	(8,033)	(2,993)
CASH, JANUARY 1	754	754	0	8,787	8,787	0
CASH, DECEMBER 31	3,029	5,147	2,118	3,747	754	(2,993)
ELECTION FUND						
RECEIPTS						
Intergovernmental	300	14	(286)	0	0	0
Interest	0	22	22	0	27	27
Other	0	0	0	445	0	(445)
Total Receipts	300	36	(264)	445	27	(418)
DISBURSEMENTS						
Election services	500	0	500	100	632	(532)
Total Disbursements	500	0	500	100	632	(532)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	36	236	345	(605)	(950)
CASH, JANUARY 1	405	405	0	1,010	1,010	0
CASH, DECEMBER 31	205	441	236	1,355	405	(950)
SENIOR CITIZEN TAX FUND						
RECEIPTS						
Property taxes	28,000	29,146	1,146	25,000	27,736	2,736
Interest	750	1,049	299	95	888	793
Total Receipts	28,750	30,195	1,445	25,095	28,624	3,529
DISBURSEMENTS						
Senior services	25,000	32,461	(7,461)	22,000	28,838	(6,838)
Other	245	479	(234)	25	192	(167)
Total Disbursements	25,245	32,940	(7,695)	22,025	29,030	(7,005)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,505	(2,745)	(6,250)	3,070	(406)	(3,476)
CASH, JANUARY 1	12,767	12,767	0	13,173	13,173	0
CASH, DECEMBER 31	16,272	10,022	(6,250)	16,243	12,767	(3,476)

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for services	250	425	175	0	497	497
Interest	10	18	8	0	8	8
Total Receipts	260	443	183	0	505	505
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	260	443	183	0	505	505
CASH, JANUARY 1	1,559	1,559	0	1,054	1,054	0
CASH, DECEMBER 31	1,819	2,002	183	1,054	1,559	505
HELP AMERICA VOTE ACT FUND						
RECEIPTS						
Intergovernmental	140,666	125,511	(15,155)	15,000	15,223	223
Interest	1,100	253	(847)	450	101	(349)
Total Receipts	141,766	125,764	(16,002)	15,450	15,324	(126)
DISBURSEMENTS						
Equipment	125,500	98,074	27,426	1,500	0	1,500
Training and mileage	200	0	200	0	139	(139)
Other	0	0	0	500	0	500
Total Disbursements	125,700	98,074	27,626	2,000	139	1,861
RECEIPTS OVER (UNDER) DISBURSEMENTS	16,066	27,690	11,624	13,450	15,185	1,735
CASH, JANUARY 1	15,185	15,185	0	0	0	0
CASH, DECEMBER 31	31,251	42,875	11,624	13,450	15,185	1,735
LAW RESTITUTION FUND						
RECEIPTS						
Charges for services	300	1,588	1,288	0	401	401
Interest	5	61	56	0	3	3
Total Receipts	305	1,649	1,344	0	404	404
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	305	1,649	1,344	0	404	404
CASH, JANUARY 1	404	404	0	0	0	0
CASH, DECEMBER 31	709	2,053	1,344	0	404	404

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	174,481	172,350	(2,131)	156,941	167,035	10,094
Intergovernmental	150,470	181,553	31,083	170,758	144,339	(26,419)
Charges for services	8,000	7,918	(82)	5,500	6,502	1,002
Interest	2,700	6,175	3,475	1,500	2,090	590
Other	12,575	13,642	1,067	10,950	10,871	(79)
Total Receipts	348,226	381,638	33,412	345,649	330,837	(14,812)
DISBURSEMENTS						
Salaries	238,672	231,564	7,108	244,434	242,575	1,859
Office expenditures	32,885	30,128	2,757	37,400	37,087	313
Equipment	1,200	940	260	1,500	0	1,500
Travel	7,825	7,043	782	9,350	8,783	567
Training	700	0	700	350	705	(355)
Professional services	61,081	43,330	17,751	39,600	29,426	10,174
Other	5,575	2,575	3,000	12,900	5,515	7,385
Total Disbursements	347,938	315,580	32,358	345,534	324,091	21,443
RECEIPTS OVER (UNDER) DISBURSEMENTS	288	66,058	65,770	115	6,746	6,631
CASH, JANUARY 1	77,520	77,520	0	70,774	70,774	0
CASH, DECEMBER 31	77,808	143,578	65,770	70,889	77,520	6,631
ENHANCED 911 FUND						
RECEIPTS						
Sales taxes	170,000	169,624	(376)	164,900	167,140	2,240
Intergovernmental	55,500	28,140	(27,360)	55,500	55,500	0
Charges for services	28,800	31,050	2,250	0	0	0
Interest	1,400	2,513	1,113	1,100	1,510	410
Other	0	7,373	7,373	0	1,745	1,745
Total Receipts	255,700	238,700	(17,000)	221,500	225,895	4,395
DISBURSEMENTS						
Salaries	137,000	136,910	90	110,000	101,731	8,269
Office supplies	5,500	3,857	1,643	5,000	4,958	42
Equipment	64,500	64,219	281	61,500	61,033	467
Training and mileage	7,500	4,157	3,343	6,500	6,039	461
Phone expenditures	22,000	18,219	3,781	24,000	18,123	5,877
Insurance	6,000	4,605	1,395	4,000	3,889	111
Reserve fund	10,200	0	10,200	5,500	0	5,500
Other	3,000	2,909	91	5,000	4,493	507
Total Disbursements	255,700	234,876	20,824	221,500	200,266	21,234
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,824	3,824	0	25,629	25,629
CASH, JANUARY 1	103,661	103,661	0	78,032	78,032	0
CASH, DECEMBER 31	103,661	107,485	3,824	78,032	103,661	25,629

Exhibit B

PUTNAM COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ASSOCIATE CIRCUIT DIVISION						
INTEREST FUND						
RECEIPTS						
Interest	350	726	376	143	358	215
Total Receipts	350	726	376	143	358	215
DISBURSEMENTS						
Associate Circuit Divisior	300	6	294	200	419	(219)
Total Disbursements	300	6	294	200	419	(219)
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	720	670	(57)	(61)	(4)
CASH, JANUARY 1	98	98	0	159	159	0
CASH, DECEMBER 31	148	818	670	102	98	(4)
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	200	525	325	100	228	128
Total Receipts	200	525	325	100	228	128
DISBURSEMENTS						
Circuit Clerk	2,500	110	2,390	850	0	850
Total Disbursements	2,500	110	2,390	850	0	850
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,300)	415	2,715	(750)	228	978
CASH, JANUARY 1	3,434	3,434	0	3,206	3,206	0
CASH, DECEMBER 31	1,134	3,849	2,715	2,456	3,434	978
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	2,500	2,283	(217)	2,300	2,512	212
Total Receipts	2,500	2,283	(217)	2,300	2,512	212
DISBURSEMENTS						
Law Library	2,250	2,281	(31)	2,300	2,478	(178)
Total Disbursements	2,250	2,281	(31)	2,300	2,478	(178)
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	2	(248)	0	34	34
CASH, JANUARY 1	213	213	0	179	179	0
CASH, DECEMBER 31	$ 463	215	(248)	179	213	34

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Enhanced 911 Board, or the Senior Citizen Tax Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Law Enforcement Fund	2006 and 2005
Senior Citizen Tax Fund	2006 and 2005
Law Library Fund	2006 and 2005
General Revenue Fund	2005
Assessment Fund	2005
Victims of Domestic Violence Fund	2005
Tax Maintenance Fund	2005
Election Fund	2005
Associate Circuit Division Interest Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Prosecuting Attorney Training Fund for the year ended December 31, 2005.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2006 and 2005, included all funds presented in the accompanying financial statements.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit. Cash includes both deposits and investments.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial

institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Putnam County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and Health Center Board's deposits at December 31, 2006 and 2005, and the Enhanced 911 Board's deposits at December 31, 2006, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial banks in the county's or boards' name.

Of the Enhanced 911 Board's bank balance at December 31, 2005, $6,677 was exposed to custodial risk because that amount was uncollateralized.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

The only investments of the various county funds were overnight repurchase agreements which are an interest in securities that are direct obligations of, or fully guaranteed as to principal and interest by, the U.S. Government or an agency thereof. At December 31, 2006 and 2005, the fair values of the repurchase agreements were $235,000 and $195,000, respectively.

Custodial credit risk is the risk that, if the counterparty to an investment transaction fails, Putnam County will not be able to recover the investment's value or collateral securities that are in an outside party's possession. The county's investments at December 31, 2006 and 2005, were not exposed to custodial credit risk because the underlying securities were held by the dealer bank's trust department or agent in the county's name.

Supplementary Schedule

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2,006	2,005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state Department of Health and Senior Services			
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	ERS045-5186	$ 0	11,883
		ERS045-6186	22,823	3,559
	Program Total		22,823	15,442
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO - O86 (17)	0	1,043
		BRO - O86 (19)	435,082	3,266
		BRO - O86 (20)	0	67,044
		BRO - O86 (21)	17,569	8,625
	Program Total		452,651	79,978
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,549	1,549
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	98,074	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state Department of Health and Senior Services			
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	N/A	647	1,508
93.268	Immunization Grants	N/A	13,089	13,878
93.283	Centers for Disease Control and Prevention - Investigation and Technical Assistance	AOC0638	2,333	1,167
		DH050032051	0	3,500
		DH060031072	5,887	0
		N/A	2,761	0
	Program Total		10,981	4,667
93.575	Child Care and Development Block Gran	N/A	768	1,781
93.994	Maternal and Child Health Services Block Grant to the State	ERS146-4186M	17,038	19,445
		AOC06380222	5,932	0
	Program Total		22,970	19,445

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2,006	2,005
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	FY03-Part II IOC	27,750	55,500
		N/A	0	3,600
	Program Total		27,750	59,100
	Total Expenditures of Federal Awards		$ 651,302	197,348

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

PUTNAM COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Putnam County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Putnam County, Missouri

Compliance

We have audited the compliance of Putnam County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Putnam County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB

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Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

Internal Control Over Compliance

The management of Putnam County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Putnam County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Putnam County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

June 21, 2007

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major program:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-086(17), BRO-086(19), BRO-086 (20) and BRO-086(21)
Award Year:	2006 and 2005
Questioned Costs:	Not Applicable

The county's procedures to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) should be improved. Total federal expenditures were overstated by approximately $37,100 for 2006 and understated by approximately $20,000 for 2005.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. In particular, the county reported revenues instead of expenditures for the Help America Vote Act Requirements Payments (CFDA #90.401), which overstated federal expenditures by approximately $27,000 for 2006. The county also overstated expenditures for the State Domestic Preparedness Equipment Support Program (CFDA #97.004) by $27,750 because the county reported a payment related to that grant of $55,500 but only half of that amount was funded by the federal program. In addition, the county did not report the value of vaccines received for Immunization Grants (CFDA #93.268), which understated

federal expenditures by approximately $13,000 and $14,000 for 2006 and 2005, respectively. Various other errors were noted, including the omission of some federal programs.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials. The County Commission and County Clerk should take steps to ensure all departments and officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree. We will make sure the SEFA is complete and accurate in the future.

06-2.	**Highway Planning and Construction**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-086(17), BRO-086(19), BRO-086 (20) and BRO-086(21)
Award Year:	2006 and 2005
Questioned Costs:	$40,448

The County did not follow statutory requirements when obtaining engineering services totaling $50,561 for certain bridge projects. There is no documentation that the County Commission considered other engineering firms when procuring these services. The County Commission indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects; however, these reasons were not formally documented. We question costs of $40,448, which represents the federal share (80 percent) of the engineering costs paid during 2006 and 2005.

OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. For engineering services, sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating for such services.

A similar condition was reported in our prior audit which resulted in questioned costs of $76,956 for the two years ended December 31, 2002. The county has no documentation that these prior questioned costs were resolved with the grantor agency.

WE AGAIN RECOMMEND the County Commission obtain information as required by law when contracting for professional services and resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will solicit proposals from engineers for all future projects.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PUTNAM COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Because Putnam County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PUTNAM COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PUTNAM COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 21, 2007. We also have audited the compliance of Putnam County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 21, 2007.

Because the Putnam County Memorial Hospital is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These MAR findings resulted from our audit of the financial statements of Putnam County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Putnam County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Procedures

The county has not calculated the cost of non-emergency dispatching services provided by the Enhanced 911 Board. The county does not maintain records of compensatory time for employees, the County Clerk and County Commission do not provide a formal review of the activities of the Ex Officio County Collector, and disbursements exceeded the budgeted amounts for several county funds.

A. Beginning January 1, 2006, the county and the Enhanced 911 Board entered into a written agreement for the E911 Telecommunications Center to provide non-emergency services, primarily dispatching services, for the county Sheriff's department for a monthly payment of $2,000. The payments are made from the county's Law Enforcement Fund to the Enhanced 911 Fund. Prior to this, Sheriff's employees provided non-emergency dispatching services for the county. Neither the county nor the Enhanced 911 Board calculated or estimated the total cost of the services provided by the board. In early 2007, the County Commission minutes indicate the Sheriff expressed concern that the $2,000 monthly payment was too high for the services the county was receiving.

   To ensure the amount paid for dispatching services is reasonable and represents the true cost of the services, the county should work with the Enhanced 911 Board to establish some criteria for calculating or estimating the dispatching costs.

B. The county does not maintain records of compensatory time earned, taken, or accumulated for county employees. County officials indicated the Sheriff's department employees are the only ones to regularly earn compensatory time; however, there was no record of this leave maintained by either the County Clerk or the Sheriff's office.

   Without centralized and complete leave records, the County Commission cannot ensure that employee’s compensatory records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Centralized leave records also aid in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

C. Neither the County Commission nor the County Clerk provide a formal review of the activities of the Ex Officio County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the Ex Officio County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the Ex Officio County Collector and township collectors, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the collectors each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the collectors' monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

D. Actual disbursements exceeded budgeted amounts for several funds, as follows:

	Years Ended December 31,	
Fund	2006	2005
General Revenue Fund	$ N/A	24,318
Assessment Fund	N/A	963
Law Enforcement Fund	7,718	22,747
Victims of Domestic Violence Fund	N/A	18
Tax Maintenance Fund	N/A	2,585
Election Fund	N/A	532
Associate Circuit Division Interest Fund	N/A	219
Law Library Fund	31	178

The County Commission and other officials receive budget to actual comparison reports monthly. However, there were no notations on the report copies or evidence in the commission meeting minutes of discussion regarding the budget status. Other county officials indicated they prepared budgets because the County Clerk provided the form and said it was required. However, they do not refer to the budget or monitor the level of disbursements after it is approved, and disbursements are made as long as there is cash available.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which necessitate excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budgets are approved, including holding public hearings and filing the amended

budgets with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

WE RECOMMEND the County Commission:

A. Work with the Enhanced 911 Board to calculate the costs of non-emergency dispatching services and ensure the amount paid for the services is reasonable.

B. Ensure compensatory leave records are maintained for all county employees.

C. Require the County Clerk to establish and maintain an account book with the Ex Officio County Collector. The County Commission and County Clerk should monitor property tax system activities and perform a thorough review of the Ex Officio County Collector's annual settlements.

D. And other county officials review budget to actual reports carefully and refrain from authorizing disbursements which exceed budgeted amounts.

AUDITEE'S RESPONSE

A. We agree and will work with the 911 board to document the amount paid for dispatching services.

B&C. These recommendations have already been implemented.

D. We agree and will work with the other officials and better monitor fund balances in the future. Normally, budget overspending is not a concern but some unusual circumstances led to overspending in 2005.

2. County Property Records and Procedures

Procedures and records to account for county property are not adequate. The County Clerk does not request each department to submit annual inventory reports, and as a result, many departments did not perform annual inventories or submit required reports. In addition, the records are not kept current and some required information is not recorded.

The County Clerk is responsible for maintaining overall county property records; however, each county department is responsible for maintaining their own inventory listing and submitting the listings to the County Clerk. The County Clerk does not formally request each department to submit annual inventory reports, and as a result, many departments do not submit their reports. In addition, some departments do not perform annual physical inventories. The Sheriff, Prosecuting Attorney, and Road and Bridge Department do not

perform inventories nor submit any property information to the County Clerk. While the Circuit Division II, Enhanced 911, Recorder of Deeds, Assessor, and County Treasurer departments do perform annual inventories, only the Circuit Division II, Enhanced 911, and County Treasurer submit reports to the County Clerk.

Additionally, county property records are not kept up-to-date as purchases of assets are not reconciled to additions to the property records. The date of purchase, cost, and date and method of disposal is not always recorded, and authorization for assets disposals are not obtained or documented.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. Additionally, the completeness and accuracy of the overall county property records is questionable. These problems increase the possibility of undetected theft and inadequate insurance coverage.

Section 49.093, RSMo requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage.

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the County Clerk work with other county departments to ensure physical inventories are conducted and reports submitted, and implement procedures to track property purchases and dispositions throughout the year and keep property records up-to-date.

AUDITEE'S RESPONSE

I will take the proper steps to ensure that this is done in the future.

3. Sheriff's Accounting Controls and Procedures

Accounting duties are not adequately segregated, checks and money orders are not restrictively endorsed immediately upon receipt, and deposits are not made timely. In addition, access to receipts should be restricted to reduce the risk of theft or misuse.

The Sheriff's office collected various fees of approximately $16,000 and $26,000 for the years ended December 31, 2006 and 2005, respectively. The Sheriff's accounting controls and procedures should be improved as follows:

A. Accounting duties are not adequately segregated. Currently all accounting duties, including receiving, depositing, and disbursing monies, preparing bank

reconciliations, and maintaining the accounting records, are performed by one secretary with no independent review or oversight.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only 2-3 times per month. A cash count performed on May 11, 2007, showed over five working days of un-deposited collections, totaling $163 and included $153 in cash. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

In May 2006, approximately $1,200 in cash receipts were stolen from a locked drawer in the Sheriff's office. The Sheriff indicated he investigated the theft and found no sign of forced entry, but has not yet determined the cause of the theft. The county reimbursed the Sheriff for the amount of bond money stolen which needed to be turned over to the court system. The seriousness of this situation could have been reduced had the monies been deposited on a timely basis. In addition, four individuals have key access to the location where the receipts were stored, and the Sheriff should consider limiting access to receipts to only one or two individuals.

To adequately account for collections and reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. In addition, failure to limit access to the receipts between the time of receipt and the bank deposit to a minimum number of persons increases the risk of theft or misuse of funds.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Sheriff:

A. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.

B. Deposit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt. In addition, the Sheriff should consider limiting access to the area where receipts are stored before being deposited.

AUDITEE'S RESPONSE

A. I have periodically reviewed the bank reconciliations and will try to remember to initial them in the future.

B. Investigation of the theft is still pending. I am in the process of looking for a safe to provide more secure access to cash receipts. Deposits are now made more timely and checks are now restrictively endorsed immediately.

4. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not adequately segregated, and partial payments for bad checks are not distributed until the amount has been paid in full resulting in amounts being collected and held for several years. Procedures have not been adopted to follow up on old outstanding checks.

The Prosecuting Attorney's office collected various fees of approximately $5,500 and $3,800 for the years ended December 31, 2006 and 2005, respectively. The Prosecuting Attorney's accounting controls and procedures should be improved as follows:

A. Accounting duties are not adequately segregated. One secretary collects monies, records transactions, prepares deposits, and prepares bank reconciliations. The Prosecuting Attorney indicated that he does review the work of the secretary; however, there is no documentation of any reviews.

   Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

   A similar condition was noted in our prior report.

B. The Prosecuting Attorney's office collects reimbursement for bad checks on behalf of area merchants. Office procedure is to accumulate partial payments in the checking account on restitution cases until the total amount has been received and then distribute the funds to the victims. As of December 31, 2006, there were over 50 open cases for which a portion of the restitution and fees had been collected, totaling approximately $11,900, which had not been disbursed. The oldest five of these cases were filed in 1994 or later, and none had any payments received since 2002. Thirty-five cases were noted with accumulated payments of $100 or more, including one case with over $2,000 accumulated. To expedite the distribution of restitution to victims and to reduce the amount of open items necessary to be accounted for, the Prosecuting Attorney's office should consider distributing restitution payments to the victims on a more timely and/or prorated basis.

C. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2006, the Prosecuting Attorney's bank account had 11 checks totaling $198 which had been outstanding for more than three years. These outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

WE RECOMMEND the Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Distribute restitution partial payments to victims on a more timely basis.

C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

A. We have implemented procedures for me to review and initial bank statements and reconciliations with my secretary.

B. We will try to more regularly review and distribute restitution monies.

C. This has already been done.

5. Senior Citizen Tax Board

The Senior Citizen Tax Board does not have written contracts with any of its service providers and does not adequately monitor monies provided to the entities. In addition, actual expenditures exceeded budgeted amounts, and board minutes are only signed by the preparer.

A. The board has not entered into written contracts with any organization or individual which provides services to the board, including Putnam County Senior Center, Putnam County Health Department, Green Hills Community Action Center, OATS (Older Adults Transportation Service) Committee of Putnam County, and Putnam County Library, as required by Section 432.070, RSMo. The board paid approximately $59,600 for these services during the two years ended December 31, 2006. None of the entities provide the board with any type of report of their activities to document how these monies were used.

In addition, the board pays individuals to perform in-home services such as light housekeeping, laundry, dishwashing, woodcutting, etc., for citizens over 60 who

need short-term assistance due to injury or illness. The board spent approximately $1,200, on these services during the two years ended December 31, 2006. The board chairman indicated that, although there were no written contracts with these individuals during the audit period, she had contacted both the citizens receiving the assistance and the workers who performed the duties to ensure the jobs were being completed; however, no documentation of this monitoring was available.

Written agreements are necessary to specify the services to be performed and the consideration to be paid for the services, provide a means for the board to monitor compliance with the contract terms, and protect the board in the event of a dispute over the terms of the agreement.

B. The board does not use its budget as an effective tool to monitor the financial activity of the Senior Citizen Tax Fund. The annual budgets do not show any detail regarding the amounts to be distributed to the various entities that provide services. Instead, the budgets include an estimate of property tax receipts, and the board appropriates a lump-sum amount of $3,000 less than estimated tax receipts to pay for the various services. In addition, actual disbursements exceeded the budgeted amounts by $7,695 and $7,005 for the years ended December 31, 2006 and 2005, respectively. Board members indicate they review monthly financial information but do not compare actual receipts and disbursements to the budgeted amounts.

To be of maximum assistance to the board and to adequately inform citizens of the board's operations and financial position, the budgets should provide adequate detail for disbursements, and the board should regularly monitor budget and actual disbursements.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which necessitate excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budgets are approved, including holding public hearings and filing the amended budgets with the State Auditor's office.

C. The board minutes are prepared and signed by the board secretary, but the minutes are not signed by the board president. The board minutes should be signed by the board president to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Senior Citizen Tax Board:

A. Enter into written contracts with all entities which receive funding from the board, and require and periodically review records of services provided to residents of the county. At a minimum, the records should contain the names of citizens participating in the program, the services provided, and the cost of each service.

B. Ensure steps are taken to adequately monitor financial activity on a monthly basis and to see that expenditures are kept within the amounts budgeted. If additional disbursements are necessary, the circumstances should be fully documented and the budgets properly amended. In addition, ensure the budget is prepared accurately to reflect the financial activity of the board.

C. Ensure board minutes are signed by the board president in addition to the preparer of the minutes.

AUDITEE'S RESPONSE

The Board Chairman provided the following response:

A. We have implemented contracts for services. In the past, contact has been made with recipients of tax funds to ensure the monies have been spent accordingly, and that information will now be documented on the back of each contract as I speak with those receiving assistance and those getting assistance.

B. The board will obtain the information to accomplish this. I will ask the County Clerk to provide this information on a monthly basis.

C. Board minutes are now signed by the secretary as well as the chairman or vice chairman in the absence of the chairman.

Follow-Up on Prior Audit Findings

PUTNAM COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Putnam County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Procedures

   A. The county's funds on deposit were not always adequately covered by collateral securities.

   B. An employee of the Sheriff's office who was paid a regular salary was also paid by the county to prepare meals for county prisoners; however, bids had not been solicited for this service since 1999. In addition, the county did not document that the employee's time spent on preparing the meals did not conflict with normal county duties.

   C. The County Commission had not established procedures to monitor the expenditure of county hospital capital improvement sales tax monies. These monies were deposited into the county's General Revenue Fund and remitted to the county hospital Board of Trustees.

   Recommendation:

   The County Commission:

   A. Ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times.

   B. Periodically solicit bids for prisoner meals which are based on per-meal costs. If the county continues to contract with the county employee for meal preparation, adequate documentation should be maintained to ensure this does not conflict with her normal county duties.

   C. Deposit hospital capital improvement sales tax monies in a separate fund as required by state law and establish procedures to ensure these funds are used solely for their intended purpose.

   Status:

   A&B. Implemented.

C. Partially implemented. Hospital capital improvement sales taxes are still deposited into the General Revenue Fund and the total amount received is remitted to the hospital. The county does receive information on how the hospital spends this money. Although not repeated in the current MAR, our recommendation remains as stated above.

2. General Fixed Asset Controls and Procedures

The county had not established written policies for fixed assets, and various problems were noted regarding the county's fixed asset records, including lack of reconciliations from period to period, no tags or inventory numbers for some items, no annual physical inventories, lack of written authorization for the disposition of assets, and incomplete information regarding acquisition and disposal dates and costs.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets which include procedures to ensure compliance with the state law. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with the county property.

Status:

Not implemented. See MAR finding number 2.

3. Sheriff's Accounting Control's and Procedures

A. Accounting duties were not adequately segregated.

B. Checks payable to the Sheriff were not restrictively endorsed immediately upon receipt, and deposits were not made in a timely manner.

C. Billings for prisoner incarceration costs were not prepared in a timely manner. Some prisoner board billings to other counties were sent two to five months after the prisoners had been released from the county jail.

Recommendation:

The Sheriff:

A. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.

B. Restrictively endorse all checks received immediately upon receipt and deposit all monies daily or when accumulated receipts exceed $100.

C. Ensure prisoner incarceration costs are billed in a timely manner.

Status:

A&B. Not implemented. See MAR finding number 3.

C. Implemented.

4. Prosecuting Attorney's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Money orders payable to the Prosecuting Attorney were not restrictively endorsed immediately upon receipt.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.

B. Restrictively endorse all money orders immediately upon receipt.

Status:

A. Not implemented. See MAR finding number 4.

B. Not implemented. Although money orders are not restrictively endorsed until the deposit is prepared, they are normally deposited on a timely basis. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Enhanced 911 Board

A. The board's budgets did not include accurate beginning cash balances, and actual receipts and disbursements were not always accurately reported on the budgets.

B. The board did not keep a daily ledger balance or book balance of the Enhanced 911 checking account.

Recommendation:

A. Ensure budgets are accurate and complete.

B. Maintain a daily book balance in the check register and reconcile the balance monthly to the bank statements.

Status:

A. Partially implemented. Beginning balances and actual receipts appear to be fairly stated on the budgets; however, actual disbursements for 2006 were understated by $55,500 for a disbursement of Homeland Security grant funds. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PUTNAM COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Putnam was named after General Israel Putnam, a Revolutionary War hero. Putnam County is a township-organized, third-class county and is part of the 3rd Judicial Circuit. The county seat is Unionville.

Putnam County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 177 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 516 miles of county roads.

The county's population was 6,092 in 1980 and 5,223 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 45.1	43.3	37.5	36.2	20.2	15.5
Personal property	15.8	15.0	13.7	14.0	6.9	8.8
Railroad and utilities	3.4	3.0	2.8	3.2	1.7	2.3
Total	$ 64.3	61.3	54.0	53.4	28.8	26.6

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Putnam County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .4768	.4768	.5000	.5000
Health Center Fund	.2861	.2861	.3000	.3000
Senior Citizen Tax Fund	.0477	.0477	.0500	.0500
Hospital	.4768	.4768	.5000	.5000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to

penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 19,265	18,305	16,933	16,159
General Revenue Fund	310,513	297,266	287,188	273,078
Road and Bridge	225,320	214,931	191,867	189,361
Townships	288,725	276,944	262,038	260,276
Assessment Fund	50,783	48,491	45,937	35,265
Health Center Fund	180,294	171,584	165,152	157,169
School districts	2,368,166	2,252,201	2,110,658	2,012,560
Library	90,573	86,218	83,356	79,661
Ambulance district	239,150	227,552	219,637	209,466
Fire protection districts	52,549	48,569	46,413	45,754
Hospital	300,660	286,141	276,367	263,894
Cities	19,285	19,587	16,972	22,297
Nursing home district	90,865	86,506	83,679	80,041
Watershed	26,045	25,882	24,616	24,370
Senior Citizen Tax Fund	29,900	28,211	27,131	24,757
Tax Maintenance Fund	5,225	4,763	4,543	4,062
County Employees' Retirement	14,162	12,102	10,792	10,518
Commissions and fees:				
General Revenue Fund	13,180	12,185	15,930	13,638
Township Collectors	38,766	37,679	38,754	34,186
Total	$ 4,363,426	4,155,117	3,927,963	3,756,512

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	95	95	96	99	%
Personal property	94	94	94	84	
Railroad and utilities	100	100	100	100	

Putnam County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .0050	None	None
Law enforcement	.0050	None	None
Hospital capital improvements	.0050	2011	None
Enhanced 911 system	.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Charlie Fowler, Presiding Commissioner		20,274	20,274	20,274	20,344
Brent Minear, Associate Commissioner		18,414	18,414	18,414	18,414
Gerald Owings, Associate Commissioner		18,414	18,414		
Gary Dunkin, Associate Commissioner				18,414	18,414
Sue Ann Varner, County Clerk		27,900	27,900	27,900	27,900
James M. Garrett, Prosecuting Attorney		35,340	35,340	35,340	35,340
Jason Knight, Sheriff		34,410	34,410	34,410	34,410
Dr. W. Stephen Casady, County Coroner		7,905	7,905	7,905	7,905
Deena Collins, Public Administrator		13,950	13,950	13,950	13,950
Sharon Thompson Parks, County Treasurer and Ex Officio County Collector, year ended March 31,	27,900	27,900	27,900	27,900	
Paul L. Rouse, County Assessor (1), year ended August 31,		30,448	28,588	28,665	28,766

(1) Includes $688, $688, $765, and $866 annual compensation received from the state for the years ended August 31, 2006, 2005, 2004, and 2003, respectively.

State-Paid Officials:					
Mitzi D.Shipley, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	47,300
Jerri Bush, Associate Circuit Judge		96,000	96,000	96,000	96,000

Susan Montee, CPA
Missouri State Auditor

September 2007

Dunklin County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-40

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

September 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Dunklin, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Budgetary procedures are in need of improvement. Budgets were not prepared for several county funds, actual disbursements exceeded budgeted amounts for several funds, and budgets for some funds did not include budgeted beginning and ending fund balances. In addition, the county budget documents contained incorrect amounts and numerous misclassifications. The county's annual published financial statements did not include financial information for several county funds. Similar conditions were noted in our prior audit report; however, the county has not taken the necessary actions to improve these areas.

Dunklin County is required by federal regulations to prepare a Schedule of Expenditures of Federal Awards (SEFA) each year. The county still does not have adequate procedures in place to track federal awards for the preparation of the schedule and the SEFA contained several errors.

The county's controls and procedures for the Help America Vote Act Requirements Payments program were not adequate to ensure compliance with federal requirements. Monies were not paid out on a timely basis, equipment purchased was not added to the county's capital asset records, interest earned on monies was not tracked and credited to the program, the level of effort requirements were not calculated and monitored, disbursements were not tracked by grant categories, program reports were not accurate and timely, equipment purchased was not properly bid, and the county did not ensure the vendor complied with federal guidelines.

Concerns regarding the property tax system noted in prior reports still exist. The County Collector-Treasurer has not prepared or filed annual settlements in compliance with state law for the last eight years. An annual settlement for the year ended February 28, 2006, was prepared upon our request but was inaccurate. In 2007, the County Collector-Treasurer will be collecting all county property taxes, due to the elimination of township collectors. For the County Clerk and County Commission to properly verify tax collections, it is imperative that the Collector-Treasurer file accurate and timely annual settlements. In addition, the Collector-Treasurer is unable to reconcile the liabilities to the reconciled cash balance. At February 28, 2007, the bank balance exceeded liabilities by

(over)

$36,592. It appears that $22,400 of this balance has been carried since the prior audit report, but part of the difference may be due to tax collections deposited but not abstracted and distributed. The Collector-Treasurer does not reconcile daily deposits to the daily abstract of taxes entered into the computer and does not reconcile these amounts to the monthly abstract used to distribute monies.

The County Assessor does not maintain adequate records to account for monies received and some receipts were not transmitted to the county timely and intact. It appears that between April 2004 and August 2005 four checks totaling $96 may have been deposited into the Assessor's personal account and thirteen additional checks totaling $643 were not deposited into the county funds and may have been cashed. The Assessor indicated these monies were used for various supplies for the office; however, no records of these purchases were maintained or available. In August 2005, the County Commission and Prosecuting Attorney questioned these issues and the Assessor indicated she subsequently changed her procedures. The amount of transmittals to the county increased from 2005 to 2006 by 59 percent from $3,184 to $5,053. Other problems noted concerning the Assessor's office included not issuing prenumbered receipts for all monies received, not noting the method of payment for all receipts, not reconciling receipts to the actual transmittals to the county, not transmitting monies on a timely basis, and not maintaining adequate records for outstanding copy and fax fees.

The county did not always solicit bids or retain bid documentation for some purchases. The county did not have written contracts with some vendors and adequate supporting documentation was not obtained for some disbursements.

Improvements are needed to the records and procedures of the commissary account maintained by the Sheriff for personal monies of inmates and commissary purchases. Accounting duties are not adequately segregated and monies received were not deposited in a timely manner. Differences on bank reconciliations are not investigated and cleared and no monthly listing of open items is prepared. At December 31, 2006, the open items listing prepared at our request exceeded the reconciled bank balance by $1,704. Various fees are charged to prisoners and are not paid to the county. The Sheriff's Revolving Fund was maintained by the Sheriff contrary to state law.

The county is subsidizing the cost to house other political subdivisions' prisoners. The county was charging the cities in the county $4 per day per prisoner, except the city of Kennett which was charged a flat $600 per month. These fees are insufficient to recover all jail costs.

The audit also includes recommendations to improve records and procedures for transfers between, and balances of certain funds, payroll records and procedures, meeting minutes and agendas, computer access, and capital assets. Additional concerns regarding controls were noted for the Health Center, Senate Bill 40 Board, Circuit Clerk, Prosecuting Attorney, Public Administrator, and Juvenile Office.

All reports are available on our Web site: www.auditor.mo.gov

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SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Dunklin County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dunklin County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 10, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Dunklin County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 10, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Julie Vollmer, CPA
Audit Staff:	Julie M. Moore
	Zeb Tharp
	Jeanette M. Samson
	Matthew Schulenberg
	Katie Twiehaus

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Dunklin County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize,

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record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency referred to above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Dunklin County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The response of Dunklin County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of Dunklin County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 10, 2007

Financial Statements

Exhibit A-1

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,717,732	3,355,662	3,329,954	1,743,440
Special Road and Bridge		823,760	927,253	940,777	810,236
Assessment		289	329,634	304,385	25,538
Law Enforcement Sales Tax		1,341,579	1,465,076	1,364,787	1,441,868
Johnson Grass		185,296	15,004	13,426	186,874
Recorders' User		86,695	22,689	13,901	95,483
Prosecuting Attorney Training		146	2,042	1,619	569
Law Enforcement Training		13,717	4,591	6,084	12,224
Criminal Investigation		46,954	7,742	8,201	46,495
Emergency 911		9,537	139,657	121,991	27,203
Victims of Domestic Violence		1,096	1,134	1,201	1,029
Domestic Violence Shelters		9,875	3,481	10,000	3,356
Prosecuting Attorney Bad Check		109,193	82,014	45,912	145,295
County Clerk Discretionary		14,367	3,466	3,714	14,119
Sheriff's Civil Fees		50,000	29,492	7,574	71,918
Law Enforcement Restitution		11,428	45,811	15,667	41,572
Levee and Drainage Districts		117,157	24,393	21,695	119,855
Juvenile Grant Diversion I		1,664	64,317	59,749	6,232
Juvenile Grant Diversion II		0	42,388	38,206	4,182
Juvenile Pilot Grant		1,354	80,111	81,465	0
Senate Bill 40		200,896	309,248	285,842	224,302
Health Department		448,702	882,049	1,008,355	322,396
Tax Maintenance		59,888	24,712	300	84,300
Law Library		17,240	11,888	11,097	18,031
Bootheel Regional Planning		0	134,573	134,573	0
Hazardous Training Material		3,132	115	0	3,247
Prosecuting Attorney Delinquent Tax		23,764	5,894	575	29,083
Chemical Emergency Preparation		15,166	5,544	20,710	0
MODOT Seed Grant		2,151	0	0	2,151
Local Law Enforcement Block Grant		0	9,113	9,113	0
Local Law Enforcement Block Grant II		908	0	908	0
Interpretive Grant		7,122	0	718	6,404
Crime Victims Compensation		37,120	1,369	0	38,489
Sheriff Revolving		10,934	3,658	500	14,092
Drug Court		1,303	3,718	4,570	451
Circuit Clerk Time Payment		40	0	0	40
Associate Circuit Interest		436	0	436	0
Passport Fee		0	2,190	1,156	1,034
Family Treatment Court		0	35,528	33,801	1,727
Off System Bridge		0	57,342	56,364	978
Circuit Clerk Interest		0	436	400	36
Total	$	5,370,641	8,133,334	7,959,726	5,544,249

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	1,863,592	2,918,050	3,063,910	1,717,732
Special Road and Bridge		867,510	972,897	1,016,647	823,760
Assessment		0	329,810	329,521	289
Law Enforcement Sales Tax		625,472	1,513,932	797,825	1,341,579
Johnson Grass		80,542	116,759	12,005	185,296
Recorders' User		75,405	22,417	11,127	86,695
Prosecuting Attorney Training		302	727	883	146
Law Enforcement Training		15,835	4,615	6,733	13,717
Criminal Investigation		47,094	860	1,000	46,954
Emergency 911		30,327	172,399	193,189	9,537
Victims of Domestic Violence		2,397	1,060	2,361	1,096
Domestic Violence Shelters		8,348	3,888	2,361	9,875
Prosecuting Attorney Bad Check		87,797	53,244	31,848	109,193
County Clerk Discretionary		2,020	22,506	10,159	14,367
Sheriff's Civil Fees		50,000	31,073	31,073	50,000
Law Enforcement Restitution		3,401	19,324	11,297	11,428
Levee and Drainage Districts		113,323	25,959	22,125	117,157
Juvenile Grant Diversion I		6,157	57,570	62,063	1,664
Juvenile Grant Diversion II		0	42,261	42,261	0
Juvenile Pilot Grant		8,763	72,496	79,905	1,354
Senate Bill 40		181,585	294,488	275,177	200,896
Health Department		364,093	910,274	825,665	448,702
Tax Mainenance		39,951	21,626	1,689	59,888
Law Library		20,818	11,350	14,928	17,240
Bootheel Regional Planning		0	43,610	43,610	0
Hazardous Training Material		3,075	57	0	3,132
Prosecuting Attorney Delinquent Tax		20,355	4,169	760	23,764
Chemical Emergency Preparation		11,136	4,030	0	15,166
MODOT Seed Grant		2,151	0	0	2,151
Local Law Enforcement Block Grant		8,927	0	8,927	0
Local Law Enforcement Block Grant II		0	908	0	908
Interpretive Grant		7,122	0	0	7,122
Crime Victims Compensation		35,262	1,858	0	37,120
Sheriff Revolving		8,804	3,038	908	10,934
Drug Court		2,317	8,756	9,770	1,303
Circuit Clerk Time Payment		0	40	0	40
Associate Circuit Interest		436	0	0	436
Passport Fee		0	960	960	0
Homeless Challenge Grant		0	6,465	6,465	0
Dunklin County Teen Court		556	0	556	0
Total	$	4,594,873	7,693,476	6,917,708	5,370,641

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 7,492,737	7,861,966	369,229	7,244,659	7,619,585	374,926
DISBURSEMENTS	8,023,489	7,684,805	338,684	7,034,436	6,845,752	188,684
RECEIPTS OVER (UNDER) DISBURSEMENTS	(530,752)	177,161	707,913	210,223	773,833	563,610
CASH, JANUARY 1	5,251,325	5,251,325	0	4,490,557	4,494,732	4,175
CASH, DECEMBER 31	4,720,573	5,428,486	707,913	4,700,780	5,268,565	567,785
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	45,000	16,901	(28,099)	40,250	50,866	10,616
Sales taxes	1,375,000	1,336,230	(38,770)	1,345,000	1,343,131	(1,869)
Intergovernmental	576,800	678,846	102,046	499,400	649,118	149,718
Charges for services	576,000	592,385	16,385	572,598	548,662	(23,936)
Interest	75,000	52,897	(22,103)	56,000	34,110	(21,890)
Other	54,300	92,092	37,792	59,150	112,902	53,752
Transfers in	329,000	586,311	257,311	367,650	179,261	(188,389)
Total Receipts	3,031,100	3,355,662	324,562	2,940,048	2,918,050	(21,998)
DISBURSEMENTS						
County commissior	198,273	226,401	(28,128)	197,712	230,084	(32,372)
County clerk	147,500	147,219	281	146,500	145,829	671
Elections	96,000	295,008	(199,008)	59,000	45,042	13,958
Buildings and grounds	383,817	342,837	40,980	312,800	214,054	98,746
Employee fringe benefit	497,000	448,782	48,218	480,000	505,619	(25,619)
County treasurer	94,656	92,249	2,407	91,138	93,500	(2,362)
Recorder of deeds	94,288	93,119	1,169	92,326	90,771	1,555
Circuit clerk	20,900	31,572	(10,672)	16,730	15,987	743
Associate circuit court	5,330	1,038	4,292	11,300	8,433	2,867
Associate circuit (probate)	38,800	44,829	(6,029)	42,900	42,381	519
Court administration	12,700	16,859	(4,159)	12,700	21,574	(8,874)
Public administrator	120,328	109,446	10,882	122,420	117,425	4,995
Sheriff	492,765	651,510	(158,745)	478,344	466,348	11,996
Jail	459,076	374,722	84,354	462,594	476,771	(14,177)
Prosecuting attorney	206,014	206,347	(333)	201,776	201,669	107
Juvenile officer	93,700	87,578	6,122	88,800	79,029	9,771
County coroner	28,880	31,026	(2,146)	27,350	27,598	(248)
Paternity unit	94,329	89,960	4,369	93,335	90,197	3,138
Public health and welfare service	6,100	5,770	330	37,600	183,353	(145,753)
Transfers out	34,564	0	34,564	0	8,246	(8,246)
Emergency func	90,933	33,682	57,251	88,250	0	88,250
Total Disbursements	3,215,953	3,329,954	(114,001)	3,063,575	3,063,910	(335)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(184,853)	25,708	210,561	(123,527)	(145,860)	(22,333)
CASH, JANUARY 1	1,717,732	1,717,732	0	1,863,592	1,863,592	0
CASH, DECEMBER 31	1,532,879	1,743,440	210,561	1,740,065	1,717,732	(22,333)

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Intergovernmental	935,349	906,866	(28,483)	908,522	929,569	21,047
Interest	5,000	20,387	15,387	5,000	10,037	5,037
Transfers in	0	0	0	0	33,291	33,291
Total Receipts	940,349	927,253	(13,096)	913,522	972,897	59,375
DISBURSEMENTS						
Construction, repair, and maintenance	970,000	895,434	74,566	865,000	973,291	(108,291)
Transfers out	47,017	45,343	1,674	45,675	43,356	2,319
			0			0
Total Disbursements	1,017,017	940,777	76,240	910,675	1,016,647	(105,972)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(76,668)	(13,524)	63,144	2,847	(43,750)	(46,597)
CASH, JANUARY 1	823,760	823,760	0	867,510	867,510	0
CASH, DECEMBER 31	747,092	810,236	63,144	870,357	823,760	(46,597)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	261,544	259,134	(2,410)	301,636	291,463	(10,173)
Charges for services	35,000	35,000	0	0	35,000	35,000
Interest	200	447	247	350	163	(187)
Other	3,000	5,053	2,053	2,000	3,184	1,184
Transfers in	34,564	30,000	(4,564)	36,656	0	(36,656)
Total Receipts	334,308	329,634	(4,674)	340,642	329,810	(10,832)
DISBURSEMENTS						
Assessor	334,597	304,385	30,212	340,642	329,521	11,121
Total Disbursements	334,597	304,385	30,212	340,642	329,521	11,121
RECEIPTS OVER (UNDER) DISBURSEMENTS	(289)	25,249	25,538	0	289	289
CASH, JANUARY 1	289	289	0	0	0	0
CASH, DECEMBER 31	0	25,538	25,538	0	289	289
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales tax	1,350,000	1,335,144	(14,856)	1,300,000	1,339,478	39,478
Intergovernmental	0	0	0	0	90,000	90,000
Interest	60,000	68,422	8,422	20,000	25,967	5,967
Other	60,000	61,510	1,510	60,000	58,487	(1,513)
Total Receipts	1,470,000	1,465,076	(4,924)	1,380,000	1,513,932	133,932
DISBURSEMENTS						
Construction	500,000	21,744	478,256	0	0	0
Utilities	25,000	38,120	(13,120)	8,000	12,990	(4,990)
Maintenance	50,000	6,290	43,710	7,500	6,980	520
Debt service	716,295	743,326	(27,031)	700,000	777,855	(77,855)
Patrol Cars	60,000	53,584	6,416	0	0	0
Insurance	7,000	1,723	5,277	0	0	0
Transfers out	250,000	500,000	(250,000)	250,000	0	250,000
Total Disbursements	1,608,295	1,364,787	243,508	965,500	797,825	167,675
RECEIPTS OVER (UNDER) DISBURSEMENTS	(138,295)	100,289	238,584	414,500	716,107	301,607
CASH, JANUARY 1	1,341,579	1,341,579	0	625,472	625,472	0
CASH, DECEMBER 31	1,203,284	1,441,868	238,584	1,039,972	1,341,579	301,607

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
JOHNSON GRASS FUND						
RECEIPTS						
Property taxes	15,000	8,154	(6,846)	90,000	113,361	23,361
Interest	3,500	6,850	3,350	1,000	3,398	2,398
Total Receipts	18,500	15,004	(3,496)	91,000	116,759	25,759
DISBURSEMENTS						
Chemicals and spraying	17,700	13,127	4,573	16,000	11,696	4,304
Office expense	7,000	299	6,701	600	309	291
Total Disbursements	24,700	13,426	11,274	16,600	12,005	4,595
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,200)	1,578	7,778	74,400	104,754	30,354
CASH, JANUARY 1	185,296	185,296	0	80,542	80,542	0
CASH, DECEMBER 31	179,096	186,874	7,778	154,942	185,296	30,354
RECORDERS' USER FUND						
RECEIPTS						
Charges for services	19,000	19,409	409	22,000	20,919	(1,081)
Interest	1,500	3,280	1,780	500	1,498	998
			0			0
Total Receipts	20,500	22,689	2,189	22,500	22,417	(83)
DISBURSEMENTS						
Recorder	35,000	13,901	21,099	25,000	11,127	13,873
Total Disbursements	35,000	13,901	21,099	25,000	11,127	13,873
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,500)	8,788	23,288	(2,500)	11,290	13,790
CASH, JANUARY 1	86,695	86,695	0	75,405	75,405	0
CASH, DECEMBER 31	72,195	95,483	23,288	72,905	86,695	13,790
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	750	717	(33)	800	716	(84)
Interest	12	16	4	5	11	6
Transfers in	3,500	1,309	(2,191)	600	0	(600)
Total Receipts	4,262	2,042	(2,220)	1,405	727	(678)
DISBURSEMENTS						
Prosecuting attorney	1,300	1,619	(319)	1,700	883	817
Total Disbursements	1,300	1,619	(319)	1,700	883	817
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,962	423	(2,539)	(295)	(156)	139
CASH, JANUARY 1	146	146	0	302	302	0
CASH, DECEMBER 31	3,108	569	(2,539)	7	146	139

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	1,542	1,378	(164)	1,514	1,542	28
Charges for services	2,427	2,781	354	3,290	2,804	(486)
Interest	265	432	167	138	269	131
Total Receipts	4,234	4,591	357	4,942	4,615	(327)
DISBURSEMENTS						
Training	11,850	6,084	5,766	7,775	6,733	1,042
Total Disbursements	11,850	6,084	5,766	7,775	6,733	1,042
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,616)	(1,493)	6,123	(2,833)	(2,118)	715
CASH, JANUARY 1	13,717	13,717	0	15,835	15,835	0
CASH, DECEMBER 31	6,101	12,224	6,123	13,002	13,717	715
CRIMINAL INVESTIGATION FUND						
RECEIPTS						
Interest	900	1,542	642	0	860	860
Transfers in	0	6,200	6,200	0	0	0
Total Receipts	900	7,742	6,842	0	860	860
DISBURSEMENTS						
Law enforcement	0	6,201	(6,201)	0	1,000	(1,000)
Transfers out	0	2,000	(2,000)	0	0	0
Total Disbursements	0	8,201	(8,201)	0	1,000	(1,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	900	(459)	(1,359)	0	(140)	(140)
CASH, JANUARY 1	46,954	46,954	0	47,094	47,094	0
CASH, DECEMBER 31	47,854	46,495	(1,359)	47,094	46,954	(140)
EMERGENCY 911 FUND						
RECEIPTS						
Charges for services	150,000	138,790	(11,210)	157,000	171,814	14,814
Interest	400	867	467	700	585	(115)
			0			0
Total Receipts	150,400	139,657	(10,743)	157,700	172,399	14,699
DISBURSEMENTS						
Salaries	21,000	11,404	9,596	32,000	26,023	5,977
Employee fringe benefit	8,000	8,172	(172)	0	303	(303)
Office expenses	57,500	74,429	(16,929)	2,500	437	2,063
Postage	0	0	0	2,500	777	1,723
Telephone	0	0	0	32,000	52,179	(20,179)
Equipment	34,000	2,580	31,420	2,500	760	1,740
Equipment rental	0	0	0	39,000	44,930	(5,930)
Mileage	3,500	881	2,619	2,500	0	2,500
Equipment maintenance & repair	0	0	0	2,000	0	2,000
Mapping and addressing	3,000	525	2,475	3,000	0	3,000
Transfers out	24,000	24,000	0	60,000	67,780	(7,780)
Total Disbursements	151,000	121,991	29,009	178,000	193,189	(15,189)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	17,666	(39,752)	(20,300)	(20,790)	(490)
CASH, JANUARY 1	9,537	9,537	0	30,327	30,327	0
CASH, DECEMBER 31	8,937	27,203	(39,752)	10,027	9,537	(490)

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
VICTIMS OF DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	4,000	1,105	(2,895)	1,000	1,010	10
Interest	20	29	9	18	50	32
Total Receipts	4,020	1,134	(2,886)	1,018	1,060	42
DISBURSEMENTS						
Domestic violence shelter	5,000	1,201	3,799	993	2,361	(1,368)
			0			0
Total Disbursements	5,000	1,201	3,799	993	2,361	(1,368)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(980)	(67)	913	25	(1,301)	(1,326)
CASH, JANUARY 1	1,096	1,096	0	10,745	2,397	(8,348)
CASH, DECEMBER 31	116	1,029	913	10,770	1,096	(9,674)
DOMESTIC VIOLENCE SHELTERS FUND						
RECEIPTS						
Charges for services	2,500	3,379	879	0	3,693	3,693
Interest	0	102	102	0	195	195
Total Receipts	2,500	3,481	981	0	3,888	3,888
DISBURSEMENTS						
Domestic violence shelter	5,000	10,000	(5,000)	4,277	2,361	1,916
Total Disbursements	5,000	10,000	(5,000)	4,277	2,361	1,916
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	(6,519)	(4,019)	(4,277)	1,527	5,804
CASH, JANUARY 1	9,875	9,875	0	10,745	8,348	(2,397)
CASH, DECEMBER 31	7,375	3,356	(4,019)	6,468	9,875	3,407
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	50,000	77,232	27,232	45,000	51,428	6,428
Interest	1,500	4,782	3,282	800	1,816	1,016
Total Receipts	51,500	82,014	30,514	45,800	53,244	7,444
DISBURSEMENTS						
Prosecuting attorney	46,900	44,603	2,297	50,600	31,848	18,752
Transfers out	0	1,309	(1,309)	600	0	600
Total Disbursements	46,900	45,912	988	51,200	31,848	19,352
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,600	36,102	31,502	(5,400)	21,396	26,796
CASH, JANUARY 1	109,193	109,193	0	87,797	87,797	0
CASH, DECEMBER 31	113,793	145,295	31,502	82,397	109,193	26,796

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COUNTY CLERK DISCRETIONARY FUND						
RECEIPTS						
Intergovernmental	0	0	0	16,000	20,062	4,062
Charges for services	850	50	(800)	400	402	2
Interest	0	515	515	10	312	302
Transfers in	0	2,901	2,901	0	1,730	1,730
Total Receipts	850	3,466	2,616	16,410	22,506	6,096
DISBURSEMENTS						
Election salary	1,500	1,762	(262)	1,500	45	1,455
Employee fringe benefit	100	0	100	0	5	(5)
Supplies	500	538	(38)	500	3,535	(3,035)
Tuition and training	2,000	1,414	586	2,000	1,849	151
Computer equipment	0	0	0	0	4,725	(4,725)
Total Disbursements	4,100	3,714	386	4,000	10,159	(6,159)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,250)	(248)	3,002	12,410	12,347	(63)
CASH, JANUARY 1	14,367	14,367	0	2,020	2,020	0
CASH, DECEMBER 31	11,117	14,119	3,002	14,430	14,367	(63)
SHERIFF'S CIVIL FEES FUND						
RECEIPTS						
Charges for services	28,800	27,130	(1,670)	30,000	29,870	(130)
Interest	1,200	2,362	1,162	15	1,203	1,188
Total Receipts	30,000	29,492	(508)	30,015	31,073	1,058
DISBURSEMENTS						
Office supplies	20,000	7,574	12,426	21,000	9,271	11,729
Transfers out	10,000	0	10,000	10,000	21,802	(11,802)
Total Disbursements	30,000	7,574	22,426	31,000	31,073	(73)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	21,918	21,918	(985)	0	985
CASH, JANUARY 1	50,000	50,000	0	50,000	50,000	0
CASH, DECEMBER 31	50,000	71,918	21,918	49,015	50,000	985
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	20,000	42,679	22,679	25,000	19,324	(5,676)
Interest	0	1,132	1,132	0	0	0
Transfers in	0	2,000	2,000	0	0	0
Total Receipts	20,000	45,811	25,811	25,000	19,324	(5,676)
DISBURSEMENTS						
Equipment	5,000	844	4,156	5,000	2,182	2,818
Mileage, meals, and lodging	2,500	685	1,815	2,500	210	2,290
Tuition	2,000	1,225	775	1,000	1,585	(585)
Maintenance and supplies	3,000	583	2,417	3,000	420	2,580
Other	9,700	2,000	7,700	11,700	6,900	4,800
Bootheel drug task force salary	0	4,130	(4,130)	0	0	0
Transfers out	0	6,200	(6,200)	0	0	0
Total Disbursements	22,200	15,667	6,533	23,200	11,297	11,903
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,200)	30,144	32,344	1,800	8,027	6,227
CASH, JANUARY 1	11,428	11,428	0	3,401	3,401	0
CASH, DECEMBER 31	9,228	41,572	32,344	5,201	11,428	6,227

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LEVEE AND DRAINAGE DISTRICTS FUND						
RECEIPTS						
Property taxes	25,000	20,214	(4,786)	25,000	23,896	(1,104)
Interest	1,310	4,179	2,869	1,030	2,063	1,033
Total Receipts	26,310	24,393	(1,917)	26,030	25,959	(71)
DISBURSEMENTS						
Drainage district #48	7,100	10,145	(3,045)	8,100	11,150	(3,050)
Drainage district #12	75	0	75	50	75	(25)
Drainage district #2	50	0	50	0	0	0
Levee #4	4,075	4,650	(575)	4,000	4,075	(75)
Levee #7	7,325	6,900	425	6,200	6,825	(625)
Total Disbursements	18,625	21,695	(3,070)	18,350	22,125	(3,775)
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,685	2,698	(4,987)	7,680	3,834	(3,846)
CASH, JANUARY 1	117,157	117,157	0	113,323	113,323	0
CASH, DECEMBER 31	124,842	119,855	(4,987)	121,003	117,157	(3,846)
JUVENILE GRANT DIVERSION I FUND						
RECEIPTS						
Intergovernmental	62,000	64,317	2,317	0	57,570	57,570
Total Receipts	62,000	64,317	2,317	0	57,570	57,570
DISBURSEMENTS						
Juvenile office	62,500	59,749	2,751	57,279	62,063	(4,784)
Total Disbursements	62,500	59,749	2,751	57,279	62,063	(4,784)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	4,568	5,068	(57,279)	(4,493)	52,786
CASH, JANUARY 1	1,664	1,664	0	0	6,157	6,157
CASH, DECEMBER 31	1,164	6,232	5,068	(57,279)	1,664	58,943
JUVENILE GRANT DIVERSION II FUND						
RECEIPTS						
Intergovernmental	42,000	42,388	388	0	35,960	35,960
Transfers in	0	0	0	0	6,301	6,301
Total Receipts	42,000	42,388	388	0	42,261	42,261
DISBURSEMENTS						
Juvenile office	40,100	38,206	1,894	35,921	42,261	(6,340)
Total Disbursements	40,100	38,206	1,894	35,921	42,261	(6,340)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,900	4,182	2,282	(35,921)	0	35,921
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	1,900	4,182	2,282	(35,921)	0	35,921

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
JUVENILE PILOT GRANT FUND						
RECEIPTS						
Intergovernmental	79,406	79,330	(76)	0	72,496	72,496
Transfers in	0	781	781	0	0	0
Total Receipts	79,406	80,111	705	0	72,496	72,496
DISBURSEMENTS						
Juvenile office	80,360	81,465	(1,105)	77,583	79,905	(2,322)
Total Disbursements	80,360	81,465	(1,105)	77,583	79,905	(2,322)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(954)	(1,354)	(400)	(77,583)	(7,409)	70,174
CASH, JANUARY 1	1,354	1,354	0	0	8,763	8,763
CASH, DECEMBER 31	400	0	(400)	(77,583)	1,354	78,937
SENATE BILL 40 FUND						
RECEIPTS						
Property tax	292,000	293,888	1,888	295,000	289,036	(5,964)
Interest	3,000	7,551	4,551	1,700	3,167	1,467
Intergovernmental	0	738	738	0	2,285	2,285
Other	0	7,071	7,071	0	0	0
Total Receipts	295,000	309,248	14,248	296,700	294,488	(2,212)
DISBURSEMENTS						
Office expense	3,550	2,895	655	3,000	3,117	(117)
Cotton boll sheltered workshop	153,643	153,643	0	150,000	150,000	0
Mental health trust fund	122,000	129,304	(7,304)	122,060	122,060	0
Total Disbursements	279,193	285,842	(6,649)	275,060	275,177	(117)
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,807	23,406	7,599	21,640	19,311	(2,329)
CASH, JANUARY 1	200,896	200,896	0	181,585	181,585	0
CASH, DECEMBER 31	216,703	224,302	7,599	203,225	200,896	(2,329)

Exhibit B

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH DEPARTMENT FUND						
RECEIPTS						
Property tax	290,000	294,675	4,675	290,000	289,138	(862)
Intergovernmental	422,599	386,025	(36,574)	399,927	369,047	(30,880)
Charges for services	76,600	85,680	9,080	65,000	70,916	5,916
Interest	12,900	13,052	152	9,000	7,386	(1,614)
Other	102,499	102,617	118	174,000	173,787	(213)
Total Receipts	904,598	882,049	(22,549)	937,927	910,274	(27,653)
DISBURSEMENTS						
Salaries	444,000	443,819	181	453,000	447,927	5,073
Benefits	143,600	134,792	8,808	151,700	153,436	(1,736)
Office expense	45,429	44,538	891	37,300	41,251	(3,951)
Equipment and supplies	279,820	277,702	2,118	166,000	93,937	72,063
Travel and training	20,400	20,343	57	20,100	20,894	(794)
Contract services	1,920	1,880	40	1,900	1,920	(20)
Janitorial maintenance	26,200	25,713	487	18,700	17,056	1,644
Rent	4,800	4,800	0	40,300	10,607	29,693
Utilities	13,900	13,324	576	13,700	13,111	589
Other	38,730	41,444	(2,714)	22,430	25,526	(3,096)
Total Disbursements	1,018,799	1,008,355	10,444	925,130	825,665	99,465
RECEIPTS OVER (UNDER) DISBURSEMENTS	(114,201)	(126,306)	(12,105)	12,797	84,609	71,812
CASH, JANUARY 1	448,702	448,702	0	364,093	364,093	0
CASH, DECEMBER 31	334,501	322,396	(12,105)	376,890	448,702	71,812
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	0	24,712	24,712	0	21,626	21,626
Total Receipts	0	24,712	24,712	0	21,626	21,626
DISBURSEMENTS						
Collector	11,000	300	10,700	7,351	1,689	5,662
Total Disbursements	11,000	300	10,700	7,351	1,689	5,662
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,000)	24,412	35,412	(7,351)	19,937	27,288
CASH, JANUARY 1	59,888	59,888	0	39,951	39,951	0
CASH, DECEMBER 31	48,888	84,300	35,412	32,600	59,888	27,288
LAW LIBRARY						
RECEIPTS						
Charges for services				14,000	11,350	(2,650)
Total Receipts				14,000	11,350	(2,650)
DISBURSEMENTS						
Office expense				13,625	14,928	(1,303)
Total Disbursements				13,625	14,928	(1,303)
RECEIPTS OVER (UNDER) DISBURSEMENTS				375	(3,578)	(3,953)
CASH, JANUARY 1				20,818	20,818	0
CASH, DECEMBER 31				21,193	17,240	(3,953)

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Johnson Grass Board, the Health Department Board, the Senate Bill 40 Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Library Fund	2006
Bootheel Regional Planning Fund	2006 and 2005
Hazardous Training Material Fund	2006 and 2005
Prosecuting Attorney Delinquent Tax Fund	2006 and 2005
Chemical Emergency Preparation Fund	2006 and 2005
MODOT Seed Grant Fund	2006 and 2005
Local Law Enforcement Block Grant Fund	2006 and 2005
Local Law Enforcement Block Grant II Fund	2006 and 2005

Interpretive Grant Fund	2006 and 2005
Crime Victims Compensation Fund	2006 and 2005
Sheriff Revolving Fund	2006 and 2005
Drug Court Fund	2006 and 2005
Circuit Clerk Time Payment Fund	2006 and 2005
Associate Circuit Interest Fund	2006 and 2005
Passport Fee Fund	2006 and 2005
Homeless Challenge Grant Fund	2005
Dunklin County Teen Court Fund	2005
Family Treatment Court Fund	2006
Off System Bridge Fund	2006
Circuit Clerk Interest Fund	2006

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	2006 and 2005
Special Road and Bridge Fund	2005
Prosecuting Attorney Training Fund	2006
Criminal Investigation Fund	2006 and 2005
Emergency 911 Fund	2005
Victims of Domestic Violence Fund	2005
Domestic Violence Shelters Fund	2006
County Clerk Discretionary Fund	2005
Sheriff's Civil Fees Fund	2005
Levee and Drainage Districts Fund	006 and 2005
Juvenile Grant Diversion I Fund	2005
Juvenile Grant Diversion II Fund	2005
Juvenile Pilot Grant Fund	2006 and 2005
Senate Bill 40 Fund	2006 and 2005
Law Library Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the following funds:

Fund	Years Ended December 31,
Juvenile Grant Diversion I Fund	2005
Juvenile Grant Diversion II Fund	2005
Juvenile Pilot Fund	2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Senate Bill 40 Fund	2006 and 2005
Tax Maintenance Fund	2006 and 2005
Law Library Fund	2006 and 2005
Sheriff Revolving Fund	2006 and 2005
Drug Court Fund	2006 and 2005
Circuit Clerk Time Payment Fund	2006 and 2005
Associate Circuit Interest Fund	2006 and 2005
Passport Fee Fund	2006 and 2005
Circuit Clerk Interest Fund	2006

In addition, the Health Department published their financial statements separately from the county's statements. However, the Health Department's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Health Department.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit. Cash includes both deposits and investments.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Dunklin County will not be

able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, Health Department Board's, and Senate Bill 40 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the boards' custodial bank in the county's or the boards' name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The Local Law Enforcement Block Grant Fund's cash balance at January 1, 2005, as previously stated has been increased by $8,927 to reflect the cash balance shown in the county's records.

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

Fund	Balance
Juvenile Pilot Grant Fund	$ 8,763
Senate Bill 40 Fund	181,585
Health Department Fund	364,093
Law Library Fund	20,818
Sheriff Revolving Fund	8,804
Drug Court Fund	2,317
Associate Circuit Interest Fund	436

Supplementary Schedule

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	$ 720	1,867
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5134	0	113,602
		ERS045-6134	105,883	33,576
		ERS-0457134	37,064	0
	Program Total		142,947	147,178
10.559	Summer Food Service Program for Children	ERS046-6134i	2,450	0
		ERD146-43051	0	2,520
	Program Total		2,450	2,520
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Economic Developmen			
14.228	Community Development Block Grants/State' Program	2004-PF-46	134,573	43,610
	U.S. DEPARTMENT OF JUSTICE			
	Direct program:			
16.585	Family Drug Implementation Gran	2006-DC-BX-0002	34,029	0
	Passed through state Department of Public Safety			
16.523	Juvenile Accountability Incentive Block Grant	03-JBBX-0037	0	8,014
16.738	Local Law Enforcement Block Grants Progran	2005-LBGJ-029	8,179	0
		2003-UBBX-2393	0	8,927
	Program Total		8,179	8,927
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-BO35(31)	31,145	0
		BRO-BO35(32)	25,219	0
	Program Total		56,364	0

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	0	302
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	214,440	4,702
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	2,975	2,850
		N/A	57,338	42,351
	Program Total		60,313	45,201
93.283	Centers for Disease Control and Prevention	DH06031023	8,351	0
	Investigations and Technical Assistanc	AOCO7380048	6,184	0
		DH050032058	2,369	3,500
		AOC06380178	0	985
	Program Total		16,904	4,485
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	125,100	116,269
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	AOC06380178	3,120	525
		PGA067-51348	0	2,635
	Program Total		3,120	3,160
	Department of Social Services -			
93.569	Homeless Challenge	SS60206	6,465	6,465
93.945	Assistance Programs for Chronic Disease Preventio			
	and Control	DH060028001	2,066	0
93.994	Maternal and Child Health Services Block Grant	AOC06380178	32,684	7,772
	to the States	ERS146-5134M	0	23,033
	Program Total		32,684	30,805

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	N/A	0	152,845
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster:	N/A	4,249	0
97.042	Emergency Management Performance Grant	N/A	1,067	4,732
	Total Expenditures of Federal Award:		$ 845,670	581,082

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

DUNKLIN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dunklin County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on the prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268) include

both cash disbursements and the original acquisition cost of vaccines obtained by the Health Department through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Dunklin County, Missouri

Compliance

We have audited the compliance of Dunklin County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in finding number 06-3 in the accompanying Schedule of Findings and Questioned Costs, Dunklin County, Missouri, did not comply with requirements regarding activities allowed or unallowed, allowable costs, cash management, equipment management, level of effort, procurement, suspension and debarment, program income, and reporting that are applicable to its

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Help America Vote Act Requirements Payments program. Compliance with such requirements is necessary, in our opinion, for Dunklin County, Missouri, to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Dunklin County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-2.

Internal Control Over Compliance

The management of Dunklin County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-2 and 06-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. Of the significant deficiencies referred to above, we consider finding numbers 06-2 and 06-3 to be material weaknesses.

The responses of Dunklin County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Dunklin County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 10, 2007

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Noncompliance material to the financial statements noted?	__x__ yes	_____ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	__x__ yes	_____ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs, except CFDA Number 90.401, which was qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
90.401	Help America Vote Act Requirements Payments
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes __x__ no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1. Budgetary Procedures and Published Financial Statements

Budgets were not prepared for several county funds, actual disbursements exceeded the budget in several funds, and the budgets for some funds did not reasonably reflect the anticipated financial activity and balances. In addition, the county budget documents contained incorrect amounts and numerous misclassifications. Furthermore, published financial statements are in need of improvement.

A. Budgetary procedures need improvement. The following problems regarding budgets were noted:

1. The County Commission and various elected officials did not ensure that budgets were prepared for several county funds. Receipts of approximately $271,400 and $73,900 and disbursements of approximately $274,900 and $72,000 were not budgeted for the years 2006 and 2005, respectively.

   The County Clerk and County Commission did not ensure a budget was prepared for some of the funds held by the County Treasurer. For the funds held by other officials, the County Clerk did not request budgets for these funds. The county has not complied with statutory provisions and cannot effectively monitor disbursements or fund balances without a comprehensive budget document.

   Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in

budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. By preparing or obtaining budgets for all county funds, the County Commission and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

2. Actual disbursements exceeded budgeted amounts for several funds, as follows:

	Year Ended December 31,	
Fund	2006	2005
General Revenue	$ 114,001	335
Special Road and Bridge	N/A	105,972
Prosecuting Attorney Training	319	N/A
Criminal Investigation	8,201	1,000
Emergency 911	N/A	15,189
Victims of Domestic Violence	N/A	1,368
County Clerk Discretionary	N/A	6,159
Sheriff's Civil Fees	N/A	73
Levee and Drainage Districts	3,070	3,775
Juvenile Grant Diversion I	N/A	4,784
Juvenile Grant Diversion II	N/A	6,340
Juvenile Pilot Grant	1,105	2,322
Law Library	N/A	3,953

The County Commission receives budget to actual comparison reports monthly from the County Clerk. However, the monthly reports are not complete because some budgeted lines are not included. As a result, the County Commission can not use these monthly reports for monitoring purposes.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

3. The County Commission's budget preparation procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity and balances of the Juvenile Grant Diversion I Fund, Juvenile Grant Diversion II Fund, Juvenile Pilot Grant Fund, and Tax Maintenance Fund. The County Commission and Clerk did not provide the officials responsible for these funds with the proper budget forms and, therefore, neither the actual beginning balances nor the projected ending balances were included in the budgets for the years ended December 31, 2005. In addition, the budget for the year ended December 31, 2005 did not include any receipt estimates, resulting in a deficit budget balance for the various juvenile funds presented for that year.

   To be of maximum assistance to the County Commission and to adequately inform the public, the budgets should accurately reflect the actual beginning balances, estimated receipts and disbursements, and projected ending balances.

B. The county does not have procedures in place to ensure the county's budget documents accurately present financial activities of the county. The county budget documents contained incorrect amounts and numerous misclassifications. Adjustments have been discussed with the County Clerk and made to the audited financial statements. During our review of the budgets, the following concerns were noted:

- Several funds had unidentified adjustments reflected on the 2006 cash reconciliation of the 2007 budget summary page. These adjustments were necessary to make the cash balance agree to the county's records. The total net adjustments resulted in the various fund balances being reduced by $2,618. At our request, the County Clerk investigated these adjustments and discovered that the adjustments were caused by incorrect reports being used for the budget.

- The county does not reverse transactions when they are initially recorded in the incorrect fund. As a result, the actual receipt and disbursement amounts for these funds were overstated. For example, the receipts and disbursements for the General Revenue Fund in 2005 were overstated by approximately $725,000 due to the railroad and utility monies being incorrectly shown in this fund.

- The county budgets contained numerous misclassifications for both budgeted and actual receipt amounts, such as transfers classified as intergovernmental receipts and charges for services receipts classified as other receipts. For example, 2005 actual public administrator fees of $117,838 were classified as intergovernmental revenues instead of charges for services. The budgeted

and actual disbursement amounts on the county budgets also included numerous misclassifications because transfers were not reported separately.

To be of maximum assistance to the County Commission and to adequately inform citizens of the county's operations and financial position, the budgets need to be accurate. A thorough review process should be implemented to ensure budget documents are accurate and complete prior to approval. Adjustments have been discussed with the County Clerk and made to the audited financial statements receipts and disbursements.

C. The county's annual published financial statements did not include financial information for several county funds and were not published on or before the first Monday in March of each year. Receipts of approximately $355,850 and $340,260, and disbursements of $304,300 and $303,430 were omitted from the 2006 and 2005 annual published financial statements, respectively. The significant unpublished fund was the Senate Bill 40 Fund.

The county's published financial statements also did not include the bonded debt of the county. At December 31, 2006, the principal and interest balance of the county's bonded debt was $14.5 million. In addition, the 2006 and 2005 annual financial statements were published on May 10, 2007 and April 4, 2006, respectively.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete and timely published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

Conditions similar to A1, A3, and C were noted in our prior report.

WE RECOMMEND the County Commission:

A.1. And other county officials ensure budgets are prepared for all county funds.

2. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.

3. Ensure the budgets include actual beginning balances, reasonable estimates of receipts and disbursements, and projected ending balances.

B. Ensure proper compilation and review procedures are in place to ensure the budget document presents accurate and complete financial information.

C. Ensure all required information is presented in the county's annual published

financial statements in a timely manner.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following responses:

A.1. All county funds will be budgeted beginning in 2008.

2. The County Clerk is currently changing the monthly reports to include all budgetary information. This will enable the County Commission to monitor budgets.

3. They will require the officials to submit budgets on the provided forms beginning in 2008.

B. They will ensure the budget document is accurate and complete.

C. They will try to publish all of the financial statements in a timely manner.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-2.	**Schedule of Expenditures of Federal Awards**

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Numbers:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-5134, ERS045-6134, and ERS-0457134
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	Elections Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Numbers:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services

Federal CFDA Numbers:	93.563
Program Title:	Child Support Enforcement
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $184,300 and overstated by $42,050 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2006 the County Clerk failed to include federal monies of $214,440 for the Help America Vote Act Requirements Payments Program. In 2006 and 2005, the County Clerk also failed to include federal monies of $125,100 and $116,269, respectively, for Child Support Enforcement. In both 2006 and 2005, other monies including state grants and non grant money totaling over $150,000 each year were also incorrectly included on the SEFA. In addition, the County Clerk failed to include the required pass-through grantor's number on most of the programs that were reported.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

A similar condition was noted in our two prior reports.

WE AGAIN RECOMMEND the County Commission and County Clerk prepare a complete and accurate schedule of expenditures of federal awards. In addition, the County Commission and County Clerk should ensure that the correct contract numbers are included on the schedule.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

They will try to prepare an accurate SEFA for 2007.

06-3. Help America Vote Act Grant Requirements Payments Grants

Federal Grantor:	Elections Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Numbers:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006 and 2005
Questioned Costs:	$208,540

The county's controls and procedures did not comply with requirements regarding cash management, equipment management, program income, level of effort, activities allowed and unallowed, allowable costs, reporting, and procurement, suspension and debarment, that are applicable to the Help America Vote Act (HAVA) Requirements Payments program. Dunklin County HAVA disbursements for 2006 and 2005 were $219,142.

A. The county did not pay out the accessible and second chance voting equipment monies as required in the HAVA contract. The county received $214,440 of HAVA accessible and second chance voting equipment monies on October 19, 2006, but did not disburse these monies until November 30, 2006, 42 days after their receipt. This was for equipment received in June 2006.

The county contracts with the Missouri Secretary of State (SOS) for election improvements and equipment under the Help America Vote Act. Section .300(c) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to "comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs". The contract requires monies for accessible and second chance voting equipment to be disbursed within thirty days of receipt of monies.

B. The county does not have adequate procedures for capital assets purchased through the HAVA program. Voting equipment received in June 2006 was not added to the county capital asset records until January 2007. The SOS instructed the county to do so after a monitoring visit. In addition, the value of the voting equipment on the capital asset records was $19,060 less than the purchase price. See MAR finding number 7 regarding recommendations for overall county capital assets.

Grants Common Rule §105-71.132 specifies that states will use, manage, and dispose of equipment acquired under a grant in accordance with state laws and procedures. Section 49.093, RSMo, requires counties to account for personal property costing $1,000 or more.

C. The county does not have controls for HAVA program income. All HAVA monies are required to be placed in an interest bearing account. The HAVA monies were deposited in the General Revenue Fund and County Clerk Discretionary Fund which are both interest bearing. However, the county has not determined the amount of HAVA interest monies earned.

According to federal guidelines, HAVA interest monies should be calculated and tracked by the various allowable disbursement categories.

D. The county does not have procedures to ensure the level of effort for election related activities required by federal regulations has been maintained. Public Law 107-252 §254a7 requires the county to maintain funds for election related activities that are not reimbursed at a level no less than the level they expended in the fiscal year ended prior to November 2000. Although it appears the county has maintained the required level of effort, the County Clerk apparently did not know what this level was, and did not have procedures in place to ensure compliance by the county, as this was not monitored.

E. The county does not have procedures to track disbursements by the categories required by the HAVA grant guidelines. The HAVA grant is awarded for various categories that restrict the use of the grant monies. The county tracks the HAVA disbursements in total instead of by specific categories. By not tracking the disbursements by the specific categories that are required by the grant guidelines, the county can not ensure that the disbursements are allowable per the federal regulations.

F. The county has not prepared accurate or timely HAVA program reports to submit to the SOS. The SOS requires that each county receiving HAVA monies prepare financial reports. The County Clerk was unable to provide supporting documentation for the 2005 reports submitted to the SOS. Although the SOS had sent letters inquiring about the accuracy of the 2005 reports, the County Clerk had not resolved these issues with the SOS as of May 10, 2007. Although the 2006 reports were due 90 days after the end of the county's fiscal year, these reports had not been filed with the SOS as of May 10, 2007. By not preparing and filing accurate or timely reports, the SOS could stop all grant payments and deny future grants to the county.

G. The county's procedures for procurement, suspension and debarment for HAVA disbursements are not adequate. When purchasing voting equipment totaling $208,540, the county did not ensure that the vendor had not been suspended or debarred according to the federal list. In addition, the county did not solicit bids or perform other price comparison procedures for applicable HAVA purchases.

Federal grant guidelines require the purchase of goods to be properly bid and the vendor should be neither suspended nor debarred. As a result, we have questioned costs of $208,540.

WE RECOMMEND the County Commission and County Clerk:

A. Ensure HAVA monies relating to accessible and second chance voting are disbursed within thirty days of the receipt of goods.

B. Ensure capital assets purchased through the HAVA program are accounted for properly.

C. Establish procedures to track and account for interest earned on HAVA monies, and ensure that the monies are used as required by federal grant regulations.

D. Establish procedures to ensure the level of effort for election activities is maintained as required by HAVA guidelines.

E. Establish procedures to track HAVA disbursements by the specific categories as required by federal regulations.

F. Prepare and file accurate HAVA reports to the SOS timely as required by HAVA grant guidelines.

G. Establish procedures to follow federal guidelines regarding procurement, suspension, and debarment and resolve the questioned costs with the SOS.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following responses:

A. Any future grant receipts will be disbursed within the grant guidelines.

B. This has been implemented.

C. They will work with the Secretary of State on determining the interest monies already earned on HAVA monies. In the future, any interest earned on HAVA monies will be tracked.

D. *The County Clerk will establish procedures to ensure the level of effort required by HAVA guidelines is met.*

E. *Procedures have been established to track disbursements by category.*

F. *This has now been done.*

G. *This will be done in the future and they will work with the SOS to resolve the questioned costs.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dunklin County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2004.

04-1. Omission of Budgetary Information

The county did not have adequate procedures to ensure budgets were prepared for all county funds.

Recommendation:

The County Commission along with other applicable officials ensure budgets are prepared for all county funds as required by state law.

Status:

Not implemented. See finding number 06-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

DUNKLIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

DUNKLIN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. We also have audited the compliance of Dunklin County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Responses. These MAR findings resulted from our audit of the financial statements of Dunklin County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and other matters that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133,

Audits of States, Local Governments, and Non-Profit Organizations. Dunklin County's responses to the findings are also presented in the MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Transfers and County Funds

The county's procedures for transfers involving the Sheriff's Civil Fees Fund are in need of improvement. The county also has incorrectly handled various funds including the Hopkins School Fund, Crime Victims Compensation Fund, and Schools Fund. In addition, the County Clerk does not ensure township boards' financial statements are published as required by state law.

A. The county did not have documentation to support how it complied with state law regarding transfers from the Sheriff's Civil Fees Fund (SCFF) to the General Revenue Fund. Section 57.280, RSMo, provides that a maximum of $50,000 annually in civil fees collected by the Sheriff be deposited into the SCFF, and any excess collections be deposited into the General Revenue Fund. Although annual receipts did not exceed $50,000, any year end balance of the SCFF exceeding $50,000 was transferred to General Revenue from 2003 through 2005. In 2006, the county did not make any transfers from the SCFF.

B. The Hopkins School Fund maintained by the County Collector-Treasurer was for a federal grant received on behalf of the Southeast Scenic Byway Corporation (SSBY), a separate legal entity. Although these monies were not county funds, the County Clerk prepared the checks which were signed by the County Clerk, Presiding Commissioner, and Treasurer. There was no written agreement between the county and the SSBY; however, the prior County Clerk was also the Chairman of the SSBY. Monies handled by the county for the SSBY totaled approximately $113,000 and $140,000 in 2006 and 2005, respectively. The county also did not maintain adequate supporting documentation, bid documentation, and written agreements with vendors for the Hopkins School disbursements. At our request, the county was able to obtain some of this documentation from other sources.

   Monies received on behalf of other separate entities should not be in the custody of the county without a written agreement outlining the duties and responsibilities of both parties. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing.

C. Prior to December 2005, a portion of the Crime Victim's Compensation (CVC) fee collected by the court was improperly turned over to the county. The Circuit Clerk indicated the court stopped disbursing these monies to the county when they realized these were not county monies. The county deposited these fees into a Crime Victims Compensation Fund and at December 31, 2006, the fund had a balance of $38,489. Section 595.045.2, RSMo, requires the CVC fees be disbursed by the court to the

state. To ensure compliance with state law, the court should request the county to turn these monies over to the state.

D. The County Collector-Treasurer did not distribute the portion of the fine monies which were credited to the Schools Fund in 2005 and 2006. At December 31, 2006, the Schools Fund had a balance of $17,174. The County Collector-Treasurer indicated she overlooked disbursing these monies to the various school districts.

Section 166.131, RSMo, provides for the annual distribution of penalties, forfeitures, and fines to various school districts in the same proportion that the September membership bears to the sum of the September membership of all the districts in the county.

E. The County Clerk does not ensure township boards' financial statements are published as required by state law. While the county provided approximately $1.9 million of CART monies in 2005 and 2006 to the various townships and has a contract with each township, there is no provision in the contracts that requires the townships to submit their published financial statements to the county. Section 231.290, RSMo, requires the County Clerk to ensure a detailed account of their financial activity, along with an inventory of the township's property, is published in a local newspaper and filed with the County Clerk.
A similar condition was noted in the prior report.

WE RECOMMEND the County Commission:

A. Review transfers made from the Sheriff's Civil Fees Fund to the General Revenue Fund to ensure they comply with state law.

B. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county. In addition, the County Commission should ensure only county funds are held in the custody of the County Collector-Treasurer and disbursed through the county's disbursement system.

C. And Circuit Clerk remit CVC fees to the state.

D. And County Collector-Treasurer ensure future fines are apportioned annually in accordance with applicable statutory and constitutional provisions.

E. And the County Clerk ensure all townships publish financial statements in a local paper in accordance with state law.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. They will work with the Sheriff to ensure transfers from the Sheriff's Civil Fees Fund to the General Revenue Fund are proper and adequately documented.

B. The county will no longer receive monies that are not county funds.

C. They will consult with the Circuit Clerk regarding this fund.

D. They will monitor the fund to ensure all monies are disbursed once a year.

E. They will ensure the published financial statements are received before CART monies are disbursed to the townships.

The Circuit Clerk provided the following response:

C. She will look into these monies which were transmitted to the county.

The County Collector-Treasurer provided the following response:

D. These fine monies have now been distributed to the schools.

2.	**County Disbursements**

The county does not have adequate procedures regarding the procurement of major purchases and professional services. Uniform allowances received by the Sheriff's department employees were not reported on employees' W-2 forms.

A. While a review of commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the county commission meeting minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases in 2006:

Item or Services		Cost
Appraisal services	$	37,193
Portable radios		31,727
Radios in vehicles		27,991
Aerial photography services		22,500
Mailing services		22,100
Vehicles		13,138

The County Commission indicated each officeholder is individually responsible for bidding their office purchases and that they are not required to submit bid documentation to the County Clerk. The various officeholders indicated that not bidding the above purchases was an oversight.

In addition to the above items, we noted other instances in which the county is not adequately bidding and/or documenting factors related to purchases:

- A computer aided dispatch system purchased by the Emergency 911 Board totaled approximately $8,600 and $100,900, during 2005 and 2006, respectively. Although the Emergency 911 Board indicated the purchase was advertised; documentation of this advertisement was not retained.

- Food purchased from one vendor by the Sheriff's department totaled approximately $62,200 and $75,600, during 2005 and 2006, respectively. Although the Sheriff indicated he solicits prices via phone calls; documentation of these calls is not retained.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. If the County Commission and County Clerk wish to delegate responsibility for compliance with this state law to the various officials, they need to establish adequate procedures to ensure compliance.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. The county did not always enter into written contracts when appropriate. During 2005 and 2006, the county did not have contracts for payments totaling approximately $57,300 for remodeling services, $23,700 for spraying services,

$22,500 for aerial photography services, and $22,100 for mailing services. The County Commission indicated each officeholder is responsible for entering into applicable contracts for their office. The County Commission does not require contracts to be submitted to the County Clerk.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. If the County Commission and County Clerk wish to delegate responsibility for compliance with this state law to the various officials, they need to establish adequate procedures to ensure compliance.

C. Supporting documentation related to some disbursements was insufficient and acknowledgment (or verification) of receipt of goods or services is not required prior to paying invoices. Detailed credit card receipts are not retained by the county and there is no evidence that these receipts were compared to the periodic billings. Credit card disbursements totaled approximately $44,800 in 2005 and 2006. Billings also did not always include adequate detail. The county paid $37,193 for appraisal services based on billings which only contained the total charge for professional fees and did not detail the hours, hourly rate, or tasks performed.

These monies represent public funds and officials have a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation, the county cannot determine the validity and propriety of the disbursements. Proper reviews of billings by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings, and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

D. Annual uniform allowances of $300 are paid to Sheriff's department deputies and uniform allowances of $150 are paid to jail employees. These allowances totaled approximately $8,700 and $8,550 for the years ended December 31, 2006 and 2005, respectively. Employees are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

Internal Revenue Service Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income to the employees. Alternatively, the County Commission could require employees to submit documentation of actual uniform expenses as they are incurred.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county.

C. Ensure there is adequate documentation to support all disbursements from county funds and establish effective disbursement review procedures to ensure payments are only made for legitimate goods and services.

D. Require the Sheriff's department employees to submit reports of uniform expenses or report these allowances as other income on the employees' W-2 forms.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A&B. They will require the various officials to submit bid documentation and contracts to the County Clerk.

C. They are now requiring adequate supporting documentation and receipt of goods for all disbursements.

D. They will discuss this with the Sheriff and make changes in 2008.

3. Payroll Records and Procedures

Centralized records of time sheets, vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk and, as a result, disagreements arose on the payment of accumulated leave to terminated employees. In addition, Sheriff's department employees were incorrectly paid and timesheets prepared by county employees did not always indicate actual hours worked.

During the two years ended December 31, 2006, Dunklin County disbursed over $1.8 million for payroll costs. The County Commission is responsible for approving payroll related disbursements, and the County Clerk is responsible for maintaining adequate records to support these disbursements.

A. Centralized records of time sheets, vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk. These records are supposed to be maintained by each individual office; however, adequate

records are not maintained by some offices and the balances are not reported to the County Clerk. In some offices, the employees maintain their own records and do not report the information to their respective official.

Upon termination, employees are paid their accumulated vacation leave balance. However, since centralized records do not exist, the county relies on any records maintained by the employee and/or official. In two instances concerning terminated employees, records maintained by the official did not agree to records maintained by employees. The County Commission approved a compromise amount between the two numbers.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

B. Sheriff's department deputies' timesheets had errors and, as a result, deputies were overpaid. Deputies are paid overtime for time worked in excess of 171 hours in a 28 day cycle as required by the Fair Labor Standards Act (FLSA). The time sheet for the 28 day cycle is generated from a computer system in which the beginning and ending dates of the desired 28 day period are entered. For the 28 day cycle, any hours worked in excess of 171 are paid to the deputy at the rate of time and one-half.

Although the Chief Deputy indicated he reviews the time sheet for the current and previous period, overlapping dates were reported on three employees' time sheets. The overlapping dates resulted in hours worked on the same dates being counted twice in the pay calculations. These extra dates resulted in hours in excess of the 171 hours allowed and overtime totaling $264 being incorrectly paid.

It appears that timesheets for Sheriff's department employees are not being reviewed in adequate detail to ensure proper payment.

C. Timesheets prepared by county employees did not always indicate actual hours worked. Timesheets must be submitted two days prior to the last County Commission meeting of the month for employees to be paid on that date. When submitting the timesheets, employees show actual hours worked through the date they are submitting their timesheet and estimate the hours they will work during the remainder of the month. No documentation was available to indicate that the hours actually worked were ever compared to the hours previously estimated.

The practice of paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and

the potential for employees to be over/under paid. The County Commission should consider implementing payroll procedures that ensure employees are paid only for actual hours worked.

Proper control over payroll requires documentation, such as timesheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. In addition, the Fair Labor Standards Act (FLSA) requires accurate records of actual time worked by employees be maintained.

Similar conditions were noted in our previous audit report.

WE AGAIN RECOMMEND the County Commission:

A. Require centralized payroll records be maintained by the County Clerk's office.

B. Ensure timesheets are reviewed in adequate detail to ensure overlapping dates are not reported.

C. Develop payroll procedures to ensure county employees are paid based on actual hours worked.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. The County Clerk now maintains centralized leave records.

B. The County Clerk's office is now monitoring for overlapping dates on timesheets.

C. They will have officials sign the timesheets to indicate that they have ensured employees actual time worked agrees with the timesheet.

The Sheriff provided the following response:

B. A program change has been made so this will no longer occur.

4. County Commission Procedures

Reasons for closing meetings and the corresponding vote to close the meeting are not documented and minutes of closed meetings held by the County Commission are not taken. Meeting agendas do not clearly indicate issues to be discussed at meetings and meeting minutes are not signed. The county does not have a formal policy regarding public access to records. In addition, the county did not solicit bids or obtain written agreements for the renting of warehouse space in the new justice center.

A. Open session minutes typically indicate that the meeting is being closed, but the specific reason and a vote to close the meeting are not always documented. In addition, minutes for the closed sessions are not taken. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

   The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes to be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

B. One agenda was posted for the County Commission meetings at the beginning of the year showing the meeting dates and indicating the general items for discussion for the entire year. The agenda did not clearly indicate the detail of issues to be discussed at the meetings.

   Section 610.020.1, RSMo, requires a tentative agenda and a meeting notice be posted for all open meetings of a public governmental body. To better inform the public, the agenda should include sufficient detail about the issues to be discussed.

C. County Commission meeting minutes prepared by the County Clerk are not signed by anyone. The minutes should be signed by the County Clerk and then by the County Commission to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the commission meetings.

   Section 51.120, RSMo, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Approval not only ensures authenticity of official minutes, but also allows a review of the contents to

ensure that the minutes include all important information regarding the meetings held.

D. The county does not have a formal policy regarding public access to records. A formal policy regarding access and obtaining copies of county records should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making county records available to the public. Section 610.026, RSMo, allows the county to charge fees for copying public records, not to exceed the county's actual cost of document search and duplication.

E. The county did not solicit bids or obtain a written agreement for the rental of space in the new justice center. The county's rental fee was not always received each month and fluctuated after improvements were made to the building by the renter. The county rented the space which resulted in the county earning $53,000 and $57,300 in 2006 and 2005, respectively.

The county should solicit bids for the rental of this space to ensure a fair value is received. Section 432.070, RSMo, requires all county contracts to be in writing. Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

WE RECOMMEND the County Commission:

A. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session, and minutes are taken for all closed sessions.

B. Ensure tentative agendas for all County Commission meetings include sufficient detail about the issues to be discussed.

C. Ensure commission meeting minutes are signed by the County Clerk upon preparation and the County Commission upon approval.

D. Develop a formal policy regarding procedures to obtain public access to, or copies of, public county records.

E. Request bids for rental property. In addition, the County Commission should enter into a contract and ensure the contract contains adequate details and protections for the county.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A,B &C. These recommendations have now been implemented.

D. The county will look into developing this policy.

E. The county now has a written agreement for rental of space in the justice center. If the space becomes available again, the county will solicit bids prior to renting it.

5. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification, or destruction due to not limiting access and not keeping passwords confidential.

A. Access to various records on the computer system is not adequately limited. One file in the computer program includes both the County Clerk's and County Collector-Treasurer's financial records. In February 2006, the County Collector-Treasurer entered an account code incorrectly and it posted to the County Clerk's General Revenue Fund records.

To establish individual responsibility and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls. Unauthorized access can result in the deletion or alteration of data files and programs.

B. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

A similar condition was noted in our prior audit.

WE RECOMMEND the County Commission:

A. Ensure access to various files is limited to only authorized individuals.

B. Require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. They will look into limiting access to various files.

B. They will ensure passwords are changed at least once a year.

6. County Property Records and Procedures

The County Clerk's procedures to account for county property are not sufficient. The County Clerk has no procedures to identify property purchases throughout the year and has not updated the overall county property record in nine years. County employees have also given computer parts away to other organizations, and/or thrown them away without obtaining written authorization for disposal from the County Commission. In addition, an annual inventory of all general capital assets has not been performed, and tags identifying property items as county property are not being assigned and affixed to the items. As of the end of 2006, the county property, not including vehicles and buildings, was valued at an aggregate value of approximately $978,000 on the county insurance policy.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. This lack of county property records increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage.

Section 49.093, RSMo, requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

Although we have noted similar conditions in three prior reports, the former County Clerk did not make implementation of those recommendations a priority.

WE AGAIN RECOMMEND the County Clerk work with other county departments to ensure physical inventories are conducted and reports submitted, implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process. In addition, the County Commission should approve all dispositions of county property.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

The County Clerk has developed up to date inventory records. The County Commission will develop a disposition policy before the end of the year.

7. Property Tax Controls and Procedures

The property tax system's controls and procedures are not sufficient. The County Collector-Treasurer does not file annual settlements and neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector-Treasurer. Procedures

related to open items listings, receipts, and surtax are in need of improvement. The office processes approximately $2.2 million annually in property taxes, fees, and commissions. Beginning in 2007, the County Collector-Treasurer will be collecting approximately $13.5 million due to the elimination of processing of property tax receipts by township collectors.

A. The County Collector-Treasurer is required by Section 139.160, RSMo, to file an annual settlement with the County Clerk by the first Monday in March of each year. The Collector-Treasurer has not prepared or filed annual settlements for the last eight years. An annual settlement for the year ended February 28, 2006, was prepared upon our request in February 2007. Various amounts on the settlement were inaccurate, some activity was not included, and the annual settlement did not balance.

   For the County Clerk and County Commission to properly verify the various tax books and tax collections, it is imperative the Collector-Treasurer file annual settlements on a timely basis. In addition, timely annual settlements are an essential part of the checks and balances system established by state law.

B. Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate any review of procedures are performed by the County Clerk. As noted in A above, the Collector-Treasurer has not prepared or filed annual settlements with the county.

   Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

   An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the Collector-Treasurer each year is complete and accurate and could also

be used by the County Clerk and County Commission to verify the annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

C. The County Collector-Treasurer is unable to reconcile the monthly listings of open items (liabilities) to the cash balance. Although the Collector-Treasurer prepares a monthly listing of open items, she was unable to determine the reason for the difference between the reconciled cash balance, undistributed property and real estate tax collections, and other identified liabilities.

Reconciled Cash Balance, February 28, 2007		$ 492,556
Less:	Undistributed Personal and Real Estate Collections	54,667
	Undistributed Surtax	280,446
	Undistributed Drainage and Levee Collections	1,058
	Undistributed Interest	4,587
	Undistributed Assessment Fund Withholdings	24,807
	Undistributed Merchant Licenses and Publication Fees	2,475
	Protested Taxes	1,854
	Tax Maintenance Fund balance	86,070
Unidentified Balance, February 28, 2007		$ 36,592

The County Collector-Treasurer does not ensure the total undistributed collections on the monthly settlement agree with these collections on the monthly listing of open items. As a result of an inadequate reconciliation of open items, there are unidentified monies which are not being distributed to the various political subdivisions. It appears that $22,400 of the unidentified balance was noted in the prior audit report.

Monthly reconciliations of the cash balances to liabilities are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded.

D. The County Collector-Treasurer does not print a daily abstract from the property tax computer program to reconcile to the daily deposits. The deposits are also not reconciled to the monthly abstract from the property tax computer program which is used to determine the disbursement amounts. After the Collector-Treasurer printed the daily abstracts for March 2006 at our request, it was determined the deposits were $67 more than the daily abstracts and the daily abstracts were $190 more than the monthly abstract. As a result, it appears not all deposits are being abstracted. These differences appear to have caused the unidentified balance to continue to increase since the prior audit report (see part C above).

To properly reconcile receipts to deposits and ensure all monies are being properly

recorded and deposited, a daily abstract should be generated and reconciled to the daily receipts. The daily abstracts should also be reconciled to the monthly abstract. Without these reconciliations, the County Collector-Treasurer has no assurance that all transactions have been properly recorded.

E. Assessment fund withholdings are not disbursed on a timely basis. Although the County Collector-Treasurer deducts the additional one-quarter percent assessment fees on property taxes, these monies are not disbursed monthly to the Assessment Fund. Instead the Collector-Treasurer holds the monies in her account until the Assessment Fund needs the monies. In both 2006 and 2005, annual distributions totaled $35,000. At February 28, 2007, there was approximately $25,000 of assessment withholdings in the account.

   Section 137.720, RSMo, requires a percentage of all ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and be deposited into the assessment fund of the county. Timely disbursement of fees collected is also necessary to provide adequate controls over account balances.

F. The County Collector-Treasurer continues to distribute surtax collections using percentages calculated for distributing the 1985 collections and has not recalculated the surtax distribution percentages each year as required by state law. As a result, political subdivisions may not have received the proper allocation of surtax collections.

   Section 139.600(3), RSMo, outlines the procedures to be followed to calculate the percentages for the second and each succeeding year the surtax is imposed. Surtax collections are to be distributed to the various political subdivisions based on percentages derived from a combination of their share of the 1984 merchants' and manufacturers' taxes and the current assessed valuation for their Subclass 3 commercial property for each year compared to the 1985 assessed valuation.

Conditions similar to A and C were noted in our prior report.

WE RECOMMEND:

A. The County Collector-Treasurer prepare and file accurate, complete, and timely annual settlements as required by state law.

B. The County Commission and County Clerk monitor property tax system activities and perform a thorough review of the County Collector-Treasurer's annual settlements.

C. The County Collector-Treasurer prepare a monthly listing of liabilities, reconcile this listing to the reconciled bank balances, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted.

D. The County Collector-Treasurer generate daily abstracts, reconcile daily abstracts to daily receipts and monthly abstracts, and ensure all receipts are abstracted and distributed on a timely basis.

E. The County Collector-Treasurer disburse assessment fees monthly.

F. The County Collector-Treasurer ensure future distributions of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

B. The County Clerk is now maintaining an account book. This will be used to review the annual settlement.

The County Collector-Treasurer provided the following responses:

A. She will try to prepare an annual settlement.

C. She will prepare a detailed open items list each month. She will try to ensure the unidentified difference remains consistent. When the unidentified difference is consistent, she will consult with the Prosecuting Attorney on how to disburse these monies.

D. She will print daily abstracts and reconcile them to deposits. The daily abstracts will be reconciled to the monthly abstracts.

E. Assessment fund withholdings will be transmitted more frequently.

F. She was not aware that this changed every year. The county will recalculate this every year.

8. Health Department Controls and Procedures

The Health Department procedures related to receipts, disbursements, payroll, and property records need improvement. The Health Department also has not entered into a written agreement with its depository bank and collateral securities pledged were insufficient. In addition, the board's financial statements did not list disbursements by vendor as required by state law.

A. The composition of receipt slips issued is not reconciled to the composition of deposits. It appears the Health Department incorrectly indicated the method of payment on some receipt slips. Checks and money orders are also not restrictively endorsed immediately upon receipt.

Without reconciling the composition of the receipt slips issued to the composition of deposits, the Health Department cannot ensure all monies collected are ultimately recorded and deposited. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

B. Disbursement records and procedures need improvement.

1. While a review of Health Department minutes and bid files indicated the Health Department bid numerous items, the Health Department did not always solicit bids or bid documentation was not always retained for various purchases as discussed below. Neither the Health Department minutes nor the disbursement records contained adequate documentation of the Health Department's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

   - The Health Department did not advertise for flu vaccine purchases which totaled approximately $12,300 in 2005. The Health Department Administrator indicated this was a sole source purchase. However, this was not documented.

   - Although a $34,000 disbursement for a walking trail was advertised for bids, the Health Department did not document why the bid which was $6,378 less was not accepted. The Health Department personnel indicated the company with the low bid did not return phone calls regarding this bid.

   Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

   Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Health Department has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the Health Department's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

2. The Health Department did not always enter into written contracts when appropriate. During 2005 and 2006, the Health Department did not have contracts for payments totaling approximately $1,400 for doctor services, $2,200 for accounting services, and $10,400 for rent.

   Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the

services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

3. Supporting documentation related to some disbursements was insufficient. The only supporting documentation for some disbursements was the vendor estimate rather than an actual invoice. Based on the vendor estimate, the Health Department paid one company approximately $4,450 for a generator and $12,900 for remodeling.

   To ensure the validity and propriety of disbursements and compliance with statutory provisions, adequate supporting documentation should be obtained for all payments to vendors.

4. The Health Department's accounts payable process does not provide adequate controls to ensure that goods and services have been received prior to payment. Acknowledgment of receipt of goods or services is not required prior to paying invoices. For example, the Health Department paid approximately $12,900 for remodeling services without acknowledging receipt of goods or services.

   Proper reviews of billings by employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings, and verification of receipt, are necessary to ensure the Health Department is paying for legitimate goods or services.

C. Timesheets prepared by employees did not always indicate actual hours worked. Timesheets must be submitted two days prior to the date paid. When submitting the timesheets, employees indicate actual hours worked through the date they are submitting their timesheet and estimate the hours they will work for the remainder of the pay period. No documentation was available to indicate that the hours actually worked were compared to the hours estimated.

   The practice of paying employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. The Health Department Board should consider implementing payroll procedures that ensure employees are paid only for actual hours worked.

D. The Health Department’s procedures to account for Health Department property are not sufficient and property records are not complete. As of the end of 2006, the Health Department property, not including buildings, was valued at approximately $116,500 on the insurance policy.

   - Property purchases are not reconciled to additions per the property records.

- Although there were discrepancies noted during the Health Department's physical inventory, the Health Department had not followed up on these discrepancies. A printer was still included on the property records although this item had last been noted in the inventory in 2003.

- The Health Department does not have formal procedures for disposing of property. Written authorization was not obtained from the Health Department Administrator and the date and method of disposition were not recorded on the inventory records.

Adequate property records and monitoring procedures by the Health Department Administrator are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over Health Department property. The comparison of periodic inventories to overall Health Department property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect Health Department assets.

E. The Health Department has not entered into a written agreement with its depositary bank and collateral securities pledged by the department's depositary bank to cover deposits were insufficient by approximately $152,100 during January 2006. The high balance period was primarily due to deposits of property tax monies.

The Health Department should enter into a written agreement with its depositary bank. Section 110.020, RSMo, requires the value of securities pledged to be at all times not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of bank failure. Also, written agreements should require that deposits in excess of FDIC limits be secured by bank assets pledged to the Health Department. In addition, the bank service agreement provisions should include, but not be limited to, any bank fees for check printing, checking account services, and interest rate for invested funds. A written depositary agreement helps the Health Department and bank understand and comply with the requirements of any banking arrangement.

F. The Health Department Board's published financial statements did not list disbursements by vendor. Section 50.800, RSMo, requires detailed lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the Health Department Board's financial activities, all information required by law should be included.

Conditions similar to C and D were noted in our prior report.

WE RECOMMEND the Health Department Board:

A. Ensure the composition of the receipt slips is reconciled to deposits. In addition, the Health Department Board should ensure checks and money orders are restrictively endorsed immediately upon receipt.

B.1. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

2. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the Health Department.

3. Require adequate supporting documentation for all disbursements.

4. Establish effective disbursement review procedures to ensure payments are only made for legitimate goods and services.

C. Develop payroll procedures which require all employees to be paid based on actual hours worked.

D. Implement a procedure for tracking new property items throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process. The Health Department Board should establish a formal procedure for dispositions.

E. Ensure all deposits are adequately secured and enter into a written agreement with the depositary bank.

F. Ensure published financial statements include all information required by state law.

AUDITEE'S RESPONSE

The Health Department Administrator provided the following responses:

A. The staff has been informed to make sure that the cash and checks on the receipts match what are on the deposit form, not just that the total amount of the deposit matches the sum of all receipts. The staff has also been reminded to make sure all checks are endorsed immediately upon receipt.

B.1. Due to the limited number of vendors, the flu vaccine is not bid out. If we run the open for bid notice in the paper, only one would bid on it and would just cost us more money. We have to pre-order it months before delivery in order to get it in time for the flu season. There are only two manufacturers of the flu vaccine in the world and one of those has had major problems in the last few years. We purchase the flu vaccine directly from one manufacturer that has the best quality and on time delivery record. The price has always been equal to or better than any other source for the flu vaccine.

The walking trail was put on the Campbell Housing Authority property. Since we did not own or have control of the property, the Campbell Housing Authority bid out the work for the walking trail. Their board decided to not go with the lowest bid because of their knowledge of the quality of work by the lowest bidder. They wanted to make sure the walking trail would last for years. They knew if they went with the lowest bidder that the walking trail would have ended up costing more in a few years because of the repair work that would have needed to be done.

2. *The Health Department will get a written contract with the noted parties.*

3. *The wrong paperwork was used in paying the contractor. The invoice and the estimate were the same amount. The staff has been informed to make sure the invoice is used for payments and not the estimate.*

4. *Although the supporting documentation was insufficient, it is clear that the new windows were installed. The staff has been informed to make sure to document that the work has been completed before paying invoices in the future.*

C. *Part-time employees must turn in their hours worked two days before the end of the pay period because of the Quickbooks direct deposit. The part-time employees estimated the hours they will work on the last two days. The actual hours are checked against the paid hours to make sure they match. If for some reason they do not match (i.e. they get sick and can't come to work), a correction is made the next pay period. The only thing that was not done correctly was that no one documented that they checked the hours worked against the hours paid. The staff was informed to document when the paid hours are checked against the actual hours worked.*

D. *The inventory will be rechecked and updated in the next couple of months.*

They will work with their insurance agent to make sure $116,500 is enough coverage for Health Department property not including buildings.

A formal policy will be put in place and a new form, with the required information, will be used to document the disposal of property in the future.

E. *The insufficiency happened because of the deposit of a large sum of tax collections. It was corrected in just a few days. They receive most of the tax collection revenue in December and January. They will work more closely with the bank to make sure this does not happen in the future. They will also work with the bank to update their contract with the bank to include items noted.*

F. *They will include the list of disbursements by vendor in future published financial statements.*

9.	**Senate Bill 40 Board Controls and Procedures**

The Senate Bill 40 (SB40) Board has not established procedures to ensure the actual amounts in the annual budgets are accurate and that actual disbursements do not exceed budgeted amounts. The SB40 Board also has not requested bids or funding proposals for sheltered workshop services. In addition, the SB40 Board has not entered into a written agreement with its depository bank and collateral securities pledged were insufficient.

A.1. The SB40 Board has not established procedures to ensure actual receipts, disbursements, and year-end cash balances reported in the annual budgets agree to internal accounting records or to the reconciled bank balances at year end. While the internal accounting records agreed with the reconciled bank balances, the numbers entered onto the actual budget form were incorrect. The 2006 actual receipts and disbursements shown in the 2007 budget were understated by $7,071 and $6,648, respectively. The 2005 actual disbursements were also understated by $117 in the 2006 budget. Apparently no one reviewed the budgetary information and noted these errors. Adjustments have been discussed with the SB40 President and made to the audited financial statements receipts and disbursements in order for the ending balances to agree to the bank.

For the annual budgets to present the SB40 Board's complete financial activity, all monies received and disbursed in a calendar year should be reflected in the SB40 Fund's budget document and agreed to the year-end reconciled bank balance.

2. Actual disbursements exceeded budgeted amounts for both 2006 and 2005 for the Senate Bill 40 Fund by $6,649 and $117, respectively. It appears these amounts were not noted by the board due to the incorrect reporting on the budget document as noted above.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

B. The SB40 Board has not requested bids or funding proposals for providing sheltered workshop services. The sheltered workshop submits an annual budget request to the SB40 Board each year. After the SB40 Board approves the request, a written agreement is entered into for these services and the approved amount is disbursed to the sheltered workshop at the beginning of the year. During 2006 and 2005, the SB40 Board paid the sheltered workshop approximately $302,000. This was not documented as being a sole source purchase and the monies were paid prior to receiving the services. By requesting bids or funding proposals for services, the SB40 Board would be able to make a better-informed decision to ensure necessary

services are obtained from the best qualified organization at the lowest and best costs.
The SB40 Board should consider requesting bids or funding proposals for services, and establishing a policy which defines the requirements for approving requests for funds to ensure fair and equitable treatment is extended to all organizations.

C. The SB40 Board has not entered into a written agreement with its depositary bank and collateral securities pledged by the depositary bank to cover deposits were insufficient by approximately $68,156 during January 2006. The high balance period was primarily due to deposits of property tax monies.

The SB40 Board should enter into a written agreement with its depositary bank. Section 110.020, RSMo, requires the value of securities pledged to be at all times not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of bank failure. Also, written agreements should require that deposits in excess of FDIC limits be secured by bank assets pledged to the SB40 Board. In addition, the bank service agreement provisions should include, but not be limited to, any bank fees for check printing, checking account services, and interest rate for invested funds. A written depositary agreement helps the SB40 Board and bank understand and comply with the requirements of any banking arrangement.

A similar condition was noted in our prior report.

WE RECOMMEND the Senate Bill 40 Board:

A.1. Ensure all financial information is properly reflected in the annual budget document.

2. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

B. Request bids or funding proposals and pay for services as they are received.

C. Ensure all deposits are adequately secured and enter into a written agreement with the depositary bank.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President provided the following responses:

A.1. They will ensure the actual amounts on the budget are correct.

2. In the future, the budget will be amended prior to exceeding the budget.

B. They believe this is a sole source purchase. They will post requests for funding proposals for these services in public places.

C. They will do this.

10. Assessor Accounting Controls and Procedures

The Assessor transmitted $5,053 and $3,184 in 2006 and 2005, respectively, to the County Treasurer from the sale of maps, public record information requests, and photocopies. The Assessor does not maintain adequate records to account for monies received. All receipts are not transmitted intact and on a timely basis, and cash and check receipts totaling $739 were not transmitted to the County Treasurer. Prenumbered receipt slips are not issued for all monies received and the composition of receipt slips is not reconciled to the composition of transmittals. In addition, recordkeeping and monitoring procedures related to outstanding copy fees are not adequate.

Similar conditions were noted in our last two audit reports and the previous Assessor indicated in the last report that the recommendations had been or would be implemented. A new Assessor took office in November 2003. Although the new Assessor indicated she had improved her procedures after items noted in A were brought to her attention, we still noted several areas of concerns regarding the processing of receipts.

A. Some cash and check receipts were not transmitted to the County Treasurer. It appears that four checks totaling $96 were deposited into the Assessor's personal account and thirteen additional checks totaling $643 were not deposited into the county funds and may have been cashed. These checks were received from April 2004 through August 2005. The Assessor indicated these monies were used for various supplies for the office; however, no records of these purchases were maintained or available. The Assessor stated that she changed her procedures and no longer withheld monies from transmittals after she was questioned about this by the County Commission and Prosecuting Attorney in August 2005. As noted above, the amount of transmittals to the county increased significantly in 2006 after this practice was supposedly stopped. However, we noted small amounts of cash received in August and September 2006 totaling $7.50 were also not transmitted. The Assessor indicated that she thought the cash receipts were possibly used for postage purchases; however, no record of these purchases was maintained.

   Transmitting receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts and to lessen the possibility of loss or misuse of funds. These monies represent accountable fees which should be turned over to the county. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies to the county treasury. There is no statutory authority for the Assessor to expend these monies except as provided for in the county budget and made through the County Commission's normal disbursement process. Disbursements for supplies from the Assessment Fund for Assessor's office

supplies totaled $6,728, $8,314, and $10,027 for 2006, 2005, and 2004.

As a result of potential conflict, the Prosecuting Attorney has turned the investigation of the monies not transmitted over to the State Attorney General to determine any further action to be taken.

B. Prenumbered receipt slips are not issued for some monies received. In addition, the method of payment is not always noted on the receipt slip and the composition of receipt slips is not reconciled to the composition of transmittals to the County Treasurer. To adequately account for receipts and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipts slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition should be reconciled to the transmittal to the County Treasurer.

C. Monies received are not transmitted to the County Treasurer in a timely manner. In one instance, receipts were held for over 13 days before transmittal. To reduce the risk of loss or misuse of funds, transmittals should be made on a timely basis. Transmittals should be more frequent if significant amounts of cash are collected.

D. Recordkeeping and monitoring procedures related to outstanding copy fees are not adequate. The Assessor allows certain companies to maintain open accounts for copies of records or faxes.

- The Assessor tracks the amounts owed on a log sheet for copies made in her office and bills the companies when the page is full. In some instances, it may take several months to a year to fill up a page. If payment is not received, the Assessor does not initiate any further collection procedures. There were four instances of fees still owed from 2004. In addition, some companies were allowed to charge additional copies even though they had outstanding balances. Several companies indicated they were not aware they owed monies or that they owed different amounts.

- The Assessor tracks the amounts owed for faxed information requests on a separate ledger page for each company. The Assessor indicates the balance due from the company on the cover sheet that is faxed to the company; however, if payment is not received, no further collection procedures are initiated. Upon research, it was found that amounts received are sometimes not posted to the ledger or are incorrectly posted to the wrong company. These errors went undetected by the Assessor because no follow-up procedures are performed on outstanding balances.

Unpaid fees could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active and timely pursuit of unpaid fees, revenues to the county could be lost.

Conditions similar to A, B, and C were noted in our prior report. In addition, given the weaknesses noted, the risk of mishandling of fees going undetected is increased.

WE RECOMMEND the Assessor:

A. Transmit all monies to the County Treasurer intact. All supplies should be purchased through the county's normal disbursement process.

B. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, the Assessor should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to transmittals.

C. Transmit all monies on a timely basis.

D. Establish procedures to adequately record and monitor outstanding fees.

AUDITEE'S RESPONSE

The Assessor provided the following responses:

A-C. These have now been implemented.

D. She has sent billings to companies that owe monies. If a company is delinquent, the Assessor's office no longer allows them to make any additional charges.

11. Sheriff Accounting Controls and Procedures

The Sheriff's procedures related to the commissary, Sheriff's Revolving Fund, boarding of prisoners, and seized property are in need of improvement.

A. The Sheriff's commissary account is used for personal monies of inmates and commissary purchases made by the inmates. The Sheriff's department records the receipts for each inmate in the commissary computer program provided by an independent vendor. The vendor is then contacted by the inmates to make commissary purchases which are recorded in the commissary computer program. The Sheriff's department is billed for inmate purchases and receives a check for the commissary profit. The Sheriff's commissary account processes approximately $90,000 annually in monies received from inmates for the commissary. The Sheriff's controls and procedures for the commissary account need improvement.

1. Accounting duties have not been adequately segregated in the Sheriff's department. One clerk prepares checks, signs checks, and prepares bank reconciliations. There are no documented reviews of the accounting records performed by the Sheriff.

   Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

2. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are approximately ten times per month. For example, a deposit made on May 15, 2005 included nine days collections, totaling approximately $1,790 and included approximately $1,760 in cash. In addition, the numerical sequence of receipt slips is not accounted for properly and the composition of receipt slips issued is not reconciled to the composition of deposits.

   To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be more frequent if significant amounts of cash are collected. Without issuing and accounting for prenumbered receipt slips for all monies collected and reconciling the composition of the receipts slips to the composition of deposits, the Sheriff's department cannot ensure all monies collected are ultimately recorded and deposited.

3. Although bank reconciliations are prepared, the bank reconciliations are not complete and the bank balance is not reconciled to a monthly listing of open items (liabilities). Differences on the bank reconciliation are not investigated and cleared. During the two years ended December 31, 2006, the differences fluctuated each month and at December 31, 2006, the reconciled bank balance was $154 more than the book balance. In addition, the Sheriff has not prepared open items listings for the commissary account. At our request, the Sheriff's department attempted to prepare an open items listing. After several attempts to generate the correct open items list, the final listing prepared for December 31, 2006, totaled $1,858 more than the book balance.

   The commissary account balance also includes the booking fees, toilet paper fees, and commissary profit from the previous bank account which have not been remitted to the county. The Sheriff's department was unable to determine these amounts or whether these county charges were included as open items. These fees would increase the shortage noted above. In addition, some commissary accounts remain active and continue to be liabilities even though the inmates are no longer in the county jail.

Reconciling the accounting records to the bank account and an open items listing ensures that the records are in balance and sufficient funds are available for the payment of all liabilities. Differences should be reviewed monthly and appropriate adjustments should be made to correct the records.

In addition, an attempt should be made to locate any inmates with commissary account balances that are no longer prisoners of the county jail. If proper disposition of the unidentified monies cannot be determined and the inmate cannot be located, various statutory provisions provide for the disposition of unclaimed monies. Also, routine procedures should be established to investigate inmate balances unclaimed for a considerable time.

4. A $1 booking fee is to be allocated from the inmate's commissary account balance at the time of incarceration. A $0.55 toilet paper fee is also charged when an inmate requests toilet paper even if they do not have any available monies. The booking fee and toilet paper fee are county fees that should be credited to the General Revenue Fund (see 3 above). The Sheriff's department personnel indicated the booking fee was charged to offset the time, effort, and expense of booking inmates and the toilet paper fee was charged due to inmates using it inappropriately. However, the Sheriff could not provide any statutory authority authorizing the collection of these fees. Sheriff's department personnel indicated the $1 booking fee is not consistently charged to all inmates due to an oversight.

B. The controls and procedures regarding the Sheriff's Revolving Fund need improvement.

1. The Sheriff's department receives monies for concealed weapon permits and deposits these to the Sheriff's Revolving Fund account. As of December 31, 2006, concealed weapon permit receipts totaling $14,092 were maintained in the account. These monies should be deposited into the county treasury and handled like other county funds.

   Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury.

2. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only once a month. For example, a deposit made on March 29, 2006 included eight days collections, totaling approximately $434. In addition, the numerical sequence of receipt slips is not accounted for.

   To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be more frequent if significant amounts of cash are collected. Without accounting for prenumbered receipt slips for all monies

collected, the Sheriff's department cannot ensure all monies collected are ultimately recorded and deposited.

C. The county is subsidizing the cost to house other political subdivisions' prisoners by establishing a billing rate that is not sufficient to recover all jail costs. The Sheriff's department houses prisoners for various cities within the county and bills the cities for these services. The billing rate for the cities is $4 a day, except for the city of Kennett, which is billed a flat rate of $600 a month. The total prisoner days for all of the cities were 2,482 and 3,166 in 2006 and 2005, respectively. However, in its most recent report of prisoner incarceration costs submitted to the State Office of Administration, the county calculated its daily prisoner cost to be approximately $21. In addition, no written agreement existed between Dunklin County and the various cities for these services.

The County Commission and Sheriff should periodically review the costs of operating the jail, including any indirect costs, and establish an appropriate billing rate for all political subdivisions housing prisoners in the county jail. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such disbursements.

D. Seized property records and procedures need improvement.

1. A complete inventory listing of seized property was not maintained for the two years ended December 31, 2006. The Sheriff's department does not include items too large to store in the evidence room. For example, a seized truck stored at a local towing business was not included on the listing of seized property. In addition, periodic inventories of the property on hand are not conducted.

   Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. All seized property items and the applicable case numbers should be properly recorded on evidence property forms.

2. Procedures have not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases have been disposed in court are being stored. Property is on hand dating back to the late 1990s.

   Section 542.301, RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

Conditions similar to A2, A4, A5, C, and D were noted in our prior report.

WE RECOMMEND the Sheriff:

A.1. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

2. Deposit all monies intact on a timely basis. In addition, the Sheriff should require the numerical sequence of receipt slips be accounted for properly and ensure the composition of receipt slips is reconciled to deposits.

3. Reconcile the accounting records to the bank accounts and a monthly listing of open items and investigate and correct identified differences. The Sheriff should discontinue the practice of maintaining county charges and commissary profit outside the county treasury. Furthermore, the Sheriff should establish procedures to ensure released inmates receive the balance of their commissary account and establish routine procedures to investigate inmate balances unclaimed for a considerable time.

4. Review the charging of booking and toilet paper fees with the Prosecuting Attorney to ensure the fees are appropriate. If determined appropriate, the Sheriff should ensure all inmates are charged the fees on a consistent basis.

B. Discontinue the practice of maintaining concealed weapon permit receipts outside the county treasury. These monies should be turned over to the county treasury on a periodic and timely basis.

C. And the County Commission periodically review the cost of boarding prisoners and establish a billing rate for other political subdivisions that is sufficient to recover the costs of housing prisoners in the Dunklin County jail. In addition, the county should enter into a written contract with all cities detailing the responsibilities of each party involved.

D.1. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A.1. These duties have now been segregated.

2. He is currently looking into a new vendor who will provide a computer system to account for the numerical sequence of receipt slips. Deposits are now being made more timely. The composition of receipts will also be reconciled to deposits.

3. He is currently looking for a new vendor to provide computer software to be able to do this.

4. These fees will be turned over to the county once a month. He believes these fees are allowable per Section 221.070, RSMo.

B.1. These monies have now been turned over to the county.

2. Deposits are now being made more timely. The numerical sequence of receipt slips is now being accounted for.

C. This was increased to $20 a day beginning on June 1, 2007. He is trying to get the various cities to sign written contracts for housing of prisoners.

D1 &2. He is working on improving seized property procedures as they move to the new Justice Center.

12. Circuit Clerk Accounting Controls and Procedures

Circuit Clerk procedures related to accounting duties, receipts, open items, old bank accounts, and accrued costs are in need of improvement. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in January 2006 and a new Circuit Clerk took office in September 2006. The Circuit Court processes approximately $500,000 annually in civil and criminal case fees, fines, and bonds.

A. Accounting duties have not been adequately segregated in the court. One deputy clerk prepares and signs checks, and prepares bank reconciliations. There are no documented reviews of the accounting records performed by the Circuit Clerk.

Internal controls would be improved by segregating the duties of disbursing monies and preparing bank reconciliations. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies received are not always deposited intact or in a timely manner. Although deposits are generally prepared twice a week, some of the cashier sessions (which are opened for each clerk) are not closed when the deposit is prepared. Cashier sessions are not included in a deposit until the clerk closes the session. Four cashier sessions were noted that had not been closed timely. This resulted in receipts being held for several days before being deposited including one cashier session not deposited until 10 days after it was opened.

To reduce the risk of loss or misuse of funds, cashier sessions should be closed daily and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

C. Open items records and procedures need improvement.

1. The court has not adequately reviewed the status of old open items. The December 31, 2006 open items listing included approximately 290 cases and totaled over $89,000. Approximately 75 of these cases originated prior to 2003 with some cases dating as far back as 1997. Some of these cases have not had activity for several years.

   The failure to routinely review open items and prorate available monies when appropriate increases the volume of cases which must be monitored and deprives the state, county or others the use of those monies. A procedure to routinely review open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the court needs to perform a comprehensive review of old open items and dispose of monies as appropriate.

2. The Circuit Clerk's reconciled account balance has exceeded identified open items by approximately $2,473 since at least December 31, 2004. There is no documentation that the court has attempted to resolve the difference. Any unidentified monies remaining in the account should be disposed of in accordance with state law.

D. The Circuit Clerk maintains three old bank accounts which have had no activity for several years. Two of these accounts from the Probate Division have not had activity since 2003 and 2001 with balances of $1,964 and $166, respectively, at December 31, 2006. The Circuit Clerk also has a separate bank account for a case with $3,707 of interest monies at December 31, 2006 although a motion had been made in 1999 to disburse the interest monies. No attempt has been made by the Circuit Clerk to identify or properly dispose of the monies in this account.

The Circuit Clerk should attempt to identify the monies held in the old bank accounts and obtain written authorization from the court to dispose of the monies and close the accounts.

A similar condition was noted in our prior report.

E. While a listing of accrued costs owed to the court is maintained in the Circuit Clerk's computer system, the Justice Information System (JIS), the Circuit Clerk was not aware this information was available or that a report could be generated. At our request, the Circuit Clerk contacted the Office of State Courts Administrator and generated the report. As of January 2, 2007, the Circuit Clerk's accrued cost balance which was over 60 days overdue was approximately $911,700. The Circuit Clerk should periodically generate a list of accrued costs and review it for accuracy and completeness. In addition, the Circuit Court has not taken advantage of the various statutory provisions intended to improve debt collections.

A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

WE RECOMMEND the Circuit Clerk:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Establish procedures to ensure all cashier sessions are closed daily and deposit all monies intact on a timely basis.

C.1. Routinely review open items and disburse or dispose of monies as appropriate.

2. Identify and appropriately distribute the unidentified balance. Any unidentified monies remaining in the account should be disposed of in accordance with state law.

D. Attempt to identify the monies held in the old bank accounts and obtain written authorization from the court to dispose of the monies and close the accounts.

E. Establish procedures to monitor and collect accrued costs.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. This has been implemented.

B. She is reviewing the open cashiers sessions and ensures all cashier sessions are closed at least once a week. If a cashier session includes cash or exceeds $100, the cashier session is closed and deposited.

C.1. She is working on reviewing open items and disbursing inactive open items.

2. She will look into how to distribute these monies.

D. These monies have been disbursed and the old accounts have been closed.

E. She is working on ensuring the accrued cost list is accurate. After the accrued cost list has been reviewed, she plans on taking advantage of the various collection alternatives available to the court.

13. Prosecuting Attorney Accounting Controls and Procedures

The Prosecuting Attorney's Office procedures related to open items listings, outstanding checks, accrued restitution, and receipts are in need of improvement. The Prosecuting Attorney's Office processed approximately $380,000 annually in bad check fees and restitution.

A. Monthly listings of open items (liabilities) for bad check receipts are not accurately prepared and reconciled to the cash balance. At our request, the Prosecuting Attorney prepared an open items listing as of April 24, 2007. However, the book balance exceeded the open items listing by $7,863.

A complete and accurate listing of open items should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Prosecuting Attorney should attempt to determine the reasons for the differences and, if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

B. The April 24, 2007 open items listing included $519 of interest which had not been turned over to the county since 2001. In addition, the cost of checks and deposit slips are taken from the Prosecuting Attorney's bank account. For example, $26 was taken from this account for deposit slips in January 2005. Since the cash balance is not reconciled with an open items listing, the Prosecuting Attorney does not know if he is using interest monies or merchants' monies for bank fees.

Transmitting receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts and to lessen the possibility of loss or misuse of funds. Interest earned represents an accountable fee which should be turned over to the county. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies to the county treasury. There is no statutory authority for the Prosecuting Attorney to expend these monies for bank fees except as provided for in the county budget and made through the County Commission’s normal disbursement process.

C. The Prosecuting Attorney does not adequately follow-up on old outstanding checks. At December 31, 2006, there were 42 checks totaling approximately $2,025 which had been outstanding for more than one year.

Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

D. Summary listings of court-ordered restitution owed to the Prosecuting Attorney are prepared, but follow up procedures related to unpaid restitution need improvement. As of February 26, 2007, unpaid restitution totaled approximately $448,739. The Prosecuting Attorney indicated that some of this unpaid restitution is not collectible. For example, the restitution could be owed from defendants who are in correctional facilities. The Prosecuting Attorney should take appropriate steps to determine if amounts are uncollectible.

The lack of timely write offs of old inactive case balances increases the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources.

E. The Prosecuting Attorney's procedures for receipts need improvement.

- Prenumbered receipt slips are not issued for delinquent tax monies received and monies received are not always transmitted in a timely manner. Delinquent tax monies are usually transmitted two to three times a month. These receipts are kept in an unsecured location in the Prosecuting Attorney's office prior to transmittal.

- Money orders received for bad checks and restitution are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), be accounted for, and the composition should be reconciled to the turnover. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and deposits or transmittals should be made intact on a timely basis.

Conditions similar to C and E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Prepare a monthly listing of open items and reconcile it to the cash balance. Any excess monies should be disposed of in accordance with state law.

B. Periodically disburse interest and receive reimbursement for bank fees through the county's normal disbursement process.

C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

D. Periodically review listings of unpaid court-ordered restitution, and adopt procedures to periodically write off uncollectible amounts.

E. Require prenumbered receipt slips be issued for all monies received and transmit all monies intact on a timely basis. The Prosecuting Attorney should also restrictively endorse checks and money orders immediately upon receipt and keep them in a secure location until transmitted.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. The Prosecuting Attorney's office is now preparing open items listings. He will investigate unidentified monies.

B. Interest monies will be turned over to the county's Prosecuting Attorney Bad Check Fund. He has received reimbursement from the county for bank fees.

C. This will be done.

D. He attempts to follow up on unpaid restitution. The Prosecuting Attorney's office will make a note on the uncollectible unpaid restitution accounts.

E. This has been implemented.

14. Public Administrator Accounting Controls and Procedures

The Public Administrator's disbursement and record keeping procedures need improvement. The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. At December 31, 2006, the Public Administrator handled approximately 156 cases. A new Public Administrator took office January 1, 2007.

A. The Associate Circuit (Probate) Judge does not require the Public Administrator to

submit supporting documentation for disbursements. The only supporting documentation filed with the Public Administrator's settlements is the checking account bank statement for the last date on the settlement. For two of the settlements reviewed, the current Public Administrator and prior Public Administrator could not locate bank statements, bank reconciliations, and canceled checks to support the annual settlements. The current and prior public administrators disagree on what happened to these records.

Section 473.543, RSMo, requires the Public Administrator to have supporting documentation for all disbursements in excess of $75 and indicates the court may require supporting documentation for disbursements of less than $75. Without such documentation, it is difficult for the Probate Court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting documentation be filed with the court. Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

B. Some annual settlements prepared by the Public Administrator's office were not complete or accurate. Outstanding check amounts, payees, and check numbers were not reported on the annual settlements. Original copies of voided checks were also not maintained or reported on the annual settlement. In addition, receipts and cash balances for certificates of deposit were not always accurately reported on some annual settlements. The reported cash balances on these annual settlements did not agree to the Public Administrator's records or the bank balance. If the Probate Court had adequately reviewed the settlements (see part A above), these problems may have been identified.

To ensure the financial activity of the estates is accurately reported to the Probate Court, all receipts and disbursements should be accurately recorded on the annual settlements. In addition, voided checks should be properly mutilated and retained.

C. The prior Public Administrator entered into verbal agreements for various estates for care of the wards. Adequate supporting documentation, indicating detail such as hours worked and costs incurred, was not always obtained prior to payment for these services. Although compensation paid to these individuals for services and rent exceeded $600, it was not reported on Form 1099-MISC.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such disbursements. Adequate supporting documentation should also be obtained for all disbursements to ensure the validity and propriety of disbursements. Further, Sections 6042 and 6051 of the Internal Revenue Code requires an IRS Form 1099- MISC be completed for every payee other than corporations receiving $600 or

more in aggregate during a calendar year for services performed as a trade or business by non-employees.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the Public Administrator:

A. Retain financial records in a secure location to prevent misplacement or loss. In addition, the Associate Circuit Judge should consider requiring adequate documentation to be filed with the annual settlement.

B. Prepare annual settlements which accurately report all estate receipts, disbursements, and cash balances. In addition, the Public Administrator should maintain the original copies of voided checks.

C. Enter into a written contract with all service providers detailing the responsibilities of each party involved. In addition, the Public Administrator should obtain adequate supporting documentation for all disbursements and issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

AUDITEE'S RESPONSE

The Public Administrator provided the following response:

A. In the future, she will ensure all financial records can be located.

B. She will change procedures to ensure all annual settlements are accurate and voided checks are properly accounted for.

C. She will do this in the future.

The Probate Judge provided the following response:

A&B. For wards that have investments, he will require the ending bank statements, bank reconciliations, and cancelled checks. On other cases, the Probate Court will request additional documentation on a test basis. The Probate Court will more closely review the settlements especially the turn over settlements.

15. Juvenile Office Accounting Controls and Procedures

The Juvenile Office's procedures related to accounting duties, processing of monies, and accrued costs are in need of improvement. The Juvenile Office processes court ordered restitution payments received from juveniles. The Chief Juvenile Officer estimated that less than $1,200 is received a year.

A. Accounting duties have not been adequately segregated in the Juvenile Office. One clerk collects monies, records transactions, and prepares transmittals. There are no documented reviews of the accounting records performed by the Chief Juvenile Officer or other independent employee.

Internal controls would be improved by segregating the duties of receiving and transmitting monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Prenumbered receipt slips are not issued for monies received. The clerk makes copies of the money orders received and records the payments in the individual case files.

Without issuing and accounting for prenumbered receipt slips for all monies collected, the Juvenile Office cannot ensure all monies collected are ultimately recorded and transmitted.

C. Upon receipt, money orders for restitution are forwarded directly to the victim. The Juvenile Office does not obtain documentation from the victim to document their receipt of the restitution.

To reduce the risk of loss, theft or misuse of funds, the Juvenile Office should request documentation of receipt for all restitution monies forwarded to victims.

D. The Juvenile Office did not maintain a summary listing of court ordered restitution accounts receivable. Because cases with accrued restitution are not filed separately, the Juvenile Office indicated it would be too time consuming to prepare a summary listing.

A complete and accurate listing of accrued court ordered restitution would allow the Juvenile Office to more easily review the amounts due and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible.

WE RECOMMEND the Juvenile Office:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Require prenumbered receipt slips be issued for all monies received.

C. Obtain documentation from the victim when restitution is turned over to them.

D. Prepare a listing of accrued court ordered restitution. Any uncollectible accrued court ordered restitution should be written off following review and approval by the Judge.

AUDITEE'S RESPONSE

The Chief Juvenile Officer provided the following response:

A-D. The recommendations have been implemented.

Follow-Up on Prior Audit Findings

DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dunklin County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices and Published Financial Statements

   A. The County Commission approved expenditures in excess of available monies.

   B. The County Commission budgeted deficit balances for several funds.

   C. The county's annual published financial statements did not include financial activity for several county funds, including the Senate Bill 40 Board Fund and the Health Center Fund, as required.

   D. The County Clerk did not ensure township road boards' financial statements were prepared and published as required by state law.

   Recommendation:

   The County Commission:

   A. Refrain from approving expenditures in excess of available monies to ensure all funds are maintained with a positive cash balance.

   B. Refrain from budgeting a deficit to ensure all funds do not project a negative cash balance.

   C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

   D. And the County Clerk ensure all townships publish financial statements in a local paper in accordance with state law.

   Status:

   A. Implemented.

   B-C. Not implemented. See finding number 06-1.

   D. Not implemented. See MAR finding number 1.

2. County Expenditures

A. The 911 Board authorized payment for the leasing of a vehicle by the 911 Coordinator. A cost analysis was not done by the 911 Board to determine the cost of leasing a vehicle versus the cost of reimbursing for mileage.

B. The Sheriff authorized payment from the Sheriff's Civil Fees Fund for an employee Christmas party. This payment was supported by a memo prepared by the Sheriff which was reviewed and approved by the County Commission.

Recommendation:

The County Commission:

A. And the 911 Board ensure all expenditures of county monies are a necessary and prudent use of public funds.

B. And the Sheriff ensure all expenditures of county monies are a necessary and prudent use of public funds.

Status:

A&B. No similar disbursements were noted during the audit period.

3. Personnel Policies and Procedures

A. Timesheets prepared by county employees did not always indicate actual hours worked.

B. The County Clerk did not maintain records of vacation leave, sick leave, or compensatory time earned, taken or accumulated.

C. Errors and inconsistencies were noted on the Sheriff's department deputies timesheets in how the total hours worked were computed.

D. The county paid occupational performance awards to county employees.

E. Inadequate procedures regarding employment terminations resulted in two employees being overpaid.

Recommendation:

The County Commission:

A. Develop payroll procedures to ensure county employees are paid based on actual hours worked.

B. Ensure a balance of leave accumulated and taken for each employee is centrally maintained by the County Clerk.

C. Ensure timesheets are reviewed in adequate detail.

D. Discontinue the practice of paying bonuses to employees.

E. Develop procedures to inform the payroll clerk of all employment terminations. In addition, procedures should be developed to ensure all payroll modifications are accurately processed by the computer system.

Status:

A,B &C. Not implemented. See MAR finding number 3.

D&E. Implemented.

4. General Fixed Assets

The County Clerk had not updated the inventory listing of fixed assets held by county officials since 1998. In addition, an annual inventory of all general fixed assets and quarterly inspections of county owned land and building had not been performed, and most fixed assets were not properly numbered, tagged, or otherwise identified as county owned property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property. In addition, quarterly inspections of all county land and buildings should be performed, and property control tags should be affixed.

Status:

Not implemented. See MAR finding number 6.

5. Computer Controls

A. Passwords were not changed on a periodic basis to ensure confidentiality.

B. The county did not have a formal contingency plan for the computer system in case of emergency.

C. Backup disks were not stored at an off-site location.

Recommendation:

The County Commission:

A. Ensure passwords are periodically changed and remain confidential.

B. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

C. Ensure backup disks are prepared and stored in a secure, off-site location.

Status:

A. Not implemented. See MAR finding number 5.

B&C. Implemented.

6. Board of Prisoners

A. The county established billing rates that were not sufficient to recover all costs. In addition, no written agreement existed between Dunklin County and the city of Kennett for these services.

B. The Sheriff had not established a formal policy for billing other counties and there was no set fee that the Sheriff charged other counties for housing their prisoners. In addition, the Sheriff did not maintain a log of amounts billed to or collected from other counties.

Recommendation:

The Sheriff:

A. And the County Commission periodically review the cost of boarding prisoners and establish a billing rate for other political subdivisions that is sufficient to recover costs of housing prisoners in the Dunklin County jail. In addition, the county should obtain written agreements with the city of Kennett for the boarding of inmates.

B. Establish and implement procedures regarding the billing of prisoners housed from other counties. In addition, maintain a log of amounts billed to and collected from the various counties for boarding of prisoners as a means to track and follow-up on amounts due to the county.

Status:

A. Not implemented. See MAR finding number 11.

B. The county has verbal agreements to not bill other counties for boarding of prisoners. As a result, the county has not paid other counties for boarding of prisoners during the audit period. While county personnel indicated the amount of time prisoners held by or for other counties is not significant, this information is not monitored. Although not repeated in the current report, our recommendation remains as stated above.

7. County Treasurer's Accounting Controls and Procedures

A. The method of payment (cash, check, and money order) was not consistently indicated on the receipt slips.

B. Checks and money orders were not restrictively endorsed immediately upon receipt.

C. Deposits were not always made on a timely basis.

D. The County Treasurer did not adequately follow up on old outstanding checks.

E.1. Several receipts were not split between the Prosecuting Attorney Delinquent Tax Fund and the General Revenue Fund but were fully deposited into the General Revenue Fund. As a result, $2,886 was due from the General Revenue Fund to the Prosecuting Attorney Delinquent Tax Fund.

2. The county deposited state Peace Officer Standards and Training (POST) monies totaling $1,106 into the Hazardous Training Fund in 2001. County personnel could not provide an explanation as to why the POST monies were deposited into the Hazardous Training Fund or had no controls in place to ensure these monies would be spent in accordance with state law.

Recommendation:

The County Treasurer:

A. Record the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of bank deposits.

B. Restrictively endorse checks and money orders immediately upon receipt.

C. Deposit all monies intact daily or when accumulated receipts exceed $100.

D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

E.1. Transfer $2,886 from the General Revenue Fund to the Prosecuting Attorney Delinquent Tax Fund.

2. Transfer $1,106 from the Hazardous Training Fund to the Law Enforcement Training Fund.

Status:

A,B, C& E. Implemented.

D. Not implemented. At December 31, 2006, there were nine checks totaling $1,218 that had been outstanding for over one year. Although not repeated in the current report, our recommendation remains as stated above.

8. Assessor's Accounting Controls and Procedures

A. Prenumbered receipt slips were not issued for monies received.

B. Receipts were not transmitted to the County Treasurer on a timely basis.

C. Receipts were not transmitted to the County Treasurer intact as cash was withheld to make change. In addition, receipts totaling over $132 were used to purchase postage stamps, office supplies, and flowers.

D. Checks were not restrictively endorsed immediately upon receipt.

Recommendation:

The Assessor:

A. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence. Indicate the method of payment on each receipt slip issued and reconcile the composition of receipts to the composition of monies transmitted.

B. Transmit all monies to the County Treasurer intact daily or when accumulated receipts exceed $100.

C. Determine if a change fund is needed. If a change fund is needed it should be maintained at a constant amount. In addition, make all purchases through the county

expenditure process.

D. Restrictively endorse checks immediately upon receipt.

Status:

A-C. Not implemented. See MAR finding number 10.

D. Implemented.

9. Ex-Officio County Collector's Accounting Controls and Procedures

A. Receipts collected for copies and information requests were not deposited intact with property tax collections of the Ex-Officio County Collector. In addition, checks received for copies and information requests were not restrictively endorsed immediately upon receipt.

B. Monthly listings of liabilities were not prepared and reconciled to cash balances. Several errors occurred during the audit period and were not detected in a timely manner because of the lack of such reconciliations.

C. The Ex-Officio County Collector accepted partial payments from taxpayers who were unable to pay their tax bill in full. The Ex-Officio County Collector did not deposit these receipts until the tax bill was paid in full.

D. The Ex-Officio County Collector had not distributed interest earned on bank deposits since March 2001.

E. The Ex-Officio County Collector had not prepared or filed annual settlements for the years ended February 28 (29), 2003, 2002, 2001, and 2000.

F. Due to insufficient reviews of the monthly settlements and monthly distributions, errors that occurred which resulted in improper distributions of monies went undetected.

Recommendation:

The Ex-Officio County Collector:

A. Deposit all monies received intact daily and restrictively endorse checks immediately upon receipt.

B. Reconcile monthly listings of liabilities to the reconciled bank balance and attempt to identify the excess cash balance which currently exists. Any amounts which remain unidentified should be disposed of in accordance with state law. In addition, disburse $39,246 to the General Revenue Fund and $13,072 to the Assessment Fund.

C. Deposit all partial payments into her official bank account. Furthermore, the Ex-Officio County Collector should reconsider the practice of accepting partial payments. If the decision is made to continue this practice, proper records should be maintained and all partial payment accounts should be closed on a timely basis.

D. Allocate interest in accordance with state statutes and Attorney General's opinions.

E. Ensure annual settlements are completed annually and filed with the County Commission as required by statute.

F. Ensure adequate reviews of the monthly settlements and monthly distributions are performed. In addition, review the improper distributions and make the appropriate adjustments to the various funds.

Status:

A. Partially implemented. Checks are restrictively endorsed immediately upon receipt. However, the Ex Officio County Collector deposits copies and information request receipts on a weekly basis. Although not repeated in the current report, our recommendation remains as stated above.

B&E. Not implemented. See MAR finding number 7.

C. Implemented. The Ex Officio County Collector no longer accepts partial payments.

D. Partially implemented. Interest earned on bank deposits is being distributed based on the surtax percentages and not in accordance with Attorney General's opinions. Although not repeated in the current report, our recommendation remains as stated above.

F. Implemented.

10. Associate Circuit Division's Accounting Controls and Procedures

A. The Associate Circuit Clerk did not generate a bank reconciliation report each month to review in conjunction with the bank statement. Documentation was also not received from the Office of the State Courts Administrator (OSCA) pertaining to the completed bank reconciliation. The bank reconciliation obtained at our request included numerous adjustments to reconcile the bank balance with the Associate Circuit Division's accounting system.

B. The Associate Circuit Division did not adequately follow up on old outstanding

checks.

C. The Associate Circuit Clerk did not retain any documentation to support how monthly disbursement amounts were determined.

D. The Associate Circuit Division did not account for the numerical sequence of receipt slips and the composition of receipts per the daily accounting records were not always reconciled to the composition of the deposits.

Recommendation:

The Associate Circuit Clerk:

A. Prepare and vouch monthly bank reconciliations. Also, investigate the adjustments being made to the bank reconciliations and attempt to resolve all amounts.

B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

C. Retain records in a secure location in accordance with state law to provide assurance that all transactions are valid and proper.

D. Account for the numerical sequence of receipt slips and reconcile the composition of receipts to the composition of bank deposits.

Status:

The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in January 2006.

A&
C. Implemented.

B. Partially implemented. The December 2006 bank reconciliation for the Circuit Clerk's office included some immaterial checks that had been outstanding for more than one year. Although not repeated in the current report, our recommendation remains as stated above.

D. Partially implemented. The composition of receipts was reconciled to deposits after the various court divisions consolidated in January 2006. However, the Circuit Clerk is still not ensuring all receipt slips are included when deposits are prepared. See MAR finding number 12.

11. Probate Division's Accounting Controls and Procedures

A. Accounting duties were not adequately segregated.

B.1. Bank reconciliations were not always prepared on a monthly basis for the Probate Division bank accounts.

2. Monthly listings of open items were not prepared and reconciled to the balance of the bank accounts. Due to these procedures not being performed, unidentified balances were not detected in the juvenile restitution account and the old Probate Division account.

3. The Probate Division was unable to provide documentation to support the disbursement of interest monies totaling $338 from the savings account.

C. Deposits were not always made on a timely basis.

D. Fees received were not always disbursed to the state and the County Treasurer monthly.

Recommendation:

The Associate Circuit Judge:

A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B.1. Prepare bank reconciliations for all accounts on a monthly basis. In addition, ensure a complete and accurate open items list is maintained and reconciled to the cash balance monthly. Any discrepancies should be promptly investigated and resolved.

2. Attempt to identify the unidentified balances of the old Probate Division bank accounts. Any monies remaining unidentified should be disposed of in accordance with state law.

3. Investigate the handling of the monies withdrawn from the savings account and ensure proper documentation is retained regarding all transactions and operations of the Probate Division.

C. Deposit all monies intact daily or when accumulated receipts exceed $100.

D. Remit fees on a monthly basis.

Status:

The Probate Division, Associate Circuit Division, and Circuit Clerk's office were consolidated in January 2006.

A,B.2
&C. Not implemented. See MAR finding number 12.

B.1
&D. Implemented.

B.3. Partially implemented. Documentation has been retained for all court transactions. However, the handling of the previous monies withdrawn from the savings account has not been investigated. Although not repeated in the current report, our recommendation remains as stated above.

12. Prosecuting Attorney's Accounting Controls and Procedures

A. Money orders were not always transmitted or deposited on a timely basis.

B. The Prosecuting Attorney did not adequately follow up on old outstanding checks.

C.1. Contributions were collected for the Criminal Investigation Fund and were used for law enforcement purposes. By accepting contributions, it was possible that fines and penalties which might otherwise have been assessed and credited to the county school fund were not collected and distributed in accordance with an established formula designed to benefit all schools within the county.

2. The Prosecuting Attorney did not make the judge aware of the contribution when presenting the plea bargain to the court.

Recommendation:

The Prosecuting Attorney:

A. Transmit or deposit all monies intact daily or when accumulated receipts exceed $100.

B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

C. And the Associate Circuit Judge determine whether requiring contributions as part of a plea bargain is acceptable. If this practice is continued, the Prosecuting Attorney and the Associate Circuit Judge should establish guidelines for how contribution amounts are determined.

Status:

A&B. Not implemented. See MAR finding number 13.

C. Implemented. Although there previously was no authority to collect plea bargain contributions, these fees are now collected pursuant to Section 50.565, RSMo, which was effective in August 2004. These monies are now deposited in the Law Enforcement Restitution Fund.

13. Public Administrator's Accounting Controls and Procedures

A. The Public Administrator indicated she performed monthly bank reconciliations for each ward; however, the reconciliations were done on the computer system and the reconciliations were not printed. Thus, no documentation of the reconciliations was maintained.

B.1. Bank statements were filed with the Public Administrator's settlements; however, vouchers or invoices supporting disbursements were not submitted for review by the Probate Court.

2. The Public Administrator used local attorneys to prepare the annual settlements. The attorney's prepared the annual settlements using bank statements and canceled checks. By not using the Public Administrator's records, checks that had been issued, but had not cleared the bank were not included, causing an overstatement of assets and an understatement of expenditures.

Recommendation:

The Public Administrator:

A. Retain documentation of monthly bank reconciliations.

B.1. Submit supporting documentation for all disbursements made on behalf of wards to the Probate Court for review. In addition, the Associate Circuit Judge should require adequate documentation to be filed or made available to support all settlement transactions.

2. Prepare annual settlements using book records to ensure a complete and accurate account of all transactions is provided. In addition, the Associate Circuit Judge should require the numerical sequence of checks issued be reviewed to ensure that all checks are adequately accounted for.

Status:

A. Partially implemented. The Public Administrator does print the monthly bank reconciliations. However, the Public Administrator does not print the list of outstanding checks. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 14.

14. Recorder of Deeds' Accounting Controls and Procedures

Monies were not deposited intact as cash refunds were made for overpayments of fees paid by check. In addition, receipts were not deposited on a timely basis.

Recommendation:

The Recorder of Deeds deposit all monies intact daily or when accumulated receipts exceed $100. In addition, refunds should be made by check.

Status:

Partially implemented. The Recorder of Deeds deposits monies intact and daily. Although the Recorder continues to make small cash refunds, the refunds are noted on the Recorder's receipt records. Although not repeated in the current report, our recommendation remains as stated above.

15. Sheriff's Accounting Controls and Procedures

A.1. While an inventory listing of seized property was maintained, the listing did not appear complete or accurate. In addition, periodic inventories of the property on hand were not conducted.

2. Procedures had not been implemented to periodically review cases and dispose of related seized property items.

B.1. The Sheriff and his deputies were apparently receiving duplicate payment of mileage costs when serving civil papers.

2. No procedures were performed to monitor outstanding paper service fees or to follow up on past due paper service fees.

Recommendation:

The Sheriff:

A.1. Maintain a complete inventory listing of all seized property which is updated for both additions and dispositions. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

B.1. Discontinue reimbursing mileage costs for civil paper service from the Sheriff's fee account. All paper service fees should be remitted to the County Treasurer.

2. Issue receipt slips for civil paper service fees immediately upon receipt and deposit them in the bank account. Any refunds should be made by check.

3. Establish adequate procedures to monitor and collect unpaid paper service fees.

Status:

A. Not implemented. See MAR finding number 11.

B. Implemented.

16. Sheriff's Commissary Accounting Controls and Procedures

A. The numerical sequence of receipt slips was not accounted for to ensure all monies receipted were properly deposited. In addition, voided receipt slips were not always retained.

B. Monthly listings of open items (liabilities) were not reconciled to cash balances. There appeared to be a shortage of $7,481 in the commissary account.

C. Several inmates had closed accounts indicating that the inmate had been released from the county jail but the balance of their commissary account was not claimed.

D. Inmates were charged a $1 booking fee at the time of incarceration. However, the Sheriff could not provide any statutory authority authorizing the collection of this fee. The $1 booking fee was not consistently charged to all inmates: however, no explanation was provided as to why.

E. Profit earned on commissary sales was not adequately monitored and turned over to the General Revenue Fund in a timely manner.

Recommendation:

The Sheriff:

A. Account for the numerical sequence of receipt slips and retain all copies of voided receipt slips.

B. Work with the commissary vendor to reconcile liabilities of the commissary account, including individual inmate balances, to the total monies on deposit in the commissary account on a monthly basis.

C. Attempt to resolve unclaimed balances of closed inmate accounts and establish routine procedures to investigate inmate balances unclaimed for a considerable time.

D. Review the charging of booking fees with the Prosecuting Attorney to ensure the fee is appropriate. If determined appropriate, ensure all inmates are charged the $1 commissary booking fee on a consistent basis.

E. Establish procedures to consistently monitor the profit earned on commissary sales and ensure all profit earnings are disbursed to the General Revenue Fund in a timely manner.

Status:

A-D. Not implemented. See MAR finding number 11.

E. Implemented.

17. Health Center Procedures

A. Accounting duties were not adequately segregated.

B.1. The Health Center budget was not sufficiently detailed. Several budgeted and actual receipts and/or disbursements were reported in category total only with no descriptive classifications for the categories.

2. Disbursements and year-end cash balances reported on the Health Center's annual budgets did not agree to the Health Center's internal accounting records or the total reconciled bank balances at year-end.

3. The Health Center did not have adequate procedures to monitor budgeted and actual expenditures. As a result, expenditures exceeded board approved budgets.

C. Timesheets prepared by the employees did not always indicate actual hours worked.

D.1. Property records did not include all information applicable to the item. Information such as acquisition dates and cost were not indicated for several items on the

property control record.

2. The Health Center did not have formal procedures for disposing of Health Center owned property.

Recommendation:

The Health Center Board of Trustees:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B.1. Include detailed classifications of receipts and disbursements in the budgets.

2. Ensure all financial information is properly reflected in the annual budget document.

3. Not authorize expenditures in excess of budgeted expenditures. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's office.

C. Develop payroll procedures which require all employees to be paid based on actual hours worked.

D.1. Ensure property control records include a detailed description of each fixed asset as to acquisition date and cost.

2. Establish a formal method of disposing of general fixed assets. At a minimum, written authorization for all property dispositions should be obtained and date and method of disposition should be recorded on the general fixed asset records.

Status:

A,B.1 &3. Implemented.

B.2 Not implemented. Although adjustments to the financial information in the budget were necessary, these adjustments were not material. Although not repeated in the current report, our recommendation remains as stated above.

C&D. Not implemented. See MAR finding number 8.

18. Senate Bill 40 Board Procedures

The Senate Bill 40 Board did not have adequate procedures to monitor and ensure monies in their various bank accounts were sufficiently collateralized.

Recommendation:

The Senate Bill 40 Board develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

Not implemented. See MAR finding number 9.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DUNKLIN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Dunklin was named after Daniel Dunklin, a former governor of Missouri. Dunklin County is a township-organized, third-class county and is part of the Thirty-Fifth Judicial Circuit. The county seat is Kennett.

Dunklin County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 108 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 790 miles of county roads.

The county's population was 36,324 in 1980 and 33,155 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 192.9	190.0	184.7	182.8	112.8	49.6
Personal property	75.6	73.0	70.6	71.4	22.9	12.8
Railroad and utilities	22.2	23.6	23.9	22.1	16.7	17.8
Total	$ 290.7	286.6	279.2	276.3	152.4	80.2

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Dunklin County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .0000	.0000	.0000	.0000
Johnson Grass Fund	.0000	.0000	.0500	.0500
Health Department Fund	.1000	.1000	.1000	.1000
Senate Bill 40 Board Fund	.1000	.1000	.1000	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 87,040	85,149	*	*
General Revenue Fund	6,758	6,761	*	*
Township	283,907	277,617	*	*
Library district	716,848	701,231	*	*
Health Department Fund	286,740	280,503	*	*
Ambulance district	377,340	369,084	*	*
Township road and bridge	794,225	775,935	*	*
School districts	9,810,105	9,293,523	*	*
Senate Bill 40 Board Fund	286,697	280,399	*	*
Johnson Grass	1,898	8,425	*	*
County Employees' Retirement	64,920	62,094	*	*
Levee and Drainage Districts	22,003	21,766	*	*
Surtax	344,805	329,482	*	*
Cities	41,424	38,548	*	*
Assessment Fund	194,283	181,544	*	*
Tax Maintenance Fund	30,457	29,433	*	*
Commissions and fees:				
General Revenue Fund	65,801	64,425	*	*
Ex Officio County Collector	414	449	*	*
Township Collectors	90,860	87,305	*	*
Total	$ 13,506,525	12,893,673	0	0

* The Ex Officio County Collector did not prepare annual settlements for the years ended February 28 (29), 2005 and 2004, and this information was not summarized by the county.

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	91.0	91.4	92.1	92.1	%
Personal property	88.3	88.5	88.0	88.8	
Railroad and utilities	100.0	83.0	95.8	96.0	

Dunklin County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	$	.0050	None	^
Law Enforcement		.0050	None	None

^ The ballot indicated the present property tax rate would be reduced to 10 cents per $100 assessed valuation.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Don Collins, Presiding Commissioner		30,380	30,380	30,380	30,380
Jeanie Moore Herbst, Associate Commissioner		28,380	28,380	28,380	28,380
Patrick McHaney, Associate Commissioner		28,380	28,380	28,380	28,380
Susan Luce, Recorder of Deeds		43,000	43,000	43,000	43,000
Charles O. Isbell, County Clerk		43,000	43,000	43,000	43,000
Stephen P. Sokoloff, Prosecuting Attorney		53,000	53,000	53,000	53,000
Robert Holder, Sheriff		48,000	48,000	48,000	48,000
Jack Adkins, County Coroner		15,000	15,000	15,000	15,000
Wanda Stampley, Public Administrator		43,000	43,000	43,000	43,000
Nina Breedon Rhew, Treasurer and Ex Officio County Collector (1), year ended March 31,	43,414	43,449	43,414	43,551	
Brenda C. Discuss, County Assessor (2), year ended August 31,		43,688	43,516	36,833	0
Donna Truelove Abmeyer, County Assessor (2), year ended August 31,		0	0	3,744	43,900

(1) Includes $414, $449, $414, and $551 for year ended 2007, 2006, 2005, and 2004, respectively, of commissions earned for collecting drainage property taxes.

(2) Includes $688, $516, $191, and $900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively. When Donna Truelove resigned in September 2003, her deputy was appointed to be the County Assessor. The compensation shown above for Brenda C. Discuss is only the salary paid for being the County Assessor.

State-Paid Officials:				
Paula Gargus, Circuit Clerk	16,813	0	0	0
Judith L. Vavak, Circuit Clerk	32,657	48,500	47,850	47,300
Daniel J. Crawford, Associate Circuit Judge	96,000	96,000	96,000	96,000
John Beaton, Associate Circuit Judge (Probate)	96,000	96,000	96,000	96,000

The county entered into a lease agreement with UMB Bank (the "Trustee") on December 1, 2004. The terms of the agreement call for the Trustee to provide funding for the costs of acquiring, constructing, furnishing, and equipping the justice center and for the county to lease

the justice center from the Trustee for lease payments equal to the amount due to retire the Trustee's indebtedness. Certificate of Participation bonds totaling $9,260,000 were issued by the Trustee, on December 1, 2004, on behalf of the county. Construction was essentially completed during 2006 and the lease is scheduled to be paid off in 2024. The repayments began in May 2005. The remaining principal and interest due at December 31, 2006, was $12,863,218. The lease payments are anticipated to be paid with revenue generated from the county's law enforcement sales tax which was passed in August 2003.

The county entered into a lease agreement valued at $1,250,000 with Kennett National Bank (the "Bank") on March 1, 2006. The terms of the agreement call for the Bank to provide funding for the remainder of the costs of acquiring, constructing, furnishing, and equipping the justice center and for the county to lease the justice center from the Bank for lease payments. Construction was essentially completed during 2006 and the lease is scheduled to be paid off in 2021. The repayments will begin in January 2007. The remaining principal and interest due at December 31, 2006, was $1,678,936. The lease is anticipated to be paid with revenue generated from the county's law enforcement sales tax which was passed in August 2003.

Susan Montee, CPA
Missouri State Auditor

August 2007

Ripley County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-39

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Ripley, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Supporting documentation was not available to indicate Title III monies were spent as allowed by the federal program. While we questioned costs of $70,391, the county disagreed and believed that call logs are available to document the federal expenditures, which are less than 10% of the Sheriff's operating budget.

Monies received totaling $136,500 for the Help America Vote Act Grants were not disbursed within 30 days in accordance with the application submitted to the Secretary of State's office for the grants.

Vehicle logs maintained for vehicles and equipment in the Road and Bridge Department are not adequate, and there is no indication that vehicle logs are reviewed by a supervisor. Formal policies and procedures over the sale of culverts and for providing grading services to the public have not been adopted. In addition, procedures and records to account for county property are not adequate.

For the County Collector's office, receipts are not always deposited on a timely basis, the method of payment is not always indicated or indicated correctly on the tax receipts, and the composition of tax receipts is not reconciled to the composition of deposits.

For the Prosecuting Attorney's office, cash custody and recordkeeping duties are not adequately segregated. Prenumbered receipt slips are not issued for some monies received, the method of payment is not indicated on some receipt slips, and the composition of receipts is not reconciled to the composition of deposits. Receipts are not always deposited on a timely basis, and bad check fees are not always disbursed to the County Treasurer in a timely manner. Bank reconciliations are not performed monthly and were not adequate when performed and monthly listings of open items are not prepared. A formal policy specifying when the court should be notified of unpaid cases has not been established, and specific procedures have not been established to ensure follow up collection efforts are adequate.

For the Sheriff's office, bank reconciliations are not performed. Procedures related to the monitoring of unpaid accrued costs from civil paper service, and procedures for accounting for uniform traffic tickets are not adequate.

(over)

For the Health Center, receipt slips are not issued for monies received, individual receipts are not indicated in the accounting records, and petty cash is not maintained on an imprest basis. The Health Center does not have a written agreement with its depositary bank, and employees' timesheets do not always contain documentation of the Administrator's approval.

For the Senate Bill 40 Board, minutes did not document whether family members abstained from voting on issues regarding other family members. Interest earned on certificates of deposits was not included as part of the cash balance. The Senate Bill 40 Board does not have a written agreement with its depositary bank, and no collateral securities were pledged although bank deposits exceeded the $100,000 Federal Depository Insurance Corporation coverage amount.

All reports are available on our web site: www.auditor.mo.gov

RIPLEY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ripley County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Ripley County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ripley County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ripley County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 5, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ripley County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

April 5, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Susan Cessac
Audit Staff:	Liang Xu
	Denise Huddleston
	Katie Twiehaus

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ripley County, Missouri

We have audited the financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Ripley County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Ripley County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Ripley County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

April 5, 2007

Financial Statements

Exhibit A-1

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	457,271	850,591	934,462	373,400
CART		2,405	560,806	526,800	36,411
Assessment		36,404	125,292	116,067	45,629
Law Enforcement Sales Tax		1,700	680,719	681,540	879
Children's Trust		259	617	0	876
Crisis Intervention		574	856	556	874
Domestic Violence		498	1,791	0	2,289
Election Grant (HAVA)		16,013	148,427	143,730	20,710
Justice Center Construction		41,107	29,000	69,973	134
Law Enforcement Block Grant		0	20,990	20,990	0
Law Enforcement Restitution		304	948	0	1,252
Law Enforcement Training		2,050	2,229	1,230	3,049
Prosecuting Attorney Training		557	375	517	415
Election Services		9,839	2,797	0	12,636
Prosecuting Attorney Bad Check		2,570	31,172	24,062	9,680
Prosecuting Attorney Delinquent Tax		1,668	1,106	1,023	1,751
Recorder's User Fees		29,341	13,167	2,634	39,874
Sheriff Civil Fees		16,172	15,002	18,572	12,602
Sheriff Revolving		5,703	1,650	3,781	3,572
Circuit Interest		2,167	4,339	170	6,336
Law Library		12,360	9,701	6,054	16,007
Tax Maintenance		31,187	13,596	3,752	41,031
Senior Citizens		10,814	38,533	36,623	12,724
Senate Bill 40 Board		116,661	77,237	55,041	138,857
Health Center		302,585	383,804	362,064	324,325
Circuit Clerk Time Payment Fee		264	1,091	0	1,355
Drug Court		2,913	105	650	2,368
Delta Regional Authority Grant		0	116,263	116,263	0
Total	$	1,103,386	3,132,204	3,126,554	1,109,036

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RIPLEY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	421,324	758,917	722,970	457,271
CART		51,012	465,304	513,911	2,405
Assessment		33	151,541	115,170	36,404
Law Enforcement Sales Tax		203	660,822	659,325	1,700
Children's Trust		7	514	262	259
Crisis Intervention		1,695	3,083	4,204	574
Domestic Violence		364	956	822	498
Election Grant (HAVA)		15,079	6,377	5,443	16,013
Justice Center Construction		43,790	0	2,683	41,107
Law Enforcement Block Grant		0	13,500	13,500	0
Law Enforcement Restitution		0	304	0	304
Law Enforcement Training		1,795	2,380	2,125	2,050
Prosecuting Attorney Training		366	401	210	557
Election Services		10,419	1,018	1,598	9,839
Prosecuting Attorney Bad Check		119	17,238	14,787	2,570
Prosecuting Attorney Delinquent Tax		721	1,435	488	1,668
Recorder's User Fees		18,220	12,075	954	29,341
Sheriff Civil Fees		16,018	12,785	12,631	16,172
Sheriff Revolving		4,883	961	141	5,703
Circuit Interest		1,343	1,293	469	2,167
Law Library		10,649	7,929	6,218	12,360
Tax Maintenance		19,661	12,117	591	31,187
Senior Citizens		8,020	37,916	35,122	10,814
Senate Bill 40 Board		94,478	77,285	55,102	116,661
Health Center		265,250	390,806	353,471	302,585
Circuit Clerk Time Payment Fee		0	264	0	264
Drug Court		0	3,000	87	2,913
Recorder's Grant		0	7,737	7,737	0
Total	$	985,449	2,647,958	2,530,021	1,103,386

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 3,375,397	3,132,204	(243,193)	2,790,263	2,644,694	(145,569)
DISBURSEMENTS	3,559,840	3,126,554	433,286	2,898,815	2,529,934	368,881
RECEIPTS OVER (UNDER) DISBURSEMENTS	(184,443)	5,650	190,093	(108,552)	114,760	223,312
CASH, JANUARY 1	1,101,679	1,103,386	1,707	986,059	985,449	(610)
CASH, DECEMBER 31	917,236	1,109,036	191,800	877,507	1,100,209	222,702
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	245,000	241,176	(3,824)	230,000	243,608	13,608
Intergovernmental	338,000	315,237	(22,763)	213,825	264,617	50,792
Charges for services	142,900	149,273	6,373	133,200	138,037	4,837
Interest	20,000	27,440	7,440	17,000	21,017	4,017
Other	46,000	66,509	20,509	63,750	49,161	(14,589)
Transfers in	28,000	50,956	22,956	27,300	42,477	15,177
Total Receipts	819,900	850,591	30,691	685,075	758,917	73,842
DISBURSEMENTS						
County Commission	77,470	76,284	1,186	71,470	71,387	83
County Clerk	67,000	55,620	11,380	69,000	56,155	12,845
Elections	45,000	37,694	7,306	6,000	820	5,180
Buildings and grounds	71,300	69,783	1,517	58,100	62,473	(4,373)
Employee fringe benefit	36,400	41,059	(4,659)	32,700	32,937	(237)
County Treasurer	29,460	27,649	1,811	29,860	27,452	2,408
County Collector	75,250	69,031	6,219	74,750	70,456	4,294
Recorder of Deeds	63,675	56,426	7,249	64,575	58,662	5,913
Circuit Clerk	23,000	22,043	957	36,650	17,692	18,958
Public Administrator	24,075	24,015	60	25,750	24,146	1,604
Child support enforcement uni	25,550	20,758	4,792	29,460	23,098	6,362
Community projects	20,500	42,732	(22,232)	20,000	19,160	840
Emergency management	9,075	7,441	1,634	39,225	50,392	(11,167)
Domestic violence enhanced response tear	163,214	160,033	3,181	0	46,773	(46,773)
Other	71,125	86,003	(14,878)	108,435	96,767	11,668
Transfers out	113,385	137,891	(24,506)	79,488	64,600	14,888
Emergency Fund	25,000	0	25,000	21,000	0	21,000
Total Disbursements	940,479	934,462	6,017	766,463	722,970	43,493
RECEIPTS OVER (UNDER) DISBURSEMENTS	(120,579)	(83,871)	36,708	(81,388)	35,947	117,335
CASH, JANUARY 1	457,271	457,271	0	421,324	421,324	0
CASH, DECEMBER 31	336,692	373,400	36,708	339,936	457,271	117,335

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CART FUND						
RECEIPTS						
Intergovernmental	524,000	427,273	(96,727)	505,000	421,544	(83,456)
Interest	2,000	2,469	469	2,000	2,379	379
Equipment lease payoff	0	106,798	106,798	0	0	0
Other	11,000	12,766	1,766	18,500	23,881	5,381
Transfers in	0	11,500	11,500	0	17,500	17,500
Total Receipts	537,000	560,806	23,806	525,500	465,304	(60,196)
DISBURSEMENTS						
Salaries	160,000	163,308	(3,308)	155,000	157,369	(2,369)
Employee fringe benefit	25,300	26,835	(1,535)	27,000	24,225	2,775
Supplies	60,000	71,727	(11,727)	53,000	82,077	(29,077)
Insurance	13,000	12,918	82	11,000	12,480	(1,480)
Road and bridge materials	16,000	32,292	(16,292)	8,500	22,471	(13,971)
Equipment repairs	10,000	12,587	(2,587)	15,000	18,451	(3,451)
Rentals	10,500	4,408	6,092	500	206	294
Equipment purchases	22,000	123,728	(101,728)	65,632	98,018	(32,386)
Construction, repair, and maintenance	150,000	1,199	148,801	115,000	13,728	101,272
Other	50,220	53,298	(3,078)	58,920	54,386	4,534
Transfers out	13,000	24,500	(11,500)	13,000	30,500	(17,500)
Total Disbursements	530,020	526,800	3,220	522,552	513,911	8,641
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,980	34,006	27,026	2,948	(48,607)	(51,555)
CASH, JANUARY 1	2,405	2,405	0	51,012	51,012	0
CASH, DECEMBER 31	9,385	36,411	27,026	53,960	2,405	(51,555)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	106,195	106,437	242	96,942	144,769	47,827
Charges for services	4,000	4,919	919	2,750	4,979	2,229
Interest	1,000	2,675	1,675	400	1,773	1,373
Other	0	0	0	0	20	20
Transfers in	11,261	11,261	0	7,388	0	(7,388)
Total Receipts	122,456	125,292	2,836	107,480	151,541	44,061
DISBURSEMENTS						
Assessor	116,750	113,067	3,683	115,306	115,170	136
Transfers out	0	3,000	(3,000)	0	0	0
Total Disbursements	116,750	116,067	683	115,306	115,170	136
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,706	9,225	3,519	(7,826)	36,371	44,197
CASH, JANUARY 1	36,404	36,404	0	33	33	0
CASH, DECEMBER 31	42,110	45,629	3,519	(7,793)	36,404	44,197

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	445,000	426,959	(18,041)	440,000	430,857	(9,143)
Intergovernmental	114,850	136,955	22,105	173,487	166,871	(6,616)
Charges for services	22,400	18,259	(4,141)	15,000	14,792	(208)
Interest	300	949	649	2,000	1,539	(461)
Other	1,500	9,597	8,097	2,500	1,763	(737)
Transfers in	113,235	88,000	(25,235)	70,000	45,000	(25,000)
Total Receipts	697,285	680,719	(16,566)	702,987	660,822	(42,165)
DISBURSEMENTS						
Sheriff	316,300	321,506	(5,206)	345,733	345,839	(106)
Jail	163,000	160,848	2,152	123,500	121,168	2,332
Prosecuting Attorney	64,860	62,758	2,102	63,720	62,594	1,126
Juvenile office	54,000	53,842	158	48,000	45,792	2,208
Coroner	18,925	18,723	202	17,105	16,908	197
Fringe benefits	40,900	39,472	1,428	38,000	38,827	(827)
Other	39,300	24,391	14,909	24,900	28,197	(3,297)
Total Disbursements	697,285	681,540	15,745	660,958	659,325	1,633
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(821)	(821)	42,029	1,497	(40,532)
CASH, JANUARY 1	1,700	1,700	0	203	203	0
CASH, DECEMBER 31	1,700	879	(821)	42,232	1,700	(40,532)
CHILDREN'S TRUST FUND						
RECEIPTS						
Charges for services	525	585	60	800	510	(290)
Interest	10	32	22	5	4	(1)
Total Receipts	535	617	82	805	514	(291)
DISBURSEMENTS						
Domestic violence shelter	0	0	0	800	262	538
Total Disbursements	0	0	0	800	262	538
RECEIPTS OVER (UNDER) DISBURSEMENTS	535	617	82	5	252	247
CASH, JANUARY 1	259	259	0	7	7	0
CASH, DECEMBER 31	794	876	82	12	259	247
CRISIS INTERVENTION FUND						
RECEIPTS						
Intergovernmental	0	811	811	3,000	3,035	35
Interest	0	45	45	50	48	(2)
Total Receipts	0	856	856	3,050	3,083	33
DISBURSEMENTS						
Other	0	556	(556)	4,685	4,204	481
Total Disbursements	0	556	(556)	4,685	4,204	481
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	300	300	(1,635)	(1,121)	514
CASH, JANUARY 1	574	574	0	1,695	1,695	0
CASH, DECEMBER 31	574	874	300	60	574	514

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for service	950	1,725	775	1,000	934	(66)
Interest	25	66	41	20	22	2
Total Receipts	975	1,791	816	1,020	956	(64)
DISBURSEMENTS						
Domestic violence shelter	0	0	0	1,000	822	178
Total Disbursements	0	0	0	1,000	822	178
RECEIPTS OVER (UNDER) DISBURSEMENTS	975	1,791	816	20	134	114
CASH, JANUARY 1	498	498	0	363	364	1
CASH, DECEMBER 31	1,473	2,289	816	383	498	115
ELECTION GRANT (HAVA) FUND						
RECEIPTS						
Intergovernmental	143,350	144,245	895	0	5,683	5,683
Interest	1,650	4,182	2,532	250	694	444
Total Receipts	145,000	148,427	3,427	250	6,377	6,127
DISBURSEMENTS						
Equipment	161,013	135,263	25,750	15,000	5,278	9,722
Other	0	7,572	(7,572)	300	165	135
Transfers out	0	895	(895)	0	0	0
Total Disbursements	161,013	143,730	17,283	15,300	5,443	9,857
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,013)	4,697	20,710	(15,050)	934	15,984
CASH, JANUARY 1	16,013	16,013	0	15,079	15,079	0
CASH, DECEMBER 31	0	20,710	20,710	29	16,013	15,984
JUSTICE CENTER CONSTRUCTION FUND						
RECEIPTS						
Intergovernmental	161,493	29,000	(132,493)	159,547	0	(159,547)
Total Receipts	161,493	29,000	(132,493)	159,547	0	(159,547)
DISBURSEMENTS						
Justice center	202,600	69,973	132,627	203,337	2,683	200,654
Total Disbursements	202,600	69,973	132,627	203,337	2,683	200,654
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,107)	(40,973)	134	(43,790)	(2,683)	41,107
CASH, JANUARY 1	41,107	41,107	0	43,790	43,790	0
CASH, DECEMBER 31	0	134	134	0	41,107	41,107

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT BLOCK GRANT FUND						
RECEIPTS						
Intergovernmental	12,752	9,542	(3,210)	9,000	9,000	0
Transfers in	8,238	11,448	3,210	4,500	4,500	0
Total Receipts	20,990	20,990	0	13,500	13,500	0
DISBURSEMENTS						
Sheriff	17,003	12,723	4,280	13,500	13,500	0
Transfers out	3,987	8,267	(4,280)	0	0	0
Total Disbursements	20,990	20,990	0	13,500	13,500	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	600	900	300	350	300	(50)
Interest	6	48	42	0	4	4
Total Receipts	606	948	342	350	304	(46)
DISBURSEMENTS						
Sheriff	150	0	150	350	0	350
Total Disbursements	150	0	150	350	0	350
RECEIPTS OVER (UNDER) DISBURSEMENTS	456	948	492	0	304	304
CASH, JANUARY 1	304	304	0	0	0	0
CASH, DECEMBER 31	760	1,252	492	0	304	304
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	1,000	744	(256)	1,200	814	(386)
Charges for services	1,600	1,353	(247)	1,500	1,494	(6)
Interest	75	132	57	75	72	(3)
Total Receipts	2,675	2,229	(446)	2,775	2,380	(395)
DISBURSEMENTS						
Sheriff	3,250	1,230	2,020	3,500	2,125	1,375
Total Disbursements	3,250	1,230	2,020	3,500	2,125	1,375
RECEIPTS OVER (UNDER) DISBURSEMENTS	(575)	999	1,574	(725)	255	980
CASH, JANUARY 1	2,050	2,050	0	1,795	1,795	0
CASH, DECEMBER 31	1,475	3,049	1,574	1,070	2,050	980

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	350	349	(1)	400	369	(31)
Interest	25	26	1	0	32	32
Total Receipts	375	375	0	400	401	1
DISBURSEMENTS						
Prosecuting Attorney	925	517	408	500	210	290
Total Disbursements	925	517	408	500	210	290
RECEIPTS OVER (UNDER) DISBURSEMENTS	(550)	(142)	408	(100)	191	291
CASH, JANUARY 1	557	557	0	366	366	0
CASH, DECEMBER 31	7	415	408	266	557	291
ELECTION SERVICES FUND						
RECEIPTS						
Charges for services	3,000	2,230	(770)	500	557	57
Interest	500	567	67	150	461	311
Total Receipts	3,500	2,797	(703)	650	1,018	368
DISBURSEMENTS						
Equipment	5,000	0	5,000	2,500	1,598	902
Mileage and training	1,000	0	1,000	500	0	500
Total Disbursements	6,000	0	6,000	3,000	1,598	1,402
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	2,797	5,297	(2,350)	(580)	1,770
CASH, JANUARY 1	9,839	9,839	0	10,419	10,419	0
CASH, DECEMBER 31	7,339	12,636	5,297	8,069	9,839	1,770
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	20,000	30,612	10,612	20,000	17,115	(2,885)
Interest	0	560	560	250	53	(197)
Other	0	0	0	0	70	70
Total Receipts	20,000	31,172	11,172	20,250	17,238	(3,012)
DISBURSEMENTS						
Office expenses	1,100	1,706	(606)	1,500	902	598
Equipment	0	3,126	(3,126)	1,300	0	1,300
Other	1,950	11,586	(9,636)	1,550	1,908	(358)
Transfers out	15,020	7,644	7,376	14,300	11,977	2,323
Total Disbursements	18,070	24,062	(5,992)	18,650	14,787	3,863
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,930	7,110	5,180	1,600	2,451	851
CASH, JANUARY 1	2,570	2,570	0	119	119	0
CASH, DECEMBER 31	4,500	9,680	5,180	1,719	2,570	851

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	1,800	1,017	(783)	7,500	1,376	(6,124)
Interest	0	89	89	100	59	(41)
Total Receipts	1,800	1,106	(694)	7,600	1,435	(6,165)
DISBURSEMENTS						
Prosecuting Attorney	1,050	1,023	27	1,175	488	687
Total Disbursements	1,050	1,023	27	1,175	488	687
RECEIPTS OVER (UNDER) DISBURSEMENTS	750	83	(667)	6,425	947	(5,478)
CASH, JANUARY 1	1,668	1,668	0	721	721	0
CASH, DECEMBER 31	2,418	1,751	(667)	7,146	1,668	(5,478)
RECORDER'S USER FEES FUND						
RECEIPTS						
Charges for services	11,059	11,391	332	9,000	11,059	2,059
Interest	941	1,776	835	600	1,016	416
Total Receipts	12,000	13,167	1,167	9,600	12,075	2,475
DISBURSEMENTS						
Recorder of Deeds	4,100	2,634	1,466	10,700	954	9,746
Total Disbursements	4,100	2,634	1,466	10,700	954	9,746
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,900	10,533	2,633	(1,100)	11,121	12,221
CASH, JANUARY 1	29,341	29,341	0	18,220	18,220	0
CASH, DECEMBER 31	37,241	39,874	2,633	17,120	29,341	12,221
SHERIFF CIVIL FEES FUND						
RECEIPTS						
Charges for services	11,900	11,367	(533)	10,500	10,070	(430)
Interest	600	640	40	300	565	265
Other	150	2,995	2,845		2,150	2,150
Total Receipts	12,650	15,002	2,352	10,800	12,785	1,985
DISBURSEMENTS						
Sheriff	18,600	18,572	28	8,800	8,131	669
Transfers out	0	0	0	4,500	4,500	0
Total Disbursements	18,600	18,572	28	13,300	12,631	669
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,950)	(3,570)	2,380	(2,500)	154	2,654
CASH, JANUARY 1	16,172	16,172	0	16,018	16,018	0
CASH, DECEMBER 31	10,222	12,602	2,380	13,518	16,172	2,654

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for services	780	1,445	665	500	735	235
Interest	220	205	(15)	10	226	216
Total Receipts	1,000	1,650	650	510	961	451
DISBURSEMENTS						
Sheriff	500	600	(100)	2,000	141	1,859
Transfers out	4,251	3,181	1,070	0	0	0
Total Disbursements	4,751	3,781	970	2,000	141	1,859
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,751)	(2,131)	1,620	(1,490)	820	2,310
CASH, JANUARY 1	5,703	5,703	0	4,883	4,883	0
CASH, DECEMBER 31	1,952	3,572	1,620	3,393	5,703	2,310
CIRCUIT INTEREST FUND						
RECEIPTS						
Charges for services	1,000	3,495	2,495	50	572	522
Interest	500	844	344	300	721	421
Total Receipts	1,500	4,339	2,839	350	1,293	943
DISBURSEMENTS						
Circuit Clerk	1,200	170	1,030	1,200	469	731
Total Disbursements	1,200	170	1,030	1,200	469	731
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	4,169	3,869	(850)	824	1,674
CASH, JANUARY 1	2,167	2,167	0	1,343	1,343	0
CASH, DECEMBER 31	2,467	6,336	3,869	493	2,167	1,674
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	7,000	9,040	2,040	6,760	7,461	701
Interest	400	661	261	280	468	188
Total Receipts	7,400	9,701	2,301	7,040	7,929	889
DISBURSEMENTS						
Law Library	12,400	6,054	6,346	7,550	6,218	1,332
Total Disbursements	12,400	6,054	6,346	7,550	6,218	1,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	3,647	8,647	(510)	1,711	2,221
CASH, JANUARY 1	12,360	12,360	0	10,649	10,649	0
CASH, DECEMBER 31	7,360	16,007	8,647	10,139	12,360	2,221

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	12,000	11,870	(130)	10,000	11,030	1,030
Interest	1,200	1,726	526	0	1,087	1,087
Total Receipts	13,200	13,596	396	10,000	12,117	2,117
DISBURSEMENTS						
Salaries	20,000	0	20,000	10,000	591	9,409
Legal and professional service	15,000	1,218	13,782	0	0	0
Office expenses	0	2,310	(2,310)	0	0	0
Mileage and training	0	224	(224)	0	0	
Total Disbursements	35,000	3,752	31,248	10,000	591	9,409
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,800)	9,844	31,644	0	11,526	11,526
CASH, JANUARY 1	31,187	31,187	0	20,314	19,661	(653)
CASH, DECEMBER 31	9,387	41,031	31,644	20,314	31,187	10,873
SENIOR CITIZENS FUND						
RECEIPTS						
Property taxes	36,800	36,858	58	35,300	37,290	1,990
Intergovernmental	0	658	658	0	23	23
Interest	0	1,017	1,017	0	603	603
Total Receipts	36,800	38,533	1,733	35,300	37,916	2,616
DISBURSEMENTS						
Contracted services	36,000	36,000	0	34,500	34,499	1
Other	800	623	177	800	623	177
Total Disbursements	36,800	36,623	177	35,300	35,122	178
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,910	1,910	0	2,794	2,794
CASH, JANUARY 1	10,814	10,814	0	8,020	8,020	0
CASH, DECEMBER 31	10,814	12,724	1,910	8,020	10,814	2,794
SENATE BILL 40 BOARD FUND						
RECEIPTS						
Property taxes	70,600	73,654	3,054	70,200	74,460	4,260
Intergovernmental	700	40	(660)	400	741	341
Interest	2,100	3,543	1,443	300	1,983	1,683
Other	0	0	0	0	101	101
Total Receipts	73,400	77,237	3,837	70,900	77,285	6,385
DISBURSEMENTS						
Sheltered workshop	54,000	54,000	0	54,000	54,000	0
Equipment	8,000	0	8,000	8,000	0	8,000
Other	2,000	1,041	959	1,900	1,102	798
Total Disbursements	64,000	55,041	8,959	63,900	55,102	8,798
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,400	22,196	12,796	7,000	22,183	15,183
CASH, JANUARY 1	114,741	116,661	1,920	94,436	94,478	42
CASH, DECEMBER 31	124,141	138,857	14,716	101,436	116,661	15,225

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	112,530	112,038	(492)	105,896	113,204	7,308
Intergovernmental	224,372	208,539	(15,833)	236,498	227,423	(9,075)
Charges for services	39,000	47,081	8,081	31,000	29,313	(1,687)
Interest	26,505	13,973	(12,532)	31,130	19,309	(11,821)
Other	2,000	2,173	173	2,000	1,557	(443)
Total Receipts	404,407	383,804	(20,603)	406,524	390,806	(15,718)
DISBURSEMENTS						
Salaries	325,949	283,897	42,052	329,524	280,170	49,354
Office expenditures	56,958	51,895	5,063	57,500	51,481	6,019
Equipment	6,500	7,755	(1,255)	7,500	6,651	849
Mileage and training	8,000	8,454	(454)	10,265	9,294	971
Other	7,000	10,063	(3,063)	11,000	5,875	5,125
			0			0
Total Disbursements	404,407	362,064	42,343	415,789	353,471	62,318
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	21,740	21,740	(9,265)	37,335	46,600
CASH, JANUARY 1	302,785	302,585	(200)	265,250	265,250	0
CASH, DECEMBER 31	302,785	324,325	21,540	255,985	302,585	46,600
CIRCUIT CLERK TIME PAYMENT FEE FUND						
RECEIPTS						
Charges for services	350	1,091	741			
Total Receipts	350	1,091	741			
DISBURSEMENTS						
Circuit Clerk	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	350	1,091	741			
CASH, JANUARY 1	264	264	0			
CASH, DECEMBER 31	614	1,355	741			
DRUG COURT FUND						
RECEIPTS						
Intergovernmental	3,000	0	(3,000)			
Charges for services	100	105	5			
Total Receipts	3,100	105	(2,995)			
DISBURSEMENTS						
Counseling	3,500	570	2,930			
Drug testing	1,500	80	1,420			
Total Disbursements	5,000	650	4,350			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(545)	1,355			
CASH, JANUARY 1	2,926	2,913	(13)			
CASH, DECEMBER 31	1,026	2,368	1,342			

Exhibit B

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DELTA REGIONAL AUTHORITY GRANT FUND						
RECEIPTS						
Intergovernmental	225,000	99,550	(125,450)			
Transfers in	50,000	16,713	(33,287)			
Total Receipts	275,000	116,263	(158,737)			
DISBURSEMENTS						
Highway 142 and Brooks Lane	275,000	109,613	165,387			
Transfers out	0	6,650	(6,650)			
Total Disbursements	275,000	116,263	158,737			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
RECORDER'S GRANT FUND						
RECEIPTS						
Intergovernmental				8,000	7,737	(263)
Total Receipts				8,000	7,737	(263)
DISBURSEMENTS						
Recorder of Deeds				8,000	7,737	263
Total Disbursements				8,000	7,737	263
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Ripley County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senior Citizens Board, the Senate Bill 40 Board, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Circuit Clerk Time Payment Fee Fund and the Drug Court Fund for the year ended December 31, 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the Crisis Intervention Fund and the Prosecuting Attorney Bad Check Fund in 2006.

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Assessment Fund for the year ended December 31, 2005.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2006 and 2005, did not include the Health Center Fund. The Health Center Board published their own financial statements separately from the county's statements. However, the board's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Health Center Fund.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Ripley County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2006, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name. Of the Health Center Board's bank balance at December 31, 2005, $14,632 was exposed to custodial credit risk because that amount was uncollateralized.

Of the Senate Bill 40 Board's bank balance at December 31, 2006, $38,857 was exposed to custodial credit risk because that amount was uncollateralized. Of the Senate Bill 40 Board's bank balance at December 31, 2005, $16,661 was exposed to custodial credit risk because that amount was uncollateralized.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Supplementary Schedule

Schedule

RIPLEY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct program -			
10.766	Community Facilities Loans and Grant	N/A	$ 29,000	0
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childre	ERS045-7191W	11,178	0
		ERS045-6191W	45,788	8,968
		ERS045-5191W	0	51,340
	Program Total		56,966	60,308
10.559	Summer Food Service Program for Childre	ERS046-6191I	140	0
		ERS046-5191I	0	280
	Program Total		140	280
	Office of Administration			
10.665	Schools and Roads - Grants to States	N/A	204,314	242,369
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Economic Development -			
14.228	Community Development Block Grants/State' Program	2004-PF-561	99,550	0
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	N/A	9,256	8,570
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety			
16.540	Juvenile Justice and Delinquency Prevention - Allocatio to States	06-JFJ2-12	1,000	0
16.579	Edward Byrne Memorial Formula Grant Program	2004-NCD15B-023	9,542	0
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Program	N/A	0	46,632
	State Department of Public Safety			

Schedule

RIPLEY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
16.588	Violence Against Women Formula Grant	2005WEAX005	160,033	46,773
16.592	Local Law Enforcement Block Grants Progran	2004-LBG-073	0	9,000
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Progran	N/A	935	1,030
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.600	State and Community Highway Safety	N/A	5,306	0
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,444	1,444
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	87	216
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	2,431	2,388
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	135,158	5,443
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	50,432	56,339
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	N/A	23,440	10,852
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	21,989	21,410
	Department of Health and Senior Services -			

Schedule

RIPLEY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
93.575	Child Care and Development Block Gran	N/A	3,650	4,175
	Office of Secretary of State			
93.617	Voting Access for Individuals with Disabilities Grants to States	N/A	5,141	0
	Department of Social Services -			
93.643	Children's Justice Grants to State	N/A	10,740	2,093
93.667	Social Services Block Grant	N/A	30,608	61,909
93.669	Child Abuse and Neglect State Grants	N/A	12,351	2,407
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5191M	0	21,145
		AOC06380151	25,505	1,749
	Program Total		25,505	22,894
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	N/A	0	44,834
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters	N/A	3,484	0
	Total Expenditures of Federal Awards		$ 902,502	651,366

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

RIPLEY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ripley County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both

cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ripley County, Missouri

Compliance

We have audited the compliance of Ripley County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs, Ripley County, Missouri, did not comply with requirements regarding activities allowed or unallowed costs and allowable costs/cost principles that are applicable to its Schools and

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Roads - Grants to States program. Compliance with such requirements is necessary, in our opinion, for Ripley County, Missouri, to comply with the requirements of that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Ripley County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-2.

Internal Control Over Compliance

The management of Ripley County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. Of the significant deficiencies referred to above, we consider finding numbers 06-1 and 06-2 to be material weaknesses.

The responses of Ripley County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Ripley County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

April 5, 2007

Schedule

RIPLEY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	__x__ yes	_____ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs except CFDA Number 10.665, which was qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.665	Schools and Roads - Grants to States
14.228	Community Development Block Grants/State's Program
16.588	Violence Against Women Formula Grants
90.401	Help America Vote Act Requirements Payments

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Schools and Road-Grants to States

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads-Grants to States
Pass-Through Entity Identifying Number:	Not applicable
Award Years:	2006 and 2005
Questioned Costs:	$70,391

During the two years ended December 31, 2006, Ripley County received $446,683 through the Schools and Roads-Grants to States Program and retained $70,391 for Title III projects. Seventy-five percent of the remaining amount was disbursed to the school districts in the county and 25 percent was retained for the Road and Bridge (Unapportioned) Fund.

The $70,391 was credited to the Law Enforcement Sales Tax Fund. Supporting documentation was not available to indicate Title III monies were spent as allowed by the Schools and Roads-Grants to States Program. A public notice indicated that the monies were

to be used for payment of operating expenses and employee wages incurred by the Ripley County Sheriff's Department in performance of its duties. Federal guidelines indicate Title III monies may be used for reimbursement for emergency service costs on public lands, costs for supervising mandatory community service work on public lands, easements for non-motorized access or conservation, forest-related educations, fire prevention and planning, and community forestry.

No other documentation is available to support Title III expenditures. As a result, we question costs of $70,391 which represent Title III monies without adequate documentation. Without adequate supporting documentation, the county cannot ensure Title III monies were expended as allowed by federal guidelines.

WE RECOMMEND the County Commission ensure Title III expenditures are supported by adequate documentation and work with the grantor agency to resolve the questioned costs.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated:

As indicated above, federal guidelines indicate Title III monies may be used for reimbursement for emergency service costs on public lands. There is approximately 100,000 acres of land in Ripley County owned by the Federal Forest Service. This equates to about one-fourth of the total land mass. There are several sites for which the Sheriff's department receives a multitude of calls for disturbances, thefts, fights, etc. The amount of monies received from Title III is less than 10% of the Sheriff's operating budget. Call logs are available to document the number of calls that would be attributable to emergencies on Federal lands. Therefore, we disagree with the aforementioned finding.

06-2.	**Help America Vote Act Grants**

Federal Grantor:	General Services Administration, Elections Assistance Commission, and U.S. Department of Health and Human Services
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	39.011, 90.401, and 93.617
Program Title:	Election Reform Payments, Help America Vote Act Requirements Payments, and Voting Access for Individual With Disabilities - Grants to States
Pass-Through Entity Identifying Number:	Not applicable
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

Monies received were not disbursed within 30 days which was agreed to in the application submitted to the Secretary of State's office for the grants. Monies totaling $136,500 were received on March 9, 2006 with $73,500 being disbursed on May 3, 2006 and $61,763 being disbursed on October 4, 2006. Thus, some monies were held for almost seven months before being disbursed. In addition, approximately $4,100 in interest was earned due to not disbursing monies timely.

The County Clerk should comply with the requirements of the Secretary of State's office regarding disbursing monies within 30 days after being received in order to minimize the time elapsing between the transfer of funds from the state to the county and the disbursement of those funds from the county to the vendors.

WE RECOMMEND the County Commission ensure monies are disbursed within 30 days after being received.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated:

Although the County Clerk received grant funds of $136,500 on March 9, 2006, the second-chance equipment to be purchased from the grant funds had not yet been delivered. The County Clerk received the equipment on March 13 but did not receive an invoice for it until after April 21 and payment was then tendered on May 3. The accessible voting equipment was delivered on June 15 but did not receive an invoice for it until September 29 and payment was tendered on October 4. Payments were made within 30 days of when the invoice was received.

Instructions received from the Secretary of State's office was to, of course, not pay for the equipment until it was received and it was also suggested that the equipment be used for an election prior to payment to ensure it was working properly. The second-chance equipment was used at the April 6 general municipal election. The next election to be held thereafter was the August 8 primary at which time the accessible voting equipment was used.

Permission has been granted from the Secretary of State's office to use the remaining balance of grant funds, together with any interest earned, for future machine maintenance which will not be incurred until calendar year 2009 but can be prepaid as long as paid by August 25 and we will do that.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RIPLEY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2002, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RIPLEY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

02-01. Schools and Roads Program

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	School and Roads-Grants to States
Pass-Through Entity Identifying Number:	Not applicable
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

The county calculated the 20% distribution to Title III projects based on the total amount received, including the mineral receipts, instead of the full payment amount only. This resulted in public schools and public roads receiving less than 80% of the full payment amount. The amount not distributed to schools and roads was $5,842 and $1,948 respectively, for a total of $7,790.

Recommendation:

The County Commission make the necessary adjustments to ensure public schools and public roads receive the $7,790 not distributed to them in 2002.

Status:

Implemented.

02-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-1191W, ERS045-2191W, ERS045-3191W
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads-Grants to States
Pass-Through Entity Identifying Number:	Not applicable
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

The county did not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA). The county's SEFA included several errors which resulted in expenditures being overstated by approximately $56,586 and $176,607, respectively, for the two years ended December 31, 2002 and 2001.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Partially implemented. Improvement was noted as the schedule of expenditures of federal awards was more complete and accurate. However, expenditures were still overstated. Although not repeated in the current report, our recommendation remains as stated above.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RIPLEY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 5, 2007. We also have audited the compliance of Ripley County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 5, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for School and Roads - Grants to States (CFDA number 10.665).

Because the Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information for the years ended August 31, 2006 and 2005.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Ripley County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Ripley County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Policies and Procedures

Vehicle logs maintained for vehicles and equipment in the Road and Bridge Department are not adequate, and there is no indication that vehicle logs are reviewed by a supervisor. Formal policies and procedures over the sale of culverts and for providing grading services to the public have not been adopted.

A. Vehicle logs maintained for vehicles and equipment in the Road and Bridge Department are not adequate. Vehicle logs for graders indicate where used, what purpose, and when maintenance was performed. Such logs do not indicate the daily beginning and ending odometer readings for vehicles or hour readings for equipment and do not indicate fuel purchases. In addition, there is no indication that vehicle logs are reviewed by a supervisor. Vehicle logs are necessary to document appropriate use of the vehicles and equipment and to support fuel and maintenance charges. The vehicle logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced.

B. Formal policies and procedures over the sale of culverts and for providing grading services to the public have not been adopted. Individuals purchase culverts at cost by making a payment to the County Treasurer. The receipt is presented to the Road and Bridge Department who will then install the culvert for the individuals for no charge. Thus, the cost for installing the culvert is not reimbursed. In addition, personal driveways are graded upon request and a donation of $45 per hour is requested and to be paid to the County Treasurer. The amount of time to grade a personal driveway is noted in the grader's log. However, this information is not provided to the County Treasurer. Thus, the County Treasurer does not know what roads have been graded and when to expect the payment of the donation. Approximately $7,200 was received for these services during the two years ended December 31, 2006. As a result of the lack of formal, consistent policies and procedures, one complete record of all culverts sales or grading services provided is

not maintained. Furthermore, the services are provided without regard to the actual cost incurred to provide such services.

The County Commission should develop formal written policies to document the procedures applicable to these services. Failure to adopt formal policies and procedures over sales to the public could result in lost revenues. In addition, the County Commission should ensure that adequate reimbursement is received so as to recover any associated costs for the services provided.

WE RECOMMEND the County Commission:

A. Ensure the Road and Bridge Department maintain logs for vehicles and equipment which include the daily beginning and ending odometer readings for vehicles or hour readings for equipment and fuel purchases along with what is currently being maintained. In addition, ensure these logs are reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced. Information on these logs should be periodically reconciled to fuel purchases and other maintenance charges.

B. Develop formal policies and procedures over sales to the public. One complete record of all sales of culverts and their installation along with grading services provided should be maintained and to track to whom these services have been provided and ensure adequate reimbursement is being received for such services.

AUDITEE'S RESPONSE

The County Commission indicated:

A. We agree and will discuss ways to improve the logs that are being maintained. We will ensure the review performed by a supervisor is documented and fuel purchases and other maintenance charges are reviewed.

B. A record will be maintained that shows all sales of culverts and grading services provided. A policy will be developed to address these issues.

2. Capital Assets

Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Although the County Clerk does maintain capital asset listings for each office, they are not complete and procedures have not been established to ensure their accuracy.

The County Clerk maintains inventory listings of capital assets held by county officials. The County Commission sends a memo out yearly to all elected officials and department heads indicating a physical inventory needs to be performed. The memo indicates reports are to be signed by the County Clerk and filed with the County Commission. However, records indicate that listings have not been returned to the County Clerk by several elected officials or department heads. Capital assets are added to the inventory listings when a physical inventory is performed instead of when purchased. As a result, several capital assets purchased during the years ended December 31, 2006 and 2005 were not added to the listing, including a brush hog and computer equipment. In addition, property records do not always include the necessary information for some assets, such as the date and method of disposal and property items were not always properly numbered, tagged, or otherwise identified.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions. In addition, property control tags should be affixed.

AUDITEE'S RESPONSE

The County Commission indicated:

A policy on capital assets will be established and we will work on improving our records. We will require inventories to be returned when performed by the officeholder. Tags will be put on all assets and asset purchases will be compared to asset additions.

3. County Collector's Accounting Controls and Procedures

Receipts are not always deposited on a timely basis, the method of payment is not always indicated or indicated correctly on the tax receipts, and the composition of tax receipts is not reconciled to the composition of bank deposits.

The County Collector processed approximately $3,900,000 and $3,800,000 from property taxes and other receipts during the years ending February 28, 2007 and 2006.

A. Receipts are not always deposited on a timely basis. Deposits are made daily during November and December of each year. However, during other months, deposits are usually made twice a week. For example, five deposits averaging approximately $3,400 were made for receipts from May 31 to June 17, 2005. While monies are kept in a locked drawer during the day and a locked vault at night, cash received for these five deposits totaled over $4,500. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited on a timely basis.

B. The method of payment is not always indicated or indicated correctly on the tax receipts. Therefore, the composition of tax receipts is not reconciled to the composition of deposits. For the five deposits reviewed in December 2006, the method of payment was not indicated on approximately $9,500 of tax receipts. In addition, information was obtained for various deposits from the bank and it was determined that there were some errors regarding the composition of receipts.

   The correct method of payment should be indicated on all tax receipts, and a reconciliation of the composition of receipts and deposits is necessary to ensure all monies received are properly recorded and deposited.

These conditions were noted in our two prior reports.

WE AGAIN RECOMMEND the County Collector:

A. Deposit all monies on a timely basis.

B. Correctly indicate the method of payment on all tax receipts and reconcile the

composition of tax receipts to the composition of deposits. In addition, documentation should be retained of any investigations of differences noted.

AUDITEE'S RESPONSE

The County Collector indicated:

A. Normally deposits are made two times a week in months other than November and December. During these months we believe that depositing twice a week is sufficient and will continue to deposit twice a week.

B. The policy is to indicate the composition and we will do a better job of doing this. We do ensure tax receipts agree to monies deposited. We will try to reconcile the composition of tax receipts to the composition of deposits and if differences are noted we will include documentation to support the differences noted.

4. Prosecuting Attorney's Accounting Controls and Procedures

Cash custody and recordkeeping duties are not adequately segregated. Prenumbered receipt slips are not issued for some monies received, the method of payment is not indicated on some receipt slips, and the composition of receipts is not reconciled to the composition of deposits. Receipts are not always deposited on a timely basis, and bad check fees are not always disbursed to the County Treasurer in a timely manner. Bank reconciliations were not performed monthly and when performed were not adequate, monthly listings of open items are not prepared, and bank charges were incurred and not reimbursed. A formal policy specifying when the court should be notified of unpaid cases has not been established, and specific procedures have not been established to ensure follow up collection efforts are adequate.

The Prosecuting Attorney collects bad check and court-ordered restitution, state delinquent taxes, delinquent child support, and bad check fees, some of which are transmitted directly and not deposited into the bank account. Deposits into the bank account totaled approximately $110,000 and $79,000 for the years ending December 31, 2006 and 2005, respectively. Monies not deposited but forwarded to victims or the state totaled approximately $32,000 and $27,000 for the years ending December 31, 2006 and 2005, respectively.

A. Cash custody and recordkeeping duties are not adequately segregated. One clerk has the duties of collecting monies, recording transactions, preparing deposits and transmittals, and making disbursements. There are no documented reviews of the accounting records performed by the Prosecuting Attorney.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records

should be performed and documented.

B. Prenumbered receipt slips are not issued for some monies received, and the method of payment is not indicated on some receipt slips and therefore, the composition of receipts is not reconciled to composition of deposits. For the five deposits reviewed from October to December 2006, the method of payment was not indicated on approximately $3,900 of receipts. Also, the amount deposited was more than the amount receipted for two of these deposits as a receipt slip was apparently not written for some receipts. In addition, the numerical sequence of receipt slips was not accounted for properly and the top copies of voided receipt slips were not retained.

Prenumbered receipt slips should be issued for all monies received, the method of payment should be indicated on all receipts, and a reconciliation of the composition of receipts and deposits is necessary to ensure all monies received are properly recorded and deposited. In addition, the numerical sequence of receipts slips should be accounted for properly and all copies of voided receipt slips should be retained.

C. Receipts are not always deposited on a timely basis. For example, receipts totaling $4,956 (including cash of $1,390) received between December 1 and December 29 were not deposited until December 29, 2006. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited on a timely basis.

D. Bad check fees are not always disbursed to the County Treasurer in a timely manner. While these fees are generally disbursed on a monthly basis, bad check fees collected from September 1 to December 31, 2006 totaling $15,561 were not disbursed until January 3, 2007. Bad check fees should be disbursed monthly to the County Treasurer to adequately safeguard receipts and reduce the risk of loss or misuse of funds.

E. Bank reconciliations were not performed monthly and when performed were not adequate. The bank reconciliation performed for December 2006 was inaccurate as the list of outstanding checks was not correct. Some checks which had cleared the bank were not posted as cleared resulting in cash balances being misstated on the reconciliations. In addition, monthly listings of open items (liabilities) are not prepared and agreed to the reconciled bank balance. Partial payments totaling $1,188 at December 31, 2006 were being held until full payment of the restitution and bad check fees were made. However, the reconciled bank balance was $830. In addition, bank charges totaling $867 were incurred and not reimbursed for the two years ended December 31, 2006. If bank charges had been reimbursed, there would have been $509 in unidentified open items. Other errors including disbursing some fees twice and a missing $103 deposit could have been caught more timely if adequate bank reconciliations were performed monthly.

Only by preparing bank reconciliations and open items listings on a monthly basis

and reconciling them can the Prosecuting Attorney be assured the records are in balance and that sufficient cash is available to cover liabilities and ensure that errors or discrepancies are detected and corrected timely. In addition, the Prosecuting Attorney needs to ensure bank charges are not assessed and to reimburse the account for these charges. Unidentified monies or shortages should be investigated and appropriate action taken.

F. A formal policy specifying when the court should be notified of unpaid cases has not been established. In addition, specific procedures have not been established to ensure follow up collection efforts are adequate. During our review of bad check restitution case files, collection procedures and efforts were not always made timely and there was no clear policy of follow-up collection efforts to be taken or timing of the efforts. For example, a bad check complaint was filed on March 18, 2003 but a felony complaint regarding this bad check was not filed until December 12, 2005 after the vendor requested charges to be filed. Per the Prosecuting Attorney's records, the unpaid bad check restitution and fees as of December 31, 2006 totaled approximately $260,000 with cases dating back to 1997.

   The Prosecuting Attorney should establish written procedures for collecting delinquent unpaid bad check restitution and fees. Such procedures should consist of generating periodic reports of cases with balances due and follow up on those for which payments are not being made. In addition, information regarding cases with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

Conditions similar to parts A-E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Require prenumbered receipt slips be issued for all monies received and ensure the method of payment is recorded on all receipts and reconcile the composition of receipts to the composition of deposits. In addition, documentation should be retained of any investigations of differences noted, the numerical sequence of receipt slips should be accounted for, and all copies of voided receipt slips should be retained.

C. Deposit all monies on a timely basis.

D. Disburse bad check fees to the County Treasurer monthly.

E. Prepare bank reconciliations and listings of open items monthly and reconcile the open items listing to the cash balance. In addition, ensure bank charges are not

assessed and the account should be reimbursed for bank charges incurred. Unidentified monies or shortages should be investigated and appropriate action taken.

F. Written procedures should be established and implemented for pursuing the collection of delinquent unpaid court ordered restitution and bad check restitution and fees.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated that he took office on January 1, 2007 and he provided the following responses:

A. Starting January 1, 2007, the responsibility for documenting and depositing all deposits into the Prosecuting Attorney Collections Account (which is a trust account into which all receipts are deposited, including bad check restitution and fees, other restitution, and miscellaneous receipts) was assigned to the Bad Check Collections Secretary. The other staff are allowed to accept receipts in the absence of the Bad Check Collections Secretary using prenumbered receipts but sole responsibility for making deposit slips remain with the Bad Check Collections Secretary who matches the individual receipt with the appropriate case file number. After deposit slips and accumulated deposits are bundled together, the Prosecuting Attorney actually transports the periodic deposits to the bank. Deposits are made at least weekly. Also, no cash deposits are accepted into the system. All money received is in the form of cashier's checks or money orders which are restrictively endorsed at the time of receipt by whomever accepts the money order or cashier's check.

The Bad Check Collections Secretary also prepares monthly checks drawn upon the Prosecuting Attorney Collections Account for signature by the Prosecuting Attorney who is the only person authorized to sign checks. Bank reconciliations are completed monthly and reviewed by the Prosecuting Attorney.

B. Starting earlier this year, we started using prenumbered receipts for every receipt of monies. No composition of deposits is required since cashier's checks and money orders only are accepted as cash is not accepted. Cashier's checks or money orders are recorded on the prenumbered receipts. Prenumbered receipts are kept for periodic inspection by the Prosecuting Attorney and the auditors.

C. Because the Prosecuting Attorney is the only person going to the bank to make deposits and because no cash is being held or deposited, a weekly deposit is deemed sufficient.

D. Starting February 1, 2007, all bad check fees have been paid over to the County Treasurer for the Prosecuting Attorney Bad Check Fund or to the MOPS Fee Fund (state) every month after reconciliation of the entire months receipts with the payee to whom the funds are to be paid.

E. Starting January 1, 2007, bank reconciliations have been conducted monthly by the Bad Check Collections Secretary and reviewed by the Prosecuting Attorney. No bank charges

are being assessed by the bank because the office is using the county's depository bank which has an agreement not to charge fees to the county. Fees for check printing or services requested by the Prosecuting Attorney are paid to the bank by separate check from the County Treasurer drawn upon one of the county funds under the jurisdiction of the Prosecuting Attorney.

F. *Starting January 1, 2007, we do not generally collect restitution except on bad checks. Other restitution payments are collected by and accounted for by the private probation service which supervises the payment and collection of fines, costs, and restitution. Some payments on unsupervised probation and old cases where the process was initiated prior to January 1, 2007 are accepted in money order form and deposited in the Prosecuting Attorney Collections Account for payment to victims by check drawn on the account on a monthly basis. As a general rule, however, we never knowingly authorized the court or a defendant to make restitution through the Prosecuting Attorney's office except in bad check collection cases if another entity can do so. Fines and court costs are never collected by the Prosecuting Attorney but are instead handled by the court system or by the private probation service.*

Starting January 1, 2007, procedures for collection of bad checks restitution have been revised and discussed with the Bad Check Collections Secretary in order to ensure that the maximum number of bad checks received by the office are, in fact, collected.

Restitution for bad checks is collected by the Bad Check Collections Secretary both before and after charges are filed. All checks are recorded in the master bad check computer database which is searched monthly to determine the collection status of each check and to guard against the statute of limitations problems. If correspondence results in successful payment within a reasonable time (no longer than six months) no charges are filed. If correspondence does not result in a successful payment plan, charges are filed to prevent the running of the statute of limitations. If a person against whom charges are filed is placed on probation by the court with an order to pay restitution for bad checks, the Bad Check Collections Secretary monitors the files and consults with the private or public probation officer assigned by the court. Unsupervised probation is not acceptable to the Prosecuting Attorney. If the probation officer cannot enforce a payment plan, the Bad Check Collections Secretary brings the matter to the attention of the Prosecuting Attorney who then files a Motion to Revoke Probation. Checks which are uncollectible after prosecution are written off annually and returned to the victim for any civil collection efforts they care to make.

5. Sheriff's Accounting Controls and Procedures

Bank reconciliations are not performed. Procedures related to the monitoring of unpaid accrued costs from civil paper service are not adequate, and procedures for accounting for uniform traffic tickets issued are not adequate.

The Sheriff's department receives monies for civil and criminal process fees, gun permits, and conceal and carry permits. The Sheriff's department handled receipts of approximately $15,900 and $13,800 during the years ending December 31, 2006 and 2005, respectively.

A. Bank reconciliations are not performed and have not been prepared since our prior audit. We prepared a bank reconciliation as of December 31, 2006 and 2005. Although all monies received are disbursed monthly, the bank reconciliations indicated a small balance of less than $4 for both years. The Sheriff indicated that this was due to a $4 bank error made in April 2002 and small service charges being assessed.

   Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely.

B. Procedures related to the monitoring of unpaid accrued costs from civil paper service are not adequate. The civil paper service costs are billed for all service provided. However, unpaid accrued costs are not tracked as no procedures are performed to monitor outstanding or to follow up on past due paper service fees. The Sheriff's department has not determined the total costs due for civil paper service fees.

   By not adequately monitoring unpaid accrued costs, these costs could remain uncollected and might eventually result in lost revenue. A complete and accurate listing of accrued costs would allow the Sheriff to more easily review the amounts due to the county and to take appropriate steps to ensure amounts are collected on a timely basis.

C. Procedures for accounting for uniform traffic tickets issued are not adequate. While a ticket book log is maintained indicating ticket books issued to deputies, ticket books are not issued in numerical sequence. In addition, a ticket issuance log listing the ticket number, date issued, violator's name, offense, and disposition is not maintained.

   Ticket books should be issued in numerical order and a ticket issuance log listing each ticket number, the date issued, violator's name, offense, and disposition should be maintained to help ensure all tickets have been accounted for properly.

Condition C was noted in our prior report.

WE RECOMMEND the Sheriff:

A. Ensure bank reconciliations are performed monthly.

B. Establish adequate procedures to routinely follow-up and pursue collection of accrued costs.

C. Issue ticket books in numerical order and maintain a ticket issuance log listing the ticket number, date issued, violator's name, offense and disposition.

AUDITEE'S RESPONSE

The Sheriff indicated that he took office on June 1, 2007 and he would not be the Sheriff after the August election for Sheriff. The Sheriff provided the following responses:

A. We will start doing bank reconciliations monthly.

B. We will work on establishing procedures to follow-up and pursue the collection of accrued costs.

C. We will work on developing a ticket book log to account for the individual tickets issued and this log will list the ticket number, date issued, violator's name, offense, and disposition. In addition, we will issue ticket books out to the deputies in numerical order.

6. Health Center's Accounting Controls and Procedures

Receipt slips are not issued for monies received, individual receipts are not indicated in the accounting records, and petty cash is not maintained on an imprest basis. The Health Center does not have a written agreement with its depositary bank, and employees' timesheets do not always contain documentation of the Administrator's approval.

A. Receipt slips are not issued for monies received. In addition, individual receipts are not indicated in the accounting records. Receipts received for family planning, vital records, and public health are recorded in total by the applicable type of receipt. Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, and by not listing receipts individually in the accounting records, the Health Center cannot ensure all monies collected are ultimately recorded and deposited.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e., cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition should be reconciled to the bank deposits. In addition, receipts should

be listed individually in the accounting records.

B. The petty cash fund is not maintained on an imprest basis. The petty cash was established at $250. A cash count on February 28, 2007 identified approximately $73 in cash and $180 of paid receipts. This totals $253, resulting in a $3 difference. Apparently some additional monies have been put in the petty cash by mistake. Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash would improve accountability over petty cash monies.

C. The Health Center does not have a written agreement with its depositary bank despite having over $300,000 in the bank at December 31, 2006.

   A written depositary contract helps both the bank and the Health Center understand and comply with the requirements of any banking arrangement. The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds.

D. Employees' timesheets do not always contain documentation of the Administrator's approval. Employee timesheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

Conditions C and D were noted in our prior report.

WE RECOMMEND the Health Center Board:

A. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to the composition of deposits. Also, receipts should be listed individually in the accounting records.

B. Maintain the petty cash fund on an imprest basis and ensure the monies are adequately accounted for.

C. Obtain a bank depositary agreement.

D. Require documentation of the Administrator's approval on all timesheets.

AUDITEE'S RESPONSE

The Health Center Board indicated:

A. It is not feasible for the small number of staff to write individual receipts for monies received. Most of the money received is by check. All state and federal money is by direct

deposit. On the vital records program, the top of the birth or death certificate has a receipt with a number corresponding to the certificate with the cost. Due to confidentially and HIPAA, it is not feasible or reasonable to list names of people for services rendered on the accounting system. Daily deposits are made as money is received.

B. All the monies for the petty cash fund are accounted for ($250). There is an overage of approximately $3 in the petty cash fund.

C. We do not believe that we need a depositary agreement with the bank as we have a good working relationship with them.

D. The Administrator usually initials the eight timesheets but evidently missed one. The Administrator does review all the timesheets for all the reports and time accounting for programs, contracts, etc. that are required. The Board Chairman also initials the warrants that have the hours each employee works.

7. Senate Bill 40 Board's Accounting Controls and Procedures

Senate Bill 40 Board minutes did not document whether family members abstained from voting on issues regarding other family members. Interest earned on certificates of deposits was not included as part of the cash balance. The Senate Bill 40 Board does not have a written agreement with its depositary bank, and no collateral securities were pledged although bank deposits exceeded the $100,000 Federal Depository Insurance Corporation coverage amount.

A. The Senate Bill 40 Board members are appointed by the County Commission, and the members of the board elect the officers. The board elected two members, as the chairperson and treasurer who are father and daughter, respectively. The board minutes did not document whether the daughter abstained from the election of her father as the chairperson or the father abstaining from voting from the election of his daughter. In 2005, this was due to a motion to reelect all officers by acclamation. In addition, a board member for the Current River Sheltered Work Shop, the funding recipient of the Senate Bill 40 Board, is the wife and mother to the Senate Bill 40 Board chairperson and treasurer, respectively. The fund recipient received $54,000 annually during the years ended December 31, 2006 and 2005.

   To provide maximum assurance the Senate Bill 40 Board is acting independently and in the best interest of the taxpayers, discussions and decisions concerning the appointments where nepotism or a potential conflict of interest exists should be documented, and no administrative ties should exist between members of the board and its funding recipients.

B. Interest earned on certificates of deposits (CDs) totaling $837 and $1,877 for the years ended December 31, 2006 and 2005, respectively was not included as part of the cash balance. Interest earned on CDs are only recorded when the CDs have

matured. Thus, cash balances reported on the budgets are understated. Interest on CDs is earned periodically throughout the term of the CDs and should be recorded when earned instead of recorded on the date the CD matures in order to accurately present the Senate Bill 40 Board's financial position.

C. The Senate Bill 40 Board does not have a written agreement with its depositary bank despite having over $130,000 in the bank at December 31, 2006. In addition, no collateral securities were pledged although bank deposits exceeded the $100,000 Federal Depository Insurance Corporation coverage amount. Coverage was insufficient by $38,857 and $16,661 at December 31, 2006 and 2005, respectively.

   Inadequate collateral securities leave funds unsecured and subject to loss in the event of bank failure. In addition, a written depositary contract helps both the bank and the Senate Bill 40 Board understand and comply with the requirements of any banking arrangement. The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds.

Condition A was noted in our prior report.

WE RECOMMEND the Senate Bill 40 Board:

A. Ensure Senate Bill 40 Board members abstain from voting when a relative's employment or appointment is involved. In addition, ensure that Senate Bill 40 Board members do not have administrative ties with funding recipients. If Senate Bill 40 Board members have relatives that serve on the boards of funding recipients, they should either remove themselves from the board or ensure that the minutes of board meetings clearly indicate that they are abstaining from discussing and voting on funding requests for these entities. Such matters should be completely documented so that the public has assurance that no board members have acted improperly. The board should also consider adopting a code of conduct for board members.

B. Record interest earned on CDs when earned.

C. Obtain a bank depositary agreement and ensure all deposits are adequately secured.

AUDITEE'S RESPONSE

The Senate Bill 40 Board indicated:

A. In the future, we will abstain from voting for relatives for various board positions and on the funding issues if a relative is on the other board and this will be documented in the minutes. We will consider adopting a code of conduct.

B. *We will discuss this with the bank and ask the bank to send a statement regarding interest being earned monthly or quarterly versus waiting until the certificate of deposit matures.*

C. *We will discuss this with the bank about obtaining a depositary agreement and will also discuss ensuring that deposits will be adequately secured.*

Follow-Up on Prior Audit Findings

RIPLEY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ripley County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Hospital Board

A.1. The hospital did not have procedures in place to track the payroll tax liability to the Internal Revenue Service (IRS) for payroll taxes totaling over $2 million dating back to 1997.

2. The hospital reimbursed the Hospital Administrator for his 2002, 2001, and 2000 personal tax refunds totaling $2,391 that were applied to a personal penalty assessed by the IRS without adequate documentation to support why these reimbursements were made to the Hospital Administrator. The Board did not have a complete understanding of the personal penalties assessed against the Hospital Administrator and their relationship to the hospital's tax liability. Since the personal tax refunds of the Hospital Administrator were applied to a tax penalty owed by the Hospital Administrator, it was unclear why the hospital would pay the Hospital Administrator for the amount of his refunds.

B. The Hospital Administrator paid himself $1,000 from hospital funds for reimbursement of medical expenses he appeared to have incorrectly claimed were covered under the hospital's self insurance plan. There was no documentation that anyone reviewed his $1,000 check request for accuracy or propriety.

C. Various board members voted to approve pay increases, payroll expenditures, and other payments to relatives employed by the hospital. Board members voted to approve hospital expenses (including expenses to relatives), in total, at their monthly meeting, and to approve percentage pay increases (including relatives) which applied to all employees.

D. Numerous interest free payroll advances were paid to hospital employees and were to be paid back through payroll deductions over a period of time. Some advances to the Business Office Manager had not been paid back. These payments appeared to violate Article VI, Section 23 of the Missouri Constitution prohibiting political subdivisions from granting or lending money to individuals.

E. The Hospital Administrator allowed the Business Office Manager to accumulate a negative leave balance and some timesheets including the Business Office Manager were not sufficiently detailed.

F. Budgets did not include a comparative statement of actual revenues and expenditures for the two preceding years as required by state law.

G. Financial statements were not published as required by state law.

Recommendations:

The Board of Trustees:

A. Ensure the amount owed to the IRS is adequately tracked. The Board should also ensure they have a full understanding of all issues related to this tax liability and should adequately document all decisions made related to this liability.

B. Determine which, if any, of the medical expenses for which the Hospital Administrator was reimbursed were amounts covered under the self insurance plan. The Board should then request the Hospital Administrator pay back all remaining medical expenses for which he was improperly reimbursed. Furthermore, the Board should implement procedures to ensure payments to the Hospital Administrator are reviewed for accuracy and propriety by the Board or other personnel independent of the Hospital Administrator prior to the expenditures being made. In addition, checks issued to the Hospital Administrator should be signed by the Board or other personnel independent of the Hospital Administrator.

C. Ensure individual board members abstain from voting on any decisions where a potential conflict of interest exists and that this action is fully documented in board minutes. In addition, the board should consider adopting a code of conduct for hospital officials to address these types of issues.

D. Discontinue the practice of making payroll advances to employees and seek timely reimbursement of all outstanding advances to protect the hospital from potential losses.

E. Periodically review employee leave balances and ensure compliance with the hospital's policy. Ensure timesheets are sufficiently detailed to support any compensation paid to hospital employees and to properly track leave accrued and taken.

F. Ensure budgets are prepared in accordance with state law.

G. Ensure financial statements are published in accordance with state law.

Status:

A. Not implemented. The hospital receives an "Annual Installment Agreement Statement" yearly from the IRS. Per this statement, as of July 10, 2006, the IRS is still owed over $2 million. During the year ended July 10, 2006, the hospital made $120,000 in payments but interest charges were $113,584 resulting in a decrease in the liability of only $6,416. At this rate of repayment, without any additional interest and penalties being incurred, it would take over 16 years for the liability to be repaid. Included in the $2 million above, are payroll taxes (including interest and penalties) totaling $56,722 that were not paid by the hospital for the tax period June 30, 2005, indicating that subsequent taxes were not paid timely. No tracking of the liability is performed other than the statement received from the IRS.

B. Partially implemented. Checks written to the Hospital Administrator were signed by a board member. However, documentation still was not obtained to support the reimbursements made to the Hospital Administrator. In addition, a determination of the medical expenses for which the Hospital Administrator was reimbursed and covered under the self insurance plan was not performed and no amounts were requested to be paid back from the Hospital Administrator.

C&D. Implemented.

E. Partially implemented. Leave balances are reviewed to ensure compliance with the hospital's policy. However, timesheets still are not adequately detailed as only total hours per the pay period is indicated versus indicating hours worked on a daily basis.

F. Not implemented. The budget does not include the comparative statement of actual revenues and expenditures for the two preceding years. However, the audited financial reports are submitted along with the budget to the County Clerk and includes this information.

G. Not implemented. A statement of revenues, expenses and changes in net assets is published. However, this statement does not comply with what is required by state law.

Although several concerns from our previous audit report were not implemented, these were not repeated in the current MAR. The Hospital Board was separately audited by an independent auditor for the two years ended August 31, 2006. Although the Hospital Board was also audited by an independent auditor during prior years, numerous concerns were expressed to the State Auditor's office which resulted in these findings being included in that report.

2. Property Tax System Controls and Procedures

A. The Assessor's office was allowed access to the assessment data during periods when changes to the data are not allowed by statutes.

B. The County Clerk did not prepare the current or back tax books.

C. Controls over property tax additions and abatements were not adequate.

D. The County Clerk did not maintain an account book with the County Collector.

E. The County Assessor and County Collector did not maintain confidential passwords to the property tax system nor did they change their passwords periodically.

Recommendations:

The County Commission work with the applicable county officials to:

A. Restrict access to the assessment data during periods when changes to the data are not allowed by statutes.

B. Ensure the County Clerk prepares the current and back tax books in accordance with state law.

C. Ensure the County Clerk reconciles additions and abatements to the County Collector's annual settlements. In addition, the County Commission should review and approve all additions and abatements to the County Collector's annual settlement.

D. Ensure the County Clerk maintains an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlements.

E. Consult with the property tax system programmer and establish procedures including the use of unique passwords to restrict access to computer files to authorized individuals.

Status:

A. Not implemented. The Assessor has access to the data at all times as a convenience to taxpayers for personal property additions. Although not repeated in the current report, our recommendation remains as stated above.

B-E. Implemented.

3. County Expenditures and Employee Bonding

A. Documentation was not maintained by the county to support situations in which the low bid was not accepted for various expenditures. In addition, sole source procurement was not documented by the county.

B. Vehicle logs and equipment maintenance logs were not maintained for some vehicles and equipment in the Road and Bridge Department.

C. Various county employees who handle monies were not bonded.

D. Centralized records of leave balances and leave earned were not updated monthly. In addition, timesheets were not maintained by the Assistant Prosecuting Attorney or the Emergency Management Director.

Recommendations:

The County Commission:

A. Document in the official commission minutes any circumstances in which the low bid is not selected or in which bids cannot be obtained and sole source procurement is necessary.

B. Ensure the Road and Bridge Department maintains logs for vehicles and equipment which include the purpose and destination of each trip, the daily beginning and ending odometer readings for vehicles or hour readings for equipment, and the operation and maintenance costs. Ensure these logs are reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced. In addition, ensure information on the logs is periodically reconciled to fuel purchases and other maintenance charges.

C. Review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

D. Ensure vacation and sick leave balances are updated monthly, and require all county employees to complete timesheets which reflect actual time worked.

Status:

A. Partially implemented. Documentation was noted when not taking the low bid. A couple of instances were noted where sole source procurement was not documented for fuel purchases. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. Some logs are maintained but do not contain all applicable information. See MAR finding number 1.

C. Implemented.

D. Partially implemented. The part-time Emergency Management Director is the only employee for which a timesheet was not available. Vacation and sick leave balances are maintained by the County Clerk for all employees except for those of the Assessor's office, which are maintained by the Assessor. Although not repeated in the current report, our recommendation remains as stated above.

4. Budgetary Practices

The County Commission amended budgets after expenditures had already exceeded the original budgets.

Recommendation:

The County Commission ensure budget amendments are made prior to incurring the actual expenditures.

Status:

Partially implemented. Some budgets for 2006 were amended on December 6, 2006 and some budgets for 2005 were amended on December 14, 2005. Amendments were available for public distribution approximately two weeks prior to adoption, however the budgets were amended after the expenditures had already been incurred for some funds. Although not repeated in the current report, our recommendation remains as stated above.

5. General Fixed Assets

Inventory lists were not complete because various county officials or their designees had not conducted inventories. County owned land and buildings were not included on the general fixed asset record. Further, some fixed assets were not properly numbered, tagged or otherwise identified as county owned property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, general fixed assets purchases should be periodically reconciled to general fixed asset additions. In addition, property controls tags should be affixed to all general fixed assets, and county owned land and buildings should be included in the general fixed asset records.

Status:

Not implemented. See MAR finding number 2.

6. Prosecuting Attorney's Controls and Procedures

A. The duties of receiving, recording, depositing, and disbursing monies were all performed by the Office Manager. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

B. Receipt slips were not issued for some monies received. In addition, the top copies of voided receipt slips were not retained for proper documentation.

C. Receipts were not always deposited intact or on a timely basis.

D. Receipts were kept on a desk until they were deposited. In addition, money orders received were not restrictively endorsed immediately upon receipt.

E.1. Monthly bank reconciliations had not been performed since November 30, 2002.

2. Monthly listing of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances.

3. At April 30, 2003, the bank account had outstanding checks totaling $76 that were over a year old with some dating back to 1999.

F. Bad check fees were not turned over to the County Treasurer on a timely basis.

Recommendations:

The Prosecuting Attorney:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Issue pre-numbered receipt slips for all monies received, retain all copies of voided receipt slips, and account for the numerical sequence of receipt slips.

C. Deposit all monies received intact daily or when accumulated receipts exceed $100.

D. Restrictively endorse all money orders payable to the Prosecuting Attorney immediately upon receipt and store all receipts in a secure location until deposited.

E.1. Prepare and vouch monthly bank reconciliations.

2. Prepare monthly listings of open items and reconcile the listing to the cash balance.

3. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

F. Turn over all fees to the County Treasurer monthly as required by state law.

Status:

A-B. Not implemented. See MAR finding number 4.

C. Partially implemented. However, receipts still are not deposited timely. See MAR finding number 4.

D. Implemented.

E. Partially implemented. Old outstanding checks are followed up on. However, there are still concerns that bank reconciliations and monthly listings of open items are not prepared. See MAR finding number 4.

F. Not implemented. See MAR finding number 4.

7. Sheriff's Controls and Procedures

A. Receipts were not always deposited on a timely basis.

B. Adequate control over seized property had not been established.

C. Tickets issued were not adequately accounted for. A log of tickets was not maintained, ticket books were not issued in numerical order, and the numerical sequence of tickets issued was not accounted for. In addition, the ultimate disposition of tickets was not recorded by the Sheriff's department.

Recommendations:

The Sheriff:

A. Deposit all monies intact daily or when accumulated receipts exceed $100.

B. Prepare and maintain complete inventory records of seized properly. Periodic physical inventories should be performed and compared to the inventory records.

C. Maintain a log of ticket books issued, issue ticket books in numerical order, and account for the numerical sequence and ultimate disposition of all tickets issued.

Status:

A. Not implemented. Although not depositing daily, receipts are usually not that significant for depositing more frequently. Although not repeated in the current report, our recommendation remains as stated above.

B. Implemented.

C. Partially implemented. A log of ticket books issued is maintained. However, ticket books are not issued in numerical order, the numerical sequence of tickets is not accounted for properly, and the ultimate disposition of all tickets issued is not recorded. See MAR finding number 5.

8. County Collector's Controls and Procedures

A. Receipts were not always deposited on a timely basis.

B. The method of payment was not always indicated on the tax receipts. Therefore, the composition of tax receipts was not reconciled to the composition of bank deposits.

C. The County Collector maintained custody of the Tax Maintenance Fund and did not prepare a budget for it.

D. Surtax distributions were distributed by the County Collector using percentages calculated for distributing the 1988 collections.

Recommendations:

The County Collector:

A. Deposit all monies intact daily or when accumulated receipts exceed $100.

B. Indicate the method of payment on all paid tax statements and reconcile the composition of paid tax statements to the composition of deposits.

C. Turn over control of the Tax Maintenance Fund to the County Treasurer and ensure a budget is prepared in accordance with state law.

D. Ensure future distributions of surtax collections are made in accordance with state law.

Status:

A&B. Not implemented. See MAR finding number 3.

C. Partially implemented. Budgets are prepared but the County Collector still maintains control over the Tax Maintenance Fund. Although not repeated in the current report, our recommendation remains as stated above.

D. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

9. Circuit Clerk's Controls and Procedures

A. Receipts were not always deposited on a timely basis.

B. Monthly listing of open items (liabilities) were prepared for the fee account; however, the listings did not reconcile with the cash balance. In addition, at December 31, 2002, one case had a balance of partial payments collected of $845 which had been held since 1994.

C. Records were not maintained of the Circuit Clerk Interest Fund receipts, disbursements, and cash balances. In addition, receipts or vendor-provided invoices were not retained for adequate supporting documentation.

Recommendations:

The Circuit Clerk:

A. Deposit all monies intact daily or when accumulated receipts exceed $100.

B. Reconcile the monthly listing of open items to the cash balance. An attempt should be made to investigate the unidentified monies. In addition, adopt procedures to periodically follow up on old open items. Any unclaimed or unidentified monies should be disposed of in accordance with state law.

C. Establish and maintain an interest ledger to record interest transactions and balances. In addition, maintain adequate supporting documentation of all disbursements from the interest fund.

Status:

A-C. Implemented.

10. Associate Circuit Court

A. The Associate Circuit Clerk maintained substantial funds in two non-interest bearing accounts.

B. Receipts were not always deposited on a timely basis.

C. The method of payment was not recorded on receipt slips.

Recommendations:

The Associate Circuit Judge:

A. Maintain all funds in interest-bearing accounts to the extent possible.

B. Deposit all monies intact daily or when accumulated receipts exceed $100.

C. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

Status:

No longer applicable as on September 29, 2005 the Associate Circuit Court was combined with the Circuit Clerk's office.

11. Health Center's Controls and Procedures

A. The Health Center did not issue IRS Forms 1099-MISC as required.

B. The Health Center did not always enter into written contracts defining services to be provided and benefits to be received.

C. Employees' timesheet and expense reimbursement claim forms did not always contain documentation of the administrator's approval.

Recommendations:

The Board of Trustees:

A. Establish procedures to ensure IRS Forms 1099-MISC are issued as required by the Internal Revenue Code.

B. Enter into written contracts as required by state law. In addition, obtain a bank depositary agreement.

C. Require documentation of the administrator's approval on all timesheets and expense reimbursement claims.

Status:

A. Implemented.

B. Partially implemented. A written contract was entered into with the Carter County Health Center. However, a bank depositary agreement was not obtained. See MAR finding number 6.

C. Partially implemented. However, some timesheets did not indicate administrator's approval. See MAR finding number 6.

12. Senior Citizen Services Board

The Senior Citizens Board vice-chairperson was the husband of a board member of a funding recipient.

Recommendation:

The Senior Citizens Board ensure that Senior Citizen Board members do not have administrative ties with its funding recipients. If Senior Citizen Board members are related to individuals that serve on board of funding recipients, they should either remove themselves from the board or ensure that the minutes of board meetings clearly indicate that they are abstaining from discussing and voting on funding requests for these entities. Such matters should be completely documented so that the public has assurance that no board members have acted improperly. The board should also consider adopting a code of conduct for board members.

Status:

Partially implemented. Board minutes indicate that board members are abstaining from discussing and voting on funding requests. However a code of conduct has not been adopted. Although not repeated in the current report, our recommendation remains as stated above.

13. Senate Bill 40 Board

The board elected two members, as the chairperson and treasurer who are father and daughter, respectively. The board minutes did not document whether the daughter abstained from the election of her father as the chairperson. In addition, the secretary for a funding recipient is the wife and mother to the chairperson and treasurer, respectively.

Recommendation:

The Senate Bill 40 Board ensure Senate Bill 40 Board members abstain from voting when a relative's employment or appointment is involved. In addition, ensure that Senate Bill 40 Board members do not have administrative ties with funding recipients. If Senate Bill 40

Board members have relatives that serve on the boards of funding recipients, they should either remove themselves from the board or ensure that the minutes of board meetings clearly indicate that they are abstaining from discussing and voting on funding requests for these entities. Such matters should be completely documented so that the public has assurance that no board members have acted improperly. The board should also consider adopting a code of conduct for board members.

Status:

Not implemented. See MAR finding number 7.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RIPLEY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Ripley was named after General Eleazer W. Ripley of the War of 1812. Ripley County is a county-organized, third-class county and is part of the Thirty-Sixth Judicial Circuit. The county seat is Doniphan.

Ripley County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 398 miles of county roads and 53 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 12,458 in 1980 and 13,509 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 54.5	53.6	50.1	49.5	30.9	11.7
Personal property	18.6	17.5	16.5	17.0	4.0	4.5
Railroad and utilities	4.3	4.3	4.4	4.5	2.5	2.7
Total	$ 77.4	75.4	71.0	71.0	37.4	18.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ripley County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .3120	.3120	.3120	.3107
CART (Special Road and Bridge Fund) *	N/A	N/A	N/A	N/A
Health Center Fund	.1500	.1500	.1500	.1500
Senate Bill 40 Board Fund	.1000	.1000	.1000	.1000
Senior Citizens Fund	.0500	.0500	.0500	.0500

* The county has nineteen special road districts that receive the tax collections from property within each district. All of this levy is retained by the road districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 23,954	23,428	22,235	22,044
General Revenue Fund	252,223	246,855	234,592	232,300
Special Road Districts Fund	287,653	283,533	268,010	266,333
Assessment Fund	53,573	52,564	49,285	40,278
Health Center Fund	117,088	114,523	108,721	107,989
Senate Bill 40 Board Fund	77,020	75,312	71,471	70,970
School districts	2,191,264	2,144,057	2,033,804	2,021,822
Library district	160,001	159,802	151,354	149,601
Ambulance district	115,290	112,872	107,754	107,675
Hospital	231,115	225,989	214,469	213,038
Junior College	185,418	181,779	176,391	175,410
Fourchee Creek O & M	5,376	5,468	5,132	4,657
Naylor Drainage	43,839	44,022	44,817	45,523
Senior Citizens Fund	38,541	37,685	35,796	35,509
Tax sale costs	1,024	1,307	1,311	888
Tax sale surplus	4,873	10,215	7,936	41,266
Cities	9,752	9,748	9,515	9,655
County Clerk	1,133	1,148	1,178	1,149
County Employees' Retirement	36,082	33,174	32,758	29,998
Tax Maintenance Fund	12,789	11,485	11,317	10,598
Commissions and fees:				
General Revenue Fund	65,971	63,426	60,411	58,727
County Collector	916	909	938	954
Total	$ 3,914,897	3,839,303	3,649,196	3,646,382

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	92	92	92	91	%
Personal property	86	88	88	87	
Railroad and utilities	100	100	100	100	

Ripley County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
Law Enforcement Sales Tax	.0050	None	None	%

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
William D. Kennon Jr., Presiding Commissioner		24,440	24,440	24,440	24,440
David (Earl) Johnson, Associate Commissioner		22,440	22,440		
Jesse Roy, Associate Commissioner				22,440	22,440
Jerry Halley, Associate Commissioner		22,440	22,440	22,440	22,440
Bob Featherston, Recorder of Deeds		34,000	34,000	34,000	34,000
Becky York, County Clerk		34,000	34,000	34,000	34,000
Steven F. Lynxwiler, Prosecuting Attorney		41,000	41,000	41,000	41,000
Adam Whitton, Sheriff (1)		39,000	39,000	45,368	
Michael P. Cochran, Sheriff					35,750
Terry L. Slayton, County Treasurer		25,160	25,160	25,160	25,160
Mike Jackson, County Coroner		9,500	9,500	9,500	9,500
Brenda Emmons-Thompson, Public Administrator		20,000	20,000		
Thelma (Corine) Dean, Public Administrator				20,000	20,000
Jerry Martin, County Collector (2), year ended February 28 (29),	34,916	34,909	34,938	34,954	
Martha Woods, County Assessor (3), year ended August 31,		21,766			
Tom Skaggs, County Assessor (4), year ended August 31,		7,255	34,688	34,746	34,900
William (Troy) Ayers, County Surveyor (5)		2,000	2,150	2,000	1,750

(1) Includes $6,368 for overtime incurred while a deputy.
(2) Includes $916, $909, $938 and $954, respectively, of commissions earned for collecting drainage district property taxes for Naylor.
(3) Includes $516 in annual compensation received from the state.
(4) Includes $172, $688, $746, and $900, respectively, in annual compensation received from the state.
(5) Compensation on a fee basis.

State-Paid Officials:				
Sharon R. Richmond, Circuit Clerk (6)	49,470	48,500	47,850	45,329
Roberta Belcher, Circuit Clerk				8,751
James R. Hall, Associate Circuit Judge	96,000	96,000	96,000	96,000

(6) Includes payment for annual leave accrued while a deputy.

Susan Montee, CPA
Missouri State Auditor

August 2007

Twelfth Judicial Circuit

City of Montgomery City, Missouri
Municipal Division

Report No. 2007-38

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

An audit was conducted by our office of the Twelfth Judicial Circuit, city of Montgomery City, Missouri Municipal Division.

The city of Montgomery City Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren Counties. The Honorable Keith Sutherland serves as Presiding Judge.

We had no findings in this audit.

All reports are available on our website: www.auditor.mo.gov

STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twelfth Judicial Circuit
and
Municipal Judge
Montgomery City, Missouri

We have audited certain operations of the city of Montgomery City Municipal Division of the Twelfth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

No findings resulted from our audit of the city of Montgomery City Municipal Division of the Twelfth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Terese Summers, CPA
	Liang Xu

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWELFTH JUDICIAL CIRCUIT
CITY OF MONTGOMERY CITY, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Montgomery City Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	David Ferman
Court Clerk	Brandy Atterberry
City Administrator	Steven Deves
City Treasurer	Linda Block
City Collector	Jill Dunlap

Financial and Caseload Information

	Year Ended June 30,	
	2007	2006
Receipts	$44,750	64,990
Number of cases filed	384	385

Susan Montee, CPA
Missouri State Auditor

August 2007

Nodaway County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-37

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Nodaway, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Budgets were not prepared for the Associate Interest Fund and Probate Interest Fund. Additionally, the county's annual published financial statements did not comply with statutory requirements. While a vendor payment listing is published, actual financial information for the previous year is not published. Rather, the county has been publishing a summary of the approved budgets for the current year. Neither the Health Center nor SB 40 Board publishes financial statements separately.

While the county bid numerous items during our audit period, bids were not solicited or bid documentation was not retained for some expenditures. The County Commission indicated at least one item not bid was due to only being available from one vendor; however, documentation to support this claim was not maintained. In addition, acknowledgement of receipt of goods or services is not required prior to paying invoices.

Usage logs are not maintained from some county vehicles and fuel purchases are not tracked and reviewed for reasonableness. The Sheriff's Department operates 10 vehicles and the Road and Bridge Department operates 7 vehicles and various pieces of equipment and annual fuel costs totaled approximately $66,000 and $56,000 during 2006 and 2005, respectively.

Leave records are not updated timely and do not always agree with records maintained by some elected officials for their employees.

An account book is not maintained by the County Clerk summarizing property tax transactions and changes, and no evidence was provided to show the County Commission or County Clerk take any steps to review the accuracy of the Collector's monthly or annual settlements.

Also included in the audit were recommendations related to circuit court accounting procedures and Health Center procedures.

All reports are available on our Web site: www.auditor.mo.gov

NODAWAY COUNTY, MISSOURI

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NODAWAY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Nodaway County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Nodaway County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 4, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Nodaway County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

April 4, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tania Williams
Audit Staff:	Eartha Taylor, CPA
	Karla Swift
	Brian Huff

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Nodaway County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Nodaway County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

April 4, 2007

Financial Statements

Exhibit A-1

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	3,329,448	2,969,921	2,918,727	3,380,642
Special Road and Bridge		1,587,282	2,991,201	3,684,551	893,932
Assessment		115,202	301,898	256,336	160,764
Law Enforcement Training		31,120	7,877	9,924	29,073
Prosecuting Attorney Training		565	1,314	1,031	848
Recorder User Fee		21,887	13,048	16,606	18,329
Tax Incentive Payment		7,081	4,900	0	11,981
Sheriff Crime Cost		13,958	15,065	13,962	15,061
Nuclear Accident Emergency Preparedness		6,009	5,000	1,124	9,885
Senior Citizens Fund		23,980	126,082	124,037	26,025
Local Emergency Preparedness		16,727	2,480	132	19,075
Adult Abuse		1,906	1,970	2,000	1,876
911		152,588	129,051	75,137	206,502
Election Services		25,005	14,604	7,949	31,660
Collector Tax Maintenance		24,169	15,821	4,490	35,500
Circuit Division Interest		2,364	287	360	2,291
Law Library		1,952	9,866	10,373	1,445
Health Center		322,157	464,368	500,981	285,544
Senate Bill 40		21,447	128,015	130,644	18,818
Associate Division Interest		26,607	101	13,699	13,009
Probate Division Interest		386	16	0	402
Total	$	5,731,840	7,202,885	7,772,063	5,162,662

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	3,596,238	2,685,195	2,951,985	3,329,448
Special Road and Bridge		1,284,573	4,230,415	3,927,706	1,587,282
Assessment		64,992	278,117	227,907	115,202
Law Enforcement Training		28,821	8,108	5,809	31,120
Prosecuting Attorney Training		473	1,307	1,215	565
Recorder User Fee		21,942	14,016	14,071	21,887
Tax Incentive Payment		7,081	0	0	7,081
Sheriff Crime Cost		4,710	21,766	12,518	13,958
Nuclear Accident Emergency Preparedness		6,405	0	396	6,009
Senior Citizen Fund		15,890	123,133	115,043	23,980
Local Emergency Preparedness		16,302	5,504	5,079	16,727
Adult Abuse		5,495	3,186	6,775	1,906
911		82,489	139,914	69,815	152,588
Election Services		26,659	1,924	3,578	25,005
Collector Tax Maintenance		13,446	12,501	1,778	24,169
Circuit Division Interest		1,857	531	24	2,364
Law Library		2,578	3,974	4,600	1,952
Health Center		358,800	446,066	482,709	322,157
Senate Bill 40		21,575	126,232	126,360	21,447
Associate Division Interest		26,314	293	0	26,607
Probate Division Interest		369	17	0	386
Total	$	5,587,009	8,102,199	7,957,368	5,731,840

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 7,789,878	7,202,768	(587,110)	6,353,952	8,101,889	1,747,937
DISBURSEMENTS	8,723,273	7,758,364	964,909	8,544,293	7,957,368	586,925
RECEIPTS OVER (UNDER) DISBURSEMENTS	(933,395)	(555,596)	377,799	(2,190,341)	144,521	2,334,862
CASH, JANUARY 1	5,704,967	5,704,847	(120)	5,560,326	5,560,326	0
CASH, DECEMBER 31	4,771,572	5,149,251	377,679	3,369,985	5,704,847	2,334,862
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	1,500	20,100	18,600	700	18,611	17,911
Sales taxes	1,902,000	1,928,909	26,909	1,801,000	1,964,319	163,319
Intergovernmental	641,135	393,607	(247,528)	123,197	170,792	47,595
Charges for services	384,800	436,151	51,351	363,758	390,050	26,292
Interest	100,000	169,884	69,884	50,000	119,881	69,881
Other	10,500	21,270	10,770	7,600	21,542	13,942
Total Receipts	3,039,935	2,969,921	(70,014)	2,346,255	2,685,195	338,940
DISBURSEMENTS						
County Commission	116,926	107,614	9,312	118,492	116,161	2,331
County Clerk	103,055	96,242	6,813	101,459	90,422	11,037
Elections	225,100	201,078	24,022	260,000	151,724	108,276
Buildings and grounds	827,667	405,595	422,072	660,485	434,191	226,294
Employee fringe benefit	318,265	282,669	35,596	250,200	273,773	(23,573)
County Treasurer	89,296	91,005	(1,709)	87,051	85,444	1,607
Ex Officio Recorder of Deed	76,234	75,316	918	75,398	73,962	1,436
Circuit Clerk	54,500	40,603	13,897	48,300	45,586	2,714
Associate Circuit Court	0	0	0	14,200	9,263	4,937
Court Administration	11,982	5,327	6,655	39,205	9,498	29,707
Public Administrator	32,905	32,317	588	31,852	30,875	977
Sheriff	428,919	427,849	1,070	425,644	455,367	(29,723)
Jail	464,707	405,431	59,276	384,774	386,957	(2,183)
Prosecuting Attorney	165,092	137,073	28,019	155,205	144,521	10,684
Juvenile Officer	70,450	50,480	19,970	60,500	60,666	(166)
County Coroner	30,807	26,534	4,273	30,447	21,507	8,940
Computer system	20,000	17,597	2,403	27,000	13,146	13,854
General county governmen	274,667	260,472	14,195	299,400	277,073	22,327
Donations	5,000	5,000	0	5,000	5,000	0
Other	500	525	(25)	0	0	0
Transfers out	250,000	250,000	0	250,000	250,000	0
Emergency Fund	73,000	0	73,000	73,000	16,849	56,151
Total Disbursements	3,639,072	2,918,727	720,345	3,397,612	2,951,985	445,627
RECEIPTS OVER (UNDER) DISBURSEMENTS	(599,137)	51,194	650,331	(1,051,357)	(266,790)	784,567
CASH, JANUARY 1	3,329,448	3,329,448	0	3,596,238	3,596,238	0
CASH, DECEMBER 31	2,730,311	3,380,642	650,331	2,544,881	3,329,448	784,567

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	122,000	125,498	3,498	122,000	122,594	594
Intergovernmental	2,909,275	2,363,161	(546,114)	2,330,000	3,620,397	1,290,397
Charges for services	190,000	197,500	7,500	190,000	180,269	(9,731)
Interest	40,000	50,907	10,907	17,000	41,805	24,805
Other	20,000	4,135	(15,865)	100	15,350	15,250
Transfers in	250,000	250,000	0	250,000	250,000	0
Total Receipts	3,531,275	2,991,201	(540,074)	2,909,100	4,230,415	1,321,315
DISBURSEMENTS						
Salaries	203,220	198,693	4,527	167,516	177,482	(9,966)
Employee fringe benefit	65,450	61,014	4,436	48,700	56,585	(7,885)
Supplies	57,172	61,763	(4,591)	50,000	57,513	(7,513)
Insurance	35,000	35,631	(631)	22,000	31,504	(9,504)
Road and bridge materials	1,170,753	1,225,308	(54,555)	1,654,544	1,502,349	152,195
Equipment repairs	20,000	20,339	(339)	20,000	44,231	(24,231)
Equipment purchases	101,000	456,864	(355,864)	120,000	77,905	42,095
Road and bridge construction	2,176,872	1,624,390	552,482	1,864,721	1,979,923	(115,202)
Other	500	549	(49)	1,000	214	786
Debt service	0	0	0	5,000	0	5,000
Total Disbursements	3,829,967	3,684,551	145,416	3,953,481	3,927,706	25,775
RECEIPTS OVER (UNDER) DISBURSEMENTS	(298,692)	(693,350)	(394,658)	(1,044,381)	302,709	1,347,090
CASH, JANUARY 1	1,587,282	1,587,282	0	1,284,573	1,284,573	0
CASH, DECEMBER 31	1,288,590	893,932	(394,658)	240,192	1,587,282	1,347,090
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	277,700	287,099	9,399	231,000	270,231	39,231
Interest	5,500	10,955	5,455	1,500	5,534	4,034
Other	2,800	3,844	1,044	2,700	2,352	(348)
Total Receipts	286,000	301,898	15,898	235,200	278,117	42,917
DISBURSEMENTS						
Assessor	285,970	256,336	29,634	269,482	227,907	41,575
Total Disbursements	285,970	256,336	29,634	269,482	227,907	41,575
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	45,562	45,532	(34,282)	50,210	84,492
CASH, JANUARY 1	115,202	115,202	0	64,992	64,992	0
CASH, DECEMBER 31	115,232	160,764	45,532	30,710	115,202	84,492
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	0	7,877	7,877	7,000	8,108	1,108
Total Receipts	0	7,877	7,877	7,000	8,108	1,108
DISBURSEMENTS						
Training	12,000	9,924	2,076	12,000	5,809	6,191
Total Disbursements	12,000	9,924	2,076	12,000	5,809	6,191
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,000)	(2,047)	9,953	(5,000)	2,299	7,299
CASH, JANUARY 1	31,120	31,120	0	28,821	28,821	0
CASH, DECEMBER 31	19,120	29,073	9,953	23,821	31,120	7,299

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Intergovernmental revenues	1,235	1,314	79	1,225	1,307	82
Total Receipts	1,235	1,314	79	1,225	1,307	82
DISBURSEMENTS						
Mileage	500	0	500	0	0	0
Training	500	1,031	(531)	1,000	1,215	(215)
Total Disbursements	1,000	1,031	(31)	1,000	1,215	(215)
RECEIPTS OVER (UNDER) DISBURSEMENTS	235	283	48	225	92	(133)
CASH, JANUARY 1	565	565	0	473	473	0
CASH, DECEMBER 31	800	848	48	698	565	(133)
RECORDER USER FEE FUND						
RECEIPTS						
Charges for services	13,400	12,156	(1,244)	14,000	13,363	(637)
Interest	600	892	292	300	653	353
Total Receipts	14,000	13,048	(952)	14,300	14,016	(284)
DISBURSEMENTS						
Equipment	20,000	16,606	3,394	20,000	14,071	5,929
Total Disbursements	20,000	16,606	3,394	20,000	14,071	5,929
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,000)	(3,558)	2,442	(5,700)	(55)	5,645
CASH, JANUARY 1	21,887	21,887	0	21,942	21,942	0
CASH, DECEMBER 31	15,887	18,329	2,442	16,242	21,887	5,645
TAX INCENTIVE PAYMENT FUND						
RECEIPTS						
Intergovernmental	0	4,900	4,900	0	0	0
Total Receipts	0	4,900	4,900	0	0	0
DISBURSEMENTS						
Other	1,000	0	1,000	1,000	0	1,000
Total Disbursements	1,000	0	1,000	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	4,900	5,900	(1,000)	0	1,000
CASH, JANUARY 1	7,081	7,081	0	7,081	7,081	0
CASH, DECEMBER 31	6,081	11,981	5,900	6,081	7,081	1,000
SHERIFF CRIME COST FUND						
RECEIPTS						
Intergovernmental	17,000	15,065	(1,935)	22,000	19,891	(2,109)
Donations	2,000	0	(2,000)	0	1,875	1,875
Total Receipts	19,000	15,065	(3,935)	22,000	21,766	(234)
DISBURSEMENTS						
Other	22,000	13,962	8,038	22,000	12,518	9,482
Total Disbursements	22,000	13,962	8,038	22,000	12,518	9,482
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,000)	1,103	4,103	0	9,248	9,248
CASH, JANUARY 1	13,959	13,958	(1)	4,710	4,710	0
CASH, DECEMBER 31	10,959	15,061	4,102	4,710	13,958	9,248

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
NUCLEAR ACCIDENT EMERGENCY PREPAREDNESS FUND						
RECEIPTS						
Other	5,000	5,000	0	0	0	0
Total Receipts	5,000	5,000	0	0	0	0
DISBURSEMENTS						
Mileage	500	182	318	1,000	0	1,000
Training	3,000	550	2,450	3,000	165	2,835
Other	1,000	392	608	2,000	231	1,769
Total Disbursements	4,500	1,124	3,376	6,000	396	5,604
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	3,876	3,376	(6,000)	(396)	5,604
CASH, JANUARY 1	6,009	6,009	0	6,405	6,405	0
CASH, DECEMBER 31	6,509	9,885	3,376	405	6,009	5,604
SENIOR CITIZEN FUND						
RECEIPTS						
Property taxes	126,177	123,855	(2,322)	115,000	121,713	6,713
Interest	0	2,030	2,030	300	1,073	773
Other	0	197	197	200	347	147
Total Receipts	126,177	126,082	(95)	115,500	123,133	7,633
DISBURSEMENTS						
Fund disbursement	124,000	124,037	(37)	115,000	115,043	(43)
Office expense	37	0	37	0	0	0
Total Disbursements	124,037	124,037	0	115,000	115,043	(43)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,140	2,045	(95)	500	8,090	7,590
CASH, JANUARY 1	23,980	23,980	0	15,890	15,890	0
CASH, DECEMBER 31	26,120	26,025	(95)	16,390	23,980	7,590
LOCAL EMERGENCY PREPAREDNESS FUND						
RECEIPTS						
Intergovernmental	4,800	2,480	(2,320)	5,000	5,504	504
Total Receipts	4,800	2,480	(2,320)	5,000	5,504	504
DISBURSEMENTS						
Training	7,500	132	7,368	5,000	5,079	(79)
Other	1,500	0	1,500	6,000	0	6,000
Total Disbursements	9,000	132	8,868	11,000	5,079	5,921
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,200)	2,348	6,548	(6,000)	425	6,425
CASH, JANUARY 1	16,727	16,727	0	16,302	16,302	0
CASH, DECEMBER 31	12,527	19,075	6,548	10,302	16,727	6,425

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ADULT ABUSE FUND						
RECEIPTS						
Intergovernmental	2,900	1,970	(930)	2,700	3,186	486
Total Receipts	2,900	1,970	(930)	2,700	3,186	486
DISBURSEMENTS						
Fund disbursement	3,000	2,000	1,000	3,000	6,775	(3,775)
Total Disbursements	3,000	2,000	1,000	3,000	6,775	(3,775)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	(30)	70	(300)	(3,589)	(3,289)
CASH, JANUARY 1	1,906	1,906	0	5,495	5,495	0
CASH, DECEMBER 31	1,806	1,876	70	5,195	1,906	(3,289)
911 FUND						
RECEIPTS						
Charges for services	135,000	119,547	(15,453)	130,000	135,741	5,741
Interest	4,000	9,504	5,504	500	4,173	3,673
Total Receipts	139,000	129,051	(9,949)	130,500	139,914	9,414
DISBURSEMENTS						
Supplies	600	587	13	600	557	43
Equipment	20,000	18,419	1,581	20,000	14,825	5,175
Utilities	60,000	54,961	5,039	60,000	50,403	9,597
Sign expenses	3,000	1,170	1,830	3,000	4,030	(1,030)
Total Disbursements	83,600	75,137	8,463	83,600	69,815	13,785
RECEIPTS OVER (UNDER) DISBURSEMENTS	55,400	53,914	(1,486)	46,900	70,099	23,199
CASH, JANUARY 1	152,588	152,588	0	82,489	82,489	0
CASH, DECEMBER 31	207,988	206,502	(1,486)	129,389	152,588	23,199
ELECTION SERVICES FUND						
RECEIPTS						
Charges for services	14,000	12,950	(1,050)	1,500	976	(524)
Interest	700	1,654	954	100	948	848
Total Receipts	14,700	14,604	(96)	1,600	1,924	324
DISBURSEMENTS						
Equipment	10,000	0	10,000	6,000	1,328	4,672
HAVA	0	7,949	(7,949)	0	0	0
Scholarship program	0	0	0	2,500	2,250	250
Polling place grant	13,000	0	13,000	0	0	0
Total Disbursements	23,000	7,949	15,051	8,500	3,578	4,922
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,300)	6,655	14,955	(6,900)	(1,654)	5,246
CASH, JANUARY 1	25,005	25,005	0	26,659	26,659	0
CASH, DECEMBER 31	16,705	31,660	14,955	19,759	25,005	5,246

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COLLECTOR TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	12,000	14,313	2,313	10,000	11,809	1,809
Interest	600	1,508	908	200	640	440
Other	50	0	(50)	0	52	52
Total Receipts	12,600	15,821	3,221	10,200	12,501	2,301
DISBURSEMENTS						
Office supplies	3,000	1,491	1,509	3,000	1,328	1,672
Equipment	1,000	1,018	(18)	1,000	0	1,000
Training	1,500	50	1,450	500	450	50
Computer programming	2,500	1,631	869	2,500	0	2,500
Professional services	500	300	200	300	0	300
Other	500	0	500	0	0	0
Total Disbursements	9,000	4,490	4,510	7,300	1,778	5,522
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,600	11,331	7,731	2,900	10,723	7,823
CASH, JANUARY 1	24,169	24,169	0	13,446	13,446	0
CASH, DECEMBER 31	27,769	35,500	7,731	16,346	24,169	7,823
CIRCUIT DIVISION INTEREST FUND						
RECEIPTS						
Interest	287	287	0	531	531	0
Total Receipts	287	287	0	531	531	0
DISBURSEMENTS						
Miscellaneous and/or equipmen	360	360	0	24	24	0
Total Disbursements	360	360	0	24	24	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(73)	(73)	0	507	507	0
CASH, JANUARY 1	1,857	2,364	507	1,857	1,857	0
CASH, DECEMBER 31	1,784	2,291	507	2,364	2,364	0
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	9,000	9,866	866	3,275	3,974	699
Total Receipts	9,000	9,866	866	3,275	3,974	699
DISBURSEMENTS						
Office supplies and equipmen	10,500	10,373	127	4,650	4,600	50
Total Disbursements	10,500	10,373	127	4,650	4,600	50
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,500)	(507)	993	(1,375)	(626)	749
CASH, JANUARY 1	2,578	1,952	(626)	2,578	2,578	0
CASH, DECEMBER 31	1,078	1,445	367	1,203	1,952	749

Exhibit B

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property tax	125,000	127,940	2,940	122,295	126,158	3,863
Intergovernmental	281,319	267,573	(13,746)	282,371	279,345	(3,026)
Charges for services	44,050	50,296	6,246	19,000	29,083	10,083
Interest	6,000	12,505	6,505	2,800	7,957	5,157
Other	2,500	6,054	3,554	2,500	3,523	1,023
Total Receipts	458,869	464,368	5,499	428,966	446,066	17,100
DISBURSEMENTS						
Salaries, contract labor and fringes	286,800	296,535	(9,735)	287,081	286,085	996
Office expenditures	27,200	21,130	6,070	26,000	29,838	(3,838)
Equipment and maintenance	42,600	32,164	10,436	29,000	50,014	(21,014)
Program expenses	116,754	96,886	19,868	117,513	90,658	26,855
Mileage and travel	21,000	24,725	(3,725)	17,000	23,524	(6,524)
Professional services	16,646	16,814	(168)	5,000	1,189	3,811
Other	11,843	12,727	(884)	21,050	1,401	19,649
Total Disbursements	522,843	500,981	21,862	502,644	482,709	19,935
RECEIPTS OVER (UNDER) DISBURSEMENTS	(63,974)	(36,613)	27,361	(73,678)	(36,643)	37,035
CASH, JANUARY 1	322,157	322,157	0	358,800	358,800	0
CASH, DECEMBER 31	258,183	285,544	27,361	285,122	322,157	37,035
SENATE BILL 40 FUND						
RECEIPTS						
Property taxes	125,000	127,904	2,904	120,500	126,140	5,640
Interest	100	111	11	100	92	(8)
Total Receipts	125,100	128,015	2,915	120,600	126,232	5,632
DISBURSEMENTS						
Contract services	98,000	103,180	(5,180)	95,000	100,838	(5,838)
Administration	939	773	166	1,000	810	190
Special olympics	5,885	5,885	0	20,000	5,000	15,000
Group homes	3,600	3,899	(299)	0	3,450	(3,450)
Emergency	10,000	14,892	(4,892)	0	14,515	(14,515)
Patient care	4,000	2,015	1,985	10,000	1,747	8,253
Total Disbursements	122,424	130,644	(8,220)	126,000	126,360	(360)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,676	(2,629)	(5,305)	(5,400)	(128)	5,272
CASH, JANUARY 1	21,447	21,447	0	21,575	21,575	0
CASH, DECEMBER 31	24,123	18,818	(5,305)	16,175	21,447	5,272

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Associate Division Interest Fund	2006 and 2005
Probate Division Interest Fund	2006 and 2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Training Fund	2006 and 2005
Senior Citizen Tax Fund	2005
Adult Abuse Fund	2005
Senate Bill 40 Fund	2006 and 2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county did not publish financial statements for the years ended December 31, 2006 and 2005. The county did publish a summary of the budgets for most county funds and a detailed vendor payment listing, by fund, for the years ended December 31, 2006 and 2005.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Nodaway County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, Health Center Board's and the Senate Bill 40 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's, Health Center Board's, or Senate Bill 40 Board's custodial bank in the county's, Health Center Board's or Senate Bill 40 Board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Supplementary Schedule

Schedule

NODAWAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5174	55,393	51,833
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ER01640760	2,702	0
		ER01640697	3,371	4,462
	Program Total		6,073	4,462
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state			
	Department of Public Safety			
16.523	Juvenile Accountability Incentive Block Grant	7876G17676-12	200	200
		7647G1647-10	0	8,389
		6856G16856-06	0	2,400
	Program Total		200	10,989
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO - 074(21)	1,589	0
		BRO - 074(27)	0	198,166
		BRO - 074(36)	0	512,170
		BRO - 074(37)	586	517,878
		BRO - 074(38)	2,746	273,762
		BRO - 074(39)	366,024	331,027
		BRO - 074(40)	268,759	26,074
		BRO - 074(41)	362,304	27,384
		BRO - 074(42)	231,635	22,353
		BRO - 074(43)	7,736	20,343
		BRO - 074(44)	28,017	0
		BRO - 074(45)	18,579	0
		BRO - 074(46)	19,094	0
		BRO - 074(47)	20,661	0
	Program Total		1,327,730	1,929,157
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	34	1,386

Schedule

NODAWAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Office of Secretary of State			
39.011	Election Reform Payments	47060101808	7,949	0
	U.S. ENVIRONMENTAL PROTECTION AGENCY			
	Direct Program			
66.202	Congressionally Mandated Program	XP987118011	398,757	472,343
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA 2002 Fed, 95165	99,000	133,942
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
92.968	HHS Community Mental Health Block Gran	C306194001	2,563	0
93.243	HHS Youth Suicide Program	C306194001	5,649	0
93.268	Immunization Grant	N/A	45,834	43,859
93.283	Centers for Disease Control and Prevention	ERS15160001	0	1,413
	Investigations and Technical Assistanc	ERS16150094	10,940	2,800
		ERS16150094	0	9,902
		U50/CCU7237760	5,946	0
		UR50/CCU72377	0	3,544
		AOCO5380147	109,665	109,665
		DA080011045	7,509	0
	Program Total		134,060	127,324
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA67-5226C	435	1,330
		PGA07-6226C	440	440
	Program Total		875	1,770
	Department of Social Services -			
93.658	Foster Care - Title IV-E	PGA067-6174C	1,495	2,331
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5174M	18,358	21,366
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2003-MU-T3-0003	0	23,500
		2004-GE-T4-0049	0	22,410
	Program Total		0	45,910
	Total Expenditures of Federal Awards		$ 2,103,970	2,846,672

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

NODAWAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Nodaway County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the State Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $398,757 and $472,343, to subrecipients under the U.S. Environmental Protection Agency (CFDA number 66.202) during the years ended December 31, 2006 and 2005, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Nodaway County, Missouri

Compliance

We have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Nodaway County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005.

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Internal Control Over Compliance

The management of Nodaway County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

April 4, 2007

Schedule

NODAWAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	__x__ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction
66.202	Congressionally Mandated Program

Dollar threshold used to distinguish between Type A

and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Nodaway County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2004.

04-1 Budgetary Practices

A. The county did not adopt budgets for the Associate and Probate Division Interest Funds and the Senate Bill 40 Board Fund for the years ended December 31, 2004 and 2003.

B. Warrants were issued in excess of approved budgets for several county funds during the years ended December 31, 2004 and 2003.

Recommendations:

A. The County Commission adopt budgets for all county funds.

B. Warrants should not be issued in excess of budgeted funds.

Status:

A. Partially implemented. While budgets were prepared for the Senate Bill 40 Fund, the Associate Division Interest Fund and Probate Division Interest Fund were still not budgeted. See Management Advisory Report (MAR) finding number 1.

B. Not implemented. While a few funds were still overspent, the County did show improvement in this area by significantly reducing the number of funds incurring expenditures in excess of budgeted amounts. Although not repeated in the current report, the recommendation remains as stated above.

04-2 Published Financial Statements

The County's published financial statements did not include the following County funds:

Fund	Years Ended December 31,
Senate Bill 40 Fund	2004 and 2003
Circuit Division Interest Fund	2004 and 2003
Associate Division Interest Fund	2004 and 2003
Law Library Fund	2004 and 2003
Probate Division Interest Fund	2004 and 2003

Recommendation:

The County ensure that financial information for all county funds is properly reported in the annual published financial statements.

Status:

Not implemented. See MAR finding number 1.

04-3 Senate Bill 40 Board

The Senate Bill 40 Board did not prepare formal monthly bank reconciliations.

Recommendation:

Ensure bank reconciliations are performed monthly.

Status:

Not implemented. While formal bank reconciliations are still not documented, a review of the bank statements revealed very few reconciling items existed and the board Treasurer indicated he was comparing the bank balances to book records monthly. Although not repeated in the current report, the recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

NODAWAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

NODAWAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 4, 2007. We also have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 4, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Nodaway County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits

performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nodaway County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Budgetary Practices and Published Financial Statements

Budgets were not prepared for some county funds and rather than publishing annual financial statements, the county is publishing a summary of the current year's budget.

A. The County Commission and Associate Circuit Judge did not ensure that budgets were prepared for the Associate Interest Fund and Probate Interest Fund. While these particular funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office.

By preparing or obtaining budgets for all county funds, the County Commission, county boards, and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

B. The county's annual published financial statements did not comply with the requirements of the law. While the county publishes vendor payment listings as required, actual financial information for the previous year is not published. Rather, the county publishes a summary of the approved budgets for the current year for county funds, except the Health Center's and Senate Bill 40 funds. Additionally, neither the Health Center Board nor Senate Bill 40 Board published their financial statement separately.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. Ensure budgets are prepared for all county funds.

B. Ensure published financial statements contain the required financial information of all county funds as required by state law.

AUDITEE'S RESPONSE

A. We will make every attempt to budget every fund in 2008.

B. We agree and will ensure all county funds are properly published in 2008.

2.	Expenditures

Bids were not solicited or bid documentation was not retained for some expenditures. Contracts were not always entered into for professional services and controls over fuel purchases for county vehicles need improvement.

A. While a review of county minutes and bid files indicated the county bid numerous items, bids were not solicited or bid documentation was not retained for some expenditures, including remodeling of the Sheriff's office ($4,570), a sheriff's vehicle ($20,438), and courthouse maintenance ($40,918). Neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations. The County Commission indicated that the courthouse maintenance was only available from one vendor in the area; however, documentation of sole source procurements was not maintained.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. Usage logs are not maintained for some county vehicles and fuel purchases are not tracked for any of the vehicles and equipment operated by the county. While usage logs are maintained for Sheriff's vehicles, the Road and Bridge Department does not

keep usage logs for their county vehicles. In addition, neither the Sheriff's Department or Road and Bridge Department track fuel purchases for county vehicles and equipment. There are 10 Sheriff's vehicles, 7 Road and Bridge vehicles and various pieces of equipment operated by the county and annual fuel purchases totaled approximately $66,000 and $56,000 during 2006 and 2005, respectively.

A log of activity and patrol car usage is documented by deputies in the Sheriff's Department, but fuel purchases were not recorded in these logs. Fuel purchases by deputies are charged to credit cards and a bill is sent to the County monthly, but a comparison of the fuel purchases reported on the bill to the vehicle usage is not performed to ensure the fuel purchases appear reasonable. The Road and Bridge Department has two bulk fuel tanks they use to fuel vehicles and equipment, but have no procedures in place to track fuel usage to ensure all fuel pumped is used for county vehicles and equipment. The Road and Bridge department should maintain a fuel inventory record, adding all fuel purchased and deducting all fuel used. In addition, fuel on hand should be measured on a periodic basis and agreed to the fuel inventory record.

Without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

C. Acknowledgment of receipt of goods or services is not required prior to paying invoices. Procedures to approve billings for goods and services that pertain to various elected officials' offices (i.e., fuel for sheriff’s vehicles; construction; bridge supplies; etc.) do not require review and approval by those officials or employees that have knowledge of the transactions.

Proper reviews of billings by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings, and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

Conditions similar to part A and C were noted in our prior report.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Require the preparation of usage logs for all county vehicles, and ensure proper reviews and reconciliations are performed.

C. Establish effective expenditure review procedures to prevent duplicate payments and ensure payments are only made for legitimate goods and services.

AUDITEE'S RESPONSE

A. We will continue to perform competitive procurement for all major purchases and will better document decisions in the future, regardless of whether bids were required or not.

B. We will discuss this recommendation with the Sheriff and the road and bridge supervisor, and develop ways to better document a review of fuel purchases and usage.

C. Implemented.

3. Property Tax Books and Procedures

Neither the County Commission nor the County Clerk provides an adequate review of the activities of the ex-officio Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

WE RECOMMEND the County Commission and County Clerk monitor property tax system activities and perform a thorough review of the County Collector’s annual settlements.

AUDITEE'S RESPONSE

We are in the process of developing procedures to monitor activities of the ex officio County Collector's office and will review and approve the Collector's annual settlements in the future.

4.	**Payroll and Leave Balances**

The County Clerk maintains centralized leave records for most county employees, but these records are not updated timely and did not always agree with records maintained by some elected officials for their employees. The County Clerk maintains leave balances for all county employees except the Sheriff's Department, which are tracked by the Sheriff. In addition, it appears some leave balances exceeded the maximum allowed by the county's leave policy.

At our request, the County Clerk updated employee leave records, but a comparison to leave balances maintained by some other officials, including the Prosecuting Attorney, revealed significant differences between the balance reported by the County and some individual employees. The Prosecuting Attorney's leave records for one employee indicated 72 vacation days and 98 sick days had accumulated, while the County Clerk's balances for this employee were significantly lower. One reason for this difference appears to be that the County Clerk did not determine the correct starting balance for this employee when she began tracking leave several years ago. In addition, the county personnel policy states employees may only accumulate up to 30 days each of vacation and sick days, and that any days earned once the maximum accrual has been reached are lost. The County Commission approved paying this employee 65 days vacation time in February 2007, apparently because the employee had earned these additional days before the current policy was adopted.

Without up-to-date leave records, the County Commission cannot ensure that employees' vacation leave, sick leave, and compensatory time balances are accurate and excessive leave time is not used. To ensure leave balances are accurate and employees are treated equitably, leave time earned and taken should be recorded on a timely basis and the county should follow the personnel policy regarding the maximum accumulation of leave. If differences exist between the County Clerk's balances and the officials' records for their employees, these differences should be resolved and balances should be periodically compared.

WE RECOMMEND the County Commission require the County Clerk maintain up-to-date centralized leave records and ensure the personnel policy is enforced regarding the maximum accumulation of leave. In addition, the county should resolve differences between records maintained by elected officials for their employees and the records maintained by the County Clerk.

AUDITEE'S RESPONSE

We will periodically have the County Clerk agree our leave records to the leave records maintained by elected officials for their employees and will ensure the centralized leave records are up to date in the future.

5. Circuit Court Accounting Procedures

Accounting duties are not adequately segregated and a supervisory review of the work performed by the clerks is not performed and documented. In addition, bank reconciliations were not performed timely and open items listings for the associate interest account did not reconcile to the cash balance.

The Circuit Division implemented the Justice Information System (JIS), a statewide computerized case management system, in March 2006. Prior to that time, a manual recordkeeping system had been utilized and each division maintained a bank account to process transactions and accumulate interest. The Associate, Probate and Circuit Divisions were combined in March 2006 and now maintain four bank accounts; a JIS account, circuit interest account, old associate interest account, and old probate interest account. Most open items held in the various interest accounts were transferred to the JIS account upon conversion. Receipts processed by the division totaled approximately $625,000 and $469,000 for 2006 and 2005, respectively. Since the conversion to JIS some essential accounting and reconciliation procedures were not being performed. Our review of the records and procedures noted the following concerns:

A. The duties of receiving, recording, depositing, and reconciling receipts are not adequately segregated and an independent review of transactions posted to the JIS system, deposits, and bank reconciliations is not performed. The court has four clerks who can each receive monies, post transactions to the computer, and prepare and make deposits. Although only one of these clerks is responsible for performing bank reconciliations and maintaining the accounting records, her work is not reviewed by an independent person and a review of the daily reports and deposits by the other three clerks is not documented.

   Failure to ensure an adequate independent review of financial records is performed may allow errors or misappropriations to go undetected. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Bank reconciliations for the various court accounts were not prepared timely and open items listings prepared for the associate court account did not reconcile to the cash balance. Bank reconciliations for the various accounts were not prepared by the court after the conversion to JIS until March 2007. Apparently the clerk responsible

for bank reconciliations missed some JIS training provided during the conversion and fell behind in performing the reconciliations. In addition, open items for the associate account at December 31, 2005 exceeded the reconciled book balance by approximately $6,135, and open items listings were not prepared monthly after September 2006. Based on a discussion with the Associate Circuit Judge, he approved using a portion of the funds representing interest to cover the shortfall, which amounted to approximately $5,780 at December 31, 2006, based on information provided by the court.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. In addition, reconciling the balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities.

WE RECOMMEND the Circuit Clerk:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Ensure bank reconciliations are prepared on a monthly basis for each account. In addition, open items listings should be prepared monthly and reconciled to the account balances.

AUDITEE'S RESPONSE

A. We will discuss how to best provide an independent review of the Circuit Court, and will implement those procedures immediately.

B. We are now reconciling all accounts monthly and will ensure they reconcile to open items listings.

6. Health Center Procedures

The Heath Center does not have a written policy for capital assets. Also, assets were not tagged and additions and dispositions are not accounted for. Physical inventories are not performed. In addition, closed meetings are not conducted in accordance with state law and final dispositions discussed in closed sessions are not recorded in open session minutes.

A. Records and procedures used to account for capital assets need improvement. Various items were not properly tagged as property of the Health Center for specific identification, dispositions and additions are not properly accounted for and an annual physical inventory of the property is not performed. Although the Health Center has a list of capital assets, the list is not updated on a periodic basis and did

not always include accurate information. Four items, a personal computer, computer server, copier and photo ID system, with a total value of over $21,000, were purchased but not added to asset records or tagged. Without adequate property records for capital assets, accountability for all items purchased and owned are lessened and there is no documentation for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for capital assets of the Health Center, the city needs to undertake a comprehensive review of all property owned. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The Health Center should properly record all capital asset transactions, and ensure the accuracy of the recorded capital assets. In addition, the Health Center should periodically take physical counts of its assets and compare to the detailed records.

B. Minutes of closed meetings are maintained, but improvement in the handling of and documentation for closed meetings is needed. The specific reason for closing the meeting was not documented in the open minutes, some topics were not allowable, and decisions made in closed session were not always disclosed in open session. The Health Center Board held numerous closed sessions over the past several years. Reasons for closing some meetings were not disclosed and some topics discussed, such as the purchase of a new certificate of deposit, work schedule changes, and assessed valuation and tax levy changes, are not allowable topics for closed sessions. In addition, decisions made in closed session were not properly disclosed in open session.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the Health Center Board:

A. Establish a written policy related to accounting for and disposing of capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with Health Center's property.

B. Ensure closed meetings are conducted according to state law. In addition, the Board should ensure the final dispositions of applicable matters discussed in closed session are recorded in the regular public meeting minutes.

AUDITEE'S RESPONSE

The Health Center Administrator responded:

A. We have updated our asset record and retagged all of our properties. I will work with the board to develop a written policy for handling capital assets by October 2007.

B. We are now conducting closed sessions in accordance with the state law.

Follow-Up on Prior Audit Findings

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Nodaway County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices

   A. The county did not have adequate procedures to ensure budgets were prepared for all county funds, and as a result, budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001. In addition, the county's annual published financial statements presented no information for some county funds.

   B. The County Commission approved expenditures in excess of budgeted amounts for the various funds for the years ended December 31, 2002 and 2001. Procedures were not established to monitor budget to actual amounts.

   Recommendations:

   A. Ensure budgets are prepared for all county funds and include all county funds in the published financial statements as required by state law.

   B. Refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was adopted, the County Commission should amend its budget by following procedures required by law.

   Status:

   A. Not implemented. See MAR finding number 1.

   B. Not implemented. While a few funds were still overspent, the County did show improvement by significantly reducing the number of funds incurring expenditures in excess of budgeted amounts. Although not repeated in the current report, our recommendation remains as stated above.

2. County Officials' Compensation

A Supreme Court decision issued May 15, 2001 challenged the validity of raises given to Associate County Commissioner's in 1999. In addition, there was no documentation available to support mid-term raises given to the Sheriff and Coroner in 1999.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

Status:

Not implemented. No action has been taken by the County Commission regarding these salary overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Expenditures

A. While bids were taken, they were not always solicited through advertisement. In addition, the county commission did not document reasons for not selecting the lowest bid.

B. A county employee's signature, indicating receipt of goods or services, was not on several invoices.

Recommendations:

A. Solicit bids through advertisement for all purchases in accordance with state law and retain justification for the bid selected, if it is not the low bid.

B. Ensure the receipt of goods or services is indicated on all invoices prior to payment.

Status:

A. Partially implemented. While it appears the County Commission is soliciting bids through advertisement, there were some instances where bids were not solicited or bid documentation was not maintained. See MAR finding number 2.

B. Not implemented. See MAR finding number 2.

4. Property Tax Books and Procedures

The County Clerk did not reconcile the aggregate abstracts to the tax books and annual settlement.

Recommendation:

The County Clerk reconcile the aggregate abstracts, tax books and annual settlement.

Status:

Not implemented. See MAR finding number 3.

5. Payroll and Leave Balances

Leave taken was not accurately reported on some employee's timesheets and some leave balances exceeded the maximum allowed by the county's leave policy.

Recommendation:

The County Commission ensure leave taken is accurately reported on timesheets and leave balances do not exceed the maximum allowed by the county's leave policy. If the commission believes the policy should be changed, it should be revised accordingly.

Status:

Partially implemented. While leave is accurately reported on employee's timesheets, at least one employee's leave balances still exceeded the maximum allowed by the county's policy. See MAR finding number 4.

6. Sheriff's Accounting Controls and Procedures

A. The Sheriff's Department maintained bank accounts for both general and board of prisoner receipts.

1. Receipts were not deposited intact on a timely basis for both the general and board of prisoner's accounts. In addition, checks were not restrictively endorsed upon receipt.

2. Disbursements to the state, county, and other applicable parties for fees collected were not made timely.

B. Several items on the seized property inventory listing had been on hand for several years and there were no documentation that these items were still needed for trial.

Recommendations:

A.1. Deposit receipts intact daily or when receipts exceed $100, restrictively endorse checks immediately upon receipt, and issue all refunds by check.

2. Distribute fees collected in a timely manner.

B. Make timely and appropriate dispositions of seized property.

Status:

A&B. Implemented.

7. Health Center Procedures

A. The Health Center did not consistently issue checks sequentially and the numerical sequence of checks was not always adequately accounted for. While bank reconciliations were prepared, they did not always reconcile to book records because the outstanding check amounts were not correct for most checks listed as outstanding.

B. The Health Center did not adequately monitor expenditures and track program costs of the Comprehensive Family Planning Program.

C. The Health Center did not established formal policies and procedures for general fixed assets, which included procedures to update property records, number, and tag or otherwise identify property items.

Recommendations:

A. Ensure the preprinted prenumbered check numbers are accurately posted to the computer system and the numerical sequence of checks is accounted for monthly.

B. Adequately monitor expenditures and track program costs of the Comprehensive Family Planning Program to comply with the program contract. Additionally, administrative expenses should not be included in actual costs of comprehensive family planning services.

C. Ensure that policies and procedures for general fixed assets with an original cost of $250 or more are properly added to the fixed asset listing and actual physical inventory of the various property items should be performed periodically.

Status:

A. Implemented.

B. Not applicable. The Health Center no longer has a Comprehensive Family Planning Program; therefore, no monies were received for this program.

C. Not implemented. See MAR finding number 6.

8. Associate Division Accounting Controls and Procedures

A. The Associate Division had not established procedures to routinely follow up on outstanding checks.

B. Disbursements to the state, county, and other applicable parties for fees collected were not made timely.

C. The Associate Division maintained a bank account with a balance at December 31, 2002 of $4,472 that had been inactive for several years.

Recommendations:

A. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

B. Distribute fees collected to the county and state in a timely manner.

C. Resolve the balance of this old account and disburse the funds to the appropriate party.

Status:

A. Partially Implemented. While the Associate Division has significantly reduced the number of old outstanding checks since our last audit, several still exist at December 31, 2006. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

9. Juvenile Office

The Juvenile Office procured legal services for juvenile cases but maintained no documentation to support how the attorney was selected. No agreement existed detailing the services to be performed and the amount to be paid and supporting documentation was not available from the Juvenile Office to support these monthly payments.

Recommendation:

The Juvenile Office should ensure documentation is maintained to support the selection of an attorney and that detailed invoices are maintained to support all payments for legal services.

Status:

Implemented.

10. Senate Bill 40 Board

A. The Senate Bill 40 Board did not prepare a budget for 2002. Actual expenditures exceeded budgeted amounts by $29,330 for 2001.

B. The Senate Bill 40 treasurer did not prepare formal monthly bank reconciliations or record receipts in the check register.

C. Payments to a not-for-profit organization in 2002 and 2001 totaled $89,568 and $112,288 respectively. The board did not receive annual budgets from the not-for-profit and did not monitor the use of the funds to ensure they were spent appropriately.

Recommendation:

A. Prepare budgets as required by state law and ensure expenditures do not exceed budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.

B. Perform monthly bank reconciliations and record receipts and disbursements in the check register.

C. Monitor any expenditure made for compliance with the terms of the contract.

Status:

A&C. Implemented.

B. Partially Implemented. While the Senate Bill 40 treasurer records receipts and maintains a running balance in the check register, formal bank reconciliations are not performed. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

NODAWAY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Nodaway was named after the Nodaway River. Nodaway County is a township-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Maryville.

Nodaway County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 354 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 1,275 miles of county roads.

The county's population was 21,996 in 1980 and 21,912 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 161.7	159.5	154.0	149.3	95.6	55.8
Personal property	86.2	79.9	77.4	82.8	32.3	24.6
Railroad and utilities	14.5	11.7	14.0	14.8	9.6	11.5
Total	$ 262.4	251.1	245.3	246.8	137.5	91.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Nodaway County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
Health Center Fund	.05	.05	.05	.05
Senate Bill 40 Board Fund	.05	.05	.05	.05
Senior Citizens Fund	.05	.05	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 78,977	76,546	76,169	73,427
General Revenue Fund	21,743	20,010	20,153	20,540
General Road and Bridge	1,018,023	1,002,941	975,294	930,665
County Road and Bridge	130,059	122,978	122,733	123,583
Assessment Fund	222,539	201,964	196,706	148,170
Health Center Fund	130,129	126,165	125,509	120,894
Senate Bill 40 Board Fund	130,088	126,129	125,490	120,891
School districts	12,628,602	11,123,081	10,943,847	10,473,584
Ambulance district	15,625	15,780	24,652	144,233
Fire protection district	191,526	180,646	178,539	173,451
Watershed districts	14,100	13,493	13,580	13,661
Senior Citizen Tax Fund	126,012	122,296	121,448	117,071
Road Bonds	403,927	361,481	495,531	259,665
Townships	760,863	714,992	712,621	152,752
Cities	1,244,561	1,231,171	1,233,484	1,209,130
County Clerk	174	156	167	163
County Employees' Retirement	42,885	35,673	36,289	32,782
Neighborhood Imp. District	5,883	5,883	0	0
TIF District	20,765	18,514	0	0
Other	17,032	15,055	17,285	16,327
Commissions and fees:				
Treasurer-Collector	5,642	6,729	4,349	3,443
Township commissions	128,948	118,116	116,368	108,037
General Revenue Fund	82,970	70,566	82,392	79,415
Total	$ 17,421,073	15,710,366	15,622,607	14,321,885

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	96.6	95.3	96.7	95.6	%
Personal property	89.4	94.6	94.8	86.5	
Railroad and utilities	100.0	98.8	100.0	100.0	

Nodaway County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
Capital improvements		.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		2007	2006	2005	2004	2003
County-Paid Officials:	$					
Joe Baumli, Presiding Commissioner			31,769	30,695	29,801	29,801
Bob Stiens, Associate Commissioner			34,133	32,979	23,144	0
Bob Westfall, Associate Commissioner			34,133	32,979	0	0
Larry Dougan, Associate Commissioner			0	0	0	27,773
Wayne Nelson, Associate Commissioner			0	0	27,773	27,773
Sandra Smail, Recorder of Deeds			44,860	43,343	42,081	42,081
Beth Walker, County Clerk			44,860	43,343	42,081	42,081
David Baird, Prosecuting Attorney			55,129	53,265	51,714	51,714
Ben Espey, Sheriff			57,325	55,387	46,644	46,644
Rex Wallace, County Assessor (1), year ended August 31,			51,717	49,968	42,081	42,081
Mary Noel, Treasurer-Collector (2), year ended March 31,		57,279	56,911	46,162	45,865	
Vince Shelby, County Coroner			17,447	16,857	0	0
Tom Scarbrough, County Coroner			0	0	14,196	14,196
Julia Lyle, Public Administrator			31,155	30,101	25,350	25,350

(1) Includes $688, $688, $765, and $900, respectively, of annual compensation from the state.
(2) Includes $5,562, $6,943, $4,028 and $3,730 respectively, of commissions earned for collecting city taxes.

State-Paid Officials:					
Pat O'Riley, Circuit Clerk	48,500	48,500	47,300	47,300	
Glen Dietrich, Associate Circuit Judge	96,000	96,000	96,000	96,000	

Susan Montee, CPA
Missouri State Auditor

August 2007

CONSERVATION

Department of Conservation

Report No. 2007-36

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee

August 2007

YELLOW SHEET

The following findings were included in our audit report on the Department of Conservation.

The Missouri Department of Conservation (MDC) owns, leases, or manages 461 named conservation areas, as well as about 840 other properties. The MDC does not maintain a centralized area plan tracking system. Our review of 10 conservation areas that contained at least 500 acres or had undergone recent significant development found that in three of the areas, MDC had undertaken major expansions and/or facility development without developing an area plan or updating an existing area plan. The MDC spent nearly $3 million for an additional lake and hatchery improvements at one of the three properties.

The MDC Protection Division does not maintain adequate records for seized evidence, including guns and knives. Almost half of the 1,600 records in the MDC electronic case tracking system listed no storage location, and 508 records had a seizure date that was more than three years old. Evidence logs for the freezer used to store confiscated wildlife at MDC central headquarters had been misplaced, so there were no records of evidence items placed in the freezer between January 23, 2003, and December 14, 2006. In addition, MDC agents also occasionally seized illegal contraband that, according to the seized evidence report, were stored at various MDC locations and, in some cases, at an office located at an agent's home.

The MDC reimbursed the state General Revenue Fund $66,388 for about 2,400 hours of law enforcement services provided by the Missouri State Water Patrol (MSWP); however, it appears no additional services, beyond the statutorily required duties of the MSWP, were received by the MDC that would warrant or justify this one-time reimbursement.

For fiscal year 2006, costs incurred by the MDC for its flight operations unit totaled about $579,000. Utilization of the MDC aircraft has significantly decreased since 2001 while MDC has maintained the same number of aircraft and pilots. It appears the number of general transportation trips has remained relatively steady while the number of flights related to resource management have dramatically reduced. The MDC should review the utilization and related flight operations costs to determine if this unit should continue to operate at its current level.

The MDC reported a combined operating loss of more $1,075,000 for its five manned shooting ranges for fiscal year 2006. The MDC also has 17 archery only, 7 shotgun only, and 40 firearms unmanned shooting ranges. The most recently constructed manned range, completed in 2001, cost approximately $3,000,000, and the planned replacement of another existing manned range is budgeted at $4,000,000. The estimated cost to develop a typical unmanned firearms shooting range is between $200,000 and $300,000

(over)

and a small archery range is between $7,000 and $10,000. The MDC should evaluate shooting range fees, operating costs, and public usage to determine if current and future planned operations of manned shooting ranges is cost beneficial.

The MDC does not always document roll call votes taken in closed session and does not always report decisions made in the closed sessions in the department's public records, as required by state law. The MDC discussed an issue in closed session which did not appear to be allowable for closed session under state law. Similar conditions were noted in our prior audit report.

It should be noted that, based upon their interpretation of the Sunshine Law, the MDC refused to provide complete copies of closed session minutes for our review. The MDC did provide redacted versions of the closed session minutes; however, the information provided was so limited that we were unable to determine if many of the actions taken in closed session were reported in open session. The MDC has determined and assured us that the withheld information would have no material effect upon our audit of the department. This action by the department resulted in a scope limitation related to our audit.

Our report also included recommendations related to department area planning procedures and the inspection of some commercial permit holder facilities.

All reports are available on our website: www.auditor.mo.gov

DEPARTMENT OF CONSERVATION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Conservation Commission
and
John Hoskins, Director
Department of Conservation
Jefferson City, MO 65102

We have audited the Department of Conservation. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2006 and 2005. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Review certain revenues and expenditures.

4. Evaluate the economy and efficiency of certain management practices and operations.

5. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. Certain information contained in the Commission meeting minutes for closed sessions was not provided to us based upon the department's interpretation of state law. Department officials have determined and assured us that this withheld information has no material effect on the audit. However, we could not audit certain potential transactions or information related to transactions because of this limitation the department imposed on the scope of our audit.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the

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effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Except as discussed in the second paragraph, our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by March 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Conservation.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF CONSERVATION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Conservation Area Planning

The Missouri Department of Conservation (MDC) does not maintain a centralized tracking system for conservation area management plans, did not prepare plans for some areas, and did not update some area plans prior to significant expansion or facility development. In addition one tract of land was not properly recorded in the MDC land tracking system and the MDC has taken little action to make this tract available for public use.

MDC's policies and procedures for area planning, which were last updated in 1999, are contained in the department's Area and Resource Management Manual. The policy states, "Area plans will clearly and succinctly define long-term management direction for the area." Selection of areas for plan development or updates is the responsibility of Regional Coordination Teams (RCT). The selection criteria noted in the policy should include the following: an area requiring active management or a management change to meet resource directives, an area with high potential for public use or visibility, or an area for which significant capital improvements or development are desired. The plans are prepared by area planning and implementation teams whose members are selected by the RCT from the various MDC divisions. MDC personnel indicated that the area plans are an important component in the development of divisional and regional budgets and workload planning. The area plans are also the primary means to identify existing natural resources and potential resource management activities and public utilization of MDC owned lands.

A. The MDC does not maintain a centralized area plan tracking system. A centralized tracking system would allow MDC management to monitor regional coordination team compliance with area planning policies and procedures, and help ensure area plans are developed or updated when an area meets the selection criteria for area planning. Our review noted the following specific concerns:

    1. The MDC owns, leases, or manages 461 named conservation areas, as well as about 840 other properties such as fishing accesses, community lakes, towersites, hatcheries, natural areas, wildlife areas, nature centers, education centers, and other facilities that have been assigned an area identification number. We reviewed 10 conservation areas that contained at least 500 acres or had undergone recent significant development, and requested the MDC provide the current plans for these 10 areas. For the three following areas, the MDC undertook major expansions and or facility development without developing an area plan or updating an existing area plan.

- MDC indicated that no area plan had been prepared for the Danville Conservation Area located in Warren County. The property was originally acquired in 1965 and included 1,055 acres. In 1982 and 1985, MDC acquired additional tracts bringing the total acreage to 2,655 acres. Since the property was first acquired, the MDC has developed six parking lots, three campsites, three miles of trails, and two privies. Two large natural areas have been designated.

- The area plan for the Elam Bend Conservation Area in Gentry County acquired in 1979 was developed in 1981. The plan was an interim operations and management plan. Since 1981, the area has been expanded by 840 acres and now totals 1,483 acres. This area now includes an unmanned shooting range, a concrete boat ramp, five camping areas, and nine parking lots. Since fiscal year 2003, MDC has spent over $121,000 on capital improvements on this area.

- The area plan for the Blind Pony Hatchery and Wildlife Area located in Saline County covered fiscal years 1991 to 1995. The area has been expanded to 2,207 acres; however, 524 of those acres were added between 1989 and 1991, and the area plan did not include management recommendations for those portions of the area. The plan indicated that management recommendations for the newly added portions would be developed and added to the plan by January 1992. The MDC was unable to provide any documentation that those management recommendations were developed. The current area manager indicated that the additional acreage was very similar to the other land in the area and was managed in accordance with the goals and methods included in the 1991 plan. The 1991 plan included $722,500 for various lake and hatchery improvements; however, since fiscal year 2003, the MDC has spent nearly $3 million for additional lake and hatchery improvements.

Our review also noted the area plan for the Hidden Hollow Conservation Area in Macon County, totaling 1,360 acres, was developed in 1986 and no planning cycle was identified. The area plan for the Huzzah Conservation Area in Crawford County, totaling 6,144 acres, was prepared in 1990 and a five-year planning cycle was identified. We did not identify any significant expansions or facility development for these two areas. However, since these plans were developed over 15 years ago, the MDC should consider reviewing or updating area plans that are several years old. The other five area plans we reviewed had been developed or updated recently and appeared to be in compliance with MDC area planning guidelines.

2. We reviewed a report from one RCT team of all area plans with the applicable area acreages, the date the most recent plan was approved, and the length of the planning cycle. That report listed 29 conservation areas assigned to the forestry division in that region, with 24 of those areas having a current plan. Four of the listed smaller areas had plans that were over 10 years old and these plans did not identify a planning cycle. One area containing 407 acres was listed as having no plan due to a decision that a plan was not needed for this area. We searched the MDC conservation atlas information and identified 14 additional MDC properties in the region totaling over 3,500 acres. MDC indicated that no area plans had been prepared for these areas for various reasons, such as some were small natural areas and some had restrictions on possible development or type of public use; however, one area contained 255 acres with two large lakes, boat ramps, an archery range, a pavilion, and four parking lots. Another area included a total of 880 acres in two separate tracts with no identifiable facilities, but forest improvement practices had been implemented.

To allow the area plans to serve as a management and budgeting measure as intended, the MDC should ensure area plans are developed or updated in compliance with area planning policy.

B. The area planning guidance indicates that plans should include identification of desirable expansion zones for each area. For the 10 areas we reviewed, it appears almost all additional land acquired was located in or was immediately adjacent to the desirable expansion zone. These expansion zones were identified during a period when land acquisition was a high priority. In 2003, the MDC developed a Land Protection and Restoration Guide which included revised expansion zones that were in part based upon the expansion zones in the area plans. It appears the MDC's priorities have changed, but the areas plans remain the same. The MDC reported over 260,000 acres of land are now included in the desirable expansion zones. At June 30, 2006, the MDC owned 783,816 acres of land and the acquisition of an additional 260,000 acres would result in a 33 percent increase in total acreage.

The MDC Capital Improvements Coordinating Committee, which makes recommendations for land acquisition to the Conservation Commission, has adopted a list of eleven capital improvement priority guidelines that ranks the acquisition of new public use land or habitat facilities by the MDC as the eighth and ninth lowest priorities for fiscal year 2007. As area plans are reviewed, the MDC should review the expansion zones to determine that the land and habitat included in the expansion zones are consistent with MDC’s capital improvements priorities, long term goals, and strategic plans.

C. Our review of land acquisitions noted another MDC owned property that did not have an area plan. This property was acquired as part of a donation to the MDC

from a private citizen's estate in 2002. In 2002 and 2005, the MDC sold most of the donated property. The remaining 105 acre tract is located along the Grand River in Chariton County. This property was not listed in the "active" records within the MDC land tracking system or identified in the MDC mapping system. The MDC indicated that nothing had been done with the property and no formal review had been conducted of the property for development or public use potential pending completion of a boundary survey.

The MDC indicated that staff handling the property acquisition and related records had retired, and problems with the land tracking system prevented the tract from being recorded at the time of acquisition. The MDC is undertaking a reconciliation of their paper-based real estate purchase records to the land tracking system to determine if all MDC property has been recorded correctly. MDC should complete the reconciliation of real estate acquisition records to the land tracking system, update the land tracking system to include the previously unrecorded tract and any other unrecorded tracts, and review the property to identify the potential for development and public use.

WE RECOMMEND the MDC:

A. Ensure area plans are developed and updated in compliance with MDC policies and procedures and consider implementing a centralized tracking system to monitor area planning coordination activities.

B. Review expansion zones identified in area plans for consistency with MDC's long-term goals and strategic plans.

C. Complete the reconciliation of real estate acquisition records to the land tracking system, update the land tracking system to include the previously unrecorded tracts, and review the property to identify the potential for development and public use.

AUDITEE'S RESPONSE

A. The Department is in the process of updating the Area Planning policy and procedures. This recommendation will be considered in that process.

B. The Department has made a change in its approach to land acquisition since the development of the area plans reviewed. The Department is very judicious in its approach to area expansion and the criteria used in the decision-making process are consistent with the long-tem goals and plans outlined in our Next Generation planning document.

C. The Department has completed its reconciliation of the real estate acquisition records to the land tracking system. The management of the 105 acre tract has been assigned to the

Wildlife Division and the tract has been moved to the active records in the land tracking system.

2. Protection Division Concerns and Cooperative Agreement

The MDC Protection Division does not maintain adequate records for seized evidence and did not perform some inspections of commercial permit holder facilities as required by MDC policy. The MDC reimbursed the General Revenue Fund $66,388 for law enforcement services provided by the Missouri State Water Patrol (MSWP); however, it appears no additional services, beyond the statutorily required duties of the MSWP, were received.

A. The MDC Protection Division does not maintain adequate records for seized evidence. The Protection Division manages the law enforcement activities of the department and employs about 200 commissioned conservation agents. During law enforcement, the agents seize as evidence personal property of offenders, illegal contraband, and illegally taken or possessed wildlife. The personal property includes guns, knives, spotlights, fishing gear, traps, and other items used in violation of hunting and fishing regulations.

MDC Protection Division Policy 1.12 states that property seized by an agent as a result of an investigation, if not claimed within a year by an owner who has rightful possession to it, must be disposed of by the county at public sale. This policy may be substantially consistent with Section 542.301.5, RSMo, which states that property forfeited by a judge can be sold and the proceeds shall go to the county. In addition, Section 542.301.15, RSMo, requires any other seized property still held by a law enforcement official for more than three years following seizure which has not been forfeited and has ceased to be useful as evidence shall be deemed abandoned and sold, and the proceeds remitted to the state treasurer.

The MDC maintains an electronic case tracking system which tracks arrest records and includes seized property records. At our request, MDC prepared a report of seized evidence items as recorded in the system. That report included about 1,600 records of items seized since 1999; however, the limited descriptions of the items in the report made it difficult to determine the exact number of seized items. The report indicated many items were stored in agent's home offices, a safe, a freezer, a MDC facility, or the location was not specified on the report. Nearly half of the records listed no storage location. Our review noted the following:

1. We noted 508 records had a seizure date that was more than three years old, and 86 of those records indicated a gun had been seized. We requested the MDC provide the current storage location for 21 of the guns or the method and time of disposition, if applicable. Of the 21 items, the

MDC still had possession of three guns and had not obtained a court order regarding disposition of the items. In addition, one item was held pursuant to a court order forfeiting the weapon to the MDC, but it appears no further action was taken by the MDC and the gun was not recorded in their weapons inventory. One weapon had been turned over to the local sheriff and the remaining 16 weapons had been returned to the owner, defendant, or co-defendant.

The case tracking system was not updated for 8 of the 16 weapons that had been returned. The MDC indicated that current status or disposition of seized evidence could be located in the individual paper-based case files maintained by the conservation agents, but for six of the 21 items, those records had been purged under MDC record retention policies. Five of the 21 items that had been returned to the defendant had been held more than one year, which is not consistent with the MDC disposal policy.

The MDC should require the seized evidence information in the case tracking system be updated to record the correct location and status of all seized property, or develop additional procedures to track seized evidence and ensure seized evidence is handled in accordance with MDC policies and state law.

2. The MDC indicated that evidence logs are used at the various storage locations to record the receipt and disposition of seized evidence and confiscated wildlife. We examined evidence logs for the evidence room at MDC central headquarters in Jefferson City. The supervisor in charge of this storage location indicated that some pages of the log for the evidence freezer used to store confiscated wildlife had been misplaced. There were no records of evidence items placed into the freezer between January 23, 2003, and December 14, 2006. The last date any wildlife item was recorded as being removed from the freezer was in 2001 and the freezer log listed 19 items that had been seized between 2001 and 2003. In addition, several sets of deer antlers that were not recorded on any log were located in the evidence room. MDC indicated that some of the antlers had been forfeited to MDC by court order.

   The evidence report discussed in Part 1 above noted several items were listed as stored in the MDC Camdenton office. We requested copies of the evidence logs for that location. The MDC indicated that evidence logs were not maintained for that location but use of evidence logs would be implemented immediately.

   We discussed MDC procedures to review evidence logs and to conduct inventories of evidence storage locations. There is no formal requirement that evidence logs be maintained but most locations do so. Additionally,

there is no formal requirement that evidence logs be reviewed or inventories be conducted.

The MDC should establish policies and procedures for the maintenance of seized property records at all storage locations and perform periodic inventories of seized evidence.

3. MDC agents also occasionally seized illegal contraband, such as small quantities of illicit drugs, drug paraphernalia, and alcoholic beverages that, according to the seized evidence report, were stored at various MDC locations and, in some cases, at an agent's office located in the agent's home. MDC policy permits the storage of the illegal contraband in MDC facilities. To improve security and controls, the MDC should consider implementing policies to limit the storage of illegal contraband in MDC facilities and agent's home offices and require that type of evidence to be transferred to local sheriff's offices or the highway patrol as soon as reasonably possible.

B. The MDC Protection Division did not perform some inspections of commercial permit holder facilities as required by MDC policy. The MDC issues commercial permits to commercial fishermen, fur buyers and dealers, wildlife hobbyists, wildlife breeders, game bird and big game hunting preserves, licensed trout fishing areas, taxidermists, falconry hunters, commercial deer processing operators, dog training areas, hound running areas, and field trial areas. There are 60 Class II Wildlife Breeder permits and only those permittees are allowed to hold dangerous game, such as mountain lions, bears, wolves, or poisonous snakes. MDC policies require annual inspections of wildlife breeders and hunting preserves and recommend periodic inspections for other permittees. Where live animals are permitted, the MDC inspection includes determining that containment methods comply with size and minimum construction requirements, observation of animals and sanitary conditions, and a records check. Fur buyers and dealers and taxidermists inspections are primarily a review of records and comparisons to items on hand.

In fiscal year 2006, the MDC issued nearly 3,800 commercial permits. There were 914 facilities for which an annual inspection is required. While there is no facility inspection requirement for 314 commercial fishing permittees, these are monitored by the MDC observing their activities while they are actively engaged in commercial fishing. The remaining approximate 2,500 permittees may be inspected but there is no requirement that an annual inspection be performed. The MDC does not have a centralized tracking system for commercial permit inspections. Protection division district supervisors are instructed to monitor the permit inspection activities of the conservation agents.

We requested the MDC provide a copy of the inspections performed in fiscal year 2006 for 15 permittees for which an annual inspection was required. Three

permittees for which an inspection was required were not subjected to an inspection. In addition, two inspections were only documented on an agent's calendar or in his work notes and not on the required inspection form, and one inspection was conducted by phone.

We also requested fiscal year 2006 inspection documentation for 10 permittees for which a periodic inspection was recommended. Five of these inspections were completed, four inspections were not completed, and one inspection was not documented on an inspection form.

MDC should implement a commercial permit inspection tracking tool to ensure commercial permittees are subjected to inspections as required by MDC policies.

C. Under a cooperative agreement, the MDC reimbursed the state's General Revenue Fund $66,388 for about 2,400 hours of law enforcement services provided by the Missouri State Water Patrol (MSWP); however, it appears no additional services, beyond the statutorily required duties of the MSWP, were received by the MDC that would warrant or justify this one-time reimbursement. The MDC agreed to reimburse the General Revenue Fund from the Conservation Commission Fund up to $482,800 for up to 17,472 hours of law enforcement services by MSWP officers who patrolled MDC conservation areas, waters, and boat accesses. Those services were to be provided between November 1, 2005, and June 30, 2006. The MDC areas patrolled by the MSWP officers appeared to be within patrol zones that were already an area of responsibility of the Water Patrol established by state law. The MSWP submitted monthly reports of patrol hours at MDC areas. The agreement was not renewed for fiscal year 2007. Except for the monthly reporting, it appears the MDC received no additional services from the MSWP that were not provided under the statutory duties of the MSWP.

If it is reasonable and proper for the MDC to reimburse the General Revenue Fund for MSWP services in one fiscal year, then MDC should reimburse the General Revenue Fund for MSWP services each fiscal year. The MDC does not provide funding assistance to other law enforcement agencies, such as county sheriffs, that provide general law enforcement services on MDC properties.

WE RECOMMEND the MDC:

A.1. Require the seized evidence information in the case tracking system be updated to record the correct location and status of all seized property or develop additional procedures to track seized evidence and ensure seized evidence is handled in accordance with MDC policies and state law.

2. Establish policies and procedures for the maintenance of seized property records at all storage locations and perform periodic inventories of seized evidence.

3. Consider implementing policies to limit the storage of illegal contraband in MDC facilities and require that type of evidence to be transferred to local sheriff's offices or the highway patrol as soon as reasonably possible.

B. Implement a commercial permit inspection tracking tool to ensure commercial permittees are subjected to inspections as required by MDC policies.

C. Ensure future cooperative agreements for law enforcement services result in additional services to MDC. In addition, MDC should evaluate the necessity to reimburse, on an on-going basis, all law enforcement agencies that provide general law enforcement duties on MDC lands.

AUDITEE'S RESPONSE

A.1. The Protection Division is reviewing its guidelines and the recommendation will be considered. The Protection Division is also reviewing the seized property reporting capabilities in the case tracking system for possible upgrades.

2. The incomplete evidence log for seized illegal wildlife at the central office has been reconstructed and updated based on existing records. The "sets of deer antlers that were not recorded on any log" mentioned in the audit were forfeited to the Department by court order and used in Operation Game Thief exhibits, and are not evidence items. The Protection Division will consider addressing the maintenance of seized property records in its seizure guidelines and will perform periodic inventories of seized evidence.

3. The Protection Division will consider formalizing the procedures for the storage of illegal contraband. Although the Department sometimes stores contraband at the local Sheriff's office or the Missouri State Highway Patrol, there are times we prefer to maintain evidence at our regional offices to secure evidence and limit the chain of custody.

B. The Protection Division will review current policies for commercial permit inspections in view of competing conservation agent work priorities, and will consider implementing a commercial permit inspection tracking tool.

C. As clearly outlined in the agreement and as told to the auditors, the agreement resulted in enhanced services being performed. The Department will continue to enter into cooperative agreements when necessitated by the specific situation.

AUDITOR'S COMMENT

C. The department could not provide any documentation to show that additional, or enhanced, services were received beyond the MSWP's statutory duties.

3. Flight Operations

Although the MDC has significantly reduced the utilization of their fleet of aircraft since 2001, the department has maintained the same number of aircraft and pilots. The MDC owns two airplanes and a helicopter, and has one-half interest in another airplane with the Missouri Department of Transportation.

MDC flight operations reported for fiscal year 2006 a total of 1,121 flight hours for 388 trips in the four aircraft. The MDC employs four full-time pilots and occasionally uses planes and pilots from other state agencies. MDC personnel indicated the pilots spend little, if any, time on non-flight related duties. MDC pilots logged 1,380 flight hours which is higher than the number of flight hours for the MDC aircraft since one plane requires two pilots and MDC pilots flew other agencies' planes. The MDC indicated that it was necessary to have all four aircraft to meet the needs of the agency. The following table indicates the number of flights and flight hours for the 4 aircraft for fiscal year 2006:

Aircraft	Flights	Flight Hours
Shared King Air 200	73	119.1
Cessna 402	164	362.1
Cessna 210	71	227.8
Bell Helicopter	80	412.3
Total	388	1,121.3

In response to recommendations in our audit report on the state's passenger aircraft, Report 2003-28, issued in April 2003, the MDC indicated that for fiscal year 2001 the MDC had four aircraft and four pilots and flew 640 flights requiring 1,638 flight hours. Utilization of the MDC aircraft has significantly decreased since 2001 while MDC has maintained the same number of aircraft and pilots.

We also reviewed the MDC's records of the flights by the activity or purpose of the flight. For fiscal year 2006, the activity or purpose for each flight were reported as follows:

Activity/Purpose	Number of Flights
General Transportation	246
Resource Science	77
Enforcement	19
Other	17
Photography	13
Fire Protection	10
Total	388

As noted above, in fiscal year 2006, 246 flights were for general passenger transportation. In their response to our 2001 audit report, the MDC indicated that for the fifteen year period prior to 2000, passenger transportation flights accounted for less than 40 percent of all flights each year, or about 256 flights. It appears the number of general transportation trips has remained relatively steady while the number of flights related to resource management have dramatically reduced.

The following table indicates the number of MDC aircraft flown per day during fiscal year 2006 and the total days that those number of aircraft were flown. All four of the MDC's aircraft were flown on the same day only four times during the year.

Number of aircraft flown on the same day	Total days those number of aircraft were flown
1	116
2	82
3	23
4	4
Total	225
Days with 2 trips for one aircraft	24

In addition, the MDC reported 23 flights were made with an aircraft owned by another state agency. Those flights required 85 flight hours to complete and 12 of the 23 flights were for general transportation.

The MDC has significantly reduced their utilization of flight operations over the last five years but has not reduced the number of aircraft and pilots. For fiscal year 2006, the costs incurred by the MDC for the flight operations unit totaled about $579,000. The costs incurred by the department for the flight operations unit and the level of utilization indicates the operation of this unit at its current level may not be necessary or justified.

WE RECOMMEND the MDC review the utilization and related costs of the MDC flight operations unit to determine if this unit should continue to operate at its current level.

AUDITEE'S RESPONSE

Flight operations, utilization and future needs are reviewed on a routine basis. As previously planned, the Flight Services staff was reduced by one pilot on July 1, 2007.

4. Manned Shooting Ranges

The MDC reported a combined operating loss of $1,075,349 for its five manned shooting ranges for fiscal year 2006. There are two manned shooting ranges in the St. Louis area, two in the Kansas City area, and one near Springfield. The MDC reported the ranges

were used by the public about 130,000 times in fiscal year 2006. The MDC charges nominal fees to the public, such as $3 per hour per shooting station or $3 per round of trap or skeet shooting. Participants in hunter education classes and youth groups are not charged a user fee. Three of the manned ranges also have small archery ranges.

The MDC reported total direct expenditures (not including depreciation or other administrative costs) for the shooting ranges of $1,321,618 in fiscal year 2006, and reported related revenues of $246,269, or only 18.6 percent of the direct operating costs. The most recently constructed manned range, completed in 2001, cost approximately $3,000,000, and the planned replacement of another existing manned range is budgeted at $4,000,000.

The MDC also has 17 archery only, 7 shotgun only, and 40 firearms (rifle, shotgun, or pistol) unmanned shooting ranges. The estimated cost to develop a typical unmanned firearms shooting range is between $200,000 and $300,000 and a small archery range is between $7,000 and $10,000. There are unmanned ranges within reasonable driving distances of the metropolitan areas served by the manned ranges. The current MDC strategic plan includes development of five additional unmanned shooting ranges if cooperative local community partnerships can be identified.

The MDC indicated it is not their intention to operate the shooting ranges at or near break even but to increase public opportunities for outdoor recreation. However, considering the significant cost associated with the manned shooting ranges, the MDC should evaluate shooting range fees, operating costs, and public usage to determine if current and future planned operations of manned shooting ranges is cost beneficial.

WE RECOMMEND the MDC evaluate shooting range fees, operating costs, and public usage to determine if changes in the operations of manned shooting ranges should be considered.

AUDITEE'S RESPONSE

The Outreach and Education Division is in the process of reviewing the fees currently charged at the shooting ranges; nominal increases, if any, are expected. The Division reviews and evaluates the operating costs of the manned shooting ranges annually; staffing is based on public usage and programs provided.

5. Public Records and Closed Session Minutes

The MDC does not always document roll call votes taken in closed session and does not always report decisions made in the closed sessions in the department's public records, as required by state law. The MDC discussed an issue in closed session which did not appear to be allowable for closed session under state law. Similar conditions were noted in our prior audit report.

A. The MDC does not document roll call votes taken in closed session in the manner required by state law. Sections 610.015 and 610.020(7), RSMo, specify that the minutes of meetings shall record all roll call votes, including the name of each official and how each official voted. While it appears almost all closed sessions votes were reported as being unanimous, some exceptions were noted. The MDC should ensure information regarding how each member voted on all roll call votes taken in closed session is recorded as required by state law.

B. Under Section 610.021 RSMo, the MDC is required to make public the results of votes related to certain decisions made in closed sessions within specified timeframes or after conclusion of the action authorized by the vote. This includes decisions on settlement agreements arising from litigation; execution of lease, purchase or sale of real estate; personnel actions; and execution of contracts and rejection of bids.

Between January 26, 2006, and November 2, 2006, we noted several examples in which the MDC did not appear to comply with statutory requirements in the closed session minutes for meetings held. In two instances, settlement agreements arising from litigation were approved in closed session but the settlement agreements were not announced in a later open meeting. Another instance involved a vote to reject a counteroffer of a lease for a piece of property which was made in closed session as allowed under Section 610.021, RSMo, and was immediately followed by a vote to raze buildings on the property. The second vote does not appear to fall within the allowable types of actions for closed sessions. In addition, for all votes taken in closed session, the MDC did not record in the open session minutes the results of closed session votes in the manner required.

Unless the MDC publicly announces or releases results of votes taken in closed sessions within a reasonable time following the conclusion of the action as required, the public cannot be aware that a decision has been made or that the related records are available. The MDC should ensure all closed session votes and the related actions are publicly announced as and when required, and ensure only items allowed by state law are discussed in closed session.

It should be noted that, based upon their interpretation of the Sunshine Law, the MDC refused to provide complete copies of closed session minutes for our review. The MDC did provide redacted versions of the closed session minutes that indicated approval or rejection of real estate transactions, contract negotiations, award or rejection of bids, and other actions that were apparently allowable actions for closed meetings. However, the information provided was so limited that we were unable to determine if many of the actions taken in closed session were reported in open session.

The MDC has determined and assured us that the withheld information would have no material effect upon our audit of the department. Pending litigation involving our office should fully resolve or address this issue.

WE RECOMMEND the MDC:

A. Ensure all roll call votes taken in closed session are recorded as required by state law.

B. Ensure all closed session votes and the related actions are publicly announced as and when required and ensure only matters allowed by state law are discussed in closed session.

AUDITEE'S RESPONSE

A. We will implement this recommendation.

B. The Department is very cognizant of the Sunshine Law and we feel we are in compliance with all requirements. Our General Counsel has researched this issue and concluded that due to the variance of language used throughout the Sunshine Law, "shall be made public" means it is an open record and would be made available upon request; it does not mean it must be announced in a public meeting. We will continue to abide by our General Counsel's interpretation.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

DEPARTMENT OF CONSERVATION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Conservation on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2004; our report titled Statewide Fleet Management Follow-Up issued in December 2005; and our report titled Statewide Heavy Equipment Utilization issued in June 2005. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the department should consider implementing those recommendations.

1. Strategic Planning

A. The Missouri Department of Conservation (MDC) did not perform annual reviews or updates to its strategic plan prepared for fiscal year 2004.

B. Long-term projections of anticipated revenues and expenditures were not tied to the strategic plan. In addition, the MDC had not conducted a comprehensive property, facility, and infrastructure inventory; assessed long-term operating costs and maintenance needs for department facilities; and did not incorporate long-term operational and maintenance needs into the strategic plan.

C. The strategic plan was not adequately coordinated with the department's budget process.

D.1. The MDC had not developed specific measurements for some goals and was not able to determine if conservation goals had been accomplished.

D.2. Data was not available or was not used to measure progress toward or achievement of stated goals.

Recommendation:

The MDC:

A. Ensure strategic plans are reviewed and performance measures are tested annually for effectiveness and revise the plans, if necessary.

B. Include as a part of the strategic plan, long-term projections of anticipated revenues and expenditures required to implement and maintain the department's programs and strategic goals. In addition, the department should complete development of the facility inventory, operating cost assessment, and long-term maintenance assessment, and incorporate the information into the annual strategic plan and budgeting process.

C. Coordinate the strategic planning process with the budgeting process and ensure that the responsibility for implementing strategic goals is assigned to appropriate divisions. In addition, the department should ensure division directions state a clear, direct relationship with the strategic goals.

D.1. Ensure strategic goals are measurable and specific.

2. Improve the performance measurement process by using trend data to measure and support results achieved and defining how much improvement is needed.

Status:

A, C& D. Partially implemented. The department is still developing more specific performance measures, has not fully coordinated the strategic planning process with the budgeting process, and is still developing measurable and specific strategic goals and trend data to measure and support results. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Expenditures

A. In accordance with a previous audit recommendation, the MDC implemented a revised policy for program distributions for grants and cooperative agreements. However, grant and cooperative agreements did not always indicate who was responsible for ensuring compliance with the terms of the contracts and conducting the agreed-upon monitoring procedures. Some advance payments, rather than payments on a reimbursement basis, were noted.

B. Clothing allowances were provided to employees and volunteers who had infrequent contact with external parties and could easily be identified by the use of a name tag or other less costly method.

C. The MDC did not have a policy limiting expenditures for gifts and awards to employees, and the cost of some gifts and awards were unreasonable.

Recommendation:

The MDC:

A. Ensure all program distribution agreements and activities comply with the policy for grants and cooperative agreements. These agreements and activities should include appropriate termination clauses, monitoring assignment and monitoring activities, and should be disbursed on a reimbursement basis.

B. Discontinue providing clothing allowances to employees and volunteers who are not required to wear a uniform while on duty.

C. Develop a policy specifying allowable expenditures for gifts and awards and ensure expenditures for gifts and awards are allowed only for items of reasonable cost which have no identifiable market value.

Status:

A. Partially implemented. The MDC continues to fund certain agreements in advance, as allowed by MDC policy. Although not repeated in the current MAR, our recommendation remains as stated above.

B&C. Implemented.

3. Conflicts of Interest Policy

A. The MDC did not compile or publish a listing of employees with outside employment or business ownership/family relationship conflicts. As a result, employees involved in purchasing activities were not aware of various vendors from which they should be restricting purchases. In addition, some employees who held concurrent employment at MDC and other state agencies had not filed outside employment forms.

B. The department director and a commission member were ex-officio non-voting members of a not-for-profit organization with a business relationship to the department. However, neither the director nor the commissioner had reported the entity on their disclosure form filed with the Missouri Ethics Commission.

Recommendation:

The MDC:

A. Improve the reporting and monitoring of employees' conflict of interest by:

- Providing a mechanism for employees to report conflicts of interest other than outside employment or business ownership/relationship.
- Ensuring all employees submit the outside employment disclosure form.
- Developing and publishing, for department use, the listing of employees that MDC has placed on restricted procurement status due to the existence of conflicts of interest.
- Following up on the instances of non-compliance with department policy.

B. Follow up on the instances of non-compliance with state law noted above, and stress to employees and department officials through additional training or other

communication the importance of completely and accurately reporting all conflicts of interest and subjective perceptions of conflicts of interest.

Status:

A&B. Implemented.

4. Capital Asset Records and Procedures

A. The MDC had initiated a policy of conducting annual physical inventories of capital assets. Physical inventories of capital assets were performed by asset custodians and there was no requirement that an independent individual perform the count or supervise, review, or spot check the physical count results.

B. Pool vehicles were not separately identified or analyzed for appropriate usage levels or compliance with state policy for pool vehicles.

C. The MDC did not maintain vehicle usage logs for department vehicles.

D.1. The MDC did not track which employees were approved for personal commuting in state-owned vehicles on an annual, temporary, and occasional basis.

2. The MDC did not require employees to submit reports of taxable commuting miles.

E.1. Adequate market analysis was not performed to determine the actual rental values of department-owned homes.

2. Employee's taxable benefits were not reported for employees renting department-owned homes.

Recommendation:

The MDC:

A. Conduct a physical inventory of all capital assets on an annual basis and reconcile the results of the inventory to the detailed capital asset records. In addition, the physical inventory should be conducted by persons independent of those having record-keeping or custodial duties, or spot checks or supervisory reviews should be performed on the physical inventory results.

B. Separately identify, account for, and analyze all vehicles used in a pool capacity to ensure compliance with state policy.

C. Maintain mileage logs for all on-road department vehicles as required by OA policy. These logs should be periodically reviewed for propriety.

D.1. Establish a central information reporting system to track which employees are approved for personal commuting on an annual, temporary, and occasional basis.

2. Require all employees are approved for commuting during a given month to submit reports of taxable commuting miles or a statement that taxable commuting miles were not utilized.

E.1. Perform a market analysis of the rental value of department owned-employee occupied homes.

2. Assess rental rates to department employees in amounts consistent with the results of the analysis or record and report taxable benefits on the employees' W-2 wage and tax statements.

Status:

A. Implemented. Spot checks of inventories are performed by persons independent of record-keeping or custodial duties.

B, D.1 &E.1. Implemented.

C. Not implemented. The department indicated that it controls the usage of vehicles by ensuring that all vehicles are properly marked with MDC logos. Although not repeated in the current MAR, our recommendation remains as stated above.

D.2. Partially implemented. The MDC requires but does not ensure all commuting employees submit the required monthly report. Although not repeated in the current MAR, our recommendation remains as stated above.

E.2. Implemented. The MDC revised the rental rates and required new rental agreements effective January 1, 2007.

5. Inventory

A. Adequate analysis of cost recovery of for-sale inventory activities was not performed.

B. Adequate analysis of cost recovery for nursery activities was not performed.

Recommendation:

The MDC:

A. Perform comprehensive periodic analyses to ensure the activities of the for-sale inventory program are meeting the goals and objectives of management especially related to the level of cost recovery attained. In addition, the department's review of publication sales activities should consider all operating costs including employee salaries and fringe benefits.

B. Document comprehensive periodic cost recovery analyses of the activities associated with nursery stock production and sales to determine if costs are recovered in accordance with management's objectives.

Status:

A&B. Not implemented. The MDC indicated it is not their intent to recover all costs associated with for-sale items and nursery items sold to the public. Although not repeated in the current MAR, our recommendation remains as state above.

6. Public Records

A.1. The MDC did not document roll call votes taken in closed session and did not always report decisions made during closed session meetings in the department's public records in compliance with state law.

2. The MDC did not document how some items discussed in closed session complied with state law.

B. The department policy for providing assistance and information included a 10-cent per page copy fee but did not indicate an hourly fee for duplicating or research time.

Recommendation:

The MDC:

A.1. Conduct and record all actions taken in closed session by roll call vote and disclose the final votes taken in closed session as required by state law.

2. Ensure only allowable, specified subjects are discussed in closed session as required by state law.

B. Review and retain documentation of the justification for fees charged for photocopying, research, proprietary information requests, and database copies.

Status:

A. Not implemented. See MAR finding number 5.

B. Implemented.

STATEWIDE FLEET MANAGEMENT FOLLOW-UP

3. Fleet Management

3.1. The department did not have policies or guidelines requiring employees to minimize fleet expenses or use the Office of Administration's (OA) trip optimizer.

3.3. The department did not have a policy establishing the fleet management program and the roles and responsibilities of the fleet manager.

3.4. The department did not have fleet policies regarding minimum vehicle replacement criteria, vehicle assignment, minimum use requirements, and tracking vehicle use.

Recommendation:

The Director of the Department of Conservation:

3.1. Establish policies and/or formal guidance to require:

- Employees use OA's trip optimizer to help determine whether state vehicles, rental vehicles, or personal vehicles should be used for transportation;
- The tracking and monitoring of mileage reimbursements;
- Consideration of surplus vehicles; and
- Justification of Sport Utility Vehicles (SUV).

3.3. Establish an overall policy that establishes the fleet management program and the roles and responsibilities of the fleet manager.

3.4. Formalize guidance and/or establish fleet policies on minimum vehicle replacement criteria, vehicle assignment, minimum use requirements, and tracking vehicle use.

Status:

3.1. Partially implemented. The department has made the OA trip optimizer available to employees but does not require it be used. The MDC also established a reduced mileage reimbursement rate, which is re-computed and adjusted annually, for employees who drive their own vehicles when an agency vehicle is available. Guidelines for consideration of surplus vehicle and justification of SUV's have been adopted. Although not repeated in the current MAR, our recommendation remains as stated above.

3.3
&4. Implemented.

STATEWIDE HEAVY EQUIPMENT UTILIZATION

Heavy Equipment Utilization

1. The MDC did not coordinate with other agencies when purchasing heavy equipment to receive the lowest price.

2. The MDC did not establish guidelines specifying usage thresholds, or what should be done with heavy equipment not meeting certain usage levels.

Recommendation:

The Director of the Department of Conservation:

1. Require procurement officials to periodically meet, to the extent possible, and coordinate, planned heavy equipment purchases.

2. Establish equipment utilization, sharing, and disposal policies and guidelines to ensure the efficient and economical utilization of department-owned and leased equipment.

Status:

1&2. Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF CONSERVATION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Department of Conservation is constitutionally created pursuant to Article IV, Sections 40(a) and 46. The general functions of the department are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. At June 30, 2006, the department owned 783,816 acres of land in the state.

The department is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. They serve without compensation for staggered six-year terms. The commission members at June 30, 2006, were:

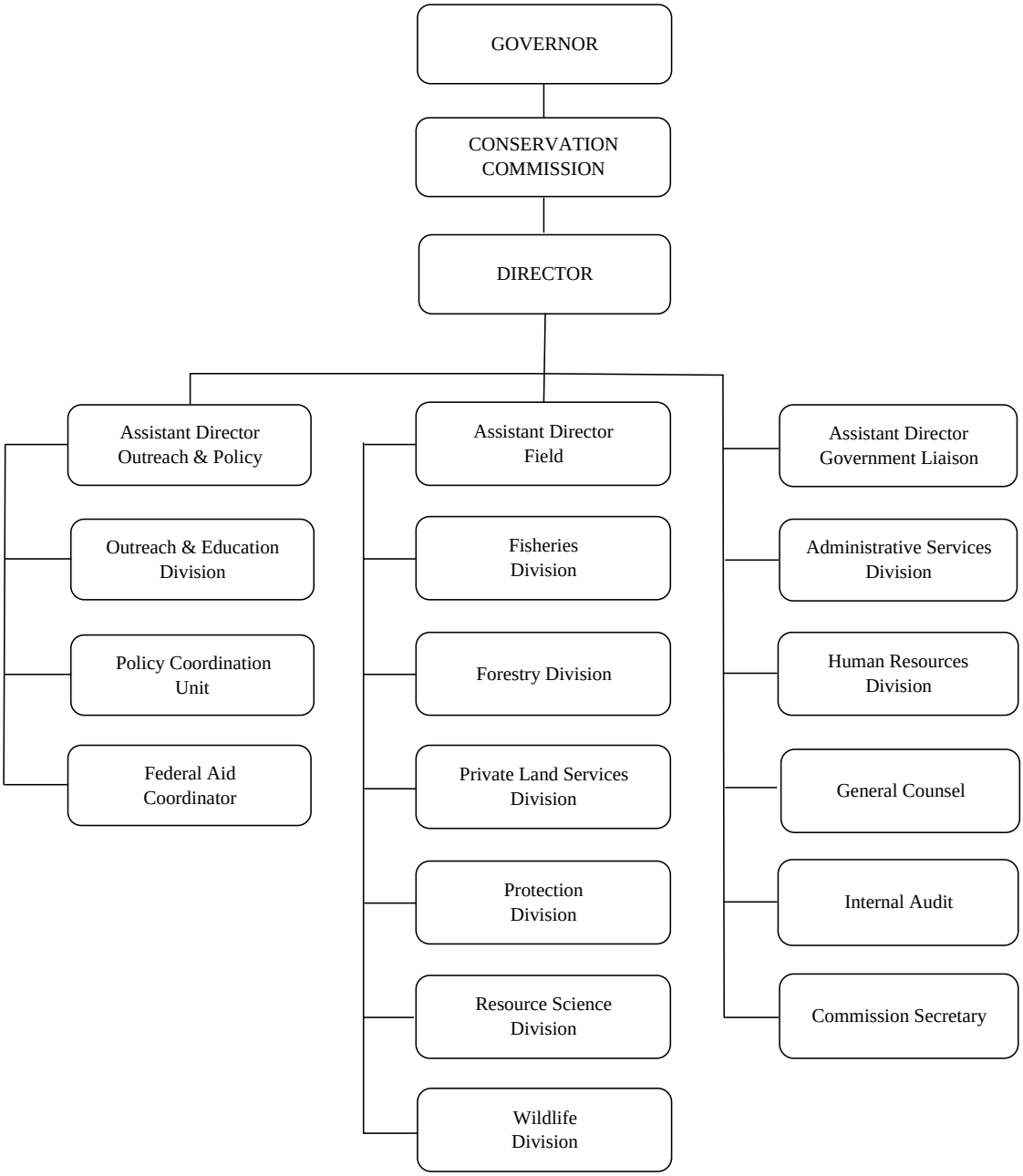
Commissioner	Term Expires
Stephen C. Bradford	July 1, 2007
Cynthia Metcalfe	July 1, 2007
Lowell F. Mohler	July 1, 2009
William F. McGeehan	July 1, 2011

The commission appoints a director who serves as the administrative officer of the Department of Conservation. The director appoints other employees and is assisted by three assistant directors with programs carried out by the divisions of fisheries, forestry, wildlife, protection, private land services, resource sciences, outreach and education, administrative services, and human resources.

John Hoskins was appointed Director effective July 1, 2002. At June 30, 2006, the department employed 1,587 full-time and 618 part-time individuals.

An organization chart and certain financial information follows:

DEPARTMENT OF CONSERVATION
ORGANIZATION CHART
JUNE 30, 2006



Appendix A

DEPARTMENT OF CONSERVATION
CONSERVATION COMMISSION FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING USES AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,	
	2006	2005
RECEIPTS		
Sales and use tax	$ 99,198,845	96,679,801
Permit sales	29,723,303	30,682,443
Sales, rentals and leases	7,764,292	7,461,383
Federal reimbursements	24,387,069	19,198,694
Interest	1,265,130	768,589
Donations, refunds and miscellaneous	2,368,816	2,328,811
Total Receipts	164,707,455	157,119,721
DISBURSEMENTS		
Personal service	67,302,844	66,022,678
Employee fringe benefits	21,253,772	20,147,362
Operations	60,800,982	53,951,253
Capital improvements and acquisitions	23,581,386	13,088,695
Total Disbursements	172,938,984	153,209,988
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES	(8,231,529)	3,909,733
OTHER FINANCING USES		
Appropriations exercised by other state agencies		
OA - Insurance and legal expense	708,441	1,164,402
OA - Worker's compensation	43,874	59,962
OA - Unemployment insurance	164,704	140,036
Office of the State Auditor	41,522	35,942
Department of Revenue	490,128	710,854
Total	1,448,669	2,111,196
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	(9,680,198)	1,798,537
CASH AND INVESTMENTS, JULY 1	31,333,950	29,535,413
CASH AND INVESTMENTS, JUNE 30	$ 21,653,752	31,333,950

Appendix B

DEPARTMENT OF CONSERVATION
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,						
		2006				2005		
CONSERVATION COMMISSION FUND		Appropriation Authority	Expenditures	Lapsed Balances		Appropriation Authority	Expenditures	Lapsed Balances	
Conservation Programs	$	137,196,601	127,567,781	9,628,820		133,931,123	121,943,948	11,987,175	
MDC Construction		44,000,000	19,684,265	24,315,735	*	18,317,827	0	18,317,827	*
Statewide Construction		15,176,625	12,266,162	2,910,463	*	34,385,315	19,208,690	15,176,625	**
Total Conservation Commission Fund	$	196,373,226	159,518,208	36,855,018		186,634,265	141,152,638	45,481,627	

* Biennial appropriations
** Biennial appropriation reappropriated to subsequent biennial period

Appendix C

DEPARTMENT OF CONSERVATION
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2006	2005	2004	2003	2002
Salaries and wages	$ 66,774,975	65,499,807	61,862,996	60,879,272	62,090,931
Benefits	7,831,369	8,091,387	7,921,277	7,656,202	4,834,207
Travel, in-state	1,814,733	1,502,117	1,710,335	1,576,510	1,979,578
Travel, out-of-state	206,297	200,892	191,149	240,361	260,114
Fuel and utilities	1,745,407	1,542,782	1,464,886	1,424,956	1,213,529
Supplies	19,255,380	17,685,334	14,811,623	11,492,568	11,561,115
Professional development	542,938	541,493	552,836	512,878	595,772
Communication service and supplies	1,339,282	1,421,008	1,439,916	1,449,355	1,369,444
Services:					
Professional	9,321,312	9,630,919	11,180,458	9,259,590	9,061,061
Housekeeping and janitorial	939,576	954,628	818,860	817,474	609,988
Maintenance and repair	2,032,047	1,866,241	1,812,036	1,718,252	1,466,927
Equipment:					
Computer	1,498,067	1,457,058	1,740,536	1,905,788	2,040,269
Motorized	5,508,680	3,905,645	7,707,842	6,435,239	4,205,280
Office	438,387	486,839	269,489	236,748	170,729
Other	2,758,236	2,508,575	2,970,379	2,660,840	1,394,150
Property and improvements	23,581,386	13,088,695	10,852,560	14,160,889	15,892,428
Building lease payments	553,811	599,324	664,141	621,502	718,075
Equipment rental and leases	2,449,988	2,008,214	1,663,201	1,101,090	557,240
Miscellaneous expenses	1,734,926	1,703,759	1,644,366	1,718,887	2,776,968
Refunds	190,865	197,437	136,818	148,792	183,224
Program distributions	9,000,546	6,260,484	5,425,221	3,839,042	3,364,864
Total Expenditures	$ 159,518,208	141,152,638	136,840,922	129,856,236	126,345,892

Appendix D

DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
TWO YEARS ENDED JUNE 30, 2006

		Equipment	Buildings	Land	Construction in Progress	Total General Capital Assets
BALANCE, July 1, 2004	$	75,642,878	74,554,896	302,565,646	9,360,541	462,123,961
Adjustments		(4,050,077) (1)	0	(25,000) (2)	0	(4,075,077)
Additions		9,151,986	1,811,317	4,313,862	4,012,810	19,289,975
Dispositions		(5,999,151)	(785,308)	(2,499)	(466,212)	(7,253,170)
BALANCE, June 30, 2005		74,745,636	75,580,905	306,852,009	12,907,139	470,085,689
Adjustments		253,274 (3)	0	(26,970) (4)	0	226,304
Additions		8,020,263	11,159,667	4,692,770	9,409,330	33,282,030
Dispositions		(3,867,312)	(663,566)	(427,509)	(10,668,826)	(15,627,213)
BALANCE, June 30, 2006	$	79,151,861	86,077,006	311,090,300	11,647,643	487,966,810

(1) Adjustments for removal of under threshold items, corrections, and vehicle preparation costs
(2) Adjustments to correct prior year additions
(3) Adjustments to correct for preparation costs and upgrades
(4) Adjustments to correct for buildings included in land

Susan Montee, CPA
Missouri State Auditor

August 2007

Lawrence County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-35

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Lawrence, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as result, the county's SEFA contained several errors and omissions. Expenditures were understated by $176,858 and overstated by $66,404 for the years ended December 31, 2006 and 2005, respectively.

The county was awarded a Community Development Block Grant (CDBG) to repair and rebuild other political subdivisions' property, including Pierce City, the Barry/Lawrence County Library, and the Pierce City Senior Center and to clean up debris within the county, which resulted from tornado damages incurred in May 2003. Adequate supporting documentation was not retained to support how $52,500 of CDBG funds were expended or how $118,600 of the county's in-kind matching funds were provided. The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to subrecipients. In addition, reimbursement claims for some expenditures were not filed by the county in a timely manner, and the county made two duplicate payments and one overpayment which were subsequently caught by Pierce City.

The county paid a reserve officer $135,214 in wages and expenses to transport prisoners but has not performed a formal cost/benefit analysis to determine the reasonableness of the costs incurred. The county did not always solicit bids nor was bid documentation always retained for various purchases, and controls over fuel usage in the Common road departments and the Sheriff's office need improvement. The county does not have a formal written policy regarding cellular phone usage, and did not enter into written agreements with four cities to provide dispatching services.

The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Lawrence County.

Compensatory time earned is not being calculated in accordance with the county's personnel policy, and as a result, the county may be increasing its payroll liability. Some employees do not prepare a time sheet, and leave records maintained by the County Clerk's office are not always accurate.

(over)

Property tax system procedures and controls are not sufficient. Neither the County Clerk nor the County Commission adequately reviews the property tax additions and abatements, and the County Clerk does not maintain an account book with the County Collector. Inadequate password procedures make computer systems and data vulnerable to unauthorized use, modification or destruction.

Receipting and record keeping procedures over civil process fees and bonds collected in the Sheriff's office need improvement. The providing of meals to various jailers and dispatchers is not addressed in the county's personnel policy. The Sheriff's office has no formal follow-up procedures for unpaid prisoner board bills and does not track remaining amounts due. The civil process mileage rate charged by the Sheriff's office was not in compliance with state law, procedures over inmate personal monies are not adequate, and purchases of flowers were made from the Sheriff's Special Fund.

Monies received in the Prosecuting Attorney's office are not always deposited in a timely manner. In addition, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner, and the amount of bad check fees charged to the bad check writer can be reduced without obtaining written approval from the Prosecuting Attorney.

Annual/final settlements were not always filed in a timely manner by the Public Administrator, and adequate procedures were not in place to ensure client funds were adequately secured. In addition, an asset was reported as being sold on an annual settlement when it was still in possession of the ward.

The Senior Citizens Service Board does not require senior centers to document how funds provided are spent and did not always enter into written contracts for funding requests. Board minutes are not signed by the Board President or the Board Secretary, a record of votes cast is not documented, and board actions were not always documented in the minutes. In addition, a written agreement is not maintained with the depositary bank.

Accounting duties of the Board of Developmentally Disabled are not adequately segregated, invoices are not marked paid or otherwise cancelled prior to payment, and there was no documentation that the Director reviewed the time sheets of a part time employee.

Also included in the report are recommendations related to county property records and the health center. The audit also suggested improvements in the procedures of the County Collector, County Treasurer, Recorder of Deeds, County Clerk, and County Assessor.

All reports are available on our Web site: www.auditor.mo.gov

LAWRENCE COUNTY, MISSOURI

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SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Lawrence County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lawrence County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 10, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Lawrence County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 10, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Jay Ross
Audit Staff:	Candace Copley
	Jason Kunau
	Natalie McNish

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Lawrence County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

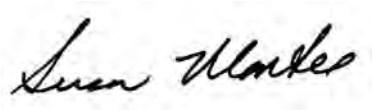
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Lawrence County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

May 10, 2007

Financial Statements

Exhibit A-1

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	267,343	4,470,086	4,172,057	565,372
Special Road and Bridge		185,536	2,432,987	2,394,902	223,621
Assessment		265,319	343,249	293,289	315,279
Common #1 Road District		65,012	380,296	398,103	47,205
Common #2 Road District		125,927	256,128	318,648	63,407
Prosecuting Attorney Bad Check		35,126	33,934	26,274	42,786
Emergency 911		21,897	414,755	426,267	10,385
Law Enforcement Training		857	7,149	3,383	4,623
Election Services		24,149	3,966	9,686	18,429
Sheriff Special		11,198	13,596	20,904	3,890
Domestic Violence		0	1,135	1,135	0
Prosecuting Attorney Training		2,181	1,641	1,863	1,959
Collector's Tax Maintenance		16,271	34,563	19,757	31,077
Tornado		198,302	182,594	380,896	0
Inmate Security		7,755	4,290	0	12,045
Community Development Block Grant		91,298	10,960	102,258	0
Recorder User Fee		134,018	39,628	20,218	153,428
Capital Projects		400,000	200,000	124,284	475,716
Law Enforcement Restitution		0	17,723	0	17,723
Developmentally Disabled		277,966	294,976	390,770	182,172
Senior Citizens Service		49,743	165,103	133,317	81,529
Law Library		8,765	7,748	2,747	13,766
Circuit Clerk Interest		5,933	375	5,741	567
Associate Circuit Division Interest		5,337	987	0	6,324
Recorder Grant		1	0	0	1
Total	$	2,199,934	9,317,869	9,246,499	2,271,304

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	518,119	3,558,757	3,809,533	267,343
Special Road and Bridge		271,803	2,306,251	2,392,518	185,536
Assessment		286,306	328,660	349,647	265,319
Common #1 Road District		66,342	388,958	390,288	65,012
Common #2 Road District		55,888	255,930	185,891	125,927
Prosecuting Attorney Bad Check		44,034	36,678	45,586	35,126
Emergency 911		121,013	190,102	289,218	21,897
Law Enforcement Training		3,078	7,307	9,528	857
Election Services		20,725	3,839	415	24,149
Sheriff Special		21,494	20,897	31,193	11,198
Domestic Violence		215	1,110	1,325	0
Prosecuting Attorney Training		3,836	1,254	2,909	2,181
Collector's Tax Maintenance		16,320	31,987	32,036	16,271
Tornado		156,856	100,725	59,279	198,302
Inmate Security		3,320	4,435	0	7,755
Community Development Block Grant		49,426	288,346	246,474	91,298
Recorder User Fee		128,950	35,233	30,165	134,018
Capital Projects		200,000	200,000	0	400,000
Drug and Dare		116	0	116	0
Local Law Enforcement Block Grant		18,553	1,440	19,993	0
Developmentally Disabled		246,619	262,309	230,962	277,966
Senior Citizens Service		60,473	154,313	165,043	49,743
Law Library		5,280	6,054	2,569	8,765
Circuit Clerk Interest		10,971	507	5,545	5,933
Associate Circuit Division Interest		10,624	414	5,701	5,337
Recorder Grant		5,114	29,937	35,050	1
Total	$	2,325,475	8,215,443	8,340,984	2,199,934

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 9,384,183	9,316,882	(67,301)	8,870,288	8,185,092	(685,196)
DISBURSEMENTS	10,128,306	9,246,499	881,807	9,329,936	8,300,233	1,029,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	(744,123)	70,383	814,506	(459,648)	(115,141)	344,507
CASH, JANUARY 1	2,194,404	2,194,596	192	2,306,036	2,309,737	3,701
CASH, DECEMBER 31	1,450,281	2,264,979	814,698	1,846,388	2,194,596	348,208
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	309,650	352,408	42,758	294,256	298,482	4,226
Sales taxes	1,447,500	1,494,626	47,126	1,390,925	1,426,500	35,575
Intergovernmental	1,011,046	1,030,606	19,560	911,460	859,705	(51,755)
Charges for services	843,817	867,188	23,371	839,329	855,518	16,189
Interest	52,800	98,506	45,706	26,000	37,210	11,210
Other	26,280	63,573	37,293	22,800	58,842	36,042
Transfers in	515,302	563,179	47,877	395,557	22,500	(373,057)
Total Receipts	4,206,395	4,470,086	263,691	3,880,327	3,558,757	(321,570)
DISBURSEMENTS						
County Commission	190,980	187,160	3,820	213,230	166,997	46,233
County Clerk	87,200	86,856	344	87,700	87,099	601
Elections	277,280	282,252	(4,972)	117,800	127,850	(10,050)
Buildings and grounds	108,650	93,101	15,549	107,054	128,797	(21,743)
Employee fringe benefits	425,130	420,811	4,319	347,300	352,010	(4,710)
County Treasurer	34,796	34,672	124	34,740	34,521	219
County Collector	86,800	85,106	1,694	85,756	81,338	4,418
Recorder of Deeds	87,000	85,796	1,204	87,000	83,313	3,687
Circuit Clerk	21,540	22,476	(936)	23,189	23,941	(752)
Associate Circuit Court	41,136	38,966	2,170	43,625	41,274	2,351
Court administration	30,127	33,825	(3,698)	31,913	23,381	8,532
Public Administrator	63,763	63,198	565	62,820	62,472	348
Sheriff	838,856	850,351	(11,495)	849,097	882,690	(33,593)
Jail	424,173	405,380	18,793	366,381	474,254	(107,873)
Prosecuting Attorney	254,417	252,718	1,699	247,888	237,655	10,233
Juvenile Officer	113,412	126,016	(12,604)	106,509	121,521	(15,012)
County Coroner	33,050	28,408	4,642	30,500	26,163	4,337
Child support enforcement	126,973	125,677	1,296	117,363	118,440	(1,077)
Emergency management	16,200	16,129	71	17,500	16,173	1,327
Insurance and bonds	87,700	89,760	(2,060)	85,200	79,736	5,464
University extension	36,500	36,500	0	35,500	35,500	0
Other	29,800	29,535	265	28,300	11,154	17,146
Health Center	423,031	449,364	(26,333)	406,074	393,021	13,053
Transfers out	328,000	328,000	0	200,000	200,233	(233)
Emergency Fund	126,192	0	126,192	116,410	0	116,410
Total Disbursements	4,292,706	4,172,057	120,649	3,848,849	3,809,533	39,316
RECEIPTS OVER (UNDER) DISBURSEMENTS	(86,311)	298,029	384,340	31,478	(250,776)	(282,254)
CASH, JANUARY 1	267,343	267,343	0	518,119	518,119	0
CASH, DECEMBER 31	181,032	565,372	384,340	549,597	267,343	(282,254)

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	50,000	53,258	3,258	52,500	47,694	(4,806)
Sales taxes	1,220,000	1,247,133	27,133	1,220,000	1,218,665	(1,335)
Intergovernmental	1,515,100	1,112,309	(402,791)	1,083,768	1,038,612	(45,156)
Interest	900	232	(668)	1,000	1,280	280
Loan repayments	20,000	20,000	0	0	0	0
Other	0	55	55	100	0	(100)
Total Receipts	2,806,000	2,432,987	(373,013)	2,357,368	2,306,251	(51,117)
DISBURSEMENTS						
Distributions to special road districts	1,721,831	1,720,034	1,797	1,869,262	1,755,455	113,807
Loans to special road districts	40,000	0	40,000	0	20,000	(20,000)
Bridge construction	470,000	48,524	421,476	23,593	0	23,593
Road sign project	9,200	11,974	(2,774)	12,300	9,142	3,158
Salaries	12,281	13,191	(910)	12,350	11,924	426
Employee fringe benefits	976	1,009	(33)	950	912	38
TIF distribution	11,000	16,954	(5,954)	12,000	221	11,779
Engineering	12,000	6,453	5,547	30,000	9,653	20,347
Other	450	510	(60)	300	649	(349)
Transfers out	574,169	576,253	(2,084)	595,980	584,562	11,418
Total Disbursements	2,851,907	2,394,902	457,005	2,556,735	2,392,518	164,217
RECEIPTS OVER (UNDER) DISBURSEMENTS	(45,907)	38,085	83,992	(199,367)	(86,267)	113,100
CASH, JANUARY 1	185,536	185,536	0	271,803	271,803	0
CASH, DECEMBER 31	139,629	223,621	83,992	72,436	185,536	113,100
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	293,187	306,502	13,315	304,000	292,049	(11,951)
Charges for services	25,000	19,659	(5,341)	20,000	28,557	8,557
Interest	6,000	16,663	10,663	3,500	6,801	3,301
Other	1,500	425	(1,075)	66,240	1,253	(64,987)
Total Receipts	325,687	343,249	17,562	393,740	328,660	(65,080)
DISBURSEMENTS						
Assessor	307,358	293,289	14,069	393,740	349,647	44,093
Total Disbursements	307,358	293,289	14,069	393,740	349,647	44,093
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,329	49,960	31,631	0	(20,987)	(20,987)
CASH, JANUARY 1	265,319	265,319	0	286,306	286,306	0
CASH, DECEMBER 31	283,648	315,279	31,631	286,306	265,319	(20,987)

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COMMON #1 ROAD DISTRICT FUND						
RECEIPTS						
Property taxes	54,500	51,781	(2,719)	52,500	45,631	(6,869)
Other	5,000	4,660	(340)	500	15,292	14,792
Transfers in	321,161	323,855	2,694	332,159	328,035	(4,124)
Total Receipts	380,661	380,296	(365)	385,159	388,958	3,799
DISBURSEMENTS						
Salaries and fringe benefits	124,083	109,670	14,413	110,315	112,059	(1,744)
Maintenance	255,000	246,417	8,583	268,000	230,984	37,016
Equipment	35,000	34,743	257	35,000	39,896	(4,896)
Mileage and training	300	87	213	0	116	(116)
Other	7,600	7,186	414	5,300	7,233	(1,933)
Total Disbursements	421,983	398,103	23,880	418,615	390,288	28,327
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,322)	(17,807)	23,515	(33,456)	(1,330)	32,126
CASH, JANUARY 1	65,012	65,012	0	66,342	66,342	0
CASH, DECEMBER 31	23,690	47,205	23,515	32,886	65,012	32,126
COMMON #2 ROAD DISTRICT FUND						
RECEIPTS						
Property taxes	20,000	20,125	125	19,800	19,274	(526)
Other	2,000	4,605	2,605	2,800	1,128	(1,672)
Transfers in	232,008	231,398	(610)	242,821	235,528	(7,293)
Total Receipts	254,008	256,128	2,120	265,421	255,930	(9,491)
DISBURSEMENTS						
Salaries and fringe benefits	44,098	40,249	3,849	41,144	44,837	(3,693)
Maintenance	276,000	269,044	6,956	223,800	133,058	90,742
Equipment	10,000	3,579	6,421	20,000	1,647	18,353
Mileage and training	300	390	(90)	500	208	292
Other	8,900	5,386	3,514	4,400	6,141	(1,741)
Total Disbursements	339,298	318,648	20,650	289,844	185,891	103,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,290)	(62,520)	22,770	(24,423)	70,039	94,462
CASH, JANUARY 1	125,927	125,927	0	55,888	55,888	0
CASH, DECEMBER 31	40,637	63,407	22,770	31,465	125,927	94,462
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Intergovernmental	0	0	0	0	4,638	4,638
Charges for services	29,000	31,946	2,946	25,250	29,817	4,567
Interest	800	1,494	694	0	792	792
Other	2,200	494	(1,706)	0	1,198	1,198
Transfers in	0	0	0	0	233	233
Total Receipts	32,000	33,934	1,934	25,250	36,678	11,428
DISBURSEMENTS						
Prosecuting Attorney	47,538	26,274	21,264	39,738	45,586	(5,848)
Total Disbursements	47,538	26,274	21,264	39,738	45,586	(5,848)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,538)	7,660	23,198	(14,488)	(8,908)	5,580
CASH, JANUARY 1	35,126	35,126	0	44,034	44,034	0
CASH, DECEMBER 31	19,588	42,786	23,198	29,546	35,126	5,580

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EMERGENCY 911 FUND						
RECEIPTS						
Intergovernmental	116,200	114,540	(1,660)	28,200	10,800	(17,400)
Charges for Services	175,000	172,215	(2,785)	195,000	179,302	(15,698)
Transfers in	128,000	128,000	0	0	0	0
Total Receipts	419,200	414,755	(4,445)	223,200	190,102	(33,098)
DISBURSEMENTS						
Salaries and fringe benefits	164,350	163,104	1,246	143,322	155,476	(12,154)
Supplies	65,100	63,728	1,372	76,440	70,136	6,304
Equipment	18,000	17,169	831	45,000	57,071	(12,071)
Mileage and training	3,000	1,104	1,896	4,000	3,077	923
Other	91,000	90,162	838	0	3,458	(3,458)
Transfers out	91,000	91,000	0	0	0	0
Total Disbursements	432,450	426,267	6,183	268,762	289,218	(20,456)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,250)	(11,512)	1,738	(45,562)	(99,116)	(53,554)
CASH, JANUARY 1	21,897	21,897	0	121,013	121,013	0
CASH, DECEMBER 31	8,647	10,385	1,738	75,451	21,897	(53,554)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	0	2,288	2,288	0	2,387	2,387
Charges for services	7,000	4,827	(2,173)	8,000	4,920	(3,080)
Other	0	34	34	50	0	(50)
Total Receipts	7,000	7,149	149	8,050	7,307	(743)
DISBURSEMENTS						
Sheriff	7,500	3,383	4,117	7,317	9,528	(2,211)
Total Disbursements	7,500	3,383	4,117	7,317	9,528	(2,211)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	3,766	4,266	733	(2,221)	(2,954)
CASH, JANUARY 1	857	857	0	3,078	3,078	0
CASH, DECEMBER 31	357	4,623	4,266	3,811	857	(2,954)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	0	0	0		755	755
Charges for services	4,000	3,070	(930)	900	2,656	1,756
Interest	200	896	696	65	428	363
Total Receipts	4,200	3,966	(234)	965	3,839	2,874
DISBURSEMENTS						
Election expense	22,000	9,686	12,314	16,500	415	16,085
Total Disbursements	22,000	9,686	12,314	16,500	415	16,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,800)	(5,720)	12,080	(15,535)	3,424	18,959
CASH, JANUARY 1	24,149	24,149	0	20,725	20,725	0
CASH, DECEMBER 31	6,349	18,429	12,080	5,190	24,149	18,959

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF SPECIAL FUND						
RECEIPTS						
Intergovernmental	0	10,019	10,019	0	0	0
Charges for services	20,500	3,577	(16,923)	20,750	20,781	31
Transfers In	0	0	0	0	116	116
Total Receipts	20,500	13,596	(6,904)	20,750	20,897	147
DISBURSEMENTS						
Sheriff	31,250	20,904	10,346	37,500	31,193	6,307
Total Disbursements	31,250	20,904	10,346	37,500	31,193	6,307
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,750)	(7,308)	3,442	(16,750)	(10,296)	6,454
CASH, JANUARY 1	11,198	11,198	0	21,494	21,494	0
CASH, DECEMBER 31	448	3,890	3,442	4,744	11,198	6,454
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	1,500	1,135	(365)	1,100	1,110	10
Total Receipts	1,500	1,135	(365)	1,100	1,110	10
DISBURSEMENTS						
Domestic violence shelters	1,500	1,135	365	1,300	1,325	(25)
Total Disbursements	1,500	1,135	365	1,300	1,325	(25)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(200)	(215)	(15)
CASH, JANUARY 1	0	0	0	215	215	0
CASH, DECEMBER 31	0	0	0	15	0	(15)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	1,200	1,641	441	1,200	1,254	54
Total Receipts	1,200	1,641	441	1,200	1,254	54
DISBURSEMENTS						
Prosecuting Attorney	3,000	1,863	1,137	3,750	2,909	841
Total Disbursements	3,000	1,863	1,137	3,750	2,909	841
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,800)	(222)	1,578	(2,550)	(1,655)	895
CASH, JANUARY 1	2,181	2,181	0	3,836	3,836	0
CASH, DECEMBER 31	381	1,959	1,578	1,286	2,181	895

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COLLECTOR'S TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	30,302	34,563	4,261	32,617	31,987	(630)
Total Receipts	30,302	34,563	4,261	32,617	31,987	(630)
DISBURSEMENTS						
Equipment	23,996	9,864	14,132	25,973	21,323	4,650
Mileage and training	981	1,035	(54)	850	981	(131)
Other	5,875	6,358	(483)	5,793	8,232	(2,439)
Transfers out	0	2,500	(2,500)	0	1,500	(1,500)
Total Disbursements	30,852	19,757	11,095	32,616	32,036	580
RECEIPTS OVER (UNDER) DISBURSEMENTS	(550)	14,806	15,356	1	(49)	(50)
CASH, JANUARY 1	16,271	16,271	0	16,320	16,320	0
CASH, DECEMBER 31	15,721	31,077	15,356	16,321	16,271	(50)
TORNADO FUND						
RECEIPTS						
Intergovernmental	170,000	182,594	12,594	259,764	100,725	(159,039)
Total Receipts	170,000	182,594	12,594	259,764	100,725	(159,039)
DISBURSEMENTS						
Debris removal	0	16,004	(16,004)	62,063	43,313	18,750
Natural Resource Conservation Service Project	0	24	(24)	0	15,966	(15,966)
Transfers out	368,302	364,868	3,434	354,557	0	354,557
Total Disbursements	368,302	380,896	(12,594)	416,620	59,279	357,341
RECEIPTS OVER (UNDER) DISBURSEMENTS	(198,302)	(198,302)	0	(156,856)	41,446	198,302
CASH, JANUARY 1	198,302	198,302	0	156,856	156,856	0
CASH, DECEMBER 31	0	0	0	0	198,302	198,302
INMATE SECURITY FUND						
RECEIPTS						
Charges for services	4,000	4,290	290	3,000	4,435	1,435
Total Receipts	4,000	4,290	290	3,000	4,435	1,435
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	4,290	290	3,000	4,435	1,435
CASH, JANUARY 1	7,755	7,755	0	3,320	3,320	0
CASH, DECEMBER 31	11,755	12,045	290	6,320	7,755	1,435

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND						
RECEIPTS						
Intergovernmental	41,430	10,960	(30,470)	339,969	288,346	(51,623)
Total Receipts	41,430	10,960	(30,470)	339,969	288,346	(51,623)
DISBURSEMENTS						
Debris removal	10,500	0	10,500	271,148	96,663	174,485
Pierce City City Hall	0	0	0	24,720	1,733	22,987
Barry/Lawerence County Library	0	0	0	50,524	30,817	19,707
Grant administration	3,500	3,375	125	22,950	19,575	3,375
Other	83,728	15,073	68,655	53	97,686	(97,633)
Transfers out	35,000	83,810	(48,810)	20,000	0	20,000
Total Disbursements	132,728	102,258	30,470	389,395	246,474	142,921
RECEIPTS OVER (UNDER) DISBURSEMENTS	(91,298)	(91,298)	0	(49,426)	41,872	91,298
CASH, JANUARY 1	91,298	91,298	0	49,426	49,426	0
CASH, DECEMBER 31	0	0	0	0	91,298	91,298
RECORDER USER FEE FUND						
RECEIPTS						
Charges for services	31,000	33,706	2,706	36,000	32,455	(3,545)
Interest	3,500	5,922	2,422	1,500	2,524	1,024
Transfers in	0	0	0	0	254	254
Total Receipts	34,500	39,628	5,128	37,500	35,233	(2,267)
DISBURSEMENTS						
Recorder of Deeds	39,000	20,218	18,782	46,000	23,165	22,835
Transfers out	0	0	0	0	7,000	(7,000)
Total Disbursements	39,000	20,218	18,782	46,000	30,165	15,835
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	19,410	23,910	(8,500)	5,068	13,568
CASH, JANUARY 1	134,018	134,018	0	128,950	128,950	0
CASH, DECEMBER 31	129,518	153,428	23,910	120,450	134,018	13,568
CAPITAL PROJECTS FUND						
RECEIPTS						
Transfers in	200,000	200,000	0	200,000	200,000	0
Total Receipts	200,000	200,000	0	200,000	200,000	0
DISBURSEMENTS						
Property acquisition	116,493	116,493	0	0	0	0
Courthouse improvements	7,006	7,006	0	0	0	0
Jail improvements	8,200	0	8,200	0	0	0
Patrol office improvements	4,300	0	4,300	0	0	0
Other	785	785	0	0	0	0
Total Disbursements	136,784	124,284	12,500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	63,216	75,716	12,500	200,000	200,000	0
CASH, JANUARY 1	400,000	400,000	0	200,000	200,000	0
CASH, DECEMBER 31	463,216	475,716	12,500	400,000	400,000	0

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	10,000	17,723	7,723			
Total Receipts	10,000	17,723	7,723			
DISBURSEMENTS						
Sheriff	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	17,723	7,723			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	10,000	17,723	7,723			
DRUG AND DARE FUND						
RECEIPTS						
Other				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Transfers out				116	116	0
Total Disbursements				116	116	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(116)	(116)	0
CASH, JANUARY 1				116	116	0
CASH, DECEMBER 31				0	0	0
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND						
RECEIPTS						
Intergovernmental				0	1,411	1,411
Interest				0	29	29
Total Receipts				0	1,440	1,440
DISBURSEMENTS						
Sheriff				18,553	19,993	(1,440)
Total Disbursements				18,553	19,993	(1,440)
RECEIPTS OVER (UNDER) DISBURSEMENTS				(18,553)	(18,553)	0
CASH, JANUARY 1				18,553	18,553	0
CASH, DECEMBER 31				0	0	0

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DEVELOPMENTALLY DISABLED FUND						
RECEIPTS						
Property taxes	259,000	279,318	20,318	264,100	252,563	(11,537)
Intergovernmental	1,000	2,592	1,592	900	11	(889)
Interest	5,000	9,074	4,074	4,000	8,270	4,270
Other	0	3,992	3,992	0	1,465	1,465
Total Receipts	265,000	294,976	29,976	269,000	262,309	(6,691)
DISBURSEMENTS						
Contractual services	400,000	328,674	71,326	287,236	173,756	113,480
Equipment	60,500	59,678	822	53,900	1,063	52,837
Insurance	2,300	2,418	(118)	2,300	2,151	149
Administration	0	0	0	1,100	53,992	(52,892)
Total Disbursements	462,800	390,770	72,030	344,536	230,962	113,574
RECEIPTS OVER (UNDER) DISBURSEMENTS	(197,800)	(95,794)	102,006	(75,536)	31,347	106,883
CASH, JANUARY 1	277,966	277,966	0	246,619	246,619	0
CASH, DECEMBER 31	80,166	182,172	102,006	171,083	277,966	106,883
SENIOR CITIZENS SERVICE FUND						
RECEIPTS						
Property taxes	163,400	163,414	14	158,500	153,353	(5,147)
Intergovernmental	600	867	267	500	7	(493)
Interest	600	822	222	1,000	953	(47)
Total Receipts	164,600	165,103	503	160,000	154,313	(5,687)
DISBURSEMENTS						
Contractual services	193,000	130,548	62,452	191,000	162,883	28,117
Office expenditures	3,000	2,769	231	3,000	2,160	840
Total Disbursements	196,000	133,317	62,683	194,000	165,043	28,957
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,400)	31,786	63,186	(34,000)	(10,730)	23,270
CASH, JANUARY 1	49,743	49,743	0	60,473	60,473	0
CASH, DECEMBER 31	18,343	81,529	63,186	26,473	49,743	23,270

Exhibit B

LAWERENCE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	5,000	7,748	2,748	4,890	6,054	1,164
Total Receipts	5,000	7,748	2,748	4,890	6,054	1,164
DISBURSEMENTS						
Law library	2,600	2,747	(147)	2,950	2,569	381
Total Disbursements	2,600	2,747	(147)	2,950	2,569	381
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,400	5,001	2,601	1,940	3,485	1,545
CASH, JANUARY 1	8,765	8,765	0	5,280	5,280	0
CASH, DECEMBER 31	11,165	13,766	2,601	7,220	8,765	1,545
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	1,000	375	(625)	1,018	507	(511)
Total Receipts	1,000	375	(625)	1,018	507	(511)
DISBURSEMENTS						
Circuit Clerk	750	5,741	(4,991)	2,500	5,545	(3,045)
Total Disbursements	750	5,741	(4,991)	2,500	5,545	(3,045)
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	(5,366)	(5,616)	(1,482)	(5,038)	(3,556)
CASH, JANUARY 1	5,741	5,933	192	7,270	10,971	3,701
CASH, DECEMBER 31	5,991	567	(5,424)	5,788	5,933	145

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Developmentally Disabled Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Associate Circuit Division Interest Fund and the Recorder Grant Fund for the years ended December 31, 2006 and 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	2005
Emergency 911 Fund	2005
Law Enforcement Training Fund	2005
Domestic Violence Fund	2005
Tornado Fund	2006
Local Law Enforcement Block Grant Fund	2005
Law Library Fund	2006
Circuit Clerk Interest Fund	2006 and 2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
Law Library Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Associate Circuit Division Interest Fund	2006 and 2005
Recorder Grant Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial

institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Lawrence County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, the Developmentally Disabled and the Senior Citizens Service Boards' deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustment

The Inmate Security Fund's cash balance of $3,320 at January 1, 2005, was not previously reported but has been added.

Supplementary Schedule

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childrer	ERS045-5155	$ 0	88,955
		ERS045-6155	96,418	26,153
		ERS045-7155	24,230	0
	Program Total		120,648	115,108
10.559	Summer Food Service Program for Childrer	ERS146-5155I	0	700
		ERS146-6155I	700	0
	Program Total		700	700
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Economic Development -			
14.228	Community Development Block Grants/State' Program	94-DR-301	245	980
		2003-DR-09	5,875	107,102
		2003-DR-05	11,828	133,892
		2000-DR-401	500	4,500
	Program Total		18,448	246,474
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state			
	Department of Public Safety			
16.592	Local Law Enforcement Block Grants Progran	2005-LBGJ-051	0	18,553
16.738	Edward Byrne Memorial Justice Assistance Grant Prograr	N/A	8,591	0
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Progran	N/A	1,532	1,008

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Constructior	BRO-055-17	0	1,387
		BRO-055-18	0	2,207
		BRO-055-19	24,491	0
		BRO-055-20	24,032	0
		BRO-NBIS(703)	0	1,231
	Program Total		48,523	4,825
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	3,801
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	116,709	64,000
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	1,095	7,844
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	110,228	51,336
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	ERS161-50013	0	8,934
		ERS146-6155C	310	259
		ERS161-60052	11,201	8,083
		ERS161-70023	11,664	0
		AOC06380184	3,574	385
		DH050032063	0	3,442
		AOC07380063	10,344	0
		DH060031031	10,680	0
	Program Total		47,773	21,103
93.557	Education and Prvention Grants to Reduce Sexual Abuse o Runaway, Homeless, and Street Youth	N/A	6,728	0
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	90,194	85,888

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-5155C	0	2,000
		PGA067-6155C	1,423	0
		PGA067-6128C	500	0
		PGA067-5121C	0	1,500
		PGA067-6121C	1,231	345
		PGA067-5223C	0	1,650
		PGA067-5207C	0	430
		PGA067-5155S	0	2,580
		AOC06380184	3,035	676
	Program Total		6,189	9,181
93.617	Voting Access for Individuals with Disabilities-Grants to Stat	N/A	0	924
	Department of Social Services -			
93.667	Social Services Block Gran	N/A	0	102
	Department of Health and Senior Services			
93.778	Medical Assistance Progran	N/A	2	0
93.945	Assistance Programs for Chronic Disease Preventio and Control	N/A	0	1,000
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4155M	0	21,085
		AOC06380184	31,309	7,016
		PGA067-6155C	746	1,254
			32,055	29,355
	SOCIAL SECURITY ADMINISTRATION			
	Direct Program:			
96.001	Social Security-Disability Insurance	N/A	20	39
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	N/A	89,640	63,090
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster	N/A	20,445	0
97.042	Emergency Management Performance Grant	N/A	8,591	8,505
	Total Expenditures of Federal Award		$ 728,111	732,836

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

LAWRENCE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lawrence County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided Year Ended December 31, 2006	2005
14.228	Community Development Block Grants/State's Program	$ 15,073	138,307

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Lawrence County, Missouri

Compliance

We have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

As described in finding number 06-2 in the accompanying Schedule of Findings and Questioned Costs, Lawrence County, Missouri, did not comply with requirements regarding the

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retention of adequate supporting documentation that are applicable to its Community Development Block Grants/State's Program. Compliance with such requirements is necessary, in our opinion, for Lawrence County, Missouri, to comply with the requirements of that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Lawrence County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-3.

Internal Control Over Compliance

The management of Lawrence County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 through 06-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Lawrence County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 10, 2007

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
• Material weaknesses identified?	_____ yes	__x__ no	
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__	none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__	no

Federal Awards

Internal control over major programs:			
• Material weaknesses identified?	_____ yes	__x__ no	
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	_____	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs, except CFDA number 14.228, which was qualified		
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no	

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplement Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
93.268	Immunization Grants
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes __x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-01. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplement Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-5155, ERS045-6155, ERS045-7155
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity Identifying Number:	94-DR-301, 2003-DR-09, 2003-DR-05, 2000-DR-401
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	93.268
Program Title:	Immunization Grants
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services
Federal CFDA Number:	93.563
Program Title:	Child Support Enforcement
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as result, the county's SEFA contained several errors and omissions. Expenditures were understated by $176,858 and overstated by $66,404 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2006 the County Clerk failed to include federal monies of $90,194 under the Child Support Enforcement Program and $89,640 under the State Domestic Preparedness Equipment Support Program. For 2005, several small federal grants were not included and several other small federal grants were overstated on the SEFA. Compilation of the SEFA requires consulting county financial records and requesting

information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

We have implemented a new accounting system this year to help track federal expenditures. We will also contact each elected official regarding federal grants they have applied for and received funding from.

06-02. Inadequate Supporting Documentation

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity Identifying Number:	2000-DR-401 and 2003-DR-09
Award Years:	2006 and 2005
Questioned Costs:	$171,100

Adequate supporting documentation was not retained to support how some CDBG funds were expended or how the county's in-kind matching funds were provided.

The county was awarded a Community Development Block Grant (CDBG) to repair and rebuild other political subdivisions' property, including Pierce City, the Barry/Lawrence County Library, and the Pierce City Senior Center and to clean up debris within the county, which resulted from tornado damages incurred in May 2003.

A. Adequate supporting documentation was not retained to support how some CDBG funds were expended. In November 2004 and March 2005, the county requested additional funding totaling $25,000 and $27,500 to be reimbursed to the Pierce City Senior Center and the Barry/Lawrence County Library, respectively. The additional funds were for reimbursement of construction costs that exceeded the original

estimates. The county received the additional funds on December 10, 2004 and March 23, 2005 and did not disburse these funds to the senior center or the library.

The County Commission indicated that the additional funds were for the county's share of the construction costs that were paid at the beginning of the project; however, the county could not provide documentation of these costs. In addition, representatives from the Pierce City Senior Center and the Barry/Lawrence County Library indicated that the county did not assist them with any startup construction costs.

Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. Without adequate documentation there is no assurance that federal funds have been used in accordance with grant requirements.

B. Adequate documentation was not retained to support the county's in-kind matching funds. The county agreed to expend $118,600 of in-kind matching funds in the form of debris removal and administrative support. The county clerk indicated that the county provided $117,000 for workers to remove debris, $1,000 in administrative services through his office, and $600 for contracted debris removal. However, the county did not maintain time sheets documenting hours worked on this project by county personnel or debris removal workers or retain documentation of the contracted debris removal to support the in-kind match.

The project contract states "such records will include but not be limited to invoices/receipts, canceled checks and documentation from the service provider of their in-kind match for each reimbursement request." In addition, Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. To support in-kind match expenditures and ensure compliance with grant requirements, detailed time sheets should be prepared and all invoices for debris removal should be retained and reviewed and approved by the County Commission.

WE RECOMMEND the County Commission resolve the questioned costs with the grantor agency and ensure that adequate documentation is maintained for all expenditures of federal monies and in-kind matching funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We will review these transactions and contact the grantor agency to resolve these issues.

06-03.	Cash Management

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity Identifying Number:	94-DR-301, 2003-DR-09, 2003-DR-05, 2000-DR-401
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to subrecipients. In addition, reimbursement claims for some expenditures were not filed by the county in a timely manner, and the county made two duplicate payments and one overpayment to Pierce City for reimbursement of expenditures incurred.

The county was awarded a Community Development Block Grant (CDBG) to repair and rebuild other political subdivisions' property, including Pierce City, the Barry/Lawrence County Library, and the Pierce City Senior Center and to clean up debris within the county, which resulted from tornado damages incurred in May 2003.

A. The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to subrecipients. A reimbursement totaling $3,723 was received on October 28, 2005 and held until February 16, 2006, when the related payment was made to the subrecipient. There was no explanation why this payment was not made timely.

   The County contracted with the Missouri Department of Economic Development for this funding under the CDBG Program. Section .300(c) of the Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to, "comply with laws, regulations, and provisions of contracts or grant agreements related to each of its Federal programs". The CDBG Administrative Manual provides that CDBG funds requested must be disbursed within 5 days of receipt.

B. The county expended $3,011 in June and July, 2003 related to the CDBG program; however, reimbursement claims for these expenditures were not filed until March 2, 2005. In addition, Piece City expended $1,058 and $1,468 during 2004; however, reimbursement claims for these expenditures were not filed by the county until October 2005 and January 2006, respectively.

To maximize revenues, the County Commission and County Clerk should ensure that procedures are in place to ensure requests for reimbursements are made in a timely manner. In addition, the failure to submit reimbursement claims on a timely basis results in possible unreimbursed costs to the county.

C. The county made two duplicate payments and one overpayment to Pierce City for CDBG expenditures incurred. The county issued a check on March 6 and again on March 20 to reimburse the city for $5,461. Also, the county issued a check on May 5 and again on June 6, 2005 to reimburse the city for $1,779. In addition, the county overpaid the city $91 on August 5, 2005. The Pierce City Clerk identified these errors, and subsequently notified and reimbursed the county.

These double payments occurred because the County Clerk sometimes used invoices and at other times used reimbursement claim forms to reimburse subrecipients for expenditures incurred. The overpayment occurred because the county reimbursed the city based upon an original reimbursement claim form instead of an amended claim form. A consistent method of reimbursing subrecipients and canceling all invoices and related reimbursement claim forms is necessary to reduce the possibility of duplicate or overpayments.

WE RECOMMEND the County Commission establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with CDBG requirements. In addition, the County Commission should ensure CDBG claims are submitted on a timely basis, and ensure a consistent method of reimbursing subrecipients is used and all invoices and related reimbursement claim forms are properly cancelled to reduce the possibility of duplicate or overpayments.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

In the future when federal funds are received, these recommendations will be implemented.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LAWRENCE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lawrence County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2004.

04-1. Segregation of duties

Accounting duties were not adequately segregated.

Recommendation:

Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

Status:

The County Clerk and County Treasurer reconcile their accounts monthly, and the County Commission reviews the County Treasurer's monthly settlement for accuracy. Although not repeated in the current report, the recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LAWRENCE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LAWRENCE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. We also have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for the Community Development Block Grants/State's Program (CFDA number 14.228).

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Lawrence County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do

not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Lawrence County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Expenditures

The county paid a reserve officer $135,214 in wages and expenses to transport prisoners but has still not performed a formal cost/benefit analysis to determine the reasonableness of the costs incurred. In addition, the validity of some of the mileage paid appears questionable. The county did not always solicit bids nor was bid documentation always retained for various purchases, and controls over fuel usage in the Common road departments and the Sheriff's office need improvement. The county does not have a formal written policy regarding cellular phone usage, and did not enter into written agreements with four cities to provide dispatching services.

A. As similarly noted in our prior report, the county paid a reserve officer and reimbursed mileage and expenses to transport prisoners as follows:

	Years Ending December 31,	
Type of payment	2006	2005
Wages	$ 14,405	16,019
Mileage	44,200	42,828
Expenses	2,809	14,953
Total	61,414	73,800

Wages were paid at a rate of $9.84 and $9.55 per hour and mileage was reimbursed at 44.5 and 40.5 cents per mile during 2006 and 2005, respectively. Based upon the mileage reimbursement and rates, the reserve officer was reimbursed for approximately 99,000 and 105,000 miles in 2006 and 2005, respectively. Expense reimbursements typically included the cost of airline tickets, meals, and lodging for this officer and the prisoners transported. The Sheriff indicated he utilized this reserve officer in lieu of a transport service or other on-duty officers due to the officer's reliability and the amount of travel.

1. Neither the Sheriff nor the County Commission has performed a formal cost/benefit analysis to determine the reasonableness of costs incurred related to the transporting of prisoners.

2. The validity of some mileage paid to this reserve officer is questionable. For example, this officer claimed reimbursement of 600 miles or $291 on January 17, 2007 for traveling to Booneville and Vandalia from Mount Vernon. However, his records also indicate he was transporting a prisoner from the state of California by air on this date and did not pick up his vehicle from the Springfield airport until 11:20 p.m. on January 17, 2007. His records indicate he traveled to the state of California on January 14, 2007, and his return trip was delayed due to poor weather conditions.

Given the excessive amounts of mileage reimbursements and wages paid to this officer, the County Commission and Sheriff should review the costs of purchasing and maintaining a vehicle for transporting prisoners and utilizing a full-time officer or a private transport company. A formal cost/benefit analysis of the costs related to transporting prisoners would better support the county's decision-making process. In addition, to ensure mileage reimbursements are reasonable and represent valid expenditures, payments should be made only for actual mileage incurred. The reimbursement claim forms should include sufficient detail, including actual odometer readings, and be reviewed for accuracy.

B. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below:

Item or Service		Cost
Voting system	$	90,000
Filing cabinets		8,580
Printing of assessment forms		8,521
Mailing service		6,350

In addition, the former Circuit Clerk failed to obtain bids for microfilming services totaling $5,342 that was paid from the Circuit Clerk's Interest Fund.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm, or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business.

Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

C. Fuel and usage logs are not maintained for each road and bridge vehicle or piece of equipment, and logs of fuel pumped from tanks stored at each Common Road department were not maintained. As a result, fuel usage is not reconciled to fuel purchases. Common Road department #1 maintains a diesel and an unleaded fuel tank and Common Road department #2 maintains an unleaded fuel tank at their road and bridge sheds. During the years ending December 31, 2006 and 2005, Common Road department #1 spent approximately $25,000 and $24,900 and Common Road department #2 spent approximately $5,800 and $5,000, respectively for fuel. Common Road department #1 chip and seal their own roads while Common Road department #2 contracts this service out, and as a result, fuel costs are greater for the Common Road department #1.

Fuel and usage logs are necessary to document appropriate use of vehicles and equipment and to also support fuel charges. The logs should include the date, operator, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles or hour readings for equipment.

D. Mileage logs which document the mileage of patrol cars for Sheriff's office personnel were not compared to fuel purchases for propriety. Each officer indicates their badge number on the individual fuel tickets, however, these fuel tickets were not compared to mileage logs maintained. Fuel purchases made at local stations for the Sheriff's office totaled approximately $53,000 and $45,000 during 2006 and 2005 respectively. Mileage logs should be used to reconcile gasoline purchases and other maintenance charges.

E. The county does not have a formal written policy regarding cellular phone usage. The county has 19 cellular phones issued to various employees. The county paid cellular phone costs totaling $8,080 and $7,305 during the years ending December 31, 2006 and 2005, respectively.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy is needed regarding cellular phones. Such a policy should address which employees need a cellular phone, proper use of the phone, the appropriate plan needed, and a review and authorization process. The county should prohibit the personal use of the cellular phones, except in cases of emergency.

F. The county did not enter into written agreements with four cities within the county to

provide dispatching services. Additionally, the county has not determined if the amount billed covers the county costs. The county bills the city of Mt. Vernon $3,375, the city of Marionville $1,650, and the cities of Miller and Verona $330 each quarterly. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Conditions similar to Parts A. and B. were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

A. And the Sheriff perform a cost/benefit analysis of costs related to the transporting of prisoners, and payments should be made only for actual mileage incurred. The reimbursement claim forms should include sufficient detail, including actual odometer readings, and be reviewed for accuracy.

B. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

C. Ensure the Common Road departments maintain logs for vehicles and equipment which include the purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles or hour readings for equipment. Logs of fuel pumped from each tank should also be maintained. In addition, ensure the logs are periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for county business.

D. And the Sheriff adequately review fuel purchases for the Sheriff's office, including comparing mileage logs to fuel purchases.

E. Develop a policy regarding the use of cellular phones, which includes procedures to monitor their use, periodically assess which employees need a cellular phone, and ensure the most cost-effective cellular phone plans are selected based on actual business usage.

F. Enter into written agreements, and ensure such agreements contain adequate details and protections for the county.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We will continue to work with the Sheriff and request that he provide a cost/benefit analysis. We will also perform a cost benefit analysis. We will also review the county's liability, and request that a county vehicle be used to transport prisoners.

B. We will continue to try and document sole source vendors and obtain bids when required.

C. Common road department #1 has already implemented this recommendation and Common road department #2 will implement this recommendation.

D. We will request the Sheriff's office to reconcile mileage logs to fuel purchases.

E. We have implemented this recommendation.

F. We will implement this recommendation.

2. Apportionment of Railroad and Utility Taxes

The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Lawrence County during the years ended December 31, 2006 and 2005. The County Clerk distributed the taxes based on an incorrect formula he had used in calculations. State law and guidelines set by the Department of Elementary and Secondary Education (DESE) require specific calculations based on various factors. The following table indicates the total amounts over or (under) paid to the various school districts for 2006 and 2005 tax collections:

School District	Over (Under) Paid
Monett R-I	$ 5,098
Ash Grove R-II	449
Mount Vernon R-V	13,043
Pierce City R-VI	4,804
Verona R-VII	313
Aurora R-VIII	(28,823)
Marionville R-VIIII	4,767
Sarcoxie C-110	349

In addition, the County Clerk indicated he used the same formulas in his calculations in prior years.

WE RECOMMEND the County Clerk consult with the various school districts and the DESE for guidance on how to correct these errors. The County Clerk should also review prior year calculations to ensure their accuracy, and future apportionments should be computed in accordance with applicable laws and regulations.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We have recalculated all prior years calculations and plan to correct this when railroad and utility funds are disbursed this year. We will also contact DESE about this issue.

3. Payroll Procedures

Compensatory time earned is not being calculated in accordance with the county's personnel policy, non working time (vacation, sick leave, and compensatory time taken) is being used in the calculation of compensatory time earned, and as a result, the county may be increasing its payroll liability. Some employees do not prepare a time sheet, and leave records maintained by the County Clerk's office are not always accurate.

A. Compensatory time earned is not being calculated in accordance with the county's personnel policy. For example, an employee in the County Clerk's office accrued compensatory time for hours worked in excess of 7 hours per day or 35 hours per week. In addition, some employees accruing compensatory time are using non working time (vacation, sick leave, and compensatory time taken) in their calculation to determine compensatory time earned. For example, a Sheriffs deputy's time sheet indicated that he had 92 actual hours worked, 63 compensatory hours used, and 8 hours holiday for a total of 163 hours for the work period. The deputy's time sheet also indicated he had accrued three hours of compensatory time. The Sheriff and County Clerk reviewed and approved each of their respective employee's timesheets and did not question either situation. Timesheets and leave records are maintained by the County Clerk's office.

   The county's personnel policy indicates overtime is based on work hours in excess of forty hours in a standard work week and will be compensated at time and a half, except for law enforcement employees. Under the provisions of the FLSA, work in excess of 171 hours in a twenty-eight day pay period is adopted for law enforcement personnel and will be compensated at time and a half. In addition, law enforcement personnel's salaries are based upon 160 hours per month and any time worked between 160 and 171 hours is awarded compensatory time at their regular hourly rate. The county's personnel policy also indicates regular working hours for all full-time employees shall be 35 to 40 hours in any five consecutive days.

   Compensatory time represents a large liability to the county which could require significant cash resources upon payment. At December 31, 2006, county employees had almost 1,300 hours of compensatory time accumulated per their records. Allowing employees to accrue compensatory time in violation of the county's personnel policy increases this payroll liability. In addition, non working time (vacation, sick leave, and compensatory time taken) should not be used in the calculation of compensatory time earned.

B. Timesheets and leave records are not prepared by some salaried employees including the Assistant Prosecuting Attorney, a road supervisor, and the jail supervisor. The County Clerk pays these employees the same amount each pay period unless told otherwise by the employee's supervisor. Detailed time sheets document hours

actually worked; provide information necessary to monitor overtime worked, leave and compensatory time usage and balances; and are beneficial in demonstrating compliance with county policy and federal Fair Labor Standards Act (FLSA) requirements. Time sheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office. In addition, leave records should be maintained by the County Clerk's office for all employees.

C. Employee leave records maintained by the County Clerk's office are not always accurate. For example, leave used by a Sheriff's deputy, and a part-time employee of the Public Administrator and the County Treasurers' offices which was reflected on their time sheets was not accurately posted on the employee's leave records.

To ensure employees receive leave benefits as allowed by the county's personnel policy, leave records should be reviewed for accuracy. The accumulated leave balances should be carefully reviewed for consistency and mathematical accuracy to ensure that employee leave balances are correct and employees receive the proper amount of leave and overtime compensation.

A condition similar to Part B. was noted in the prior report.

WE RECOMMEND the County Commission:

A. Ensure employees only accrue compensatory time in accordance with the county's personnel policy and unproductive time is not used in the calculation of overtime.

B. Require all employees to prepare time sheets. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk. In addition, leave records should be maintained for all employees.

C. Ensure leave records are reviewed for accuracy.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We will implement this recommendation and will clarify how compensatory or over time is to be calculated in the personnel policy.

B. An exception time sheet is prepared by the road supervisor to show time not worked, such as vacation and sick leave taken. We will require these other salaried employees to prepare a timesheet.

C. We will implement a standardized time sheet to help monitor leave balances and verify them for accuracy.

4. Property Tax and Computer System Controls

Property tax system procedures and controls are not sufficient. Neither the County Clerk nor the County Commission adequately reviews the property tax additions and abatements, and the County Clerk does not maintain an account book with the County Collector. Computer systems and data are vulnerable to unauthorized use, modification or destruction.

The county's assessment list and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Clerk enters the tax rates and the County Collector prints the tax books. In addition to the property tax computer system, the County Clerk maintains a computer system for preparing checks and maintaining receipt and disbursement information. In our review of controls relating to the two computer systems, we noted the following concerns:

A. The County Assessor annually prepares an electronic data base of property tax files and enters or updates assessed valuations. After this is completed other county officials perform various statutorily-required duties related to the county's property taxes and a report is provided to the Board of Equalization (BOE). Any changes to assessed valuation information at this point should only be made upon approval of the BOE. However, the Assessor does not have a separate working data base and continued to make changes to the tax book master file after approved by the BOE. No subsequent review of these changes was performed. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the assessment data and that disputes or questions regarding the propriety of property valuations might arise.

B. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the property tax books for additions and abatements occurring throughout the year, while the County Assessor makes these changes to the computer property tax data files. The County Collector provides monthly totals of additions and abatements to the County Commission for their approval. However, no independent and subsequent review of the actual changes made to the tax books and the property tax data files as compared to the approved change requests and/or court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors and irregularities could go undetected.

   Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

   The county's failure to follow control procedures established under statutory guidelines, allows a greater opportunity for errors or inappropriate transactions to

occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

C. Neither the County Commission nor the County Clerk provides a review of the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

D. The security of a password system is dependent upon keeping passwords confidential. Passwords are not kept confidential and are not changed on a regular basis. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. Passwords are important even in an environment where the computer is physically accessible only to county personnel. Passwords have been successfully providing security for computer systems for a long time. They are integrated into many systems and programs, and users are familiar with them. When properly managed in a controlled environment, passwords can provide effective security.

While the County Commission responded in the 2002 and 1998 audits, as well as other previous audits, that these recommendations would be implemented, conditions have not improved.

WE AGAIN RECOMMEND:

A. The County Commission restrict access to the assessment data as appropriate and ensure any changes are fully monitored and documented.

B. The County Commission and County Clerk develop procedures to ensure any changes to the property tax system are properly approved and monitored.

C. The County Clerk maintain records that summarize property tax system transactions and changes and properly monitor property tax system activities.

D. The County Commission require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will take these recommendations under advisement.

5. County Property Records and Procedures

The County Clerk's procedures to account for county property are not sufficient and county property records are not complete. The County Clerk has no procedure to identify property purchases and disposals throughout the year. In addition, tags identifying property items as county property are not being assigned and affixed to the items. While each of the various county departments submitted annual physical inventory reports and explanations of significant changes to the County Clerk's office for the year ending December 31, 2005, these reports were not used to monitor property additions and were not prepared for the year ending December 31, 2006.

Property additions that were not included in the county's records included land purchased for the new court house totaling $106,000, voting booths totaling $90,000, filing cabinets for the Health Center totaling $8,500, and computer and projector equipment for Emergency Management totaling $2,700.

Adequate property records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

WE RECOMMEND the County Clerk request physical inventory reports annually from each of the county departments and utilize them to monitor property additions and dispositions. In addition, the County Clerk should implement a procedure for tracking and tagging new property items throughout the year.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

We have implemented this recommendation.

6. Sheriff's Controls and Procedures

Receipting and record keeping procedures over civil process fees and bonds need improvement. The providing of meals to various jailers and dispatchers is not addressed in the county's personnel policy. The Sheriff's office has no formal follow-up procedures for unpaid prisoner board bills and does not track remaining amounts due. The civil process mileage rate charged by the Sheriff's office was not in compliance with state law, procedures over inmate personal monies are not adequate, and several purchases of flowers were made from the Sheriff's Special Fund that do not appear to be a necessary and prudent use of public funds.

The Sheriff's office collected civil and criminal process fees, gun permit fees, and cash bonds during the years ended December 31, 2006 and 2005 of approximately $223,000 and $287,000, respectively.

A. Receipt slips are not always issued immediately upon receipt for civil processing fees, and these fees are not always deposited intact (or in a timely manner). Civil processing fees are not receipted or deposited until the Sheriff's office tries to serve the related papers. If an attempt to serve the papers cannot be made, the civil processing fee is returned. There was approximately $565 on hand during our audit.

   To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. In addition, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. If a refund is necessary, it should be made by check.

B. Rediform receipt slips are used for bonds posted at the jail. In addition, some bond receipt slips were not issued in numerical order and were not posted to the bond ledger. Cash bonds are to be posted to the bond ledger when received; however, $250 which was receipted on December 13, 2006 was not posted. Without accounting for official prenumbered receipt slips for monies collected and posting all

bonds to the bond ledger, the Sheriff's office cannot ensure all monies collected are ultimately recorded and deposited.

C. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. The Sheriff indicated that employees (jailers and dispatchers) who are on duty at the jail during meal times are provided meals; however, documentation of the number of meals provided to employees is not maintained. Additionally, the number of meals provided to employees is not included in the average meal cost thus overstating the county's average meal costs. The county's personnel policy does not address whether employees of the sheriff's department are to be provided meals by the county. A written personnel policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings. Total meals should also be used in determining the average meal costs.

E. The Sheriff's office has no formal follow-up procedures for unpaid board bills and does not track remaining amounts due. Lawrence County boards prisoners for surrounding counties and cities. The Sheriff's office prepares and sends board bills to the other governments. When a board bill payment is received by the County Treasurer, a copy of the receipt slip issued is given to the Sheriff's office. When payments are received by the Sheriff's office the receipt is deposited into the Sheriff's bank account and subsequently disbursed to the County Treasurer. Formal reconciliations of board bills and payments received should be performed to ensure payments are received on a timely basis, second billings are sent out if necessary, and records are maintained accurately.

F. The civil process mileage rate charged by the Sheriff's office was not in compliance with state law. The Sheriff's office frequently serves papers for attorneys, courts, and other counties relating to civil cases and collects fees and mileage reimbursements for such process. According to Section 57.280, RSMo, the Sheriff's office is allowed to charge the IRS mileage rate for serving papers. However, during 2006, the sheriff charged an average of 46.7 cents per mile when the IRS rate was 44.5 cents per mile, an overcharge of 2.2 cents per mile. The Sheriff should review the civil process mileage rate being charged to ensure it is in compliance with state law.

G. Procedures over inmate personal monies are not adequate. Deputies are responsible for collecting monies in the possession of each inmate at the time of arrest. These monies are placed in a sealed packet with the inmate's name and amount of money collected noted on the outside of the packet and are posted to a "prisoner money tracking form" and the inmate's case file. The packets are then secured in a safe within the jail. At each shift change, the jailer is responsible for accounting for each packet in the safe and reconciling those packets to the tracking forms. However, a cash count conducted on December 19, 2006 indicated $100 of inmate monies

collected on August 20, 2005 had not been posted to the prisoner's tracking form. In addition, a receipt slip or other documentation is not issued to and signed by the inmate to document the amount of personal monies collected.

To ensure proper accountability over the inmate's personal monies, receipt slips should be issued to and signed by each inmate to document monies collected and a periodic supervisory review of the inmate monies and accounting records should be performed by someone independent of inmate collection and related jail duties.

H. Several purchases of flowers totaling $267 were made from the Sheriff's Special Fund during the two years ended December 31, 2006. These purchases do not appear to be necessary or prudent uses. The Sheriff should ensure that funds are only spent on items which are necessary and beneficial to county residents.

A condition similar to Part A. was noted in the prior report.

WE RECOMMEND the Sheriff:

A. Require receipt slips to be issued immediately for civil process fees, and deposit all monies intact on a timely basis. If a refund is necessary, it should be made by check.

B. Ensure bond receipt slips are issued in order and all cash bonds received are posted to the bond ledger.

C. Restrictively endorse checks and money orders immediately upon receipt.

D. Consult with the County Commission and determine whether sheriff's department employees should be provided meals at county expense and if necessary, update the county personnel policy.

E. Maintain a listing of prisoner board billings, and compare prisoner board billings and the subsequent payments received on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.

F. Ensure the mileage rate is in compliance with state law.

G. Issue receipt slips signed by the inmate to document personal monies collected at the time of arrest. In addition, a periodic supervisory review of inmate's personal monies and the related accounting records should be performed by someone independent of the collection and related jail duties.

H. Avoid purchases of unnecessary items.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. We do not plan to implement this recommendation and will continue with our current procedures.

B, D, F-H. We will implement these recommendations.

C. We have already implemented this recommendation.

E. We have implemented a procedure to track board bills during 2007.

7. Prosecuting Attorney's Procedures

Monies received are not always deposited in a timely manner. In addition, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner, and the Prosecuting Attorney's secretary can reduce the amount of bad check fees charged to the bad check writer without obtaining written approval from the Prosecuting Attorney.

The Prosecuting Attorney's office collected bad check and other restitution and fees during the years ending December 31, 2006 and 2005 of approximately $31,900 and $29,900, respectively. Restitution payments are typically remitted directly to the victims or merchants on a periodic basis, and bad check fees are deposited into the Prosecuting Attorney bad check fee account.

A. Monies received are not always deposited in a timely manner. Receipts are normally deposited once a week. For example, bad check fees collected from October 31 to November 3, 2006, totaling $555 were not deposited until November 8, 2006. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made more frequently if significant amounts of cash are collected.

B. Procedures have not been adopted by the Prosecuting Attorney to ensure that bad check complaints are filed with the court in a timely manner. For example, the Prosecuting Attorney received a bad check from a local vendor on March 14, 2007, and his office issued a 10 day letter on March 20, 2007 and a subsequent five day letter on April 11, 2007 requesting payment of the bad check; however, as of June 8, 2007, charges have not been filed against the bad check writer.

Procedures should be established to ensure bad check complaints are filed with the court after the ten day letters are sent and payments have not been received for the bad checks written within the required ten days.

C. The Prosecuting Attorney's secretary indicated that she reduces the amount of bad

check fees charged to the bad check writer after obtaining verbal approval from the Prosecuting Attorney; however, documentation of the Prosecuting Attorney's approval is not maintained. To ensure bad check fees are properly charged and collected, all waivers should be adequately documented and approved by the Prosecuting Attorney.

WE RECOMMEND the Prosecuting Attorney:

A. Deposit all monies in a timely manner.

B. Ensure charges are filed on bad check cases in a timely manner.

C. Approve and document all waivers of bad check fees.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. As you are aware we are a small, but extremely busy office. During the time in question October 31 to November 2, we had five jury trials scheduled to be heard. The monies were accounted for during that week on Friday, November 3 and were deposited the following Wednesday, November 8. On Monday November 6, I had one staff member out for recertification on a criminal history program, and my lead secretary was in St. Louis with her husband regarding a brain tumor. Additionally, Monday the 6th we had a very busy associate court docket and four preliminary hearings scheduled. Moreover, on Monday's our office typically receives about 30% more telephone calls than other working days.

This put our office in somewhat of a crunch. I have advised my staff when we are short on staff; the first priority is to the day to day operation of the office. It would appear that the bad check clerk, because of her assistance within our office, did not have time to deposit the funds until Wednesday.

B. I have instructed the bad check clerk, that the primary goal on bad check cases is to obtain prompt payment of restitution for the victim. A misdemeanor bad check complaint can be filed within a year of the date of the receipt of the check. The statute of limitations on a felony check, (one over $150 or no account) is three years from the date of issuance. Once a criminal complaint is filed with the court, court costs attach to the case. If the state dismisses the case without a plea, no court costs are required to be paid.

Once a ten day letter has been sent and we believe we have a good address, we will on occasion send a second letter. If the person calls the bad check clerk and offers to pay the check, but requests time to pay or has a viable reason for delaying payment I have allowed the bad check clerk to delay the filing of charges. With some individuals we have allowed up to six months to pay off checks prior to filing a charge. Regarding the check mentioned we have another seven months to file the complaint.

The amount of paperwork generated to file a complaint in associate court is more labor intensive than sending an additional letter to try to resolve the matter. I believe it is a prudent use of staff time to not file the charge if it appears we can collect the restitution.

C. It is true that I have given the bad check clerk the freedom to think for herself and make decisions to reduce some fees on bad checks without obtaining written approval. Our office usually receives in excess of 1,500 bad checks a year for collection. While there are a number of cases that the person only writes one bad check, the majority of the individuals have more than two checks. Bad check fees are set by statute based upon the amount of the check. The bad check clerk will ask me about reduction of the fees.

A couple of examples that come to mind include a person who wrote five or six bad checks. They later were placed under a guardian and conservatorship by the court. The person's estate was very small, and we waived some of the fees after the checks were paid to the victim.

Another incident involved a business that obtained a check from a customer, deposited into an account, and then wrote checks to other vendors. The customer's check was dishonored causing the business checks to bounce. With verification of the incident, we waived some additional fees.

Because of the bad check clerk's experience with handling these cases, I have allowed her to make judgment calls on cases when I am not available. It has been my experience in working with the clerk, that if she has reduced a fees when I was not available, that she advised me of the action she took the next day when I hand her the mail for processing, or on the next working day.

8. Public Administrator's Controls and Procedures

Annual/final settlements were not always filed in a timely manner, and adequate procedures were not in place to ensure client funds were adequately secured. In addition, an asset was reported as being sold on another annual settlement when it was still in possession of the ward.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the years ended December 31, 2006 and 2005, the Public Administrator handled approximately 84 cases.

A. Annual settlements were not always filed in a timely manner. Annual settlements were filed 18 to 32 days late for 4 of 5 estates reviewed.

Section 473.540, RSMo, requires settlements to be filed annually. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

B. The Public Administrator has not filed final and/or annual settlements for 11

decedent estates, and some of these wards have been deceased for several years. While the Probate Court has recently notified and sent second notices to the Public Administrator regarding these decedent estates, it did not do so in a timely manner. For example, a final settlement has not been filed for a ward that has been deceased since April 6, 2005, and the court did not notify the Public Administrator by letter until December 11, 2006, and did not issue a second notice until May 22, 2007.

Section 475.290 RSMo, requires final settlements to be filed within sixty days of termination of the estate. In addition, Section 473.540, RSMo, requires settlements to be filed annually. Failure to file settlements on a timely basis for review by the Associate Circuit Division Judge increases the risk that error or misuse of funds could go undetected.

C. The Public Administrator has not established adequate procedures to ensure all client balances are adequately secured. The Public Administrator maintained funds for clients in bank accounts totaling $131,211, $117,846, and $101,272, which were not adequately covered by collateral securities. The client's funds on deposit exceeded the Federal Deposit Insurance Corporation (FDIC) coverage of $100,000. No collateral securities were pledged by the depositary bank to cover the monies in excess of the FDIC coverage.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

D. A vehicle owned by one ward was not reported on the estate's annual settlement. The Public Administrator listed the vehicle as being sold on the annual settlement; however, the vehicle was still in the possession of the client and related expenditures were being made for the use of the vehicle. For settlements to accurately present the activity and status of a particular case, all assets should be properly reflected on the settlements.

Although conditions similar to Parts A., C., and D. were noted in the 2002 audit, as well as other previous audits, these conditions have not improved.

WE RECOMMEND the Public Administrator and the Associate Judge:

A. Ensure settlements are filed in a timely manner.

B. Ensure final and/or annual settlements are filed on a timely basis, and the Probate Court should implement procedures to track and notify the Public Administrator when a settlement is due in a more timely manner.

C. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

D. Ensure annual settlements accurately reflect all assets owned by the ward.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

A. I will make an extra effort to work with the attorneys to ensure annual settlements are filed in a timely manner.

B. I will work with the courts and attorneys to ensure final settlements for decedent estates are filed in a more timely manner.

C. I will ensure adequate collateral securities are pledged to cover funds over $100,000.

D. I will review annual settlements prepared by attorneys more thoroughly to ensure they are accurate.

The Associate Circuit Division Judge provided the following responses:

A. The Public Administrator has an existing tickler system for annual settlements. Some delay may come from the time she delivers the file to the attorney for the estate for preparation of the annual settlement. I have requested that she set up a second docket to show the date the file was delivered and calendar for 30 days to remind the attorney if the settlement has not been prepared.

B. The Probate Clerk typically calls or talks with the Public Administrator if an annual settlement is late. I have instructed the clerk to send second notices if the final settlement has not been settled within 60 days. I have also requested the Public Administrator to set up a separate docket for wards/protectee at the time she is notified of a death.

C. It is my understanding that accrual of interest caused the accounts to exceed FDIC coverage. I have requested the Public Administrator to call the bank each time she received a renewal notice to ascertain the balance and to transfer and divide the account among institutions to receive the $100,000 coverage.

D. I understand this comment is in reference to the George Knox estate. Two vehicles (one car and one truck of minimal value) were inventoried. One vehicle was sold per order of the court. Two vehicles were shown sold on the annual settlement. This was simply a mistake that was overlooked by my office, the attorney preparing the settlement, and the Public Administrator.

9. Collector's Controls and Procedures

The County Collector did not distribute the interest received from bank deposits on a timely basis. Interest earned from January 1, 2005 through December 31, 2006, totaling approximately $78,000, has not been distributed to various political subdivisions within the

county.

Timely distribution of the interest earned to the political subdivisions is important because most political subdivisions rely on these types of revenues to fund their operation and it also reduces the amount of reconciling items on the monthly bank reconciliation.

A condition similar was noted in our prior report.

WE RECOMMEND the County Collector allocate interest on a timely basis.

AUDITEE'S RESPONSE

The County Collector provided the following response:

I distributed interest totaling $78,048 to the Lawrence County Treasurer on July 3, 2007.

10. County Treasurer's Procedures

Interest earned on the County Treasurer's general checking account is not properly allocated. Road funds such as the Class #3 Road and Bridge Fund, and Common #1 and Common #2 Road Funds are included in the account; however, interest earned on the account totaling $88,051 during the two years ending December 31, 2006, was only credited to the General Revenue Fund, Assessment Fund, Prosecuting Attorney Bad Check Fund, Election Services Fund, Recorder User Fee Fund, and the Capital Improvement Sales Tax Fund.

Section 110.150, RSMo, and the Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, county library funds, county health center funds, special road and bridge funds, and assessment funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the County Treasurer distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

AUDITEE'S RESPONSE

The Treasurer provided the following response:

Following the prior audit report, interest was allocated to some funds as recommended including one of the county's road funds, the Capital Improvement Sales Tax Fund. I will consider allocating interest to another road fund, the Class #3 Road and Bridge Fund.

11. Recorder of Deed's Procedures

The total fees abstracted and disbursed each month (which includes amounts charged by local title companies) is not reconciled to the bank balance. For example, at December 31 2006, the reconciled bank balance was $25,323 while the total of fees abstracted and disbursed for that month was $29,442, resulting in a difference of $4,119. Listings of amounts charged by local title companies were not maintained or used to aid in reconciling the amounts abstracted to the bank balance.

All receipts, including charges made by local title companies, are recorded in a daily receipt book. When the related document is filed and recorded, the document and fee are recorded in the abstract book. The abstract book is totaled each month and the fees are disbursed to the applicable parties. Amounts charged by the four title companies are billed at the end of the month and are subsequently paid. At our request, the Recorder prepared a listing of amounts billed to the title companies for December 2006 which totaled to $5,528, resulting in an overage of $1,409.

Monthly reconciliations between total receipts, total fees abstracted, amounts charged, and the reconciled bank balance would provide assurance that the records are in balance and that sufficient cash is available for fees to be distributed.
A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the Recorder of Deed's perform monthly reconciliations of total receipts and total fees abstracted, amounts charged, and the reconciled bank balance to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine the proper disposition.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following response:

I will continue to try and make a reconciliation of this account.

12. County Clerk's Controls and Procedures

The County Clerk's office accepts cash, checks, and money orders. Rediform receipt slips are used, receipt slips are not issued for some monies received, and the method of payment received is not always indicated on the receipt slips. In addition, receipts are not always transmitted to the County Treasurer intact. Some cash receipts are used as a change fund, and the change fund is not maintained at a constant amount. Also, checks are not restrictively endorsed immediately upon receipt.

Without issuing and accounting for official prenumbered receipt slips for all monies collected, including the method of payment, the County Clerk cannot ensure all monies collected are ultimately recorded and transmitted. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Checks and money orders should be restrictively endorsed immediately upon receipt to reduce the potential for loss, theft, or misuse of funds.

The County Clerk's office processed receipts for notary licenses, liquor licenses and voter lists of approximately $17,800 and $18,100 during the years ending December 31, 2006 and 2005. While the County Clerk does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

WE RECOMMEND the County Clerk issue official prenumbered receipt slips for all monies collected, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals. If a change fund is needed, it should be maintained at a constant amount. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

We are in the process of implementing your recommendations.

13. Assessor's Controls and Procedures

The Assessor's office accepts cash, checks, and money orders. The original copies of voided receipt slips were not always retained, receipt slips were not always issued in numerical order, and the method of payment was not always indicated on the receipt slips. In addition, accounting duties have not been adequately segregated. One deputy clerk collects fees, records transactions, and transmits fees collected to the County Treasurer. The Assessor also does not file a monthly report of fees with the County Commission.

The Assessor cannot ensure all monies collected are ultimately recorded and properly transmitted without accounting for the original copies of voided receipt slips, the numerical sequence of receipt slips issued, and the method of payment received. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Assessor. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

The Assessor's office processed receipts for maps and plat books of approximately $19,800 and $25,200 during the years ending December 31, 2006 and 2005, respectively. While the Assessor does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

WE RECOMMEND the Assessor maintain the original copies of voided receipt slips, account for the numerical sequence of receipt slips issued, and ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals. The Assessor should segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. The Assessor should file a monthly report of fees with the County Commission are required by Section 50.370, RSMo.

AUDITEE'S RESPONSE

The County Assessor provided the following response:

We have changed our procedures and are currently in the process of implementing these recommendations.

14. Health Center's Controls and Procedures

Donations are not always recorded on the daily receipt log or transmitted to the County Treasurer and are used to provide change. We counted $103 in unrecorded cash receipts (donations) on December 18, 2006. In addition, checks and money orders received are not restrictively endorsed immediately upon receipt.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly accounted for and transmitted, all receipts should be recorded on the receipt log, transmitted intact on a timely basis, and reconciled to the amounts transmitted to the County Treasurer. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

A similar condition was noted in our prior report.

WE RECOMMEND the Health Center record all receipts on the receipt log and reconcile the amounts transmitted to the County Treasurer. In addition, the health center should transmit all monies received intact in a timely basis, maintain the change fund at a constant amount, and restrictively endorse checks immediately upon receipt.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following response:

We have implemented these recommendations, and it was an oversight that some of the checks were not endorsed. It is our standard procedure to restrictively endorse all checks when received.

15. Senior Citizens Service Board

The board does not require senior centers to document how funds provided by the board are spent and did not always enter into written contracts for funding requests. Board minutes are not signed by the Board President or the Board Secretary, a record of votes cast is not documented, and board actions were not always documented in the minutes. In addition, a written agreement is not maintained with the depositary bank.

A. While the board's written contracts to provide funding to various senior centers require financial reports to be provided to document how funds are spent, the board does not obtain this information from the senior centers.

In addition, while the board typically enters into formal written contracts for funding requests from various facilities that provide services to senior citizens, it did not enter into a contract for a funding request totaling $1,222 with one facility.
To ensure board funds are properly expended, financial reports documenting how funds are spent should be obtained from the senior centers and reviewed by the board. In addition, written contracts provide the framework necessary to detail the services to be provided and the amount of monies to be paid, and Section 432, RSMo, requires contracts to be in writing.

B. Board minutes are normally prepared by the Board Secretary, but some of the minutes were not signed. The board minutes should be signed by the board secretary as preparer and by the board president or other board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

In addition, board minutes did not always record the votes cast. Board minutes typically stated that the "motion carried". Further, minutes did not always document actions taken by the board. For example, the board entered into and signed five contracts with various facilities on January 25, 2006 to provide funding totaling $155,400; however, there was no documentation in the board minutes that the contracts were approved by the board.

Section 610.020, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative that the minutes be prepared to clearly document all business and discussions conducted.

C. The Senior Board does not have a depositary contract with its bank. A depositary agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking

accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged. Additionally, the contract should specify the required number of signatures on checks, and procedures for authorizing electronic transfers from the board's account.

WE RECOMMEND the Senior Citizens Service Board:

A. Require the senior centers to provide financial reports documenting how funds provided by the board are spent, and enter into written contracts for all funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received.

B. Ensure minutes are signed by the Board Secretary and by the Board President, a record of votes taken is documented, and minutes clearly document all business conducted.

C. Enter into a written agreement with its depositary bank.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following responses:

A. We agree with this recommendation. We will begin requiring senior centers to provide financial reports, documenting how funds provided by the Board are spent and will require written contracts for all funding requests that clearly detail the services to be performed and the compensation to be paid and benefits received.

B. We agree with this recommendation. Effective July 2007, the Board minutes will be signed by the Board Secretary and the Board President, a record of votes taken will be documented, and minutes will clearly document all business conducted.

C. We agree with this recommendation. We have already entered into a written agreement with the depository bank.

16. Board of the Developmentally Disabled

Accounting duties are not adequately segregated, invoices are not marked paid or otherwise cancelled prior to payment, and there was no documentation that the Director reviewed the time sheets of a part time employee.

A. Accounting duties have not been adequately segregated. The Director records transactions, prepares and makes deposits, prepares checks, and performs monthly bank reconciliations. A secretary works part-time and assists the director with clerical work. While the board reviews a monthly report of the previous month's

activity prepared by the director, no other documented reviews of the accounting records are performed. Internal controls would be improved by segregating the duties of recording transactions, making deposits, and preparing checks from reconciling the
bank account. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records and bank reconciliations should be performed and documented by the board.

B. Invoices are typically not marked paid or otherwise cancelled. Instead a copy of the check is stapled to the invoice to denote payment. In addition, receipt of goods or services is not indicated on the invoice prior to payment. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the board actually received the items or services being paid.

C. A time sheet is prepared by a part time employee each month; however, there was no documentation that the Director reviewed the time sheets to ensure their accuracy. Timesheets should be signed by the employee's supervisor to indicate their agreement to the actual time reported each month and to ensure the accuracy of time worked and leave taken.

WE RECOMMEND the Board of the Developmental Disabled:

A. Adequately segregate accounting duties or perform a periodic review of the accounting records and bank reconciliations.

B. Ensure all invoices are properly cancelled, by marking the invoice "Paid" to reduce the possibility of duplicate payments. Also, require all invoices to be initialed or signed to indicate acceptance of the goods or services.

C. Ensure the part time employee's timesheets are approved and signed by the Director.

AUDITEE'S RESPONSE

The Board for the Developmentally Disabled provided the following responses:

A. We agree with this recommendation. The Board Treasurer has already started reviewing the monthly bank statement and the board checkbook register to review accounting records and bank reconciliations.

B. We agree with this recommendation. We will ensure that all invoices are properly cancelled by marking the invoice "paid" to reduce all possibility of duplicate payments. Also, we will require all invoices to be initialed or signed to indicate the acceptance of the goods or services.

C. *We agree with this recommendation. The Lawrence County Board for the Developmentally Disabled Director will review and approve all employee time sheets, although this was being done, the Director will now be required to sign time sheets showing his agreement to actual time reported each month.*

Follow-Up on Prior Audit Findings

LAWRENCE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lawrence County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

   A. A cost/benefit analysis of costs related to the transporting of prisoners was not performed. Adequate documentation was not always maintained to support all expenditures and monthly expense accounts were not adequately reviewed for accuracy and propriety.

   B. Bids were not always solicited nor was bid documentation always retained for various purchases.

   C. The county incurred expenditures for an employee appreciation dinner which did not appear to be a necessary and prudent use of public funds.

   Recommendation

   The County Commission:

   A. And the Sheriff perform a cost/benefit analysis of costs related to the transporting of prisoners. In addition, ensure adequate documentation is received and maintained to support all expenditures and monthly expense accounts are adequately reviewed for accuracy and propriety.

   B. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

   C. Ensure all expenditures of county monies are necessary and prudent uses of public funds.

   Status:

   A&B. Not implemented. See MAR finding number 1.

   C. Implemented.

2. Property Tax Controls

A. Access to assessment data and the ability to make changes to that data was available to the County Assessor and his staff at all times.

B. Manual changes made to the tax books by the County Collector were not compared to the actual changes made to the computerized tax data files by the County Assessor or to amounts reflected on the collector's annual settlement by someone independent of tax collection duties.

C. The County Clerk did not maintain an account book with the County Collector.

D. The county did not have an adequate password system or procedures to restrict access to the computer systems.

Recommendation:

The County Commission work with applicable county officials to:

A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.

B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax records and charge these amounts to the County Collector.

C. Ensure the County Clerk maintains an account book with the County Collector.

D. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

Status:

A-D. Not implemented. See MAR finding number 4.

3. Personnel Policies and Elected Official's Bonds

A. The Sheriff's office did not file time sheets or other records of actual time worked with the County Clerk's office.

B. Records of vacation or sick leave earned, taken and accumulated were not maintained for some county employees.

C. The county did not appear to have adequate bond coverage for all elected officials.

Recommendation:

The County Commission:

A. Require Sheriff's employees to file time sheets with the County Clerk's office to be filed in a central location with the county's payroll records.

B. Maintain centralized leave records for all county employees.

C. Ensure all elected officials are bonded as required by statute.

Status:

A. Partially implemented. See MAR finding number 3.

B&C. Implemented.

4. Closed Meeting Minutes

Minutes were not always prepared to document the matters discussed in closed meetings nor were the reasons for closing the meeting or final disposition of matters discussed documented in the open meeting minutes.

Recommendation:

The County Commission ensure minutes are prepared, and retained for all closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.

Status:

Implemented. The County Commission did not hold any closed meetings during the years ending December 31, 2006 and 2005.

5. General Fixed Assets

Periodic inventories and inspections were not being made by each county official or the County Clerk, and as a result, a reconciliation was not performed between the property and the inventory listing. Additions to the inventory listing were not always reconciled to equipment expenditures nor were property tags affixed to newly purchased assets immediately upon receipt.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk. In addition, general fixed asset purchases should be periodically reconciled to general fixed asset additions. Further, property control tags should be affixed.

Status:

Not implemented. See MAR finding number 5.

6. Collector's Controls and Procedures

A. The County Collector did not distribute the interest received from bank deposits on a timely basis.

B. The County Collector did not deposit receipts intact or on a timely basis. Excess tax collections were maintained in the change fund, and the balance had accumulated to a significant amount. In addition, the method of payment received was not consistently indicated on the paid tax receipt.

C. Bank reconciliations were not documented monthly for the partial payment account, and checks written on the regular and partial payment accounts had been outstanding for over a year.

Recommendation:

The County Collector:

A. Allocate interest on a timely basis.

B. Deposit all monies received intact daily and ensure the method of payment is indicated on each paid tax receipt. Any excess tax collections should be identified and investigated immediately. In addition, the County Collector should reconcile the

composition of receipts to the composition of bank deposits.

C. Document monthly bank reconciliations. In addition, reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions, and establish routine procedures to investigate checks outstanding for a considerable time.

Status:

A. Not implemented. See MAR finding number 9.

B&C. Implemented.

7. Sheriff's Controls and Procedures

A. The duties of recording and depositing receipts, preparing and signing checks, and maintaining the accounting records were not adequately segregated.

B. Receipts were not deposited on a timely basis.

C. The Sheriff's office maintained a special bank account, which included funds from a law enforcement block grant, and deposited and held bullet proof vest grant monies in the Sheriff's fee bank account until they were expended. The Sheriff had no statutory authority to maintain such monies outside the County Treasury.

Recommendation:

The Sheriff:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Deposit monies daily or when accumulated receipts exceed $100.

C. Discontinue all bank account transactions except for the deposit and disbursement of bonds and accountable monies received for the performance of official duties. Ensure all monies which are presently held in the accounts are disbursed to the County Treasurer, and in the future, turn over all fees to the county Treasurer.

Status:

A. Implemented.

B. Not implemented. See MAR number 6.

C. Implemented. The Sheriff turned these monies over to the County Treasurer.

8. Recorder of Deed's Controls and Procedures

A. Total receipts were not reconciled to total fees abstracted and disbursed, and listings of marriage license fees remaining in the bank account were not prepared.

B. The Recorder of Deeds maintained custody of the Recorder User Fee Fund, but had not established adequate internal controls to properly handle the revenues and expenditures of these funds. In addition, a form 1099-MISC was not issued.

Recommendation:

The Recorder of Deeds:

A. Perform monthly reconciliations of total receipts and total fees abstracted, and prepare monthly listings of marriage license fees to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine proper disposition.

B. Turn custody of the Recorder User Fee Fund to the County Treasurer and ensure Forms 1099-MISC are issued in accordance with IRS regulations.

Status:

A. Not implemented. See MAR finding number 11.

B. Implemented. The Recorder User Fee Fund was turned over to the County Treasurer.

9. Public Administrator's Procedures

A. Annual settlements were not always prepared in a timely manner.

B. Annual settlements filed by the Public Administrator were not always complete.

C. The Public Administrator maintained funds for a client in a non-interest bearing checking account, and these funds were not adequately covered by collateral securities.

Recommendation:

The Public Administrator and the Associate Circuit Judge:

A. Ensure annual settlements are filed on a timely basis.

B. Ensure annual settlements are accurate prior to filing, including listing any real estate

assets on the annual settlement.

C. Maintain estate's funds in interest-bearing accounts, and ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

A&B. Not implemented. See MAR finding number 8.

C. Partially implemented. Estate funds are maintained in interest-bearing accounts; however, adequate collateral securities have not been pledged for all funds on deposit in excess of FDIC coverage. See MAR finding number 8.

10. Circuit Clerk's Controls and Procedures

A shortage of cash receipts from copy monies totaling $267 was identified. In addition, copy receipts were not transmitted to the County Treasurer monthly and were not periodically counted and reconciled to recorded receipts by an independent person.

Recommendation:

The Circuit Clerk investigate the shortage and take appropriate action. In the future, the Circuit Clerk should remit copy monies received to the County Treasurer at least monthly.

Status:

Implemented. All copy monies on hand were transmitted to the County Treasurer in June 2003. Copy monies collected subsequent to June 2003 were transmitted to the County Treasurer monthly. The Former Circuit Clerk believed the shortage of funds occurred because postage was purchased for juror questionnaires from these monies and was not recorded on the copy receipt log.

11. County Treasurer's Procedures

Interest earned on the County Treasurer's general checking account was not properly allocated.

Recommendation:

The County Treasurer distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

Status:

Not implemented. See MAR finding number 10.

12. Prosecuting Attorney's Procedures

The Prosecuting Attorney maintained U.S. Treasury forfeiture monies in the Prosecuting Attorney bad check fee account. The Prosecuting Attorney had no statutory authority to maintain such monies outside the County Treasury.

Recommendation:

The Prosecuting Attorney turn over the remaining balance of forfeiture monies held in the bad check fee account to the County Treasurer.

Status:

Implemented. The Prosecuting Attorney expended all remaining forfeiture monies.

13. Health Center's Controls and Procedures

A. Donations were not recorded on the daily receipt log until the end of the month and the method of donation payments received were not always indicated on the receipt log.

B. Receipts were not always transmitted to the County Treasurer intact on a timely basis. In addition, the change fund was not maintained at a constant amount and receipts were kept in an unattended file room accessible to all employees.

C. Health Center personnel did not periodically calculate and monitor the average cost per client of providing Comprehensive Family Planning (CFP) services.

Recommendation:

The County Commission require the Health Center to:

A. Record all receipts, including method of payment, on the receipt log and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.

B. Transmit all monies intact daily or when receipts exceed $100, maintain the change fund at a constant amount, and store receipts in a secure location.

C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

Status:

A. Partially implemented. The method of payment was recorded on receipt slips; however, some donations were not recorded on the daily receipt log. See MAR finding number 14.

B. Partially implemented. Receipts were stored in a secure location; however, receipts were not transmitted intact, and the change fund was not maintained at a constant amount. See MAR finding number 14.

C. Implemented.

14. Board of the Developmentally Disabled

A. Funds on deposit were not adequately covered by collateral securities.

B. The financial activity presented in the 2002 budget was inaccurate.

Recommendation:

The Board of the Developmentally Disabled:

A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

B. Ensure the budget is prepared accurately to reflect the financial activity of the board.

Status:

A&B. Implemented.

15. Senior Citizen Service Board

A. The board had no statutory authority to maintain The Senior Citizens Service Fund outside the County Treasury, and the board had not obtained a legal opinion to support its decision to maintain custody of the fund.

B. Funds on deposit were not adequately covered by collateral securities.

Recommendation:

The Senior Citizens Service Board:

A. Turn over custody of the Senior Citizens Service Fund to the County Treasurer.

B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of

FDIC coverage.

Status:

A. Not implemented. Although not repeated in the current report our recommendation remains as stated above.

B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LAWRENCE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Lawrence was named after James Lawrence, a naval hero of the War of 1812. Lawrence County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Mount Vernon.

Lawrence County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 1509 miles of county roads and 117county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 24,585 in 1980 and 35,304 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 232.9	227.1	196.6	193.5	91.1	35.3
Personal property	95.7	84.4	80.4	81.0	23.2	14.0
Railroad and utilities	33.5	35.2	34.5	31.1	16.3	15.6
Total	$ 362.1	346.7	311.5	305.6	130.6	64.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Lawrence County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .1150	.0963	.0900	.0900
Special Road and Bridge Fund *	.0700	.0700	.0700	.0700
Developmentally Disabled Fund	.0883	.0800	.0800	.0800
Senior Citizens Service Fund	.0486	.0483	.0500	.0500

* The county has thirteen special and two common road districts that receive four-fifths of the tax collections from within these districts, and the County Special Road and Bridge Fund retains one-fifth. The two common road districts and most special road districts have additional tax levies which are distributed entirely to those districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 111,057	105,303	96,366	94,286
General Revenue Fund	456,767	340,835	298,022	287,154
Road funds	929,919	898,243	820,818	805,248
Assessment Fund	206,420	191,920	175,017	134,374
Developmentally Disabled Fund	320,980	278,593	254,932	249,701
Senior Citizens Service Fund	174,196	164,408	155,492	152,580
School districts	12,660,424	11,941,645	10,952,823	10,129,730
Library district	641,831	608,986	567,297	555,869
Ambulance districts	267,304	257,640	235,556	228,445
Fire protection district	26,441	25,970	24,239	23,167
Nursing home district	397,431	375,885	354,792	347,760
Neighborhood improvement district	13,743	14,177	0	0
Junior College	5,749	5,725	5,150	5,146
Cities	223,931	196,162	185,599	184,521
Tax Increment Financing	38,700	38,467	37,113	31,286
County Employees' Retirement	43,064	41,754	34,864	33,615
Collector's Tax Maintenance Fund	34,563	31,987	31,655	31,110
Commissions and fees:				
General Revenue Fund	331,702	340,359	282,589	274,897
County Collector	4,254	3,873	2,652	2,721

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	93	94	93	93	%
Personal property	87	90	91	90	
Railroad and utilities	100	87	100	100	

Lawrence County also has the following sales taxes; rates are per $1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	$ .0050	None	50	%
Capital improvements	.0050	2013	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Joe Ruscha, Presiding Commissioner		30,380	30,380	30,380	30,380
Earl Dotson, Associate Commissioner		29,700	29,700		
J. Everett Ament, Associate Commissioner				28,380	28,380
Rodney Barnes, Associate Commissioner		29,700	29,700	28,380	28,380
Pam Robertson, Recorder of Deeds		43,000	43,000	43,000	43,000
Gary Emerson, County Clerk		43,000	43,000	43,000	43,000
Robert E. George, Prosecuting Attorney		96,000	96,000	96,000	96,000
Ed Weisacosky, Sheriff (1)		53,120	50,780		
Doug Seneker, Sheriff (2)				48,780	48,780
Sharon Kleine, County Treasurer		31,820	31,820	31,820	31,820
Don C. Lakin, County Coroner		16,000	16,000	15,000	15,000
Pam Fobair, Public Administrator		45,000	45,000	43,000	43,000
Kelli McVey, County Collector (3), year ended February 28 (29),	47,254	46,873	45,653	45,721	
Doug Bowerman, County Assessor (4), year ended August 31,		45,688			
David Tunnell, County Assessor (5), year ended August 31,			43,688	43,765	43,866
Sam Goodman, County Surveyor (6)					

(1) Salary was $50,000 in 2006 and 2005 and $48,000 in 2004 and 2003. Includes $2,340 adjustment for pre-tax deductions made in 2005 for Counties Employee's Retirement Fund (CERF) contributions. The county determined the official was not eligible for CERF in 2006 and subsequently made the adjustment to his salary in 2006. Includes $780 uniform allowance in 2006 and 2005.
(2) Includes $780 uniform allowance in 2004 and 2003.
(3) Includes $4,254, $3,873, $2,653 and $2,721 during 2007, 2006, 2005, and 2004, respectively, of commissions earned for collecting city property taxes.
(4) Includes $688 annual compensation received from the state in 2006 and 2005.
(5) Includes $765 and $866 annual compensation received from the state in 2004 and 2003, respectively.
(6) Compensation on a fee basis.

State-Paid Officials:					
Cindy Faucett-Supiran, Circuit Clerk		48,500	48,500	47,850	47,300
Larry W. Meyer, Associate Circuit Judge		96,000	96,000	96,000	96,000
Scott S. Sifferman, Associate Circuit Judge		96,000	96,000	96,000	96,000

Susan Montee, CPA
Missouri State Auditor

August 2007

Twelfth Judicial Circuit

City of Mexico, Missouri Municipal Division

Report No. 2007-34

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

The following finding was noted as a result of an audit conducted by our office of the Twelfth Judicial Circuit, City of Mexico, Missouri Municipal Division.

The city of Mexico Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren Counties. The Honorable Keith Sutherland serves as Presiding Judge.

The audit found the method of payment is not consistently indicated on receipt slips. Some of the receipt slip copies maintained by the Court Clerk did not indicate the method of payment and it appears the copy of the receipt slip maintained by the City Clerk's office was sometimes updated to correctly reflect the composition of the deposit. To adequately account for collections, the method of payment should be noted on the receipt slips when the slips are initially prepared. This recommendation has already been implemented by the court.

Bond forms are not pre-numbered. To ensure all bonds are accounted for and deposited, pre-numbered bond forms should be used. The court is reviewing this recommendation.

All reports are available on our website: www.auditor.mo.gov

TWELFTH JUDICIAL CIRCUIT
CITY OF MEXICO, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twelfth Judicial Circuit
and
Municipal Judge
Mexico, Missouri

We have audited certain operations of the city of Mexico Municipal Division of the Twelfth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended September 30, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Mexico Municipal Division of the Twelfth Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Terese Summers, CPA
	Liang Xu

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWELFTH JUDICIAL CIRCUIT
CITY OF MEXICO, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

The method of payment is not consistently indicated on receipt slips and bond forms are not pre-numbered.

A. The method of payment (cash, check, and money order) is not consistently indicated on receipt slips. Triplicate receipt slips are issued by the City Clerk's office for monies collected for fines, court costs, and bond receipts. One copy is given to the payee, one copy is provided to the Court Clerk, and one copy is maintained by the City Clerk's office. Some of the receipt slip copies maintained by the Court Clerk did not indicate the method of payment, and it appears the copy of the receipt slip maintained by the City Clerk's office was sometimes updated to correctly reflect the composition of the deposit.

   To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment should be noted on the receipt slips when the receipt slips are prepared and the composition of collections should be reconciled to bank deposits.

B. Bond forms are not pre-numbered. Although pre-numbered receipt slips are issued for bond monies, to ensure all bonds are accounted for and deposited, pre-numbered bond forms should be used and the numerical sequence accounted for properly.

WE RECOMMEND the city of Mexico Municipal Division:

A. Request the city indicate the method of payment on each receipt slip when issued and reconcile total cash, check, and money orders received and noted on the receipt slips to the composition of bank deposits.

B. Along with the Police Chief, obtain and issue pre-numbered bond forms for all bonds received and ensure all bond forms are accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge and Assistant City Manager provided the following responses:

A. The recommendation has been implemented. Method of payment has been indicated on receipt slips, as they are delivered to the cashier; however, some portions of the carbon three-part forms did not indicate the method of payment through an oversight.

B. The recommendation is being reviewed. Since bonds can be posted at times other than normal business hours of the Finance Department, logistics, tracking, and additional control issues will need to be reviewed prior to implementing a pre-numbered bond system. Currently bonds issued are documented by other identifying information such as a three-part receipt number and specific information unique to the person receiving the bond.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

TWELFTH JUDICIAL CIRCUIT
CITY OF MEXICO, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Mexico Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Robert Fenlon
Court Clerk	Amy Deihl
Assistant City Manager	Roger Haynes
City Clerk/Collector	Donna Barnes

Financial and Caseload Information

	Year Ended September 30,	
	2006	2005
Receipts	$53,520	59,460
Number of cases filed	946	957
Parking tickets issued*	519	399

* The number of 2005 parking tickets issued does not include tickets issued from October to December 2004.

Susan Montee, CPA
Missouri State Auditor

August 2007

Harrison County, Missouri

Years Ended
December 31, 2006 and 2005

Report No. 2007-33

auditor.mo.gov

Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Harrison, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Although the financial condition of the county's General Revenue Fund (GRF) has improved in recent years, the county has not developed plans to address the utilization of the jail and the operational and equipment needs of the 911 center that could adversely impact the financial condition of the GRF. The county has not analyzed the costs and revenues related to the county jail or developed plans to increase the profitability of the jail operation. Direct costs for operating the jail including staff salaries, inmate meals, and other costs have exceeded the receipts from board billings and other jail receipts. In addition, the county has not developed long-range plans for equipment upgrades and related funding for the 911 operation. Total disbursements from the 911 Fund have exceeded total receipts in every year except one since 2001, leading to a declining cash balance, which is projected to total only $9,762 at December 31, 2007.

The county does not have adequate procedures regarding the procurement of major purchases. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some major purchases, or bid documentation was not always retained for various purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices for some purchases (i.e., phone contact, inquiries).

The budgets of the Special Road and Bridge Fund (SRBF) contained unreasonable estimates of disbursements, annual maintenance plans for roads and bridges have not been prepared, and the administrative transfers from the SRBF were excessive.

The county has not documented its basis for transferring amounts from the Law Enforcement Sales Tax Fund (LESTF) to the 911 Fund or for determining the amounts to charge other entities for dispatching services.

Some weaknesses in accounting controls and procedures were also reported for the offices of Circuit Clerk, Sheriff, and Prosecuting Attorney.

All reports are available on our Web site: www.auditor.mo.gov

HARRISON COUNTY, MISSOURI

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HARRISON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Harrison County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Harrison County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Harrison County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 17, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Harrison County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

May 17, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Anne Jenkins
	Eartha Taylor, CPA
	Julie Orlowski

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Harrison County, Missouri

We have audited the financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Harrison County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Harrison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Harrison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 17, 2007

Financial Statements

Exhibit A-1

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	435,793	911,583	791,372	556,004
Special Road and Bridge		1,237,076	2,040,250	2,287,884	989,442
Assessment		39,178	128,783	136,183	31,778
Law Enforcement Training		19,828	7,329	14,232	12,925
Prosecuting Attorney Training		8,467	2,077	1,512	9,032
Special Poor		52,974	11,106	8,567	55,513
Lottie Wilson Trust		28,031	1,513	851	28,693
Recorder's User Fees		6,985	4,800	3,700	8,085
Prosecuting Attorney Bad Check		13,610	27,039	22,940	17,709
Domestic Violence		0	538	538	0
Crestview Depreciation and Replacement		108,483	5,436	13,263	100,656
Lake Project		310,650	25,617	19,039	317,228
911		26,217	190,394	188,538	28,073
Local Emergency Planning Committee		12,920	5,533	4,804	13,649
Police Officer Standards Training		9,126	3,867	0	12,993
County Election Services		18,758	130,908	127,040	22,626
Recorder's Technology		5,384	2,763	0	8,147
Tax Maintenance		12,112	7,613	4,179	15,546
Law Enforcement Sales Tax		1,347	694,350	671,738	23,959
Eagleville Memorial West Cemetery		52,025	2,802	1,200	53,627
Juvenile Restitution		880	1,001	649	1,232
Health Center		404,557	741,894	648,992	497,459
Circuit Clerk's Interest		6,643	1,155	3,173	4,625
Law Library		10,127	6,007	5,510	10,624
Total	$	2,821,171	4,954,358	4,955,904	2,819,625

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	267,814	1,001,791	833,812	435,793
Special Road and Bridge		1,158,119	1,995,200	1,916,243	1,237,076
Assessment		30,444	145,945	137,211	39,178
Law Enforcement Training		17,898	8,664	6,734	19,828
Prosecuting Attorney Training		7,392	2,283	1,208	8,467
Special Poor		56,378	7,075	10,479	52,974
Lottie Wilson Trust		27,231	1,000	200	28,031
Recorder's User Fees		7,822	4,916	5,753	6,985
Prosecuting Attorney Bad Check		8,747	23,136	18,273	13,610
Domestic Violence		0	455	455	0
Crestview Depreciation and Replacement		104,821	3,662	0	108,483
Lake Project		311,615	20,700	21,665	310,650
911		33,328	180,991	188,102	26,217
Crestview Addition		19,731	253	19,984	0
Local Emergency Planning Committee		18,832	5,463	11,375	12,920
Police Officer Standards Training		5,347	3,779	0	9,126
County Election Services		17,592	6,572	5,406	18,758
Recorder's Technology		2,691	2,795	102	5,384
Tax Maintenance		7,899	7,628	3,415	12,112
Law Enforcement Sales Tax		34,504	638,601	671,758	1,347
Eagleville Memorial West Cemetery		0	52,025	0	52,025
Juvenile Restitution		0	880	0	880
Health Center		454,249	562,052	611,744	404,557
Circuit Clerk's Interest		5,549	1,141	47	6,643
Law Library		12,033	5,131	7,037	10,127
Total	$	2,610,036	4,682,138	4,471,003	2,821,171

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 5,035,523	4,954,358	(81,165)	4,855,509	4,622,961	(232,548)
DISBURSEMENTS	6,099,498	4,955,904	1,143,594	5,688,919	4,463,919	1,225,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,063,975)	(1,546)	1,062,429	(833,410)	159,042	992,452
CASH, JANUARY 1	2,821,778	2,821,171	(607)	2,592,454	2,592,454	0
CASH, DECEMBER 31	1,757,803	2,819,625	1,061,822	1,759,044	2,751,496	992,452
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	318,000	323,813	5,813	317,000	316,419	(581)
Sales taxes	250,000	249,391	(609)	240,000	247,352	7,352
Intergovernmental	33,981	32,442	(1,539)	96,345	107,926	11,581
Charges for services	151,200	143,554	(7,646)	148,000	152,652	4,652
Interest	10,000	28,074	18,074	5,360	16,685	11,325
Other	12,440	11,106	(1,334)	45,280	40,057	(5,223)
Transfers in	130,589	123,203	(7,386)	115,000	120,700	5,700
Total Receipts	906,210	911,583	5,373	966,985	1,001,791	34,806
DISBURSEMENTS						
County Commissior	81,720	77,954	3,766	79,720	79,043	677
County Clerk	78,687	71,737	6,950	80,647	70,550	10,097
Elections	91,170	51,133	40,037	50,570	28,136	22,434
Buildings and grounds	100,300	89,795	10,505	117,330	104,262	13,068
County Treasurer	71,966	69,137	2,829	66,066	65,597	469
Ex Officio Recorder of Deed	30,100	18,434	11,666	29,674	22,628	7,046
Circuit Court	3,425	1,933	1,492	2,875	1,799	1,076
Court administration	9,735	3,568	6,167	11,497	6,944	4,553
Public Administrator	46,126	42,873	3,253	44,751	42,408	2,343
Prosecuting Attorney	71,559	67,555	4,004	64,036	64,970	(934)
Juvenile Officer	35,096	9,774	25,322	34,858	10,074	24,784
County Coroner	16,330	11,480	4,850	16,190	13,344	2,846
Crime Victim's Advocate	28,493	28,347	146	28,606	28,346	260
Insurance	101,755	89,658	12,097	94,600	74,962	19,638
Other general county governmen	60,750	38,666	22,084	60,560	42,289	18,271
Other	79,100	70,489	8,611	51,664	29,672	21,992
Transfers out	47,206	47,206	0	77,244	12,244	65,000
Emergency Fund	100,000	1,633	98,367	160,574	136,544	24,030
Total Disbursements	1,053,518	791,372	262,146	1,071,462	833,812	237,650
RECEIPTS OVER (UNDER) DISBURSEMENTS	(147,308)	120,211	267,519	(104,477)	167,979	272,456
CASH, JANUARY 1	435,793	435,793	0	267,814	267,814	0
CASH, DECEMBER 31	288,485	556,004	267,519	163,337	435,793	272,456

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Sales taxes	520,000	510,472	(9,528)	480,000	502,781	22,781
Intergovernmental	1,579,200	1,464,575	(114,625)	1,594,000	1,405,281	(188,719)
Interest	34,000	47,892	13,892	20,000	34,080	14,080
Other	5,000	12,311	7,311	29,500	48,058	18,558
Transfers in	5,000	5,000	0	5,000	5,000	0
Total Receipts	2,143,200	2,040,250	(102,950)	2,128,500	1,995,200	(133,300)
DISBURSEMENTS						
Salaries	210,000	209,128	872	210,000	185,474	24,526
Employee fringe benefit	92,000	80,551	11,449	92,000	73,650	18,350
Supplies	30,000	15,320	14,680	28,000	14,258	13,742
Road and bridge materials	365,000	225,636	139,364	350,000	191,747	158,253
Equipment repairs	40,000	11,988	28,012	40,000	15,871	24,129
Equipment purchases	75,000	29,927	45,073	75,000	14,042	60,958
Construction, repair, and maintenance	1,872,500	1,577,258	295,242	1,742,000	1,281,155	460,845
Other	142,000	23,076	118,924	150,000	25,046	124,954
Transfers out	115,000	115,000	0	125,000	115,000	10,000
Total Disbursements	2,941,500	2,287,884	653,616	2,812,000	1,916,243	895,757
RECEIPTS OVER (UNDER) DISBURSEMENTS	(798,300)	(247,634)	550,666	(683,500)	78,957	762,457
CASH, JANUARY 1	1,237,076	1,237,076	0	1,158,119	1,158,119	0
CASH, DECEMBER 31	438,776	989,442	550,666	474,619	1,237,076	762,457
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	128,039	125,943	(2,096)	110,700	133,053	22,353
Interest	1,350	2,214	864	250	1,458	1,208
Other	1,240	626	(614)	1,300	1,434	134
Transfers in	0	0	0	0	10,000	10,000
Total Receipts	130,629	128,783	(1,846)	112,250	145,945	33,695
DISBURSEMENTS						
Assessor	159,975	136,183	23,792	142,110	137,211	4,899
Total Disbursements	159,975	136,183	23,792	142,110	137,211	4,899
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,346)	(7,400)	21,946	(29,860)	8,734	38,594
CASH, JANUARY 1	39,178	39,178	0	30,444	30,444	0
CASH, DECEMBER 31	9,832	31,778	21,946	584	39,178	38,594

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	9,000	6,508	(2,492)	9,000	7,996	(1,004)
Interest	700	821	121	0	668	668
Total Receipts	9,700	7,329	(2,371)	9,000	8,664	(336)
DISBURSEMENTS						
Sheriff	12,000	8,529	3,471	14,580	6,734	7,846
Transfers out	14,000	5,703	8,297	0	0	0
Total Disbursements	26,000	14,232	11,768	14,580	6,734	7,846
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,300)	(6,903)	9,397	(5,580)	1,930	7,510
CASH, JANUARY 1	19,828	19,828	0	17,898	17,898	0
CASH, DECEMBER 31	3,528	12,925	9,397	12,318	19,828	7,510
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	2,000	1,624	(376)	2,000	1,995	(5)
Interest	288	453	165	125	288	163
Total Receipts	2,288	2,077	(211)	2,125	2,283	158
DISBURSEMENTS						
Prosecuting Attorney	7,000	1,512	5,488	8,262	1,208	7,054
Total Disbursements	7,000	1,512	5,488	8,262	1,208	7,054
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,712)	565	5,277	(6,137)	1,075	7,212
CASH, JANUARY 1	8,467	8,467	0	7,392	7,392	0
CASH, DECEMBER 31	3,755	9,032	5,277	1,255	8,467	7,212
SPECIAL POOR FUND						
RECEIPTS						
Interest	2,000	3,106	1,106	1,100	2,075	975
Other	5,000	8,000	3,000	10,000	5,000	(5,000)
Total Receipts	7,000	11,106	4,106	11,100	7,075	(4,025)
DISBURSEMENTS						
Assistance programs	17,750	8,567	9,183	19,000	10,479	8,521
Total Disbursements	17,750	8,567	9,183	19,000	10,479	8,521
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,750)	2,539	13,289	(7,900)	(3,404)	4,496
CASH, JANUARY 1	52,974	52,974	0	56,378	56,378	0
CASH, DECEMBER 31	42,224	55,513	13,289	48,478	52,974	4,496

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOTTIE WILSON TRUST FUND						
RECEIPTS						
Interest	500	1,513	1,013	500	1,000	500
Total Receipts	500	1,513	1,013	500	1,000	500
DISBURSEMENTS						
Assistance to indigen	1,100	851	249	500	200	300
Total Disbursements	1,100	851	249	500	200	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	662	1,262	0	800	800
CASH, JANUARY 1	28,031	28,031	0	27,231	27,231	0
CASH, DECEMBER 31	27,431	28,693	1,262	27,231	28,031	800
RECORDER'S USER FEES FUND						
RECEIPTS						
Charges for services	4,300	4,381	81	5,190	4,637	(553)
Interest	280	419	139	220	279	59
Total Receipts	4,580	4,800	220	5,410	4,916	(494)
DISBURSEMENTS						
Ex Officio Recorder of Deed	4,100	3,700	400	7,300	5,753	1,547
Total Disbursements	4,100	3,700	400	7,300	5,753	1,547
RECEIPTS OVER (UNDER) DISBURSEMENTS	480	1,100	620	(1,890)	(837)	1,053
CASH, JANUARY 1	6,985	6,985	0	7,822	7,822	0
CASH, DECEMBER 31	7,465	8,085	620	5,932	6,985	1,053
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	17,600	26,260	8,660	15,000	22,724	7,724
Interest	415	779	364	0	412	412
Total Receipts	18,015	27,039	9,024	15,000	23,136	8,136
DISBURSEMENTS						
Prosecuting attorney	26,047	21,351	4,696	17,000	18,273	(1,273)
Transfers out	1,589	1,589	0	0	0	0
Total Disbursements	27,636	22,940	4,696	17,000	18,273	(1,273)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,621)	4,099	13,720	(2,000)	4,863	6,863
CASH, JANUARY 1	13,610	13,610	0	8,747	8,747	0
CASH, DECEMBER 31	3,989	17,709	13,720	6,747	13,610	6,863
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	500	535	35	500	455	(45)
Interest	0	3	3	0	0	0
Total Receipts	500	538	38	500	455	(45)
DISBURSEMENTS						
Abuse center	400	538	(138)	400	455	(55)
Total Disbursements	400	538	(138)	400	455	(55)
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	0	(100)	100	0	(100)
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	100	0	(100)	100	0	(100)

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CRESTVIEW DEPRECIATION AND REPLACEMENT FUND						
RECEIPTS						
Interest	4,000	5,436	1,436	2,096	3,662	1,566
Total Receipts	4,000	5,436	1,436	2,096	3,662	1,566
DISBURSEMENTS						
Equipment and repairs	0	13,263	(13,263)	0	0	0
Total Disbursements	0	13,263	(13,263)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	(7,827)	(11,827)	2,096	3,662	1,566
CASH, JANUARY 1	108,483	108,483	0	104,821	104,821	0
CASH, DECEMBER 31	112,483	100,656	(11,827)	106,917	108,483	1,566
LAKE PROJECT FUND						
RECEIPTS						
Charges for services	6,000	5,429	(571)	4,000	5,622	1,622
Interest	12,000	16,548	4,548	5,000	11,095	6,095
Other	4,767	3,640	(1,127)	5,200	3,983	(1,217)
Total Receipts	22,767	25,617	2,850	14,200	20,700	6,500
DISBURSEMENTS						
Maintenance	7,000	19,039	(12,039)	32,000	21,665	10,335
Construction	20,000	0	20,000	0	0	0
Total Disbursements	27,000	19,039	7,961	32,000	21,665	10,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,233)	6,578	10,811	(17,800)	(965)	16,835
CASH, JANUARY 1	310,650	310,650	0	311,615	311,615	0
CASH, DECEMBER 31	306,417	317,228	10,811	293,815	310,650	16,835
911 FUND						
RECEIPTS						
Charges for services	163,960	150,892	(13,068)	143,687	144,710	1,023
Interest	500	665	165	533	596	63
Other	0	3,837	3,837	0	685	685
Transfers in	35,000	35,000	0	35,000	35,000	0
Total Receipts	199,460	190,394	(9,066)	179,220	180,991	1,771
DISBURSEMENTS						
Salaries and employee benefit	133,180	125,321	7,859	132,480	124,168	8,312
Telephone	46,000	45,397	603	43,000	45,872	(2,872)
Equipment	35,100	14,847	20,253	12,100	13,992	(1,892)
Other	7,900	2,973	4,927	8,000	4,070	3,930
Total Disbursements	222,180	188,538	33,642	195,580	188,102	7,478
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,720)	1,856	24,576	(16,360)	(7,111)	9,249
CASH, JANUARY 1	26,217	26,217	0	33,328	33,328	0
CASH, DECEMBER 31	3,497	28,073	24,576	16,968	26,217	9,249

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CRESTVIEW ADDITION FUND						
RECEIPTS						
Interest				395	253	(142)
Total Receipts				395	253	(142)
DISBURSEMENTS						
Repairs				0	19,984	(19,984)
Total Disbursements				0	19,984	(19,984)
RECEIPTS OVER (UNDER) DISBURSEMENTS				395	(19,731)	(20,126)
CASH, JANUARY 1				19,731	19,731	0
CASH, DECEMBER 31				20,126	0	(20,126)
LOCAL EMERGENCY PLANNING COMMITTEE FUND						
RECEIPTS						
Intergovernmental	5,031	4,872	(159)	5,031	4,993	(38)
Interest	150	661	511	150	470	320
Total Receipts	5,181	5,533	352	5,181	5,463	282
DISBURSEMENTS						
Local emergency planning	6,850	4,804	2,046	7,325	5,675	1,650
Transfers out	0	0	0	5,700	5,700	0
Total Disbursements	6,850	4,804	2,046	13,025	11,375	1,650
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,669)	729	2,398	(7,844)	(5,912)	1,932
CASH, JANUARY 1	12,920	12,920	0	18,832	18,832	0
CASH, DECEMBER 31	11,251	13,649	2,398	10,988	12,920	1,932
POLICE OFFICER STANDARDS TRAINING FUND						
RECEIPTS						
Intergovernmental	3,700	3,324	(376)	0	3,544	3,544
Interest	235	543	308	0	235	235
Total Receipts	3,935	3,867	(68)	0	3,779	3,779
DISBURSEMENTS						
Sheriff	2,500	0	2,500	0	0	0
Total Disbursements	2,500	0	2,500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,435	3,867	2,432	0	3,779	3,779
CASH, JANUARY 1	9,126	9,126	0	5,347	5,347	0
CASH, DECEMBER 31	10,561	12,993	2,432	5,347	9,126	3,779

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COUNTY ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	130,800	129,502	(1,298)	45,000	5,893	(39,107)
Interest	538	1,406	868	352	679	327
Total Receipts	131,338	130,908	(430)	45,352	6,572	(38,780)
DISBURSEMENTS						
Equipment	145,810	127,040	18,770	60,000	5,406	54,594
Total Disbursements	145,810	127,040	18,770	60,000	5,406	54,594
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,472)	3,868	18,340	(14,648)	1,166	15,814
CASH, JANUARY 1	18,618	18,758	140	17,592	17,592	0
CASH, DECEMBER 31	4,146	22,626	18,480	2,944	18,758	15,814
RECORDER'S TECHNOLOGY FUND						
RECEIPTS						
Charges for services	2,500	2,401	(99)	2,500	2,644	144
Interest	160	362	202	54	151	97
Total Receipts	2,660	2,763	103	2,554	2,795	241
DISBURSEMENTS						
Ex Officio Recorder of Deed	2,500	0	2,500	2,000	102	1,898
Total Disbursements	2,500	0	2,500	2,000	102	1,898
RECEIPTS OVER (UNDER) DISBURSEMENTS	160	2,763	2,603	554	2,693	2,139
CASH, JANUARY 1	5,384	5,384	0	2,691	2,691	0
CASH, DECEMBER 31	5,544	8,147	2,603	3,245	5,384	2,139
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	7,500	6,785	(715)	8,500	7,255	(1,245)
Interest	400	768	368	50	373	323
Other	0	60	60	0	0	0
Total Receipts	7,900	7,613	(287)	8,550	7,628	(922)
DISBURSEMENTS						
Ex Officio County Collector	16,000	4,179	11,821	15,750	3,415	12,335
Total Disbursements	16,000	4,179	11,821	15,750	3,415	12,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,100)	3,434	11,534	(7,200)	4,213	11,413
CASH, JANUARY 1	12,112	12,112	0	7,899	7,899	0
CASH, DECEMBER 31	4,012	15,546	11,534	699	12,112	11,413

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	520,000	497,627	(22,373)	480,000	495,841	15,841
Intergovernmental	100,000	107,402	7,402	210,000	78,909	(131,091)
Charges for services	50,860	28,583	(22,277)	35,000	24,473	(10,527)
Interest	0	582	582	0	966	966
Other	37,500	15,156	(22,344)	19,091	38,412	19,321
Transfers in	45,000	45,000	0	0	0	0
Total Receipts	753,360	694,350	(59,010)	744,091	638,601	(105,490)
DISBURSEMENTS						
Salaries and employee benefit	323,252	338,739	(15,487)	316,964	307,553	9,411
Debt service	138,800	138,889	(89)	139,624	139,624	0
Utilities	24,000	22,971	1,029	20,341	20,194	147
Prisoner board	80,000	32,425	47,575	63,166	49,767	13,399
Equipment	42,250	22,884	19,366	9,431	9,419	12
Vehicle fuel and repairs	30,000	23,736	6,264	32,534	32,534	0
Insurance	15,000	9,824	5,176	21,878	20,555	1,323
Supplies and office expens	24,000	20,000	4,000	24,256	22,988	1,268
Other law enforcement and jail expense	30,750	21,358	9,392	29,656	29,124	532
Transfers out	40,000	40,912	(912)	40,000	40,000	0
Total Disbursements	748,052	671,738	76,314	697,850	671,758	26,092
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,308	22,612	17,304	46,241	(33,157)	(79,398)
CASH, JANUARY 1	1,347	1,347	0	34,504	34,504	0
CASH, DECEMBER 31	6,655	23,959	17,304	80,745	1,347	(79,398)
EAGLEVILLE MEMORIAL WEST CEMETERY FUND						
RECEIPTS						
Interest	2,000	2,802	802			
Total Receipts	2,000	2,802	802			
DISBURSEMENTS						
Maintenance	3,000	1,200	1,800			
Total Disbursements	3,000	1,200	1,800			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	1,602	2,602			
CASH, JANUARY 1	52,025	52,025	0			
CASH, DECEMBER 31	51,025	53,627	2,602			
JUVENILE RESTITUTION FUND						
RECEIPTS						
Interest	0	54	54			
Other	500	947	447			
Total Receipts	500	1,001	501			
DISBURSEMENTS						
Restitution	1,627	649	978			
Total Disbursements	1,627	649	978			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,127)	352	1,479			
CASH, JANUARY 1	1,627	880	(747)			
CASH, DECEMBER 31	500	1,232	732			

Exhibit B

HARRISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property Taxes	122,900	125,007	2,107	114,000	112,441	(1,559)
Intergovernmental	158,200	174,603	16,403	148,500	161,355	12,855
Charges for services	386,000	432,536	46,536	334,500	281,355	(53,145)
Interest	6,900	9,748	2,848	5,500	6,901	1,401
Total Receipts	674,000	741,894	67,894	602,500	562,052	(40,448)
DISBURSEMENTS						
Salaries and employee benefit	426,000	398,997	27,003	399,300	398,574	726
Office Expenditures	68,400	66,225	2,175	53,300	61,290	(7,990)
Equipment	11,500	11,177	323	7,500	5,102	2,398
Mileage and travel	25,600	24,998	602	18,000	21,877	(3,877)
Professional fees	95,000	94,502	498	77,000	87,434	(10,434)
Medical supplies	46,500	53,093	(6,593)	25,000	37,467	(12,467)
Total Disbursements	673,000	648,992	24,008	580,100	611,744	(31,644)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	92,902	91,902	22,400	(49,692)	(72,092)
CASH, JANUARY 1	404,557	404,557	0	454,249	454,249	0
CASH, DECEMBER 31	405,557	497,459	91,902	476,649	404,557	(72,092)
CIRCUIT CLERK'S INTEREST FUND						
RECEIPTS						
Interest	1,100	1,155	55			
Total Receipts	1,100	1,155	55			
DISBURSEMENTS						
Circuit Clerk	4,000	3,173	827			
Total Disbursements	4,000	3,173	827			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	(2,018)	882			
CASH, JANUARY 1	6,643	6,643	0			
CASH, DECEMBER 31	3,743	4,625	882			
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	4,700	6,007	1,307			
Total Receipts	4,700	6,007	1,307			
DISBURSEMENTS						
Law library	8,000	5,510	2,490			
Total Disbursements	8,000	5,510	2,490			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,300)	497	3,797			
CASH, JANUARY 1	10,127	10,127	0			
CASH, DECEMBER 31	6,827	10,624	3,797			

The accompanying Notes to the Financial Statements are an integral part of this statemer

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Juvenile Restitution, Eagleville Memorial West Cemetery, Circuit Clerk's Interest, and Law Library funds for the year ended December 31, 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Prosecuting Attorney Bad Check Fund	2005
Domestic Violence Fund	2006 and 2005
Crestview Depreciation and Replacement Fund	2006
Crestview Addition Fund	2005
Health Center Fund	2005

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 2006 and 2005, did not include the Circuit Clerk's Interest and Law Library Funds.

In addition, the county's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Prosecuting Attorney Training, Special Poor, Lottie Wilson Trust, Recorder's User Fees, Prosecuting Attorney Bad Check, Domestic Violence, Crestview Depreciation and Replacement, Lake Project, Local Emergency Planning Committee, County Election Services, Recorder's Technology, Tax Maintenance, Eagleville Memorial West Cemetery, Juvenile Restitution, and Health Center Funds.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the

county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Harrison County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and the Health Center Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Supplementary Schedule

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state Department of Health and Senior Service			
10.557	Special Supplemental Nutrition Program	ERS045-5140	$ 0	30,974
	for Women, Infants, and Childre	ERS045-6140	32,860	4,371
		ERS045-7140	5,658	0
	Program total		38,518	35,345
10.559	Summer Food Service Program for Childre	ERS146-5140I	70	70
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state Department of Public Safety			
16.554	National Criminal History Improvement Progran	N/A	3,323	0
16.575	Crime Victim Assistanc	2003-VOCA-0016	0	19,872
		2004-VOCA-0015	19,553	3,595
		2005-VOCA-0017	4,255	0
	Program total		23,808	23,467
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Constructio	BRO 041 (19)	0	1,373
		BRO 041 (25)	0	760
		BRO 041 (26)	488,758	1,739
		BRO 041 (27)	42,254	333,331
		BRO 041 (28)	61,245	259,640
		BRO 041 (29)	33,653	0
	Program total		625,910	596,843
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public			
	Sector Training and Planning Grants	HMEP2005	2,338	2,338
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA-2002-FED	117,000	5,893

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2006	2005
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Childre	ERS146-5140L	5,188	726
93.268	Immunization Grants	N/A	64,458	42,082
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DH070008019	2,289	3,500
		DH060031084	6,331	0
		AOC06380204	3,500	0
	Program total		12,120	3,500
93.575	Child Care and Development Block Gran	PGA067-5140C	1,515	1,890
	Office of Secretary of State			
93.617	Voting Access for Individuals with Disabilitie	HAVAHHSFG3	12,502	0
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-3140M	0	18,305
		AOC06380204	24,419	17,443
		AOC05380051	0	21,060
		AOC06380076	14,495	2,071
		PGA062-70074	187	0
	Program total		39,101	58,879
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	2004-GE-T4-0049	0	75,614
	Total Expenditures of Federal Awards		$ 945,851	846,647

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

HARRISON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Harrison County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Harrison County, Missouri

Compliance

We have audited the compliance of Harrison County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Harrison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005.

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Internal Control Over Compliance

The management of Harrison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Harrison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 17, 2007

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	___x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	___x__ no

Federal Awards

Internal control over major program:		
• Material weaknesses identified?	_____ yes	___x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	_____ yes	___x__ no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HARRISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HARRISON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HARRISON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. We also have audited the compliance of Harrison County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Harrison County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in

accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Harrison County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. Financial Condition

Although the financial condition of the county's General Revenue Fund (GRF) has improved in recent years, the county has not developed plans to address the utilization of the jail and the operational and equipment needs of the 911 center that could adversely impact the financial condition of the GRF.

A. The county has not analyzed the costs and revenues related to the county jail or developed plans to increase the profitability of the jail operation. Construction of the county law enforcement center, housing the 40-bed county jail, Sheriff's Department, and 911 Center, was completed in 2003. The County Commission indicated that when planning the new jail, they believed the beds not needed for Harrison County inmates would be used for housing inmates for other counties. However, the utilization of the available jail space has been less than the county expected. For example, the county estimated board receipts for 2005 to be $200,000 but actual board receipts for 2005 were only about $46,000. The total average daily jail census was 13 and 15 for the years ended December 31, 2006 and 2005, respectively, including an average daily census of 3 inmates housed for other entities for this period. Direct costs for operating the jail including staff salaries, inmate meals, and other costs have exceeded the receipts from board billings and other jail receipts as follows:

	Year ended December 31,	
	2006	2005
Total jail disbursements	$169,068	$194,570
Less: Board receipts from prisoners and other entities	(67,179)	(45,884)
Less: Telephone card receipts	(11,265)	(19,705)
Less: State criminal cost receipts	(40,223)	(33,025)
Jail expenditures over jail receipts	$50,401	$95,956

The Sheriff indicated he has had difficulty competing with other large jails in the region to house prisoners for other entities.

The expenses of the jail, Sheriff's Department, and principal and interest payments on the law enforcement center construction debt are paid from the county's Law Enforcement Sales Tax Fund (LESTF). Transfers have been required from the GRF most years to subsidize these costs.

B. The county has not developed long-range plans for equipment upgrades and related funding for the 911 operation. Total disbursements from the 911 Fund for employee salaries and benefits, telephone line charges, office expenses, and equipment have exceeded total receipts of the 911 Fund from telephone taxes, user charges, and transfers in every year except one since 2001. As a result, the fund's cash balance has declined from $79,419 at January 1, 2001, to $28,073 at December 31, 2006 and the budget for 2007 projects an expected cash balance at December 31, 2007 to be $9,762. Additionally, the county commissioners indicated much of the 911 equipment has not been upgraded or replaced since initially installed in the 1990s. However, the county has not determined the equipment needs or estimated costs to be planned for in future years.

Current funding levels do not appear adequate to set aside money for future contingencies like equipment upgrades or replacements. The county asked voters to approve a use tax in 2007 which it intended to use to help fund the 911 operation but this measure was not approved by the voters. The county has not developed an alternative plan to increase the fund receipts. Also as noted in MAR 4, the county has not documented its basis for charging other entities and the LESTF for dispatching services.

The county made transfers from the GRF to the LESTF totaling $45,000, $0, $30,000, and $76,180 for the years ended December 31, 2006, 2005, 2004, and 2003 to support the LESTF. The un-profitability of the jail operation has contributed to the need for those transfers. In addition, the LESTF has transferred $35,000 annually to the 911 Fund for dispatching services.

The county should analyze the costs and receipts of the jail operation and 911 operation and develop plans to increase the utilization of the jail and for funding the equipment and operations of the 911 center. Efforts should be made to address the immediate and long-term aspects of these operations to ensure the continued strong position of the GRF.

WE RECOMMEND the County Commission:

A. Consider ways to reduce jail operating costs or increase receipts by housing more prisoners for other jurisdictions.

B. Develop long-range plans for funding operational and equipment needs of the 911 Center.

AUDITEE'S RESPONSE

A. We will encourage the Sheriff to seek opportunities to house other agency's prisoners. We are also going to start preparing meals for the prisoners in-house instead of purchasing prepared food from an outside source, which should reduce food costs substantially.

B. The use tax failed by only three votes last April. We are planning on returning this proposal to the voters on an upcoming election. We are hopeful that the Legislature will address the issue of cell phones being exempt from the 911 surcharge.

2. County Expenditures

The county does not have adequate procedures regarding the procurement of major purchases.

While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some major purchases, or bid documentation was not always retained for various purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices for some purchases (i.e., phone contact, inquiries). We had concerns related to the following purchases:

GIS Mapping Services and Information System	$165,550
Voting equipment	119,455
Emergency radios	49,269
Truck	23,747

- The County Commission indicated they considered the GIS mapping services and information system of two other vendors previously but did not obtain current proposals and qualifications from those vendors because the vendors were located out-of-state.

- For the voting equipment, the County Commission indicated they and the County Clerk evaluated equipment from several vendors approved under a statewide procurement agreement and obtained a price quote from the vendor offering equipment that they believed was best for their needs, however, the county's basis for its decision was not documented.

- For the radios, the County's Emergency Management Director indicated he did not obtain competitive bids because the equipment brands he sought were not offered by more than one vendor, but this reason was not documented.

- For the truck, the county received two other bids which were up to $4,600 lower than the bid selected. The County Commission indicated it selected the high bidder because that truck was better equipped, however, the county did not document its basis for this decision.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days. Section 8.285, RSMo, requires political subdivisions of the state of Missouri to negotiate contracts for engineering and land surveying services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. Sections 8.289 and 8.291, RSMo, specify that at least three firms should be considered when obtaining such services, and provide criteria to be used when evaluating the various firms.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals and qualifications, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process and criteria, or reasons why competitive proposals were not solicited, should be retained to demonstrate compliance with the law and support decisions made.

WE RECOMMEND the County Commission perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

AUDITEE'S RESPONSE

A more in-depth procedure will be followed during the bidding process and a record of the selection made will reflect the reason why one particular bidder was chosen over the other.

3. Special Road and Bridge Fund

The budgets of the Special Road and Bridge Fund (SRBF) contained unreasonable estimates of disbursements, annual maintenance plans for roads and bridges have not been prepared, and the administrative transfers from the SRBF were excessive. Disbursements from the SRBF totaled about $2,288,000 and $1,916,000 for the years ended December 31, 2006 and 2005, respectively.

A. As also noted in our prior four audit reports, the County Commission's budget preparation procedures do not ensure that the SRBF budget documents reasonably reflect the county's anticipated financial activity and cash balances, and lessen the effectiveness of the budget as a tool for monitoring or controlling county disbursements.

The budget documents do not reasonably reflect the anticipated disbursements and the ending cash balances of the SRBF. The budget significantly overestimated disbursements, and as a result the actual ending cash balances were much higher than the projected ending cash balances as follows:

	Year Ended December 31, 2006	2005
Budgeted disbursements	$2,941,500	$2,812,000
Actual disbursements	2,287,884	1,916,243
Budgeted over actual disbursements	653,616	895,757
Projected ending cash balance	438,776	474,619
Actual ending cash balance	989,442	1,237,076
Actual over projected ending cash balance	$550,666	$762,457

Realistic projections of the county's anticipated resources and uses of funds are essential for the efficient management of county finances and for communicating accurate financial data to county residents. Misrepresentation of the county's anticipated disbursements is misleading to the public and prevents an accurate estimate of the county's anticipated financial condition. In addition, the use of unreasonable budget estimates may have contributed to an excessive transfer to the General Revenue Fund (GRF) for administrative services as noted in part C below.

B. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. The budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. The County Commission indicated the county provides rock for the township roads every year and prioritizes bridge construction based on safety concerns and need; however, specifics are not documented in a plan, the commission minutes, or the budget message and made available to the public.

A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, help establish more reasonable budget estimates, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

C. Administrative service fee transfers from the SRBF to the GRF were excessive. During the years ended December 31, 2006 and 2005, the county made administrative service fee transfers of $115,000 each year from the SRBF to the GRF. The county had no documentation to support how the administrative service fee transfers were calculated.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRBF. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GRF for related administrative services to the SRBF, and shall not exceed five percent (three percent prior to August 28, 2004) of the SRBF budget.

Although administrative service fee transfers were less than five percent of SRBF budgeted disbursements, the transfers exceeded five percent of actual disbursements for the two years ended December 31, 2006 and 2005, by a total of $31,294. This situation resulted from unreasonable budget estimates for the SRBF. Also, because administrative service fee transfers were excessive in most years prior to 2005, the amount of cumulative excessive transfers totaled $73,858 as of December 31, 2006.

This condition was also noted in our prior audit.

WE RECOMMEND the County Commission:

A. Ensure the budgets of the Special Road and Bridge Fund provide reasonable estimates of anticipated financial activity.

B. Develop a road and bridge maintenance plan in conjunction with the annual fiscal budgets.

C. Base administrative transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund and retain documentation of the transfer calculations. In addition, consider transferring $73,858 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of prior excessive transfers.

AUDITEE'S RESPONSE

A. We will base the budget of the Special Road and Bridge Fund on actual expenses from the previous year, adding any estimates for known projects.

B. We will meet with the bridge foreman to prepare a list of work projects that will need to be addressed in the upcoming year. A realistic plan will be developed of what can be accomplished within that year and we will budget accordingly.

C. No transfers were made in excess of the percentages allowed, they were taken from the budgeted amount. As long as the present Commission is in office, future calculations will be based on the actual expenses from the previous year. Five percent of the 2005 actual expenses was $95,812 and five percent of 2006 actual expenses was $114,394.

4. 911 Fund

The county has not documented its basis for transferring amounts from the Law Enforcement Sales Tax Fund (LESTF) to the 911 Fund or for determining the amounts to charge other entities for dispatching services. Receipts of the 911 Fund totaled about $371,000 for the two years ended December 31, 2006, for telephone taxes, dispatching agreements with other entities, transfers from the LESTF and other receipts. Disbursements from the 911 Fund for the two years ended December 31, 2006, totaled about $376,000 for employee salaries and benefits, equipment, telephone line service charges and other costs. In 2002, voters approved a one-half cent law enforcement sales tax for constructing a law enforcement center and for providing law enforcement services. In 2003, the county established the LESTF to account for the sales tax proceeds and constructed a law enforcement center housing the Sheriff's department, jail, and 911 Center.

In the early 1990s the county began operating a 911 emergency dispatching system. Operations of the system were funded through a telephone surcharge tax and by contracted payments from other political subdivisions in the county who received dispatching services. Since establishing the LESTF, the county has transferred $35,000 annually from the LESTF to the 911 Fund for county law enforcement dispatching provided by the 911 center. By agreement, the county provides emergency and non-emergency dispatching to cities, ambulance districts and fire districts throughout the county. The amounts received by the county from these entities totaled about $57,000 and $49,000 for the years ended December 31, 2006 and 2005, respectively.

The county commissioners could not recall how the amounts charged to the LESTF and the other entities were derived. In 2005 and 2006, the 911 director provided the county commissioners with the number of calls handled for the county sheriff and other political subdivisions, but the county had no documentation to show how this data was used in determining the transfer and contract amounts. The former presiding county commissioner prepared a worksheet summarizing calls and expenses that apparently was used in the negotiations with the city of Bethany but the calls and costs on the worksheet do not agree to the data from the 911 director or the 911 Fund expenses. The county commission could not explain the source or use of the work sheet.

The county should base its transfer and contract amounts on a measure of actual activity or some comparable basis and document its basis. These actions are necessary to ensure the amounts charged the other entities are reasonable and to ensure compliance with the restrictions on the allowable uses of the LESTF.

WE RECOMMEND the County Commission base its transfers from the LESTF to the 911 Fund, and its contracts with entities for dispatching, upon a measure of actual activity or some comparable basis. In addition, documentation of the calculation and the data that supports it should be maintained.

AUDITEE'S RESPONSE

We will develop a procedure for calculating the dispatching and MULES service that is provided to the various law enforcement and fire departments within the county on a per call basis. We will then assess the departments accordingly.

5. Circuit Clerk's Controls and Procedures

The Circuit Clerk's procedures for receipting monies are not adequate to ensure all monies received are recorded and deposited and the Circuit Clerk does not routinely follow-up on old outstanding checks. The Circuit Clerk receives payments on court costs, fines, and bonds for cases of the Circuit, Associate, and Probate Divisions. Receipts totaled about $765,000 and $943,000 for 2006 and 2005, respectively.

A. The Circuit Clerk's procedures for receipting monies are not adequate to ensure all monies received are recorded and deposited. The Circuit Clerk's staff post all monies received to the court's Judicial Information System (JIS). For payments received during court, the Circuit Clerk's staff issue a generic manual receipt slip and subsequently posts the collection to the JIS.

1. The Circuit Clerk's staff hold some collections for several days before recording the monies on either the JIS or the generic receipt slips. We counted the undeposited collections of the Circuit Clerk on February 28, 2007, and noted 13 checks and money orders on hand totaling $1,653 that were not receipted on either the JIS or manual receipt slips for one to fourteen calendar days. The Circuit Clerk indicated these items could not be receipted into JIS at the time because the payment was collected before the charges had been filed and the case had not been established on the JIS. The Circuit Clerk indicated manual receipt slips were not normally issued for such payments, but the monies were instead held until the case record had been established on the JIS.

2. The Circuit Clerk's staff do not account for the numerical sequence of generic manual receipt slips issued. When these receipts are posted to the JIS, the Circuit Clerk's staff attach the court's copy of the manual receipt slip to the computerized JIS receipt and file both receipt slips in the applicable case file. Because these receipt slips are not filed numerically, there is less assurance that these receipt slips were properly recorded on the JIS and deposited.

To ensure all monies collected are ultimately recorded and deposited, the court should immediately record all collections on the JIS or the manual receipt slips, account for the numerical sequence of the receipt slips issued, and ensure all manual receipt slips are subsequently recorded on the JIS.

B. The Circuit Clerk has not established procedures to routinely follow-up on outstanding checks. At December 31, 2006, about 90 checks totaling about $3,400 were more than one year old. Approximately 32 of the 90 outstanding checks totaling about $920 were from cases in the old traffic division account and issued as early as 1996.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

WE RECOMMEND the Circuit Clerk:

A. Record all monies received immediately on the JIS or manual receipt slips and account for the numerical sequence of the manual receipt slips issued. If manual receipt slips are used to record monies, the Circuit Clerk should ensure these receipts are posted to the JIS.

B. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory requirements.

AUDITEE'S RESPONSE

A. The Circuit Clerk indicated she agrees with the recommendation and is planning to purchase and begin using prenumbered manual receipt slips to document all transactions that cannot be immediately posted to the JIS system. She will ensure that all manually receipted transactions are subsequently entered on the JIS system. She plans to have this recommendation implemented by the end of 2007.

B. The Circuit Clerk indicated she agrees with the recommendation and will follow-up on old outstanding checks. For checks that cannot be reissued, she will turn over the monies to the state Unclaimed Property Section by the end of 2007.

6. Sheriff's Controls and Procedures

Accounting duties are not adequately segregated in the Sheriff's Office. In addition, monies received are not always deposited intact and the composition of receipt slips issued is not reconciled to the composition of deposits.

The Sheriff's Office processed approximately $204,000 and $246,000 in bonds, civil service fees and mileage, gun permits, and telephone card receipts.

A. Accounting duties have not been adequately segregated in the Sheriff's office. The Sheriff's clerk collects monies, records transactions, prepares deposits, prepares and signs checks, and prepares the bank reconciliations. There are no documented reviews of the accounting records performed by the Sheriff.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Monies received are not always deposited intact and the composition of receipt slips issued is not reconciled to the composition of deposits. While bank deposits are normally made from eight to eleven times per month, cash receipts are sometimes excluded from deposits and included in subsequent bank deposits. We tested 17 bank deposits and noted five deposits where some cash receipts totaling $965 were apparently withheld from the bank deposit on the day received and were instead included in the subsequent bank deposit.

To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment should be reconciled to the bank deposits and deposits should be made intact.

WE RECOMMEND the Sheriff:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Ensure the method of payment is reconciled to deposits and deposit all monies intact.

AUDITEE'S RESPONSE

A. The Sheriff indicated he agrees with the recommendation and will immediately begin documenting his review of the accounting records, which will be performed at least monthly.

B. The Sheriff indicated he agrees with the recommendation and it has already been implemented.

7. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney's office does not have an adequate system to account for the receipt and eventual disposition of bad checks. In addition, monies received are not always deposited timely, and accounting duties are not adequately segregated.

The Prosecuting Attorney's office collects bad check related restitution and fees and court-ordered restitution. Collections totaled about $131,000 and $136,000 for the years ended December 31, 2006 and 2005, respectively.

A. The Prosecuting Attorney's office does not have an adequate system to account for the receipt and eventual disposition of bad checks. Currently, Harrison County merchants complete an unnumbered complaint form when turning the bad check over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer file, and the complaint form and information regarding the handling of each case are maintained in a file drawer until payment is received or charges are filed. No identifying or tracking numbers are assigned to the complaint forms or bad checks, and the bad check data file is not maintained in a manner that allows all bad check complaint forms and bad checks to be accounted for. Also, without some numbering or tracking procedure, there is no assurance all bad check information is entered into the computer file.

   To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and this number should be used to track the status and disposition of the corresponding bad check.

B. Receipts are not always deposited timely. During the two years ended December 31, 2006, the number of monthly deposits averaged five. We noted one deposit in October 2005 containing receipts held for as long as eleven calendar days before deposit. We also counted the undeposited collections of the Prosecuting Attorney on March 27, 2007 and noted money orders totaling about $2,800 that had been held from one to eleven days including four receipts totaling about $400 that were held for one week or longer. To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed $100.

C. The duties of receiving, recording, depositing and disbursing monies, reconciling the bank account, and following up on unpaid bad checks are not adequately segregated. The Prosecuting Attorney's secretary performs all of these duties. The former Prosecuting Attorney reviewed the bank reconciliations and the current Prosecuting Attorney indicated that she plans to begin reviewing the bank reconciliations. However, neither the former or current Prosecuting Attorneys reviewed the receipt and disbursement records and both officeholders delegated duties to the secretary to ensure receipts were properly processed and disbursed and to notify the officeholder of unpaid bad check restitution.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing an independent documented review of records by the Prosecuting Attorney.

WE RECOMMEND the Prosecuting Attorney:

A. Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

B. Deposit all monies intact daily or when accumulated receipts exceed $100.

C. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.

AUDITEE'S RESPONSE

A. We were unaware at the time of the audit that our bad check program does assign a number to each check as it is entered into the program.

B. Deposits are now being made on a frequent basis.

C. I am taking this recommendation under advisement.

Follow-Up on Prior Audit Findings

HARRISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Harrison County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Jail Project

   A. The County Commission did not obtain a professional appraisal to determine the value of land purchased for the jail site.

   B. The County Commission was not independently monitoring the construction of the jail and there was no professional independent inspection during construction to ensure compliance with building codes and building plans and specifications.

   C. The County Commission negotiated and signed an agreement with the financial company five weeks prior to advertising the request for bids in the local paper.

   Recommendation:

   The County Commission:

   A. Obtain a professional appraisal prior to purchasing land.

   B. Ensure the construction is independently monitored, inspected, and supervised for the remainder of the jail project.

   C. Ensure building projects are bid in accordance with state law.

   Status:

   A&C. We noted no similar land purchases or building projects during the current audit period.

   B. Partially implemented. The county commission conducted two inspections of the law enforcement center in October 2003 and accepted the center as completed on October 29, 2003. However, the county commission did not obtain an independent inspection of the facility. Although not repeated in the current MAR, the county commission should ensure future construction projects are independently monitored, inspected, and supervised.

2. Crestview Nursing Home Project

The County Commission did not adequately monitor the selection process of various design and construction services for the nursing home project.

Recommendation:

The County Commission adequately monitor county building projects.

Status:

We noted no similar county building projects during the current audit period. The County Commission monitored operations of the nursing home and repairs to the facility by attending meetings of the Crestview Nursing Home Board and reviewing monthly financial reports of Crestview.

3. Lake Project Fund Balance

The Lake Project Fund balance included approximately $309,000 of sales tax revenues which were to be used for obligations incurred in the construction of the Harrison County Lake; however, the general obligation bonds had been paid.

Recommendation:

The County Commission consult legal counsel to determine the proper disposition of the sales tax revenue remaining in the Lake Project Fund.

Status:

Implemented. The County Commission consulted the former Prosecuting Attorney, who advised that the remaining Lake Project funds could be used for ongoing maintenance at the lake without the need for a public vote.

4. County Officials' Compensation

The county had not taken action on mid-term salary increases given to some elected officials in 1997, which appeared invalid based on a 2001 Missouri Supreme Court decision.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

Status:

Partially implemented. The County Clerk indicated the County Commission discussed the issue with the former Prosecuting Attorney in September 2003 and he verbally advised the Commission that the statute of limitations had expired. Consequently, the Commission did not seek repayment of any salary overpayments.

5. Budgetary Practices and Published Financial Statement

A. As noted in three prior audit reports, the County Commission significantly overestimated the amounts budgeted for the Special Road and Bridge Fund, reducing the usefulness of the budget as a management tool and as a control over disbursements.

B. Actual disbursements exceeded budgeted amounts in various funds.

C. The County Clerk did not ensure township road boards' financial statements were prepared and published as required by state law.

Recommendations:

A. The County Commission ensure budgeted expenditures are reasonable so that a more realistic estimate of the Special Road and Bridge Fund's financial condition is presented and to increase the budget's effectiveness as a management tool.

B. The County Commission ensure disbursements are not authorized in excess of budgeted expenditures. In addition, if valid reasons necessitate excess expenditures, the budget should be formally amended following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's Office.

C. The County Clerk should ensure all townships publish financial statements in a local paper in accordance with state law.

Status:

A. Not implemented. See MAR finding number 3.

B. Partially implemented. The County Commission monitored the budgeted and actual disbursements and amended some budgets during the audit period. However, the budgets for several small funds were overspent during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented.

6. Interfund Loans and Transfers

A. The County Commission authorized payment of jail and law enforcement expenditures in February and June 2002, totaling $50,750 from Special Road and Bridge Fund restricted monies. While the County Commission indicated the payments were a loan, the 2003 budget did not appropriate any repayments and the monies had not been repaid as of June 2003.

B. Administrative service fee transfers from the Special Road and Bridge Fund to the General Revenue Fund were excessive.

Recommendations:

The County Commission:

A. Transfer $50,750 to the Special Road and Bridge Fund from the Law Enforcement Sales Tax Fund. In addition, interfund loans should be reflected as such on the budget document.

B. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund and retain documentation of the transfer calculations. In addition, a transfer of $33,882 should be made from the General Revenue Fund to the Special Road and Bridge Fund. Transfers should be budgeted and made in a timely manner.

Status:

A. Partially implemented. In 2005, the County Commission began budgeting and repaying the loan in annual payments of $5,000. At December 31, 2006, the remaining balance of the loan was $40,750.

B. Partially implemented. The County Commission budgeted and made administrative transfers each year of the audit period, however, the transfer amounts were excessive, documentation of the transfer calculations was not retained, and a transfer back to the Special Road and Bridge Fund to correct the prior excess transfers was not made. See MAR finding number 3.

7. Revenue Maximization

The county had not established procedures to monitor reimbursement requests of the Bridge Replacement Offsystem program, and ensure timely receipt of funds.

Recommendation:

The County Commission establish procedures to monitor receipt of reimbursement requests and to ensure the reimbursement requests for federal funds are accurate and complete.

Status:

Implemented.

8. Computer Controls

The computer system shared by the County Clerk, County Assessor, and County Collector had several controls in need of improvement.

A. Passwords were not changed on a periodic basis to ensure confidentiality and to limit access to the system.

B. No security system was in place on the property tax and financial programs to detect and stop incorrect log-on attempts after a certain number of tries.

C. Backup disks were not stored at an off-site location.

D. The county did not have a formal emergency contingency plan for the computer system, and had not formally negotiated arrangements for backup facilities in the event of a disaster. In addition, some areas housing computer equipment were not equipped with fire or smoke detection systems.

Recommendations:

The County Commission:

A. Ensure unique passwords are assigned to each employee and these passwords are periodically changed and remain confidential.

B. Establish a security system to stop and report incorrect log-on attempts after a certain number of tries.

C. Ensure backup disks are prepared and stored in a secure, off-site location.

D. Develop a formal contingency plan for the county's computer systems and equip areas that house computer hardware and software with fire detectors or smoke detectors.

Status:

A-C. Implemented.

D. Partially implemented. The county has developed an emergency contingency plan to secure computer equipment and records during an emergency, however, the plan does not include plans for backup facilities. Also, areas housing computer equipment have not been equipped with fire or smoke detection systems. Although not repeated in the current MAR, our recommendation remains as stated above.

9. General Fixed Asset Records and Procedures

As noted in previous reports, the county had not maintained or updated the master list of fixed assets since 1996, nor had the county conducted a complete physical inventory since that time. Property tags were not attached to purchased assets.

Recommendation:

The County Commission establish a written policy related to handling and accounting for fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed assets should be tagged or otherwise identified as county-owned property.

Status:

Partially implemented. The county has not established a written policy on fixed assets. However, the county has updated the fixed asset listing and conducts annual inventories. Also, the county currently attaches tags to new property acquisitions and tagged many of the items that previously had not been tagged. Although not repeated in the current MAR, the county should adopt a written policy on fixed assets.

10. Commission Meetings and Records

A. Formal written minutes were not prepared for closed county commission meetings.

B. The county commission minutes did not always include sufficient details of matters discussed and actions taken at the county commission meetings.

C. The Presiding Commissioner did not sign the county commission meeting minutes.

Recommendations:

The County Commission ensure:

A. Minutes are prepared for all closed meetings.

B. All significant discussions and actions taken are adequately documented in the minutes.

C. Minutes are approved and signed.

Status:

A. Implemented.

B. Partially implemented. The minutes generally contained sufficient details on most matters, however, we noted some procurement decisions that were insufficiently documented. See MAR finding number 2.

C. Partially implemented. The handwritten minutes are apparently approved by the county commission and signed by the Presiding Commissioner, however, the handwritten minutes are discarded when the minutes are typed and filed. Although not repeated in the current MAR, the Presiding Commissioner should sign the official typed minutes.

11. Sheriff's Controls and Procedures

A. The duties of receiving, recording, and depositing were not adequately segregated, but instead were all performed by the Sheriff's secretary.

B. The method of payment was not always indicated on the receipt slips.

C. The Sheriff did not file monthly reports of fees with the county commission.

D. The Sheriff retained fees totaling $1,116 for services performed as trustee to execute a deed of trust in September 2002 which should have been remitted to the county.

E. A perpetual inventory record of seized property was not maintained and a periodic physical inventory of seized property on hand was not conducted.

Recommendations:

The Sheriff:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Record the method of payment on receipt slips and reconcile the composition of receipts to the composition of bank deposits.

C. Ensure a monthly report of fees is filed with the county commission in accordance with state law.

D. Ensure fees received for services performed as a trustee in a deed of trust sale are turned over to the County Treasurer. In addition, the Sheriff should turn over $1,116 to the county.

E. Prepare and maintain a complete perpetual inventory record of seized property. Periodic inventories of seized property should be performed. In addition, disposition of seized property should be made on a timely basis.

Status:

A. Not implemented. See MAR finding number 6.

B. Partially implemented. The method of payment is noted on receipt slips but the composition of receipt slips is not always reconciled to deposits. See MAR finding number 6.

C. Implemented.

D. Not implemented. The County Treasurer indicated the former Sheriff did not remit the retained fees to the county. The current Sheriff has not conducted any similar sales. Although not repeated in the current MAR, our recommendation remains as stated above.

E. Partially implemented. Seized property is currently logged on an inventory listing, however, periodic physical inventories have not been performed. Also, the Sheriff requested permission from the Circuit Judge to dispose of the old guns but his request was not approved. Although not repeated in the current MAR, the Sheriff should conduct periodic inventories and dispose of seized property on a timely basis.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HARRISON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Harrison was named after Albert G. Harrison, a member of the U.S. Congress. Harrison County is a township-organized, third-class county and is part of the 3rd Judicial Circuit. The county seat is Bethany.

Harrison County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 254 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 769 miles of county roads.

The county's population was 9,890 in 1980 and 8,850 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2006	2005	2004	2003	1985*	1980**
	(in millions)					
Real estate	$ 58.2	57.0	58.3	53.5	48.3	26.9
Personal property	25.3	25.1	23.5	24.2	14.9	10.1
Railroad and utilities	8.2	8.3	8.5	7.3	3.6	4.5
Total	$ 91.7	90.4	90.3	85.0	66.8	41.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Harrison County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2006	2005	2004	2003
General Revenue Fund	$ .3773	.3664	.3664	.3555
Health Center Fund	.1400	.1400	.1400	.1393

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	$ 27,945	27,318	26,140	26,175
General Revenue Fund	343,484	328,337	318,396	307,582
Assessment Fund	70,666	67,856	66,203	53,508
Health Center Fund	124,236	122,088	118,484	118,371
School districts	3,620,347	3,507,989	3,424,087	3,354,092
Oversurplus Fund	0	47	208	0
Fire protection districts	129,628	128,954	123,406	122,932
Townships	656,735	631,631	619,050	600,184
Ambulance districts	150,204	148,028	155,267	271,311
Hospital district	392,521	386,240	375,385	374,060
Watershed districts	62,140	59,167	57,401	55,358
Tax Maintenance Fund	7,368	7,504	7,452	7,111
TIF districts	120,978	92,953	35,639	16,707
Cities	50,248	48,628	38,553	36,255
County Employees' Retirement	23,922	26,229	25,879	23,424
Commissions and fees:				
Township collectors	51,956	49,974	48,269	48,899
General Revenue Fund	41,540	43,333	43,382	39,254
Total	$ 5,873,918	5,676,276	5,483,201	5,455,223

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	93.2	94.6	94.4	93.8	%
Personal property	92.1	93.5	93.9	91.9	
Railroad and utilities	100.0	99.9	100.0	99.2	

Harrison County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	0.0025	None	None	%
Road and Bridge		0.0050	2008	None	
Law Enforcement		0.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	$				
Raymond Wells, Presiding Commissioner		24,440	24,440	24,440	24,440
Roger Gibson, Associate Commissioner		22,440	22,440	22,440	22,440
George Bowles, Associate Commissioner		22,440	22,440	22,440	22,440
Sherry Seltman, County Clerk		34,000	34,000	34,000	34,000
Richard Turner, Prosecuting Attorney		41,000	41,000	41,000	41,000
George Martz, Sheriff		39,000	39,000	9,750	
Rick Diernfeldt, Sheriff				29,250	39,000
Jeremy Eivins, County Coroner		9,500	9,500	9,500	9,500
Kimberly King, Public Administrator		34,000	34,000	25,000	25,000
Julia Alexander Harris, Treasurer and Ex Officio County Collector, year ended March 31,	34,000	34,000	34,000	34,000	
Lila Mae Craig, County Assessor (1), year ended August 31,		34,688			
Rose Webb, County Assessor (2), year ended August 31,			34,688	34,765	34,900
State-Paid Officials:					
C. Sherece Eivins, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	47,300
Thomas R. Alley, Associate Circuit Judge		96,000	96,000	96,000	96,000

(1) Includes $688, $765, and $900 annual compensation received from the state in 2005, 2004, and 2003, respectively.
(2) Includes $688 annual compensation received from the state in 2006.

The county entered into a lease purchase agreement with United Missouri Bank on March 1, 2002. The terms of the agreement called for the county to lease the Crestview Nursing Home to United Missouri Bank, and for the bank to lease purchase the Crestview Nursing Home back to the county with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling $3,870,000 were issued by United Missouri Bank on behalf of the county and the proceeds of those certificates were used to construct an addition to the Crestview Nursing Home and to refund the outstanding Series 1989 and Series 1996 bonds which were used for building additions and improvements. The lease is scheduled to be paid off in the year 2022. The remaining principal and interest due on the lease at December 31, 2006, was $3,480,000 and $1,884,753, respectively. The Certificates of Participation are anticipated to be paid with the revenue generated from the operation of the nursing home.

The county entered a lease purchase agreement with Municipal Financal Group (MFG) for the county law enforcement center. The terms of the agreement called for the county to lease the real estate to MFG, which constructed the facility, and then lease purchase the facility from MFG with lease payments equal to the amount due to retire the indebtedness. Construction of the facility was completed in 2003. The lease is scheduled to be paid off in the year 2022. The remaining principal and interest due on the lease at December 31, 2006, was $1,449,773 and

$767,395, respectively. The lease is paid with proceeds from the one-half cent law enforcement sales tax which took effect on October 1, 2002.

Susan Montee, CPA
Missouri State Auditor

August 2007

ELEMENTARY AND SECONDARY EDUCATION

Educator Certification Background Checks

Report no. 2007-32

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Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Inadequate State Laws for Background Checks and Inadequate Certification Database Controls Leave Public School Students at Risk

State law for educator background checks is not sufficient to ensure the safety of the state's public school students. The Department of Elementary and Secondary Education (DESE) is responsible for ensuring background checks are conducted on applicants for educator certificates and for reviewing background check results. However, imprecise language in state law and the omission of other critical laws and policies have allowed some educator certificates to be issued to individuals who have a criminal background or have a history of committing other offenses. DESE and Information Technology Services Division (ITSD) management also need to take the necessary measures to develop documentation, implement controls and edits, and enhance the functionality of the teacher and substitute certification databases to fully ensure the integrity and reliability of educator certification data. We focused audit efforts on determining whether (1) educator background checks required by law are sufficient to identify individuals who have a criminal history or have other issues involving moral turpitude, (2) DESE officials have complied with applicable background check laws, and (3) DESE and ITSD officials have established adequate controls to ensure the integrity and reliability of educator certification data and information.

Background checks for educators are inadequate

State laws regarding background checks for Missouri's educators are not adequate to ensure students are in a safe environment. State law requires applicants for most school district positions to have both a criminal history background check and a Family Care Safety Registry (FCSR) background check performed prior to having contact with a student. However, due to the imprecise language in the law, DESE officials have not been requiring and school districts may not be performing FCSR background checks prior to employing educators and other school district personnel who have contact with students. (See page 11)

Educator backgrounds may place students at risk

State law does not require FCSR background checks for educators before they can obtain a certificate to teach. In addition, while state law intended the Child Abuse/Neglect Central Registry to be checked as part of the FCSR background checks, state law does not specifically require Central Registry background checks for educators. During our review, we found instances of certified educators who had a criminal background and/or a history of committing other offenses, such as child abuse or neglect. We found records in the FCSR and Central Registry for certified educators who had been actively teaching in the 2006-2007 school year as well as records for certified educators who had not been actively teaching. DESE officials had been aware of some of these cases, determined the educator was not a risk to students and cleared the background. However, DESE officials had not been aware of all of the cases we found because FCSR checks and periodic background checks have not been required. (See page 12)

Periodic background checks are not required

State law does not require any periodic reviews of educator backgrounds to determine whether new crimes or other offenses have been committed. Periodic background checks help to ensure an individual who previously had a cleared background has not committed some type of offense since the initial review. (See page 15)

Social security numbers are not validated	The teacher and substitute certification databases contain records having invalid social security numbers (SSN). As part of the educator certification process, DESE requests each applicant's SSN. However, SSNs are not validated against an appropriate form of identification nor are there any policies or procedures requiring validation. The Missouri Adaptive Enterprise Architecture states the SSN is a critical component in many state agency applications and is used in facilitating the transfer of information and matching data between different sources. Invalid SSNs compromise data integrity and do not allow DESE officials to ensure the integrity of background checks requiring SSN as the identifying key. (See page 17)
Clearance list needs to be documented	The State Board of Education allows DESE officials to clear certain types of adverse backgrounds without obtaining approval from the board. However, the State Board of Education has not adopted a policy to delegate the clearing of adverse backgrounds and a comprehensive list identifying the offenses DESE officials can clear has not been documented. Documenting the specific offenses that can be cleared provides assurance to the department and the public that cases are handled consistently and individuals with adverse backgrounds, including felonies or crimes involving moral turpitude, have not been certified. (See page 18)
Inappropriate substitute certificates have been issued	The substitute certification database processed and automatically issued certain certificates to applicants prior to the required clearance of criminal background checks during the 2006-2007 school year. A DESE official believed this issue could have been the result of a programming change made during the school year that was subsequently fixed within a short period of time. (See page 22)
A documented data dictionary is needed	A data dictionary has not been developed or documented for the teacher or substitute certification database applications. A data dictionary should enable the sharing of data elements among applications, promote a common understanding of data among users, and prevent incompatible data elements from being created. (See page 22)
Certification databases require improvement	DESE uses several databases and web applications to process and maintain criminal background check results, applications for educator certificates, certification history and applicant professional requirements; and to provide information to school districts on the status of applicant certificates. Many of these educator certification databases and applications are older systems, lacking in necessary controls such as audit trails, key edit checks, and functionality generally available with new technology. As a result, improvements are needed to ensure the accuracy, completeness, and reliability of educator certification data. (See page 23)

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Abbreviations

CD	Children's Division of the Department of Social Services
CSR	Code of State Regulations
DESE	Department of Elementary and Secondary Education
DHSS	Department of Health and Senior Services
FCSR	Family Care Safety Registry
ITSD	Information Technology Services Division
MAEA	Missouri Adaptive Enterprise Architecture
MSHP	Missouri State Highway Patrol
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SSN	Social Security Number

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
D. Kent King, Commissioner
Department of Elementary and Secondary Education
and
Dan Ross, Chief Information Officer
Office of Administration, Information Technology Services Division
Jefferson City, MO 65102

The Department of Elementary and Secondary Education (DESE), Division of Teacher Quality and Urban Education, under the direction of the State Board of Education, is responsible for determining if the qualifications to teach have been met and for issuing certificates to all educators who work in the state's public school system. The division is also responsible for ensuring background checks are conducted on applicants for educator certificates and for reviewing background check results. DESE uses various databases and web applications to track, monitor, and report educator certificate information. The Office of Administration, Information Technology Services Division (ITSD) is responsible for providing technical assistance to support DESE's technology resources. Our audit objectives included determining whether (1) educator background checks required by law are sufficient to identify individuals who have a criminal history or have other issues involving moral turpitude, (2) DESE officials have complied with applicable background check laws and (3) DESE and ITSD officials have established adequate controls to ensure the integrity and reliability of educator certification data and information.

We found imprecise language in state law and the omission of other critical laws and policies have allowed some educator certificates to be issued to individuals who have a criminal background or a history of committing other offenses. State law requires background checks of the Family Care Safety Registry (FCSR) when an educator is hired but these checks cannot be performed using fingerprints, as required by law. As a result, DESE has recommended each school district determine if FCSR checks should be performed before hiring and has not required FCSR checks before an educator certificate can be issued. We found certified educators who had a criminal background and/or a history of committing other offenses, such as child abuse or neglect, of which DESE was not aware. In addition, we found that offenses committed after the initial background checks may not be identified since state law does not require periodic background checks of educators. We also found DESE does not have policies to verify social security numbers. As a result, the certification databases contain invalid social security numbers which impacts the integrity of data and any processes requiring the use of these numbers. DESE does not have policies to document and maintain a comprehensive list of the types of backgrounds that can be cleared without the State Board of Education's approval. We also found DESE and ITSD officials need to improve documentation, implement controls and edit checks, and add functionality to the certification databases to ensure the integrity and reliability of educator certification data.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were Jeff Thelen, Lori Melton, and Amanda Locke.

Susan Montee, CPA
State Auditor

Introduction

The Department of Elementary and Secondary Education (DESE) reports to the State Board of Education and is primarily a service agency working with educators, legislators, government agencies and citizens to maintain a strong public education system. The scope of DESE's duties range from early childhood to adult education services. DESE does not regulate or evaluate private, parochial or home schools.

DESE's Educator Certification and Conduct/Investigations section within the Division of Teacher Quality and Urban Education is responsible for issuing certificates (licenses) to all professional personnel who work in the state's public school system who meet the certification requirements identified in state laws and regulations. Personnel in this section also review the results of background checks on applicants for teaching certificates and investigate certificate holders who are charged with misconduct.

The Office of Administration, Information Technology Services Division (ITSD) is responsible for providing technical assistance to support DESE's technology resources. DESE maintains ownership of its information systems and data, while ITSD provides the technical support. As part of the technology support function, the Office of Administration ITSD has established the Missouri Adaptive Enterprise Architecture (MAEA) to guide information technology decisions. DESE is required to follow MAEA standards and policies.

Educator Background Reviews

According to state law,[1] applicants for an educator certificate or a certificate holder may have their certificate suspended, revoked, or refused if an individual has pled or been found guilty of a felony or a crime involving moral turpitude.[2] State law indicates the types of crimes that may result in the revocation, suspension or refusal of a certificate include, but are not limited to: murder, sexual assault, rape/sodomy, child molestation, sexual misconduct involving a child, abuse of child, abandonment of child, endangerment of the welfare of the child or child pornography. State law provides the State Board of Education the authority to determine if an individual with a criminal history should be issued a certificate to teach or if the holder of an educator certificate should be disciplined. To determine if

[1] Section 168.071, RSMo

[2] Missouri state law does not include a definition of moral turpitude. The Supreme Court of Missouri has defined moral turpitude as an "act of baseness, vileness or depravity in the private and social duties which a man owes to his fellowman or to society in general, contrary to the accepted and customary rule of right and duty between man and man; everything done contrary to justice, honesty, modesty and good morals." In re Warren, 888 S.W.2d 334, 335-336 (Mo. 1994).

an applicant for a certificate to teach has a "good moral character,"[3] a criminal background check is performed. Applicants are required by state law to submit fingerprints to the Missouri State Highway Patrol (MSHP) for review against the MSHP and the Federal Bureau of Investigation criminal databases to identify if the applicant has a criminal background. According to a DESE official, a criminal background reinvestigation is required when an individual applies for an additional certification, such as an administrator certificate, or before an educator can have contact with students when working in a new school district.

According to state law,[4] school districts are responsible for ensuring criminal background checks are conducted on new employees prior to having contact with a student. A school district should perform a background check on any new applicant or any applicant who has not been employed by the school district in consecutive years, according to a DESE official. Individuals required to have a background check include, but are not limited to, administrators, teachers, substitutes, aides, secretaries, cooks, custodians, and nurses.

Family Care Safety Registry

The Department of Health and Senior Services (DHSS) is responsible for maintaining the Family Care Safety Registry (FCSR). The FCSR was established by state law[5] to protect children, the elderly, and disabled individuals in Missouri. The law requires child care, elder care and personal care workers and providers to register with the FCSR, and allows others to voluntarily register. Any entity requesting a FCSR background check must first ensure the applicant has completed a registry application. When a background check is requested, the FCSR database is updated to reflect that a background check was performed. If release of the background check is approved in accordance with FCSR guidelines, the requesting entity is notified if the individual is included on any of the following lists:

- The MSHP criminal record check system
- The Child Abuse and Neglect Central Registry
- The DHSS employee disqualification list
- The Department of Mental Health employee disqualification registry
- Foster parent licensure denials, revocations, and involuntary suspensions
- Child care facility license denials, revocations and suspensions
- Residential living facility and nursing home license denials, revocations, suspensions and probationary status

[3] 5 CSR 80-800
[4] Section 168.133, RSMo
[5] Section 210.903, RSMo

- The MSHP Missouri uniform law enforcement system (MULES) for sexual offender registrations

State law[6] requires registrants of the FCSR to provide specific information including their social security number (SSN). The FCSR maintains information and registry entries by name, date of birth and SSN. As a result, FCSR background searches must be performed using these personal key identifiers.

Child Abuse and Neglect Central Registry

The Department of Social Services, Children's Division (CD) is responsible for maintaining the Central Registry. The Central Registry was established by state law[7] to "provide assistance or services to children and families identified to be at risk, and to prevent and remedy child abuse and neglect." The registry includes a list of persons who have a substantiated report of child abuse or neglect who have been found guilty by a court on a report dated after 1991, by a probable cause finding by the CD after 1994, or by a preponderance of evidence finding by the CD after 2004.[8] By state law,[9] all reports and records maintained in the Central Registry are confidential.

National Clearinghouse

The National Association of State Directors of Teacher Education Certification maintains the National Clearinghouse of disciplinary actions against educators. All 50 states voluntarily participate by reporting suspended or revoked teachers to the national clearinghouse. According to an official from the national clearinghouse, each state only reports adverse background information allowed by applicable state laws. The national clearinghouse uses this information to maintain a database of teachers whose certificate or license has been suspended or revoked. A DESE official said processes are in place to ensure out-of-state applicants and certified teachers are not listed on the national clearinghouse. DESE staff compare records from the database of certified teachers against those listed in the national clearinghouse on a weekly basis to identify if a teacher previously had some type of disciplinary action in another state.

[6] Section 210.906, RSMo

[7] Section 210.109, RSMo

[8] According to the Supreme Court ruling *Mildred Jamison, et al., v. State of Missouri, Department of Social Services, Division of Family Services,* as of March 2007, the court found certain parts of the Central Registry process to be unconstitutional. This opinion is subject to revision and may not reflect the final opinion adopted by the court. CD management indicated the ruling does not affect the materiality of the database.

[9] Section 210.150, RSMo

Scope and Methodology

In conducting our review of the educator[10] certification background check processes, we interviewed officials and staff at DESE, ITSD, DHSS, CD and the MSHP. We also reviewed policies, procedures, state laws, regulations and other applicable information, and performed testing.

To determine whether current laws and regulations are sufficient to identify educators and applicants who have a criminal history or have other issues involving moral turpitude and whether DESE officials have complied with the laws and regulations, we obtained, analyzed, and matched applicable data files from various databases containing records of the certification and background check process.

We obtained a data file of records in the teacher[11] certification database as of February 26, 2007. This file contained records of individuals who, as of this date, had been certified to teach, had applied for a certificate, or had a revoked or expired certificate. The records consist of data for each individual's most recent certificate or application; data for prior certificates was not included in the records obtained. The teacher certification database included records for 353,423 individuals. Of these, 281,085 records represent active certificates.[12] To verify completeness, we reviewed the data to ensure all types of teacher classifications had been included in the data we received. We also obtained a data file of records in the substitute teacher certification database as of March 29, 2007, for the 2006-2007 school year. The substitute certification database included records for 24,415 individuals having active certificates. Since this database was significantly smaller than the teacher certification database, we did not perform procedures to verify completeness. However, we did ensure the validity of all matches performed. For selected educators, we also verified data from the certification databases agreed to the certificate information available on DESE's public website.

We used the Social Security Number Lookup system, a web application developed by the Texas State Auditor's Office, to determine the validity of SSNs in the teacher and substitute certification databases. This system contains information from Social Security Administration records. Using a secure connection, we submitted the SSNs and birth dates, if available, from the certification databases to the web application for processing. For each

[10] Unless otherwise identified, "educator" refers to both teachers and substitutes.

[11] Unless otherwise identified, "teacher" refers to any educator other than a substitute.

[12] Active teacher certificates exclude any individual whose certificate has expired, who is an applicant or is deceased. The database fields do not adequately identify if a certificate is revoked or suspended and as a result the total active certificates may be overstated.

SSN submitted, the system returned results stating whether this is a valid number which had been issued by the Social Security Administration and when the number was issued. The system does not ensure the individual using the SSN is using the correct number. We provided DESE officials with a list of the invalid SSNs identified by the Social Security Number Lookup system.

We obtained a data file of records in the FCSR of registered individuals as of August 2006, and a data file as of November 2006, identifying the background histories as of the most recent requests for each of the registrants, from DHSS. We also obtained a data file of records in the Central Registry identifying individuals having substantiated incidents of child abuse or neglect claims reported from January 2003 thru October 17, 2006, from CD. We did not rely on data from the FCSR and Central Registry to draw overall conclusions so we did not perform specific procedures to determine data validity. We did, however, ensure the validity of all data matches performed by analyzing results and discussing the FSCR matches with DESE officials.

To determine whether controls to validate background checks have been working effectively or need improvement, we matched records in the teacher and substitute certification databases against records in the FCSR and Central Registry. Our matches consisted of reviews based on SSN and name, SSN only, and name only. If the SSN and name both matched, we considered the match valid. For any matches based solely on SSN, we first reviewed the name for obvious matches and then discussed questionable match results with DESE officials and staff. For any matches based solely on name, we checked to see if the birth dates, when available matched and discussed potential matches with DESE officials and staff. We also determined the validity of the FCSR and Central Registry SSN matches using the Texas State Auditor's Office Social Security Number Lookup system.

We obtained a data file of all active teachers identified in the Core Data[13] web application from DESE for the 2006-2007 school year. The data included records for full and part-time teachers as well as certain substitutes who have been working in a full-time equivalency teaching position as reported by the school districts. We validated the reasonableness of SSNs by reviewing the data for numbers that have never been issued and for duplicate numbers. We matched the Core Data records to the teacher and

[13] Core Data is used to collect and archive financial and statistical data for all school districts throughout the state.

substitute certification records to ensure completeness of the records and to identify the certified educators who had been actively teaching. We also compared the results of the FCSR and Central Registry matches to Core Data to identify if any of the individuals with a background history had been actively teaching.

We discussed selected match results with DESE officials and staff and provided DESE officials with a list of teacher and substitute certification records that matched to FCSR and Central Registry records.

We limited our review to the specific matters described above and based it on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

We requested comments on a draft of our report from the Commissioner of the Department of Elementary and Secondary Education. We conducted our work between December 2006 and May 2007.

Inadequate State Laws for Background Checks Leave Public School Students at Risk

State law for educator background checks is not sufficient to ensure the safety of the state's public school students. Individuals having a criminal background or a history of committing other offenses involving moral turpitude or having a substantiated child abuse or neglect charge could obtain an educator certificate. This situation has occurred because (1) language in current state law is imprecise, resulting in FCSR background checks not being performed or required by DESE, (2) state law does not require FCSR background checks for new teachers or educators before they can obtain a certificate, and (3) state law does not require periodic background checks be performed for educators. In addition, educator SSNs, which could be used for matching records to other data sources, are not validated. Lacking a policy to verify SSNs compromises the integrity and reliability of DESE's data and the results of any record matches with other sources. The State Board of Education allows DESE officials to clear certain background histories they have determined do not present a risk to students. However, DESE officials do not maintain a listing of the crimes and offenses they can clear to provide assurance that cases have been handled consistently. DESE officials have concerns the department does not have adequate funding to support the FCSR checks and other additional reviews.

Background Checks for Educators Are Inadequate

Educators can have a direct influence on a child's life since they are responsible for educating and providing services to Missouri's public school students. With this powerful influence, educators need to be a model of integrity and held accountable for their actions, according to the Missouri School Boards' Association.[14] To ensure educators have acted with "good moral" character, as required by state regulation,[15] background checks are performed. Background checks help ensure individuals working with children do not have a history of abuse, neglect, or other serious criminal history. Although certain background checks are performed on Missouri's educators, state law needs to be clarified and additional laws enacted to help ensure students are in a safe public school environment.

Changes needed in state law to ensure FCSR background checks are performed

State law[16] requires applicants for most school district positions to have both a criminal history background check and a FCSR background check performed prior to having contact with a student. However, DESE officials have not been requiring and many school districts have not been performing

[14] "Vision, Mission, & Beliefs," *Missouri School Boards' Association*, <http://www.msbanet.org/web/2007/05/vision_mission__beliefs.aspx>, accessed May 18, 2007.
[15] 5 CSR 80-800
[16] Section 168.133, RSMo

FCSR background checks prior to employing educators and other school district personnel who have contact with students.

DESE officials said FCSR background checks have not been required because the law does not accurately state how to search the FCSR. In addition, DESE and MSHP officials told us the law implies a fingerprint should be used by MSHP to check the FCSR. The law states "fingerprints shall be used by the highway patrol to search the criminal history repository and the family care safety registry." However, the FCSR is maintained by DHSS and searches of the registry can only be performed using an individual's name, date of birth and SSN. According to MSHP and DHSS officials, a fingerprint cannot be used to search the FCSR as required by state law.

State law does not, however, require DESE to obtain a FCSR background check before issuing a certificate to an educator. A DESE official said they do not require FCSR background checks before issuing certificates because the law does not require it. Without performing a FCSR background check, applicants for school district positions and applicants for educator certificates who have abused or neglected children, elders or the mentally ill may be in contact with Missouri students.

As a result of the imprecise state law, DESE officials have provided guidance on the department's website stating school districts should determine their own policy for checking the FCSR. The Missouri School Boards' Association has interpreted the law to require a search of the FCSR and has encouraged district administrators and school board members to contact their state legislators to explain the problems they might have complying with this law.[17] A DESE official said department funding concerns may limit the ability to support the FCSR checks. The Missouri School Boards' Association also recommends districts encourage the legislature to appropriate the necessary resources to MSHP and the FCSR so they may continue to improve the background check process.

Educator Backgrounds May Place Students at Risk

During our review, we found certified educators who have an adverse background history. We found records in the FCSR and Central Registry for certified educators who had been actively teaching in the 2006-2007 school year as well as records for certified educators who had not been actively teaching.

[17] "Background Check FAQ," *Missouri School Boards' Association*, May 16, 2007.

Only 7 percent of certified teachers had been registered with the FCSR

State law does not require certified educators or applicants for an educator certificate to register with the FCSR. However, an individual must first register with the FCSR before background checks can be performed. To determine how many certified teachers and substitutes had actually registered with the FCSR as of August 2006, we matched records in each of the certification databases to the records of individuals registered with the FCSR. Table 2.1 shows only 7 percent of certified teachers and 21 percent of certified substitutes had been registered with the FCSR.

Table 2.1: Certified Educators Registered with the FCSR

Certified Educator	Number Certified	Number Registered With FCSR	Percent
Teacher	281,085	19,293	7
Substitute	24,415	5,226	21

Source: SAO matches between DESE's teacher and substitute databases and the FCSR.

Certified educators are listed in the FCSR for having committed offenses

To determine whether any certified educators who had registered with the FCSR had committed offenses, we matched records from the teacher certification and substitute certification databases to records from the FCSR. Table 2.2 shows the number of certified educators registered with the FCSR having a history of committing an offense. Based on the low percentage of educators actually registered with the FCSR and included in the match population, the number of educators with an adverse history may be substantially understated.

Table 2.2: Educators with an Adverse Background History per the FCSR

Certified With a FCSR Record	Teacher	Substitute	Total
Actively teaching in the 2006-2007 school year	73	4[1]	77
Not actively teaching in the 2006-2007 school year	120	74	194
Total certified with a FCSR record	193	78	271

[1] Represents the number of individuals substituting in a full-time equivalency position per DESE's records. Additional certified substitutes may be actively substituting.

Source: SAO analysis of matches between DESE's teacher and substitute databases and the FCSR.

State law requires a background check be performed on the 120 certified teachers who had not been actively teaching if they start working again at any school district. Since state law does not require reinvestigations of current employees, an additional background check is not required for the 73 certified teachers who had been actively teaching. As a result, any adverse background history events occurring after being employed could go undetected. Of these 73 certified teachers with an adverse background history per the FCSR:

- 57 individuals had a criminal history charge, which could include offenses the law determines to be grounds for suspension or revocation of a certificate. DESE officials reviewed these cases at our request and found the department may have known of previous offenses for 22 of these cases and had cleared these individuals for certification. Although DESE officials had been aware these individuals had a criminal background, officials still lack assurance they had been aware of the specific crime identified in the FCSR since that crime may have occurred after the prior criminal history check was performed. DESE officials were not aware of any adverse background for the remaining 35 teachers.

- 16 individuals had an offense listed in the FCSR other than or in addition to a criminal history charge. DESE officials reviewed these cases at our request and found the department may have known of previous offenses for 1 of the cases and had cleared this individual for certification. DESE officials had not been aware of any adverse background for the remaining 15 teachers.

All 78 substitutes applied for and received a certificate for the 2006-2007 school year. Since school districts are not required to inform DESE which certified substitutes are actively teaching, we reviewed all of the cases. Of the 78 certified substitutes with an adverse background history per the FCSR:

- 53 individuals had a criminal history charge, which could include offenses the law determines to be grounds for suspension or revocation of a certificate. DESE officials reviewed these cases at our request and found the department may have known of previous offenses for 41 of these cases and had cleared these individuals for certification. DESE officials had not been aware of any adverse background for the remaining 12 substitutes.

- 25 individuals had an offense listed in the FCSR other than or in addition to a criminal history charge. DESE officials reviewed these cases at our request and found the department may have known of previous offenses for 6 of the cases and had cleared these individuals for certification. DESE officials had not been aware of any adverse background for the remaining 19 substitutes.

Certified educators are identified as perpetrators on the Central Registry

To determine whether any certified educators who are not registered with the FCSR have a child abuse or neglect history, we matched records from the teacher certification and substitute certification databases against records from the Central Registry.

Table 2.3 shows the total certified educators with a record in the Central Registry.

Table 2.3: Educators with a Child Abuse or Neglect History per the Central Registry

Certified With a Registry Record[1]	Teacher	Substitute	Total
Actively teaching in the 2006-2007 school year	16	1[2]	17
Not actively teaching in the 2006-2007 school year	46	12	58
Total certified with a registry record	62	13	75

[1] Represents any perpetrators on the Central Registry for the period of January 2003 thru October 17, 2006, who had not also been identified in the FCSR summary.

[2] Represents an individual substituting in a full-time equivalency position per DESE's records. Additional certified substitutes may be actively substituting.

Source: SAO analysis of matches between DESE's teacher and substitute databases, Central Registry and FCSR.

Central Registry checks are not specifically required by state law

Although state law intended the Central Registry to be checked as part of the FCSR background checks, state law does not specifically require registry background checks for educators. As a result, we did not request DESE officials to review these matched records.

Periodic Background Checks Are Not Required

State law does not require any periodic reviews of educator backgrounds to determine whether new crimes or other offenses have been committed. Periodic background checks help to ensure an individual who previously had a cleared background has not committed some type of offense since the initial review. The National Parent Teacher Association supports background checks on teachers before a certificate is renewed as well as for teachers with a lifetime certificate.[18] Additionally, the National Association of State Directors of Teacher Education and Certification indicated most states require a renewal or recertification of a teacher's license every 3 to 5 years to ensure teachers undergo a periodic background check.[19]

[18] "Resolution - Background Checks on Teachers," *National Parent Teacher Association*, <http://www.pta.org/archive_article_details_1141756034890.html>, accessed May 2, 2007.
[19] Bridgman, Anne, "Safe Hiring," *American School Board Journal*, December 2005, <http://www.asbj.com/2005/12/1205coverstory.html>, accessed May 3, 2007.

Although educators are required by state law and regulations to receive background checks when initially applying for a certificate and before working in a new school district, there is no assurance school districts are following the law. For example, during our analysis of the teacher and substitute matches to FCSR records, we found a criminal background check had not been performed for five teachers and six substitutes before they began working at a new school district. DESE has not performed any oversight or monitoring to ensure school districts obtain criminal background checks and are in compliance with the law, according to a DESE official. DESE does have monitoring controls to ensure active teachers are certified, but this process does not extend to ensuring background checks had been performed when school districts hire teachers. A DESE official stated some school districts have implemented policies and procedures requiring periodic background checks. According to the Missouri School Boards' Association, failure to obtain a current background check for new employees could lead to legal liability for the school districts.[20] Without ensuring that all educator backgrounds are periodically reviewed, DESE officials do not have assurance educators have not committed criminal or other offenses since being initially certified.

A MSHP official said the patrol received funding for fiscal year 2008 from the General Assembly to create a criminal history program that would notify DESE on a regular basis of any new criminal history charges related to an educator. This official said the MSHP would be able to identify if an individual is an educator by maintaining the fingerprint and other information in the repository. The official also told us other states have implemented this type of process as well.

According to a MSHP official, planning and development activities need to be coordinated with other agencies before the process of programming the repository can begin so an estimated completion date has not been determined. Once completed, the criminal history repository should help DESE officials identify educators who have a new criminal history charge. However, the criminal history repository will not identify if an educator has other offense records such as those contained in the FCSR. Periodic matches of the records in the teacher and substitute certification databases against the FCSR would facilitate determining if educators have committed new or additional offenses not included with the original criminal background data.

[20] "Background Check FAQ," *Missouri School Boards' Association,* May 16, 2007.

Social Security Numbers Are Not Validated

The teacher and substitute certification databases contain records having invalid SSNs. As part of the educator certification process, DESE requests an applicant's SSN. However, SSNs are not validated against an appropriate form of identification nor are there any policies or procedures requiring validation. A DESE official said they are aware the databases contain incorrect SSNs and believe the majority of incorrect numbers have been caused by data entry errors. According to the MAEA, the SSN is a critical component in many state agency applications and is used in facilitating the transfer of information and matching data between different sources.

We submitted the SSNs and birth date, if available, from the teacher and substitute certification databases to the Social Security Number Lookup system to determine the validity of the numbers. Table 2.4 shows the results of our analysis of the 353,423 SSNs in the teacher certification database and the 24,415 SSNs in the substitute certification database.

Table 2.4: Invalid Educator SSNs

SSN Criteria	Teacher	Substitute	Total
SSN never issued	260	24	284
SSN issued prior to birth date in DESE's records	317	74	391
Total	577	98	675

Source: SAO analysis of Social Security Number Lookup system results and analysis of DESE's records.

Results of the validation checks indicate 284 SSNs have not been issued by the Social Security Administration and are therefore, invalid. In addition, 391 SSNs had been issued before the birth date maintained for the educator indicating the SSN is invalid, the birth date is inaccurate or both.

Agencies at all levels of government frequently collect and use SSNs to administer and perform evaluations of their programs, according to the Government Accountability Office. Agencies also use SSNs to ensure program integrity and to match records. Invalid SSNs compromise data integrity and do not allow DESE officials to ensure the integrity of background checks requiring SSN as the identifying key. A DESE official said the majority of SSNs have been obtained from the colleges and universities the applicants attended. A DESE official said verifying SSNs would require colleges and universities to obtain a valid form of identification from the applicant, resulting in increased processing time for them. However, other validation alternatives exist including requiring that a copy of the SSN card be submitted with the application for an educator certificate. In addition, the U.S. Social Security Administration allows

registered employers to submit batches of SSNs and names to its website for validation.[21] This approach would provide DESE with an efficient method to work with school districts to ensure SSNs are valid, thereby helping to maintain data integrity.

Clearance List Needs To Be Documented

The State Board of Education has given DESE officials the authority to clear certain types of adverse backgrounds without obtaining approval from the board. However, the State Board of Education has not adopted a policy to delegate the clearing of adverse backgrounds and a comprehensive list identifying the offenses DESE officials can clear has not been documented. Good business practices suggest procedures should be documented to help ensure the clearing of cases is handled consistently and for training new staff.

The State Board of Education may refuse to issue or renew a certificate when an applicant or certificate holder has pled or been found guilty of a felony or crime involving moral turpitude, according to state law.[22] The State Board of Education has given the Division of Teacher Quality and Urban Education the responsibility of reviewing results from the MSHP background checks to determine whether individuals have an adverse history. According to a DESE official, if an adverse history is identified, officials and/or the State Board of Education review each case and either deny issuance or renewal of a certificate or clear the background allowing the applicant, who has met other requirements, to obtain an educator certificate.

Certain types of adverse backgrounds, such as a charge of driving under the influence, can be cleared without obtaining approval from the State Board of Education according to a DESE official. The types of crimes that can be cleared are based on judgment and prior experience, but are primarily determined on a case-by-case basis. State law provides guidance and lists the types of adverse background histories that may not be cleared. A comprehensive list of crimes and other offenses which can be cleared without the State Board of Education's approval has not been documented due to the complexities of the case-by-case judgment needed to analyze each case and to maintain such documentation, according to a DESE official. Additionally, new board members may take a different stance on which adverse backgrounds can be cleared.

[21] "Social Security Number Verification Service," *U.S. Social Security Administration,* <http://www.ssa.gov/employer/ssnv.htm>, accessed May 10, 2007.
[22] Section 168.071, RSMo

Conclusions

Imprecise language in state law and the omission of other critical requirements from state law and DESE policies increases the risk an individual, who has a criminal background or history of committing other offenses, can obtain an educator certificate and actively teach in Missouri's public schools. FCSR background checks cannot be performed using the method required by state law and applicants for an educator certificate are not required to register with the FCSR. As a result, DESE has not required FCSR background checks and has recommended school districts should determine if these checks need to be performed. We found cases of certified educators who had a criminal background and/or a history of committing other offenses, such as child abuse or neglect. DESE officials had been aware of some of these cases, determined the educator was not a risk to students and cleared the background. However, DESE officials had not been aware of all of the cases we found because FCSR checks and periodic background checks have not been required.

DESE officials request applicants and educators to provide their SSNs but have not established policies or controls to validate the numbers. As a result, the certification databases contain records having invalid SSNs, which does not allow DESE officials to maintain data integrity and to ensure the reliability of background checks requiring SSN as the identifying key. The State Board of Education has not adopted a policy to delegate the clearing of adverse backgrounds and DESE officials had not documented and maintained a comprehensive list of the types of adverse background histories that can be cleared without the board's approval. Documenting these specific offenses provides assurance to the department and the public that cases are handled consistently and that individuals with adverse backgrounds, including felonies or crimes involving moral turpitude, have not been certified.

To help ensure the safety of Missouri's public school students, state laws attempt to prohibit individuals who have disqualifying criminal offenses from obtaining a certificate to teach. However, due to the omission of critical language and the lack of other laws and adequate policies, public school students face being taught by or having contact with educators who have a criminal background or history of other offenses. Adequate funding is also necessary to ensure sufficient resources are available to support the FCSR background checks and other reviews needed to help ensure the safety of Missouri's public school students.

Recommendations

We recommend the General Assembly:

2.1 Revise state laws to ensure adequate background checks are performed before an educator can obtain a certificate to teach or have contact with Missouri's public school students. These revisions should include requiring:

- FCSR background checks be performed using name, date of birth and SSN and clarify which department is responsible for performing the checks.
- Applicants for an educator certificate to register with the FCSR and consider requiring all active educators to register.
- FCSR background checks prior to issuance of the educator certificate and prior to a new employee in a school district having contact with students.
- Periodic FCSR background checks of all educators and others who have contact with students.

2.2 Ensure adequate funding is available to support FCSR background checks and any resulting process changes at DESE, DHSS, and the MSHP.

We recommend the Commissioner of the Department of Elementary and Secondary Education:

2.3 Ensure the SSNs for educators and applicants for educator certificates have been validated.

2.4 Coordinate with the State Board of Education to adopt a policy on delegating the clearing of background histories and to document and maintain an appropriate listing of crimes and other offenses that may be cleared from a criminal background check.

Agency Comments

DESE provided no comments to recommendations 2.1 and 2.2 directed to the General Assembly.

2.3 DESE does not concur. Approximately 4,000 new educators graduate from college and request certification each year. The application forms are completed by private and public colleges, mailed to DESE, and the information is manually entered into DESE's database. Another 4,000 individuals transfer to Missouri or request licensure via alternative routes; and the applications are completed, mailed to the DESE office, and manually entered into the database. The information is not easily verified unless an individual physically presents his/her social security

card and other legitimate forms of identification. Currently, the certification database contains more than 350,000 individuals. Of these, 281,085 were reviewed by the State Auditor's Office employees. Less than .2% was identified as having invalid social security numbers. DESE believes the error rate is minute and does not warrant the added cost or burden to colleges and/or individual applicants.

State Auditor Comment

The SSN is a primary matching component used in FSCR data matches. The .2 percent error rate represents 675 educators with an inaccurately reported SSN or a recorded SSN which would not match to the correct SSN in FCSR records. This control weakness potentially allows an educator with a background history to obtain a teaching certificate. As a result, students could have a higher risk of contact with an educator who has an inappropriate background. To adequately protect all students, DESE should obtain accurate SSNs for every educator.

2.4 DESE will take this recommendation under advisement.

Inadequate Certification Database Controls Leave Management at Risk

Officials and other users who make business decisions based on information from the teacher or substitute certification databases, have an increased risk of inappropriately certifying an educator, hiring an educator, or reporting inaccurate data to the public. This situation has occurred because (1) certificates had been issued to substitute teachers before background histories had been cleared, (2) a documented data dictionary does not exist to promote a common understanding of data among users, and (3) the certification databases had been developed several years ago and lack controls, key edit checks and functionality available with new technology. As a result, the teacher and substitute certification databases that store, maintain and report this information need improvement and enhanced functionality to ensure the integrity and reliability of educator certification data.

Inappropriate Substitute Certificates Have Been Issued

The substitute certification database processed and automatically issued certain certificates to applicants prior to the required clearance of criminal background checks during the 2006-2007 school year. A DESE official said the department had been aware the substitute certification database had not been accurately checking the conduct and investigation database prior to issuing a certificate to a substitute. A DESE official believed this issue could have been the result of a programming change made during the school year that was subsequently fixed within a short period of time. DESE officials had been aware of other instances of certificates being issued incorrectly but had not performed a review, as of fieldwork completion, to identify all instances of inappropriately issued substitute certificates.

During our review of the 78 substitute teachers with FCSR records, we identified 7 cases where a substitute certificate had been automatically issued to an applicant inappropriately. In each of these 7 cases, the applicant's criminal history had not been cleared by DESE or a background check had not been received.

A Documented Data Dictionary Is Needed

A data dictionary defines the organization's data syntax rules and contains the name, type, range of values, source and authorization for access for each data element in a database, according to accepted standards.[23] A data dictionary should also enable the sharing of data elements among applications, promote a common understanding of data among users, and prevent incompatible data elements from being created.

[23] We based our evaluation on accepted standards and best practices from the following sources 1) IT Governance Institute. COBIT 4.0: *Control Objectives, Management Guidelines, Maturity Models.* Rolling Meadows, IL: IT Governance Institute, 2005 and 2) National Institute of Standards and Technology guidelines and standards contained in Special Publications 800 series reports on computer security.

A data dictionary has not been developed or documented for the teacher or substitute certification databases. According to an ITSD official, a prior employee who had been responsible for programming these certification databases made the decision to not document the respective database fields. This official said standard practice is to document database fields and a data dictionary would be a good tool to have.

Certification Databases Require Improvement

DESE uses several databases and web applications to process and maintain criminal background check results, applications for educator certificates, certification history and applicant professional requirements; and to provide information to school districts on the status of applicant certificates. According to ITSD officials, many of these databases had been converted from legacy mainframe systems in 2000. This official said the databases are old and do not completely support the business needs of the department.

DESE and ITSD officials told us they are reviewing the requirements of a new system. However, a DESE management committee has not rated this system project as a priority and no funding has been made available to support the initiative. A listing of system improvements had not been compiled nor had a formal project plan been developed, as of May 2007. As a result, a project timeline for completion and implementation of a new system had not been determined. During our review, we found improvements are needed in the following areas:

- Logging and monitoring controls
- Appropriate displays of certificate statuses and dates
- Edit checks
- Other system improvements

Logging and monitoring controls are needed

Accepted standards state a logging and monitoring function enables the early detection of unusual or abnormal activities that may need to be addressed. Accepted standards also state that audit records should be reviewed for inappropriate or unusual activity, suspicious activity should be investigated, and appropriate actions should be taken. The MAEA states databases shall provide an audit utility to identify the user, action, time of action and object of the action to adequately track the change to the information.

DESE officials have not taken sufficient steps to maintain adequate audit trails, monitor specific access, investigate apparent violations, and take appropriate action to ensure the proper functioning of controls for the teacher and substitute certification databases. DESE and ITSD officials said the certification databases do not maintain sufficient logs or audit trails of events, resulting in management being unable to monitor and investigate

access events. An ITSD official said when the current system was developed, DESE management did not require audit trails. Audit trails have since been requested by DESE officials, but the necessary programming changes have not been made a priority by a DESE management committee.

Certificate status and dates do not display appropriately

According to accepted standards, data is sufficiently reliable when the likelihood of significant errors or incompleteness is minimal and if the use of the data would not lead to an incorrect or unintentional message. The teacher and substitute certification databases do not display certification data consistently and/or appropriately, which could reduce the reliability of the information.

Appropriate certificate status codes are needed

The teacher certification database does not maintain adequate status codes to effectively identify if a certificate is active, inactive, revoked, or in application status. DESE staff told us the only way to determine the status of a certificate is to review the comments associated with the record. Without effective status codes to rely on, there is an increased risk the comments will be incorrectly interpreted resulting in miscommunication of the certificate status to school district officials.

Expiration dates do not adequately reflect the certificate status

DESE maintains a public website which includes certificate information on educators. The purpose of this website is to allow school district administrators to determine the status of an educator's certificate. The website provides the type of educator certificate, the effective and expiration dates of the certificate, and other information. During our review, we checked the website for educators we knew had a revoked or suspended certificate due to a criminal background and found the certificate expiration date listed as a future date, conveying the message the certificate was still active. The website did include a comment to contact DESE's Conduct and Investigation section. However, the purpose of the comment may be misinterpreted since the expiration date indicated the certificate was still active. A DESE official said disciplinary action on a certificate holder is not displayed for confidentiality reasons. This DESE official also said expiration dates for revoked or suspended certificates cannot be effectively updated due to problems with the current programming structure.

As we identified above, the teacher certification database does not have the functionality to distinguish if a certificate has been revoked or suspended via the status code. As a result, significant programming changes may be required to appropriately display the certificate status, according to a DESE official. Without updating the expiration date or indicating a certificate is suspended or revoked, school district officials cannot always rely on the public website and must contact DESE for the certificate status of all educators. As a result, additional processing time is incurred for both the

school district and DESE. A DESE official did not know how many inquiries are actually received from school districts but handling them only took a minimal amount of staff time.

Effective dates do not accurately reflect the date certified

The substitute certification database generates the effective date of a certificate based on the date the school district requested the certificate for the applicant instead of the date the actual certificate was printed, according to an ITSD official. We found cases during our review of the substitute certification database where the effective date of the certificate was prior to the date the background clearance had been received by DESE. State law and regulations require criminal background clearance before a certificate can be issued. Data integrity and compliance with state law cannot be assured when certificate effective dates maintained in the database are prior to the background clearance dates.

Certification databases lack key edit checks

According to accepted standards, data entered for processing by users should be subject to a variety of controls to check for accuracy, completeness, and validity. Both the teacher and substitute certification databases lack key edit checks[24] to effectively identify inaccurate, incomplete, or invalid information, as recommended by accepted standards.

An ITSD official said the certification databases do not contain sufficient controls to meet necessary business requirements due to the age of the databases. These officials agreed the certification databases do not have edit checks to identify:

- Duplicate records
- Inaccurate certificate effective dates
- Invalid birth dates
- Omitted data in key fields, such as name and SSN

Without edits in place to enforce the controls necessary to meet business requirements, management is unable to accurately confirm the data entered had been checked for accuracy, completeness or validity, as required by accepted standards.

Other system improvements needed

Improvements to the teacher and substitute certification databases are necessary to more accurately and efficiently process and store educator certification data. During our limited review of the functionality of the

[24] An edit, also known as a data validity check, is program code that tests the input for correct and reasonable conditions, such as account numbers falling within a range, numeric data being all digits, dates having a valid month, day, and year, etc.

certification databases, we found the following areas where improvements can be made:

- DESE receives criminal background results from MSHP and manually enters these results in both the conduct and investigations and teacher certification databases. The same data must be entered in both databases because the teacher certification database has not been programmed to retrieve the information from the conduct and investigations database automatically, according to a DESE official. Inputting the same data in two databases is inefficient and increases the risk of data entry errors or inconsistencies between the two databases. The substitute certification database is programmed to retrieve the information from the conduct and investigations database, so background history results for substitute teachers do not have to be input twice, according to a DESE official. During our review of teachers with FCSR records, we found a case where the criminal background check had not been cleared by DESE prior to issuing the certificate. A DESE staff could not determine the type of criminal history nor why the certificate had been issued without a background clearance.

- The DESE public website does not display certificate information for some individuals who have a substitute certificate. As a result, school district personnel may not be able to validate if an individual has a substitute certificate. During our review of substitute teachers with FCSR records, we found cases where records for certified substitutes did not display on the website. DESE and ITSD management are aware certificate information does not display for certain cases but had not yet determined why this issue occurs, according to an ITSD official.

- The SSN and other identification fields are stored in the certification databases as numeric fields instead of text fields. This causes leading zeros to be dropped when the data is stored, and not displayed when the data is exported or shared with other applications. As a result, the SSNs stored in the teacher and substitute certification databases do not all contain nine digits as required by the Social Security Administration. Without ensuring the SSNs conform to Social Security Administration standards, matches between the databases and other sources will not return accurate results.

Conclusions

A lack of specific documentation, controls, key edit checks and functionality available with new technology increases the risk of making inappropriate business decisions when placing reliance on educator certification data. We found 7 cases where a substitute certificate had been issued inappropriately to an applicant having a background history. A DESE

official believed a programming change, which was subsequently corrected, allowed the substitute certification database to automatically issue certificates before an applicant's background history had been cleared. A data dictionary has not been developed to provide a documentation source for the teacher and substitute certification databases, making it more difficult to provide reliable and consistent information, or promote a common understanding of the data among DESE and ITSD users. The certification databases are older systems, lacking in necessary controls such as audit trails, key edit checks, and functionality generally available with new technology. As a result, DESE and ITSD officials need to take the necessary measures to develop documentation, implement controls and edits, and enhance functionality to fully ensure the integrity and reliability of the educator certification data.

Recommendations

We recommend the Commissioner of the Department of Elementary and Secondary Education:

3.1 Review the substitute certificates issued for the 2006-2007 school year to ensure they have been appropriately issued. Notify the school districts of any substitutes who have not had the appropriate background checks.

3.2 Develop and maintain a data dictionary to ensure documentation of the teacher and substitute certification databases, tables and fields is available to both DESE and ITSD users.

3.3 Determine whether a new educator certification system is feasible. If a new system cannot be acquired or developed, determine an effective way to manage the functionality needed to ensure the integrity and reliability of the databases and data they contain. The enhanced functionality and controls should include:

- Logging and monitoring controls to maintain appropriate audit trails
- Appropriate certificate status codes and accurate certificate status dates
- Edit checks to ensure the accuracy, completeness and validity of data
- Appropriate integration of all databases including the conduct and investigations and teacher certification databases
- The capability to accurately display educator certification information on the public website
- Maintaining appropriate data types in all fields

Agency Comments

3.1 DESE concurs. This review and notification have begun.

3.2 DESE will take this recommendation under advisement.

3.3 DESE will take this recommendation under advisement.

Susan Montee, CPA
Missouri State Auditor

August 2007

HIGHER EDUCATION

Nonresident Tuition

Report no. 2007-31

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Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Most Missouri Institutions Charge Nonresident Tuition Rates Lower Than Similar Institutions in Surrounding States

Missouri's 4-year public institutions charged nonresident students tuition rates lower than institutions in most Big 12 Conference and contiguous states while, as noted in a previous report, charging in-state students tuition rates that ranked high. In fiscal year 2006, Missouri's annualized average nonresident tuition price for 4-year public institutions of $11,709 ranked among the lowest in our comparison group (8 of 11), while average in-state tuition price of $5,829 was the highest among Big 12 Conference states and second only to Illinois among contiguous states.

Inconsistencies between regional and doctoral/research institutions exist

Nonresident tuition charged by Missouri's regional institutions was lower and the doctoral/research institution higher than the comparison group of states. While fiscal year 2006 average nonresident tuition charged by the University of Missouri, $17,360, was 17 percent higher than the $14,871 average for doctoral/research institutions, the average charged by Missouri regional institutions, $9,198, was 15 percent lower than the average nonresident tuition rate, $10,829, charged by regional institutions in the comparison group of states. (See page 8)

Compliance with existing DHE policy not monitored

DHE had not monitored compliance with an existing policy regarding nonresident tuition. In June 1983, the coordinating board reaffirmed its existing policy that nonresident tuition should be twice the cost of in-state fees. However, according to a DHE official, the policy had not been enforced because DHE lacks statutory authority. (See page 9)

Policies to set nonresident tuition varied by state

According to a study by the State Higher Education Executive Officers Association, 7 states set nonresident tuition based on 100 percent of the cost of undergraduate instruction. In 10 states, nonresident tuition is indexed to the undergraduate resident tuition rates. The study indicated alternative methods were used in 12 states, no formal policy existed for 17 states, and no information was provided for 6 states. Missouri's policy of charging 200 percent of in-state tuition was the lowest of the 10 states that indexed nonresident tuition to in-state tuition. The indexed percentages ranged from 250 to 400 percent in the other 9 states. Other Big 12 Conference and contiguous states charged between 203 and 338 percent of average in-state tuition to nonresident students, while Missouri's average was 201 percent for fiscal year 2006. (See page 10)

State institutions lack written nonresident tuition policies – methods vary

We contacted officials at 5 regional institutions and the University of Missouri system. Officials at all of these institutions told us the institutions had no written policy documenting how nonresident tuition rates were set. Officials from two institutions told us nonresident tuition was increased by the same percentage as the resident tuition increase, two stated the instructional portion of resident tuition was doubled for nonresident students, one stated the resident tuition was doubled for nonresident students, and one told us the amount of the resident tuition increase was doubled for nonresident students. Officials from all six institutions told us

fees charged are the same for both resident and nonresident students. Finally, officials from three institutions stated students from bordering states living near the institutions are allowed to attend at resident tuition prices. (See page 10)

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Abbreviations

DHE	Department of Higher Education
FAMOUS	Financial Assistance for Missouri Undergraduate Students
ITSD	Information Technology Services Division
FTE	Full-time Equivalent
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Dr. Robert Stein, Commissioner
Department of Higher Education
Jefferson City, MO 65109

The Department of Higher Education (DHE) administered approximately $699 million in appropriated state funded revenue to 4-year public institutions in fiscal year 2006. Institutions collected additional revenues totaling approximately $822 million from tuition and fees. We focused our audit objectives on determining (1) how Missouri's 4-year public institutions' nonresident undergraduate tuition rates compared to Big 12 Conference and contiguous states, (2) whether nonresident tuition rates adequately considered state taxes paid by Missouri residents, and (3) whether DHE provided guidance to the institutions on setting nonresident tuition rates.

We found Missouri 4-year public institutions charged nonresident undergraduate students tuition rates lower than most contiguous states and other Big 12 Conference states while charging in-state students tuition rates that ranked high. Nonresident tuition rates charged by Missouri's regional institutions were lower while rates charged students attending the state's doctoral/research institution were higher than the comparison group of states. DHE did not monitor compliance with an existing policy regarding nonresident tuition nor stipulate criteria 4-year public higher education institutions should consider when setting nonresident tuition rates. However, at least two of Missouri's contiguous states have policies that include criteria designed to keep nonresident tuition rates in line with those of surrounding states or to ensure state taxpayer subsidies are properly considered.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were John Luetkemeyer, Ben Douglas, and Michael Price.

Susan Montee, CPA
State Auditor

Introduction

The Department of Higher Education (DHE), headed by a coordinating board, evaluates institution performance and carries out other goals and administrative duties. Authority to set tuition levels at Missouri's 4-year public institutions rests with the governing board of each institution. According to DHE statistics, in the fall of 2005, Missouri's student enrollment included 16,663 nonresident students (about 15.5 percent) of its total enrollment of 107,859 students at 4-year public institutions.

Tuition and fees are the most significant and variable component of the price of higher education. These amounts are set by each institutions' governing board and represent the "sticker price." Many students apply for and receive financial aid (either from the federal or state government or the institution itself). While nonresident students would not receive financial aid from the state, the amount of institutional aid varies by institution. State institutions participate in reciprocal agreements with like institutions in other states allowing nonresident students to attend participant institutions at resident tuition rates. For example, officials at three of six Missouri institutions we contacted stated their institution has programs that allow nonresident students, living in close proximity to the institution but in bordering states, to attend at resident tuition prices. In addition, all of Missouri's 4-year public institutions participate in the Midwest Student Exchange Program[1] which allows nonresident students to attend participating institutions at 150 percent of resident tuition costs. As a result of these and other factors, it is difficult to compare the actual cost of higher education services for nonresident students. The "Guide to State Residency" prepared by the College Board[2] explains the origin of the nonresident tuition rate as follows:

> The creation and maintenance of public institutions of higher education and university systems in the fifty states are financed first and foremost by each state's citizens through the payment of taxes. States seek to provide educational opportunity to their residents at an appropriate cost, recognizing that a well-educated electorate helps the state economy to grow and supports improved social and cultural amenities. Relatively few state colleges and universities get any significant amount of operating expenses from fundraising or outside development or endowments, as do the private institutions. Obviously, state legislatures and boards do not want their residents

[1] The multi-state reciprocity program allows for nonresident student exchange among participating institutions of the 11 member states.

[2] A not-for-profit examination board with a membership of over 4,700 institutions of higher learning.

to assume the financial burden of educating persons whose presence in the state is not intended to be permanent, except in very specific situations (merit scholarships, for example). Thus, the nonresident tuition rate is born.

According to the College Board, the average surcharge for nonresident students at 4-year public institutions for academic year 2007 was $9,947.

Previous SAO Audit Information

The SAO has recently issued three reports relating to tuition and higher education. In May 2006, we reported[3] DHE and the Office of Administration, Information Technology Services Division (ITSD) had not taken all the necessary measures to fully protect confidentiality of student records maintained in the Financial Assistance for Missouri Undergraduate Students (FAMOUS) system. We recommended DHE and ITSD officials (1) perform a risk assessment of the FAMOUS system to ensure appropriate security controls are in place to mitigate risks, (2) implement or develop security software for FAMOUS that will allow officials to customize and enhance security configurations, (3) discontinue maintaining a centralized list of passwords, and (4) document policies and procedures for several security controls. DHE and ITSD officials agreed with our recommendations and indicated they would take corrective action.

In August 2006, we reported[4] Missouri's public institutions had some of the highest tuition levels in the Midwest. We also reported that while tuition levels continued to increase at rates above inflation and personal income levels, state funded student financial assistance decreased. We also found although institutions had taken a variety of actions to reduce costs, some institutions still may not have been operating as efficiently as possible because comprehensive on-going efficiency evaluations had not been performed and DHE had no formal centralized clearinghouse to identify, explore, and implement best practices. In addition, we reported that DHE lacked authority to arbitrate disputes related to consortia and collaborative agreements between public institutions.

We recommended DHE continue requesting necessary funding for the department to conduct mission reviews required by state law and if funding was not provided, DHE should require state funded institutions to conduct periodic efficiency evaluations using pre-defined evaluation criteria and DHE oversight. In addition, we recommended DHE coordinate with institutional officials to develop a clearinghouse to identify cost-effective

[3] *FAMOUS System Data Confidentiality and Security* (SAO Report No. 2006-30, May 2006)
[4] *Tuition Levels Follow-up* (SAO Report No. 2006-52, August 2006)

best practices. DHE officials agreed with our recommendations but noted additional staffing would be needed to reinstitute mission reviews. We also recommended the General Assembly provide DHE statutory authority to arbitrate disputes between public institutions arising from consortia and collaborative agreements among institutions. Recent legislation[5] has implemented this recommendation.

In April 2007, we reported[6] (1) state provided student financial assistance ranked low when compared to six surrounding states, (2) most students meeting eligibility requirements for the state's largest need-based student financial assistance programs did not receive assistance due to funding shortfalls, (3) the maximum amount of individual student awards for the state's two largest student financial assistance programs had not increased in 20 years, (4) Missouri's methodology to distribute assistance from the state's largest need-based program favored students attending private institutions, (5) DHE continued to rely on institutions to determine recipient eligibility without verifying supporting documentation, (6) DHE has not established adequate policies to ensure student financial assistance funding disbursed to institutions for ineligible students was promptly refunded to DHE for re-distribution, and (7) While DHE has improved management of the state funded grant student financial assistance programs through implementation of its automated database, the FAMOUS system; improvements planned by DHE, if implemented, should further improve management of student assistance programs.

We recommended DHE seek legislation to revise the current methodology to determine need for the state's largest need-based program so students attending either private or public institutions are treated equitably. We also recommended DHE implement procedures to verify student eligibility determinations, review and improve policies and procedures governing cut-off dates for determining eligibility, estimating available funding and need-based limits, and returning funding for ineligible recipients. We further recommended DHE ensure planned improvements to the FAMOUS system are implemented as scheduled. DHE officials agreed with our recommendations.

Scope and Methodology

To determine how Missouri's 4-year public institutions' nonresident tuition compared to Big 12 Conference and contiguous states, we analyzed tuition data of Big 12 Conference states—Colorado, Iowa, Kansas, Nebraska, Oklahoma and Texas—and Missouri's other contiguous states—Arkansas,

[5] Senate Bill 389 (2007 session)

[6] *State Student Financial Assistance* (SAO Report No. 2007-16, April 2007)

Illinois, Kentucky and Tennessee. We obtained this data from the Chronicle of Higher Education.[7] To determine how Missouri's nonresident tuition policies for 4-year public institutions compared to policies of other states, we contacted six surrounding states--Arkansas, Illinois, Kansas, Kentucky, Nebraska, and Oklahoma.

To determine whether nonresident tuition rates charged by Missouri 4-year public institutions adequately considered state taxes paid by Missouri residents, we obtained state public institution officials' responses on how nonresident tuition costs were established by contacting officials at five public regional[8] institutions (University of Central Missouri in Warrensburg, Lincoln University in Jefferson City, Missouri State University in Springfield, Northwest Missouri State University in Maryville, and Southeast Missouri State University in Cape Girardeau) and the University of Missouri system. We also obtained financial data related to institution costs to determine whether nonresident tuition charged to a student covered full-time equivalent student costs.

To determine whether DHE provided guidance to institutions on setting nonresident tuition rates, we contacted appropriate DHE officials.

We performed data reliability tests on nonresident tuition data obtained from DHE, the contiguous states, and other sources contacted. We determined this information was sufficiently reliable for the purposes of this report.

We requested comments on a draft of our report from the Commissioner of the Department of Higher Education. We conducted our work between September 2005 and March 2007.

[7] A publication that is a source of news, information, and jobs for college and university faculty and administration.

[8] For the purpose of this report, the term "regional institutions" is defined as all public 4-year institutions, except those with Carnegie classifications of doctoral/research or special focus institution (medical schools and medical centers). The special focus institutions are classified with the doctoral/research institutions for analysis in the report. The University of Missouri system is the state's only public 4-year doctoral/research institution.

Nonresident Tuition Rates Rank Low

Missouri's 4-year public institutions charged nonresident students tuition[9] rates lower than most Big 12 Conference and contiguous states while, as noted in a previous report, charging in-state students tuition rates that ranked high. In fiscal year 2006, Missouri's annualized average nonresident tuition price for 4-year public institutions of $11,709 ranked among the lowest in our comparison group (8 of 11), while average in-state tuition price of $5,829 was the highest among Big 12 Conference states and second only to Illinois among contiguous states. States in Table 2.1 are shown in descending order of average nonresident tuition for fiscal year 2006.

Table 2.1: Average Institution Nonresident and In-State Tuition - Fiscal Years 2005 and 2006

	2005		2006	
State	**Nonresident**	**In-State**	**Nonresident**	**In-State**
Iowa*	$14,627	$5,403	$15,312	$5,616
Colorado*	13,846**	3,869	15,073	4,463
Tennessee	12,794	4,254***	14,119	4,669***
Illinois	12,925	5,877	14,015	6,472
Texas*	12,371	4,327	13,017	4,680
Kentucky	10,805	4,292	12,170	4,881
Kansas*	11,229	3,980	11,968	4,386
Missouri*	11,253	5,573	11,709	5,829
Nebraska*	9,479	4,215	9,929	4,404
Arkansas	9,002	4,530	9,925	4,886
Oklahoma*	7,965	3,198	8,412	3,445
Averages	$11,481	$4,501	$12,332	$4,865

*Big 12 Conference states

**For fiscal year 2005, two of Colorado's institutions did not provide nonresident tuition data.

***For fiscal years 2005 and 2006, one of Tennessee's institutions did not provide in-state tuition data.

Source: Prepared by the SAO using tuition data obtained from the Chronicle of Higher Education and DHE.

As previously mentioned, the above comparison is based on the institutions' tuition price and does not reflect the actual costs students pay after financial aid, reciprocal agreements and exchange programs are considered. However, a comparison based on actual costs students pay is not possible as this information is not readily available.

[9] The term "tuition," when used in this report, is defined as the charges to first-time, full-time undergraduates based on a 9-month academic year of 30 semester hours or 45 quarter hours. Amounts presented include mandatory fees charged students for non-academic services such as student health care, student unions, and recreation facilities.

Inconsistencies between regional and doctoral/research institutions exist

Nonresident tuition charged by Missouri's regional institutions was lower and the doctoral/research institution higher than the comparison group of states. Nonresident tuition for fiscal year 2006 varied from a low of $7,666 to a high of $10,680 at the state's regional institutions, while nonresident tuition averaged $17,360 at the University of Missouri's four campuses. Table 2.2 shows nonresident and in-state tuition for fiscal years 2005 and 2006 at 4-year public state institutions.

Table 2.2: Nonresident and In-State Tuition for Missouri Public 4-Year Institutions - Fiscal Years 2005 and 2006

	2005		2006	
Institution	**Nonresident**	**In-State**	**Nonresident**	**In-State**
University of Central Missouri	$10,260	$5,340	$10,680	$5,550
Harris-Stowe State University	8,230	4,270	8,869	4,650
Lincoln University	8,014	4,474	8,249	4,602
Missouri Southern State University	7,786	3,810	7,666	3,916
Missouri State University	9,272	5,132	10,374	5,454
Missouri Western State University	8,408	4,778	8,408	4,778
Northwest Missouri State University	9,180	5,325	9,540	5,535
Southeast Missouri State University	8,810	4,875	9,000	5,145
Truman State University	9,566	5,482	9,992	5,812
University of Missouri, Columbia	16,547	7,100	17,522	7,745
University of Missouri, Kansas City	16,639	7,192	17,202	7,425
University of Missouri, Rolla	16,746	7,299	17,322	7,545
University of Missouri, St. Louis	16,825	7,378	17,395	7,618
Averages	$11,253	$5,573	$11,709	$5,829

Source: Prepared by the SAO using tuition data obtained from the Chronicle of Higher Education and DHE.

While fiscal year 2006 average nonresident tuition charged by the University of Missouri was 17 percent higher than the $14,871 average for doctoral/research institutions, the average charged by Missouri regional institutions, $9,198, was 15 percent lower than the average nonresident tuition rate, $10,829, charged by regional institutions in the comparison group of states.

Nonresident tuition does not cover total student costs

Nonresident tuition charged by Missouri institutions exceeded the cost of instruction per full-time equivalent (FTE) student and was less than the total cost of unrestricted[10] expenditures per FTE. Projected instruction and total unrestricted expenditures per FTE for fiscal year 2006 are shown in Table 2.3.

Table 2.3: Expenditures Per Full-time Equivalent Student - Fiscal Year 2006 (projected)

Institution	Instruction Expenditures	Total Unrestricted Expenditures
University of Central Missouri*	$6,863	$13,279
Harris-Stowe State University	4,307	13,111
Lincoln University*	4,414	12,540
Missouri Southern State University	5,428	10,607
Missouri State University*	5,416	12,088
Missouri Western State University	5,069	10,276
Northwest Missouri State University*	6,343	11,841
Southeast Missouri State University*	5,669	11,945
Truman State University*	6,659	14,290
University of Missouri System*	9,196	21,680

* Amounts for these institutions also include expenditures for graduate students.

Source: Prepared by SAO based on DHE expenditure data.

Compliance with existing DHE policy for setting nonresident tuition rates not monitored

DHE had not monitored compliance with an existing policy regarding nonresident tuition. In June 1983, the coordinating board reaffirmed its existing policy that nonresident tuition should be twice the cost of in-state fees. However, according to a DHE official, the policy had not been enforced because DHE lacks statutory authority. As a result, DHE has no control over tuition rates and methods used to set tuition rates varied by institution. As shown in Table 2.2, in fiscal year 2006, all of Missouri's regional institutions charged less than 200 percent of their in-state rate, while the four campuses of the state's only doctoral/research institution charged more.

[10] Unrestricted expenditures are not restricted by the terms of outside donor or supporting agency and include instruction, research, public service, academic support, student services, institutional support, operation and maintenance, scholarships, and mandatory/non-mandatory transfer.

Policies to set nonresident tuition varied by state

According to a study by the State Higher Education Executive Officers Association,[11] 7 states set nonresident tuition based on 100 percent of the cost of undergraduate instruction. In 10 states, nonresident tuition is indexed to the undergraduate resident tuition rates. The study indicated alternative methods were used in 12 states, no formal policy existed for 17 states, and no information was provided for 6 states.[12] Missouri's policy of charging 200 percent of in-state tuition was the lowest[13] of the 10 states that indexed nonresident tuition to in-state tuition. The indexed percentages ranged from 250 to 400 percent in the other 9 states. For the comparison group of states noted in Table 2.1, states charged between 203 and 338 percent of average in-state tuition to nonresident students, while Missouri's average was 201 percent for fiscal year 2006.

Representatives from Kentucky and Oklahoma told us their states had policies that specifically addressed setting nonresident tuition rates. The Kentucky nonresident student policy is based on the state's goal of recruiting and retaining intellectual capital from outside the state. As a result, its policy is geared to recruiting and retaining nonresident students and includes the following objectives (1) increased intellectual capital, (2) education and social diversity, (3) equity and market sensitivity in pricing (maintain tuition charges for nonresident students such that market recruitment efforts are not diminished while minimizing the state subsidy by requiring nonresidents to pay a greater share of educational costs than resident students). The Oklahoma nonresident policy for research universities requires the combined average undergraduate nonresident tuition and mandatory fees remain less than 105 percent of the combined average of nonresident undergraduate tuition and fees at state-supported institutions in the Big 12 Conference. For regional institutions the policy is the same except costs are compared to like-type state-supported institutions in states that include, but are not limited to, those adjacent to Oklahoma.

State institutions lack written nonresident tuition policies – methods vary

Officials at the 5 regional institutions contacted and the University of Missouri system told us the institutions had no written policy documenting how nonresident tuition rates were set. Officials from two institutions told us nonresident tuition was increased by the same percentage as the resident tuition increase, two stated the instructional portion of resident tuition was

[11] An association of higher education executive officers from the United States and Puerto Rico whose mission is to assist its members and the states in developing and sustaining excellent systems of higher education.

[12] Total of 52 accounted for because 2 states had reported results in 2 categories.

[13] One state required the index to be 250 percent. However, 150 percent could be charged if an approved institutional plan showing increased enrollment beyond a breakeven point would result, and the institution had excess capacity.

doubled for nonresident students, one stated the resident tuition was doubled for nonresident students, and one told us the amount of the resident tuition increase was doubled for nonresident students. Officials from all six institutions told us fees charged are the same for both resident and nonresident students. Finally, officials from three institutions stated students from bordering states living near the institutions are allowed to attend at resident tuition prices.

Conclusions

Comparisons of average tuition costs of Missouri's 4-year public institutions to institutions in contiguous and other Big 12 Conference states showed Missouri institutions charged average nonresident students tuition rates lower than most of those states. Tuition charged nonresident students has not covered the students' total costs.

Missouri institutions have not complied with, and DHE did not monitor for compliance with, an existing policy for setting nonresident tuition rates. The existing policy was not enforced because DHE believed it lacked the necessary statutory authority.

Recommendation

We recommend the Commissioner of the Department of Higher Education establish and monitor compliance with a new policy outlining criteria for the state's public 4-year institutions to consider when setting nonresident tuition rates. The policy should include various criteria, including giving consideration to state taxpayer subsidies and rates charged by surrounding states when determining nonresident tuition rates.

Agency Comments

The DHE agrees that a new policy for the state's public four-year institutions to consider when setting nonresident tuition rates could have a positive impact. Developing new policy guidelines for nonresident tuition decisions requires consideration of several factors beyond taxpayer contributions and rates charged by surrounding states. Other factors that should be considered include but are not limited to:

- *Overall enrollment management*
- *Maximization of fixed expenditures*
- *Economic benefits of importing skilled and talented students to Missouri*
- *Institutional capacity within different course offerings*
- *Differences between "sticker price" and actual cost*

Furthermore, to be effective, a new policy should acknowledge the diversity of Missouri's system of higher education in terms of size, location, and mission.

Establishing and monitoring effective nonresident tuition policy guidelines will require significant expenditures of DHE staff time. Based on our current statutory responsibilities and the new responsibilities we will have to undertake to comply with Senate Bill 389, the DHE is unable to make the recommendation to establish and monitor a new policy a priority at this time.

Susan Montee, CPA
Missouri State Auditor

August 2007

Thirty-First Judicial Circuit
City of Springfield, Missouri
Municipal Division

Report No. 2007-30

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

August 2007

YELLOW SHEET

The following findings were noted as a result of an audit conducted by our office of the Thirty-First Judicial Circuit, City of Springfield Municipal Division.

Receipts totaling at least $1,356,072 were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but were apparently misappropriated. The court's former Accounting Services Representative hired in June 1991, was responsible for depositing court monies and reporting court receipts to the city's finance department. She was terminated on July 3, 2006 after being placed on administrative leave on June 14, 2006. Little or no supervisory review and poorly implemented internal controls allowed the misappropriation to occur and not be detected. Additionally, several discrepancies that could have been an indication of problems were apparent, but were not adequately followed up on. Several of our findings are similar to findings in our prior report.

Fines, court costs, and bonds, received by court clerks at five cashier windows, were transmitted daily to the former Accounting Services Representative to count and prepare for deposit. Some of the receipts apparently transmitted to the former Accounting Services Representative were not deposited into the city's bank accounts and were misappropriated. The city's finance department began questioning the court in 2003 concerning reconciling items that remained open on the city's bank account reconciliation, and ultimately discovered the misappropriation in June 2006. There were many indications that court records were poorly maintained, as well as numerous control weaknesses that allowed this misappropriation to occur and not be detected, including:

- Supervisory oversight and segregation of duties related to the work performed by the former Accounting Services Representative was not adequate.

- Weaknesses in the court's computer system enabled the former Accounting Services Representative to selectively decide which cashier drawer receipt totals to report to the city. The misappropriated amounts apparently were not reported to the finance department as received, and neither the city nor the municipal division compared revenues reported to the city to actual municipal court receipt records.

- Follow up by the city's finance department on irregularities noted with the court's depositing methods dating back to 2004 was not adequate.

- Investigations by the city's finance department of fluctuations in municipal court credit card adjustments on the bank reconciliation of the city's main account were inadequate. The fluctuations revealed that credit card deposits in the city's account were greater than receipts reported by the court. These credit card receipts were later substituted into deposits and cash was withheld and misappropriated.

(over)

- Neither the city nor court personnel were reconciling the method of payments received to the composition of the total deposit to ensure receipts were deposited intact. The lack of this comparison allowed checks and credit cards to be substituted into deposits and cash receipts to be misappropriated.

- Follow up by the city's finance department on irregularities noted on the bank reconciliation for the bond bank account was inadequate. Additionally, finance department personnel were at one time as much as nine months behind in preparing bond account bank reconciliations.

- Poor record keeping systems and the lack of controls allowed some payments to be received and not properly recorded and deposited. Cash and checks totaling over $10,000 were found in court accounting records maintained by the former Accounting Services Representative.

Although the city and the municipal division have implemented several procedures to improve weaknesses that allowed the misappropriation to occur, improvement is still needed in several areas. Significant improvement is needed in the court's handling of receipts. Fines, court costs, and bonds received from the defendant before the related traffic ticket is received from the city prosecutor are held by the court and not deposited into the city's account until the related traffic ticket is received.

The court's depositing schedule allows a substantial amount of money to be accumulated, and controls over the daily close out procedures for each cashier drawer could be improved. The court's procedure for reversing payments requires cash to be removed from cashier drawers and makes it difficult to ensure cash has been transmitted properly.

The city's finance department does not have procedures to account for the numerical sequence of court transaction numbers, and some restitution received by the court was deposited into the city's bank account, but not paid to the victim. Neither the city nor the court has determined amounts owed to external parties resulting from restitution and fee collections that were misappropriated. Further, bond coverage amounts should be considered along with accounting controls in place.

Bank reconciliations prepared by the city's finance department for the bond account were based on incomplete information and contained numerous adjustments dating back to 2003 and 2004.

The municipal court allows any court clerk responsible for collecting fines and court costs to stamp tickets "nolle pros" and not assess fines and court costs. Additionally, improvement is needed to account for and process traffic tickets, and the follow up on unpaid parking tickets could be improved.

Responses from the Municipal Judge indicate that steps have been taken to implement many of the recommendations. The City's Finance Director responded that the court operated independently of the city, and the Court Administrator was responsible for the administrative areas of the court.

Also included in the report are recommendations related to accounts receivable records and computer system access.

All reports are available on our website: www.auditor.mo.gov

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Don Burrell, Jr, Presiding Judge
Thirty-First Judicial Circuit
and
Todd M. Thornhill, Municipal Judge
Springfield, Missouri

We have audited certain operations of the City of Springfield Municipal Division of the Thirty-First Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations.

4. Investigate irregularities noted regarding cash receipts and deposits.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents including outside reports; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by April 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Springfield Municipal Division of the Thirty-First Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	April McHaffie Lathrom, CPA
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EXECUTIVE SUMMARY

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
EXECUTIVE SUMMARY

Receipts totaling at least $1.3 million were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but apparently misappropriated.

In 2003, the city's finance department began questioning court personnel concerning reconciling items that continued to remain open on the city's bank account reconciliation, and ultimately discovered the misappropriation in June 2006.

The court's Accounting Services Representative hired in June 1991, was responsible for depositing court monies and reporting court receipts to the city's finance department. She was terminated on July 3, 2006 after being placed on administrative leave on June 14, 2006.

Little or no supervisory review and poorly implemented internal controls allowed the misappropriation to occur and not be detected. Additionally, several discrepancies were apparent that could have been an indication of problems, but were not adequately followed up on. While the city and court have implemented several procedures to correct problems that may have allowed the misappropriation to occur, they should review the accompanying Management Advisory Report and take additional steps to improve controls over court collections.

A petition audit of the City of Springfield fulfilling our obligations under Section 29.230 is still in process, and additional findings and recommendations will be included in subsequent reports.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Misappropriated Funds

Receipts totaling at least $1,356,072 were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but were apparently misappropriated.

Fines, court costs, and bonds received by the court were processed by court clerks who accept payments at five cashier windows. Payments received were entered into a computerized receipting system and each day the court clerks would balance their drawers with a computer generated report of transactions and give the receipts to the Accounting Services Representative to count and prepare for deposit. Some of the receipts apparently transmitted to the Accounting Services Representative were not deposited into the city's bank accounts and were misappropriated.

According to documentation provided by the city, the city's finance department began questioning the court concerning reconciling items that remained open on the city's bank account reconciliation in 2003. The city's finance department ultimately discovered the misappropriation in June 2006. The city's finance department then began comparing various city accounting records to those from the municipal court and identified missing funds. Their computation materially agreed to those listed below.

The city contracted with forensic accountants to perform fraud investigation services to quantify the missing funds described above. We reviewed that investigation report and the substantiating working papers to minimize any duplication of effort. The following table obtained from the report on the fraud investigation shows by period the amount of fine and cost receipts not accounted for:

Period		Amount
January 1, 2006 to June 13, 2006	$	50,249
January 1, 2005 to December 31, 2005		196,273
January 1, 2004 to December 31, 2004		201,406
January 1, 2003 to December 31, 2003		177,794
January 1, 2002 to December 31, 2002		229,806
January 1, 2001 to December 31, 2001		156,359
January 1, 2000 to December 31, 2000		127,384
July 1, 1999 to December 31, 1999*		28,985
July 1, 1998 to June 30, 1999*		98,691
July 1, 1997 to June 30, 1998*		71,599
Total Loss[1]	$	1,338,546

[1] *Bank statements were not available for periods before January 1, 2000. Revenues the court reported to the city were not used to determine the loss.

Additionally, according to records provided by the city's finance department, a shortage of approximately $17,526 in bond receipts also existed at June 30, 2006.

There were many indications that court records were poorly maintained, as well as numerous control weaknesses and little or no independent review that allowed this misappropriation to occur and not be detected. For example:

- Supervisory oversight and segregation of duties related to the work performed by the Accounting Services Representative was not adequate. The Accounting Services Representative was responsible for receiving monies collected by the court clerks, reporting municipal division revenues to the city's finance department, and making deposits into the city's bank accounts. (Fines and court costs are deposited into the city's main bank account which is also used for the deposit of monies collected by the various city departments. Bonds are deposited into a separate bond bank account.) While documentation provided by the city indicated that the Court Administrator was responsible for supervising the work performed by the Accounting Services Representative and a system was in place to segregate duties, these reviews and procedures were apparently not being performed.

- Because of weaknesses in the court's computer system, the Accounting Services Representative was able to selectively decide which cashier drawer receipt totals to report to the city. The misappropriated amounts apparently were not reported to the finance department as received, and neither the city nor the municipal division had procedures in place to compare the revenues reported to the finance department by the Accounting Services Representative to the actual municipal division receipt records to ensure all monies were properly accounted for. After identification of the misappropriation, the city and the municipal division added procedures to compare recorded receipts to deposits into the city's bank accounts. Although some procedures have been implemented to improve control weaknesses, additional controls are still needed. (See MAR 2)

- Adequate steps were not taken by the city's finance department to follow up on irregularities noted with the court's depositing methods. Municipal division receipts were often held up to a month before being deposited into the city's bank account, and the time lag problem was not adequately followed up on by the city's finance department. Further, some daily deposit summary reports sent to the finance department by the court would only include receipt totals for one cashier drawer for a particular day when other deposit summary reports would include receipt totals for as many as eight cashier drawers. Reporting variances dating back to 2004 were not adequately followed up on by the city's finance department.

- The city finance department's bank reconciliation identified fluctuations in credit card adjustments for the court dating back to late 2004, however the differences were not resolved timely. The fluctuations revealed that credit card receipts deposited into the city's bank account were greater than receipts reported by the court. These credit card receipts were later reported when they were substituted into deposits and cash was

withheld and misappropriated. Because of the credit card differences and other concerns, a surprise cash count was performed at the court by the city's finance department on May 6, 2005; however, documentation was not retained to support the methodology or conclusion made from that cash count. Personnel from the city's finance department indicated no discrepancies were discovered during the cash count.

- While the method of payment (cash, check, money order, or credit card) was tracked by the court's computerized receipt system neither the city nor court personnel were reconciling the method of payments received to the composition of the total deposit to ensure receipts were deposited intact. The lack of this comparison allowed checks and credit cards to be substituted into deposits and cash receipts to be misappropriated. While the city's finance department has now developed procedures to ensure composition of fines and court costs received are deposited intact; procedures are not in place to ensure bond monies received by the court are deposited intact. (See MAR 3)

- Irregularities on the bank reconciliation for the bond bank account were not adequately followed up on by the city's finance department and bank reconciliations were not performed timely. The bank reconciliations for the bond account contained numerous adjustments for bonds that were not deposited. For example, there was a $1,000 adjustment for a bond received in October 2003 that was never deposited. The reconciling item was noted on several reconciliations starting in 2003 and still noted on the reconciliation at June 30, 2006. The clerk from the city's finance department that is responsible for reconciling the bond account indicated that she was at one time as much as nine months behind in preparing the bond account bank reconciliation. (See MAR 3)

- Poor record keeping and the lack of controls allowed some payments to be received and not properly recorded and deposited by the court. Cash and checks totaling over $10,000 were found in various court accounting records maintained by the former Accounting Services Representative. Most of the checks were over a year old, with dates between 2005 and 1999. (See MAR 2)

By not providing adequate oversight, the city and municipal division placed court funds at risk, resulting in the misappropriation. The city and the municipal division have implemented several procedures to improve control weaknesses that apparently allowed the misappropriation to occur; however, the city should continue to ensure court funds are properly accounted for by providing adequate oversight, reviewing the court's depositing methods, monitoring credit card adjustments, reconciling method of payment to deposits, and monitoring bank account reconciliations.

WE RECOMMEND the City of Springfield and the Municipal Division continue to work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover the missing funds. Additionally, the city should continue providing adequate oversight of court receipts and deposits, by monitoring the court's depositing methods, following up on fluctuations in credit card adjustments, reconciling

the method of payments received to the composition of the total deposit to ensure receipts were deposited intact, and ensuring bank reconciliations are performed timely and adjustments are followed up on for the bond bank account.

AUDITEE'S RESPONSE

The City's Finance Director provided the following response:

The control environment is an important component in maintaining effective internal controls. Control procedures were in place at the Municipal Court but were not being followed by the Accounting Services Representative and the Municipal Court Administrator.

The Court Administrator had responsibility for the administrative areas of the Court. The job description of the Municipal Court Administrator lists among others the following essential functions:

- *Plans, organizes and directs all non-judicial activities of the Municipal Court including the preparation of dockets, collection and recording of fines.*
- *Supervises support staff and technical personnel over court functions.*
- *Supervises the preparation of fiscal activity reports for the court.*
- *Participates in policy development for the Court including planning, developing, modifying, implementing, maintaining, and interpreting court administrative procedures, policies, and systems needed for the efficient operation of the court.*
- *Investigates complaints relating to the operation of the court's functions.*
- *Supervises the development, implementation and maintenance of the management information systems for the court's records/database management and reporting functions.*
- *Communicates with judges as to administrative matters affecting the court.*
- *Serves as the administrative representative of the court to City administration and other City departments, courts, government agencies and the general public.*

For many years, the Municipal Court has operated independently from the City of Springfield in the administrative area, accounting policies and computer systems. Under Missouri law, the Judge has ultimate responsibility for the administration of the court. The Municipal Court Administrator reported to the Judge. In Springfield, the administrative responsibilities were completely delegated to the Court Administrator.

The Court has a separate management information system designed to handle their unique needs. The Court system is independent of the City's financial management system. The system was selected and implemented by the Court staff. The system runs on hardware located at the

Municipal Court located approximately ¼ mile from the City's main administrative offices. Municipal Court is the only department in the City with a computer administrator that operates outside the structure of the City's Information Systems Department. The position reports to the Municipal Court Administrator. Court staff was fully responsible for the management information system including the design of the upload of information into the City's financial management system.

The Finance Department had no clear authority to require the Municipal Court to comply with accounting procedures. The Office of the State Court Administrator has developed accounting procedures that municipal courts are required to follow. These accounting policies are developed independently of the City's policies. Additionally, the City of Springfield has maintained for many years a decentralized system of management whereby responsibility and decision-making authority was delegated to the department level. This system allows departments to operate more independently and to respond more quickly.

The reporting structure within Municipal Court was designed with a system of checks and balances in place. As noted above, the Court Administrator was responsible for supervision of the Accounting Services Representative. However, the Accounting Services Representative was allowed to work with little or no supervision and was also allowed to work outside of regular business hours with no one else present, to accommodate her personal needs. The Court Administrator had responsibility for the preparation of reports to the Office of the State Court Administrator. Municipal Court had in their possession all of the financial records, the total money collected at the Court, the records of daily deposits to the City's bank account and reports from the management information system. All of this information was available to the Court Administrator, whose duties were to oversee the work of the Accounting Services Representative.

As noted above in the Court Administrator's job description, she was to have knowledge of accounting principles, but the Accounting Services Representative was allowed to control all areas of the financial transactions. The Accounting Services Representative reconciled the clerks' drawers each day, prepared the bank deposit, uploaded the transactions to the City's financial management system, and handled open items or questions from the Finance Department regarding the bank account.

The fraud occurred and went undetected because of a weakness in the Court's computer system and a breakdown of the internal controls in the Court. Generally when data is uploaded from one computer system to another, all of the data is "swept". The upload process may be initiated manually, but the process itself is automated to ensure all transactions are captured. In the case of the upload of information from the Municipal Court system to the City's financial management system, the Accounting Services Representative was allowed to manually select the drawers that were uploaded to the City's financial management system.

Because of the independent reporting structure of the Court, the Finance Department did not have access to all of the Court's financial records. Requests for additional information were made to the Accounting Services Representative and copied to the Court Administrator.

Responses, when provided, were incomplete, untimely, or sometimes simply ignored. There was no apparent sense of urgency to address the requests of the Finance Department.

The City disagrees the Finance Department did not take adequate steps to follow up on irregularities. The Finance Department worked closely with the Court in reconciling the monies deposited into the City's bank account to the amounts reported to the Finance Department via the daily upload process from the Court's management information system. During the time period related to the loss, the monies deposited by the Court materially agreed to the amounts reported to the Finance Department. Since 2003, the date the current Finance Director and Accounting Manager assumed their respective positions, the Finance Department was in constant communication with the Accounting Services Representative and the Court Administrator regarding open items on the bank reconciliation. Employees in the Finance Department sent numerous emails, made phone calls and scheduled meetings to resolve open issues. The Finance Department staff received little cooperation from the Court staff on issues related to the bank account.

The Finance Department did not have access to the Court's accounting system prior to the discovery of the loss and was therefore unaware incomplete data was being uploaded into the City's accounting system. Accounting staff specifically asked for reports showing daily activity from the Court's computer system and were told these reports were not available. Despite these roadblocks the accounting staff discovered the fraud. The audit report issued by the State Auditor for the fiscal years ending 1998 and 1999 did not uncover the fraud. The independent auditor's reports for the entire period of the loss also did not uncover the fraud. The Finance Department's follow-up on irregularities, which the State Audit report has characterized as "inadequate", ultimately was the only control or review successful in uncovering the fraud.

The City agrees, the bank reconciliation reflected fluctuations in credit card adjustments. However, it is important to consider the numbers in perspective. During this two-year period, the Finance Department identified a total of approximately $10,000 in credit card fluctuations. During this same period of time, credit card activity totaled almost $900,000. The Finance Department was actively trying to resolve the fluctuations. Accounting staff in the Finance Department sent numerous emails, made phone calls and met with the Court on numerous occasions in reviewing the reconciling items noted in the report. Unfortunately, requests to provide additional documentation made by Finance were rarely met and only led to additional questions that were not answered by the Court.

The procedure regarding open items on the bank reconciliation has changed effective August 1, 2006. Departments are given 30 days to resolve open issues on the bank reconciliation. After 30 days the department director is notified of the open items. If the items are not resolved after 60 days, the Assistant City Manager is notified.

The City disagrees that procedures are not in place to ensure bond monies are deposited intact. Procedures are now in place to reconcile the method of payment from the Court's computer system to the bank deposit. This information has been reconciled from July 2006 to present and is now a regular part of the bank reconciliation performed by the Finance Department. Prior to

June 30, 2006 the Municipal Court did not provide the Finance Department with enough information to balance the composition of the bond deposit.

The City disagrees the bank reconciliation was not adequately followed up on by the City's Finance Department. The Finance Department was in regular contact with the Accounting Services Representative and the Court Administrator since 2003. Employees in the Finance Department sent numerous emails, made phone calls and scheduled meetings to resolve open issues. The Court was not responsive to the requests and inquires made by the Finance Department. Unfortunately, requests made by the Finance Department to provide additional documentation and reports, were rarely met. Finance Department staff were told the information was not available, the information was confidential, or the employee was not available to answer questions.

The bank reconciliation was performed timely with the exception of a period of time in 2004 during the implementation of a new financial management system and payroll system. The system implementation was a major project that required the dedication of all of the accounting staff. The bond account reconciliation was brought current in September 2004 and has been current since that time.

Upon the discovery of the loss, the Court's Accounting Services Representative's office was secured and the contents were taken as evidence by the Police Department. The files not needed as evidence were returned to the Finance Department in late 2006. Finance secured the records until the Court was able to inventory and assess the records.

The Municipal Judge provided the following response:

Recommendation Implemented. Municipal Division employees have cooperated with and assisted, and continue to cooperate with and assist, law enforcement officials regarding the pending criminal prosecution of former Accounting Services Representative Rhonda Bateman.

Daily balancing and deposit preparation is performed by two municipal court employees, the Account Services Representative and a deputy clerk. The assigned deputy clerk is rotated. After the amounts collected for each tray are verified against the electronic Cash Tray Reconciliation Report from the municipal court database, a Daily Remittance Register is prepared and signed by the two employees which lists the total collections by tray by composition (cash, check, credit card) and includes the cash bond receipts by composition. After the Daily Remittance Register is completed, the daily deposit is prepared and placed in a locked bag that is picked up daily by the City's armored car service, Loomis Fargo.

On a daily basis, the Court Administrator verifies the electronic Cash Tray Reconciliation Report with the Daily Remittance Register, the deposit slip to the bank, and the deposit receipt received back from the bank. Also daily, the judge receives the Daily Remittance Register to compare with an automatically generated report of "unsent trays" from the previous day to verify that the trays were "sent" through the Oracle system to the city Finance Department and to verify that each tray was in fact prepared for deposit.

The Finance Department receives a daily abstract from the municipal court's data base administrator that shows the total collections by cash register tray by composition (cash, check, credit card). The Finance Department prepares a reconciliation report, "Tray Distribution of Funds Municipal Court," that compares the municipal court database files to the bank deposits on a daily basis.

2. Accounting Controls and Procedures

Significant improvement is needed in the municipal division's handling of court receipts. Over $10,000 in cash and checks was found in various court accounting records maintained by the former Accounting Services Representative. In addition, the city has not developed procedures to ensure the court is reporting all of the monies received, and neither the city nor the court has determined the amount of the potential liability which exists from restitution and fee collections which were misappropriated.

A. Fines, court costs, and bonds are occasionally received from the defendant before the related traffic ticket is received from the city prosecutor. The court holds these monies and does not deposit them into the city's bank account until the related traffic ticket is received. The court's procedure is to place these monies in the court's vault and record the payment on a computerized listing called the LOGG system, which was developed to track these type of payments. When the ticket is later received by the court, the payment is then receipted into the court's accounting system and the LOGG system is updated to show the disposition of the payment. While the court's LOGG system generates a summary report of monies being held, this report is not reconciled to the amount of cash and checks on hand to ensure all monies are properly accounted for.

During a cash count performed on September 12, 2006, the LOGG summary report indicated the court should have $1,552, but there was only $1,174 in cash and checks on hand. Court personnel indicated payments totaling $298 had been applied to the balance due for the related tickets, but the disposition of these payments had not been posted to the LOGG system. Court personnel also indicated the additional $80 had been returned to the individuals who had written the checks; however, the court did not have adequate documentation to support these checks had been returned.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited daily, and all refunds should be made by check. Additionally, the court should develop procedures to ensure the amount recorded on the LOGG system agrees to amounts held by the city for these types of payments.

A similar condition was noted in our prior report.

B. The court's depositing schedule allows a substantial amount of money to be accumulated. For example, during a cash count performed on September 12, 2006 we counted $36,177 ($15,372 at the cashier windows, $19,631 in the safe, and $1,174 held on behalf of defendants, see A above). Some of the monies counted had been received on September 8, 2006.

At approximately noon each day, court clerks balance their drawer with a computer report of transactions and transmit the money and the report to the Accounting Services Representative and another court clerk to count and prepare for deposit. The deposit is then picked up the following day by an armored car service.

The court needs to coordinate pickup times with the armored car service to minimize the amount of cash on hand and to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds. The court should develop procedures to ensure receipts are deposited on a more timely basis.

C. Controls over the daily close out procedures for each cash drawer could be improved. At approximately noon each day the court clerk working at the cashier window is responsible for counting the monies in the cash drawer and reconciling the receipts on hand to a computer report of transactions. These receipts are often collected by more than one court clerk. For instance, during a cash count on September 12, 2006 we counted one cash drawer totaling $3,121 of which $687 had been collected by the court clerk who was working during night court, and the remaining $2,434 was collected by the court clerk who worked during the day.

To adequately safeguard receipts and control access to funds, the court should consider improvements to daily close out procedures that would improve accountability and make each court clerk responsible for reconciling their individual collections.

D. The court did not have adequate procedures in place to properly record and deposit all payments received. In April 2007 we counted over $10,000 in cash and checks that the current Accounting Services Representative had discovered filed in various court accounting records maintained by the former Accounting Services Representative. Most of these checks were over a year old, with dates between 1999 and 2005. The monies represented payments for traffic tickets, restitution, overpayments on fines and court costs, and checks due to the city for duplicate payment of court related expenses. Additionally, many of the payments appeared to relate to unpaid parking tickets. (See MAR 4C)

The court and city should ensure all monies are properly recorded and deposited. Additionally, the proper disposition of all monies located in the court accounting records should be determined.

E. The court's procedure for reversing payments needs improvement. According to court personnel, in order to refund a payment which has been recorded in the court's main accounting system, it is necessary for the court clerk to reverse the payment and transmit an equal amount of cash from the cashier drawer to the designated court clerk responsible for these monies. Then the cash is to be recorded on the court's LOGG system, and a refund check is requested from the city. This payment reversal procedure makes it difficult to ensure cash removed from cashier drawers has been properly transmitted, recorded and deposited.

Programming and procedural changes should be made to eliminate the need for the removal and movement of cash when a payment needs to be reversed and refunded. Further, adequate controls over payment reversals should be implemented.

F. The city's finance department has not developed adequate procedures to ensure the court is reporting all of the monies received. The city's computerized accounting system relies upon the court to electronically report the receipt information from each cashier drawer; however, the city's finance department does not have procedures in place to account for the numerical sequence of the court's recorded receipts to ensure that all cashier trays have been reported to the city.

The court's computerized receipt system assigns transaction numbers to each amount recorded by the court clerks with a separate numerical sequence for each cashier drawer. These transaction numbers are not reviewed by the finance department to ensure all amounts received by the court have been reported. After the misappropriation was identified, the Municipal Judge began reviewing an exception report generated from the court's computer system showing cashier drawer totals that have not been electronically reported to the finance department. While this report provides information on drawers not yet reported to the city, no one accounts for the numerical sequence of transaction numbers to ensure all transactions are reported to the city.

Without a periodic review of transaction numbers the city has no assurance that all receipts are properly accounted for. Accounting for the numerical sequence of transaction numbers is necessary to ensure proper recording and accountability of all receipts. Numerous instances were found where the court did not report receipts from various cashier trays which resulted in the misappropriation discussed in MAR 1.

G. We identified numerous insufficient fund checks filed in court accounting records maintained by the former Accounting Services Representative that had not been properly followed up on by the court. For example, in the 2001 court records, there were insufficient fund checks totaling over $750. Court personnel estimate more than $5,000 in insufficient fund checks from prior years that have not been

followed up on. The court should implement timely notification and follow-up procedures for insufficient fund checks.

H. The court will occasionally issue manual receipt slips if their computer system is not working properly. The manual receipt slips are not prenumbered and access to the manual receipts is not controlled. To ensure all receipts are properly accounted for and posted to the computer system, prenumbered receipt slips should be issued for all monies received and access to manual receipt slips should be controlled.

I. Restitution received by the court was not always paid to the victim. In some cases these restitution payments were received and deposited in the city's bank account; however, the subsequent payments to victims were never made. For example, the court has identified over $1,150 received during 2006 that was deposited into the city's bank account, but not disbursed by the city to victims. Apparently disbursement information was not provided to the city by the court, and the city did not follow up with the court to determine the proper disposition of the funds being held. The court should continue to identify all restitution monies being held by the city so that it can be paid to victims or otherwise disposed of properly.

J. Neither the city nor the court has determined the amount of potential liability which exists from restitution and fee collections from the more than $1.3 million in receipts which were misappropriated.

The court collects restitution and other fees such as Crime Victims Compensation (CVC), Law Enforcement Training (LET), and Greene County Maintenance Fees and remits these monies to external parties such as the state, county, or victims to whom restitution was ordered by the court. On average, fees collected by the court that are due to other parties total approximately 13 percent of collections.

Additionally, after the court was contacted by a victim concerning the status of restitution owed to them, the city paid two victims restitution totaling $3,525 which had been paid to the court but never transmitted to the city. The city has also refunded some cash bonds that were received by the court but never deposited.

The city does not have a plan to address how certain liabilities related to missing monies will be paid. The city and court should determine the amounts owed to external parties for the misappropriated court monies and should develop a plan regarding the payment of these liabilities.

K. The court did not adequately consider bond coverage along with the accounting controls put in place to reduce the risk of loss for employees responsible for collecting monies. The maximum the court can expect to obtain from their bond coverage is $200,000 less a $2,500 deductible. The court should consider bond

coverage along with the controls in place for all employees with access to monies to better protect the court from risk of loss.

WE RECOMMEND the City of Springfield and the Springfield Municipal Division:

A. Ensure all receipts are deposited daily, and all refunds are made by check. Additionally, procedures should be developed to ensure the amount recorded on the LOGG system agrees to amounts held by the city for these types of payments.

B. Take steps to coordinate armored car pickup times to ensure receipts are deposited on a timely basis and the amount of cash on hand is minimized.

C. Consider improvements to controls over cash drawers to make each court clerk responsible for reconciling their individual collections.

D. Ensure all monies are properly recorded and deposited, and determine the proper disposition of all monies found in the various court records.

E. Implement necessary programming and procedural changes to eliminate the need for the removal and movement of cash when a payment needs to be reversed and refunded. Further, adequate controls over payment reversals should be implemented.

F. Develop procedures to ensure completeness of receipt information reported by the court and ensure the numerical sequence of receipts is accounted for properly.

G. Implement timely notification and follow-up procedures for insufficient fund checks.

H. Utilize prenumbered receipt slips and limit the access to manual receipt slips.

I. Ensure all restitution monies are properly paid to victims.

J. Determine the amounts owed to external parties for the misappropriated court monies and develop a plan regarding the payment of these liabilities.

K. Develop procedures to consider bond coverage along with accounting controls that have been put into place for all employees responsible for handling monies.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

A. Most of this recommendation has been implemented. All deposits are deposited daily. Comparison of the LOGG receipts with amounts held by the city is reviewed daily by a

deputy clerk to verify that they match. A computer program to assist in the refund of fines and costs by check when a judgment is set aside is finished and in the testing stage.

B. *Implemented. The balancing time for cash drawers has changed. Deposit preparation and reconciliation occurs daily, as do armored car pickups. Security cameras operate 24 hours per day, 365 days per year.*

C. *Implemented. Each deputy clerk is responsible at the conclusion of the day for balancing their respective drawers to match receipts with money by composition (cash, check, credit card). There is no more division of drawers.*

D. *This is in the process of being implemented. These are records that were secured by the Springfield Police Department with a search warrant in July, 2006 to search and seize items in former Accounting Clerk Representative Rhonda Bateman's office and have been in the custody and control of the police department and the finance department from July 2006 until February through April of 2007. When the court received the records starting in February of 2007 through April of 2007, the records were reviewed to determine their content. When court personnel discovered this money, the auditors were notified and, as a result, this matter was included in this report. These matters were the duty of the former Accounting Services Representative. Current court personnel are working through these past records and money to determine where it should be properly recorded and applied.*

E. *Nearly implemented. The program to assist in the refund of fines and costs by check when a judgment is set aside is finished and in the testing stage.*

G. *This is in the process of being implemented. These are records that were secured by the Springfield Police Department with a search warrant in July, 2006 to search and seize items in former Accounting Clerk Representative Rhonda Bateman's office and have been in the custody and control of the police department and the finance department from July 2006 until February through April of 2007. When the court received the records starting in February of 2007 through April of 2007, the records were reviewed to determine what they were. When court personnel discovered these checks, the auditors were notified and, as a result, this matter was included in this report. NSF checks in the amount of $5,628.57 have been processed by the current Accounting Services Representative from the years 2005 and 2006. Eight NSF checks have been found during auditing in May 2007. These checks total $650.50 and are being processed based on available staffing. Continuing examination of the records might reveal additional unprocessed NSF checks and will be addressed as staffing allows. The procedure for NSF check processing is that the Finance Department sends to the court's Accounting Services Representative the bad check. The Accounting Services Representative then prepares a summons in substantially the same form as Missouri Supreme Court Suggested Form 37.L and sends it to the defendant. If the defendant does not appear in response to the summons, an arrest warrant for the defendant is issued. Appearing defendants are ordered to pay the amount owed plus a $20.00 returned check fee authorized by city ordinance #4713.*

H. Implemented. The court is using, and has used since 1993, prenumbered receipt slips for electronically-generated receipts. In the very infrequent occurrence where a manual receipt is required (such as a power failure), prenumbered receipts will be used and access to these receipt slips is limited by keeping them secured in the Accounting Services Representative's office.

I. *This is in the process of being implemented. We have determined for 2005 and 2006 the restitution checks and cash misappropriated and are processing these monies to properly pay victims. Some victims have been paid. Further review to the extent records are available will determine any amounts from previous years.*

J. *This is in the process of being implemented. The court costs misappropriated that would have gone to parties other than the City of Springfield has been determined. See "I" above for restitution payments.*

The City's Finance Director provided the following responses:

F. Each night, the Finance Department receives a file from the Court's system administrator of all the Court's cash trays. The file contains all of the Court's financial transactions, fines, court costs and bonds listed by cashier. The Finance Department reconciles the daily activity by composition, cash, check and credit card to the Court's bank deposit and the nightly upload into the City's accounting system. The approach utilized by the Finance Department currently ensures all financial transactions are accounted for in the nightly file provided by the Court's system administrator. While it is true the Finance Department does not account for the transaction number assigned by the Court's accounting system, we will do so in the future.

K. The City has evaluated bond coverage citywide and has obtained additional coverage for high-risk areas.

3. Bond Account Reconciliation Procedures

Improvements are needed in the monthly reconciliation procedures for the bond account. Also, the city's finance department does not reconcile the method of payment for bonds received by the court to what is deposited into the bond account.

A. Monthly bank reconciliation procedures and records for the bond account are not adequate. The bank reconciliation, prepared by the city's finance department was based on incomplete information, and contained numerous adjustments to agree to liabilities. Concerns with the reconciliations include:

1. Manual checks were not always reported to the city's finance department causing the calculation of outstanding checks to be incomplete. Outstanding check listings for bank reconciliations dating as far back as August 2005 included check numbers without corresponding amounts.

The city's finance department would indicate a question mark when the amount of the check was unknown. These checks have sometimes cleared in subsequent months; however, in other instances these check numbers have been listed as outstanding for more than a year.

For example, the outstanding check listing for the August 2005 bank reconciliation listed a sequence of 137 checks with a question mark for the amount. These checks were still listed as outstanding on the bank reconciliation prepared by the city's finance department for August 2006, one year later. While court personnel indicated these checks may have never been issued, finance department personnel said they were not always aware of manual checks issued by the court because these checks were not included on the check report the court provided to the city. Since the discovery of the misappropriation, improvements have been made in accounting for checks issued from the bond account.

2. The city's finance department does not adequately follow up on or monitor old outstanding checks. At August 31, 2006, the bond bank account had 125 outstanding checks over a year old totaling $6,754. While the city's finance department attempted to follow up on some of the outstanding checks, adequate information was not maintained for all outstanding checks to allow for a proper follow up. For example, some of the outstanding checks were issued to the municipal court to be applied toward the defendant's fines and court costs, but the city was unaware of this because they do not track payee information. Further, the date the outstanding check was issued is also not tracked by the city.

3. There were numerous adjustments each month on reconciliations between the bond bank account balance and liabilities, with several of these adjustments dating back to 2003 and 2004. According to documentation provided by the city's finance department, attempts to follow up with the court on why these adjustments were required were unsuccessful. Had these adjustments been more thoroughly investigated the misappropriations noted in MAR 1 may have been detected sooner.

   For example, ten adjustments dating back to 2003 and totaling $11,867 were made on the August 31, 2006 bank reconciliation for amounts that were reported to the city as received by the court but which were not deposited into the bank account. These adjustments were in addition to routine deposits in transit which cleared the following month. Another category of adjustments included 22 adjustments dating back to 2003 totaling $7,314 which represented manual checks written by the court to disburse bonds which had never been reported to the city as received or deposited. An additional adjustment dating back to 2004 included five items totaling $1,655 for amounts deposited but there was no record from the court indicating what receipts were included in the deposit.

Inadequate records and procedures inhibit the city's ability to effectively monitor and manage the bond bank account. Without preparing accurate monthly bank reconciliations and following up on adjustments timely, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner.

Further, old outstanding checks create additional and unnecessary record keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time and to ensure the numerical sequence of checks is properly accounted for.

B. The city's finance department does not reconcile the method of payment (cash, check, money order, or credit card) for bonds received by the court to what is deposited into the bond account. While the city implemented procedures in July 2006 to review composition for fines and court costs deposited, this is not performed for bond monies deposited.

To ensure all receipts are accounted for properly and deposited intact, the composition of receipts should be reconciled to the composition of the bank deposits. Had such a comparison been performed, some of the misappropriation noted in MAR 1 may have been detected more timely.

A similar condition was noted in our prior audit report.

WE RECOMMEND the City of Springfield and the Municipal Division:

A. Prepare complete and accurate bank reconciliations monthly and investigate any differences on a timely basis. Also, attempt to resolve the old outstanding checks, and establish routine procedures to investigate checks outstanding for a considerable time.

B. Ensure the composition of receipts is reconciled to the composition of deposits.

AUDITEE'S RESPONSE

The City's Finance Director provided the following responses:

A. The Court is responsible for writing and issuing checks out of the bond account. Finance did not receive complete and accurate information related to the bond account from the Court. While the Court's accounting system generated a check register, the Court often wrote manual checks that were not identified on the registers. Finance eventually obtained disbursement information related to the bond account from the cleared checks contained in the bank statements. Deposit information was incomplete and Finance

could only rely on the information provided by the bank statements. While Finance requested adequate information from the Court's Accounting Service Representative and her supervisor, the requests were generally not met with much success. Since the discovery of the loss, complete disbursement information is available to the Finance Department. The Court no longer issues manual checks and a complete listing of system-generated checks is provided to Finance.

The Finance Department was involved on a regular basis requesting information from the Court. While it is the responsibility of the Court and the Finance Department to ensure all monies are properly recorded and deposited, it is unfortunate that not only a State audit of the Court but also the City's financial audit for past years during the time of the losses did not reveal the complicated fraud. The Finance Department and the Court have taken steps to adequately review and verify the financial transactions of the Court.

B. While this has not been documented on the original reconciliation reports, Finance has performed this step since the discovery of the loss. The reconciliation reports have been updated to include this step.

The Municipal Judge provided the following response:

B. Implemented. The composition of receipts is now reconciled to the composition of deposits.

4. Traffic Ticket Processing and Accountability

Improvements are needed to account for and process traffic tickets. The municipal court allows any court clerk responsible for collecting fines and court costs to stamp tickets "nolle pros" and not assess fines and court costs. In addition, the Municipal Judge does not review or document his approval of the disposition of cases handled through the VB (Violations Bureau).

A. Court clerks, responsible for collecting fines and court costs, are allowed to nolle pros tickets for no proof of insurance violations without adequate oversight or controls. For example, a ticket for no proof of insurance can be stamped nolle pros by the court clerk if the defendant shows the clerk proof of insurance and then no fines or court costs are assessed. Further, while the court clerks are only supposed to nolle pros tickets for no proof of insurance there are no computer controls that would prohibit them from authorizing nolle pros dispositions for other violations. Also, neither the Municipal Judge or City Prosecutor review and approve tickets that have been stamped nolle pros.

To ensure nolle pros dispositions are appropriate, the Municipal Judge or the City Prosecutor should develop procedures to review nolle pros dispositions authorized by the court clerks. Further, the lack of supervisory review over this process

increases the risk of theft or misappropriation of funds and weakens accountability over the collection process.

B. Improvements are needed to account for and process traffic tickets.

1. The police department does not maintain records to account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers; however, records accounting for the numerical sequence and showing the ultimate disposition for each ticket issued are not maintained. Of sixty tickets selected to review, five tickets (8 percent) could not be located by the court or the police department.

   A similar condition was noted in our prior audit report.

2. Tickets are not always submitted for processing on a timely basis by the police department. For example, we noted one ticket for a speeding violation issued on September 28, 2006 that was not submitted to the City Prosecutor for processing until November 29, 2006 (the date we inquired about the disposition of this ticket). In another instance, a ticket written on May 15, 2006 was not officially voided by the police officer until December 2006 when we attempted to locate the ticket for our review. The officer indicated he had forgotten to void the ticket, and had carried it in his clipboard until we asked about the disposition of this ticket. Procedures should be established to ensure tickets are filed in a timely manner with the City Prosecutor or voided properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department cannot be assured all tickets issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets as well as the ultimate disposition of each document.

C. The municipal court does not adequately follow-up on unpaid parking tickets. Court personnel indicated that after a parking ticket remains unpaid for two years the court will send the ticket to the City Prosecutor for review and usually a dismissal of the case. At December 2, 2006, the court had 5,396 unpaid parking tickets of which 2,575 had been unpaid for over two years, with the oldest tickets dating back to 1987. Also, during a cash count in April 2007 we identified several payments for parking tickets that had been received by the court but were not recorded. (See MAR 2)

On average the court processes approximately 9,800 parking tickets annually (fines on approximately 14 percent are not collected). The cost for a parking ticket ranges from $25 to $50 based on the specific type of parking ticket.

The court should institute procedures to review and follow-up on old inactive parking ticket cases. Better follow-up of the unpaid parking tickets is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court.

D. The Municipal Judge does not review or document his approval of the disposition of cases handled through the VB. To ensure the proper disposition of all cases has been entered in the court records, the court should develop procedures for the Municipal Judge to review cases processed through the VB.

WE RECOMMEND the City of Springfield and the Municipal Division:

A. Develop procedures for the Municipal Judge or the City Prosecutor to review nolle pros ticket dispositions authorized by court clerks.

B.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

2. Work with the police department to ensure applicable tickets are filed with the City Prosecutor in a timely manner.

C. Establish adequate procedures to follow-up on unpaid parking tickets and collect parking fines owed the court.

D. Develop procedures for the Municipal Judge to review cases processed through the VB.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

A. Implemented. Clerks make copies of insurance cards when stamping charges to be dismissed in order to follow the mandate of section 303.025 RSMo that a person who drives with insurance but does not have his insurance card at the time of the stop shall not be prosecuted if proof is later shown. A computer program has been implemented to flag dismissed charges that are not "No Insurance" tickets and this report is reviewed daily by the Clerk of Court.

C. When a parking ticket is issued to a car, the court receives the Information without being signed by the prosecutor, without a defendant's name, without an address, without a height, without a weight, without a hair color, without an eye color, without a driver's license number, without a race, and without a gender. The only data usually on the information is the type of car and license plate number, color of car, style of car, and year. If no one appears or pleads guilty via the Violation Bureau by the court date, the prosecutor runs the license plate number in the Department of Revenue Records, submits

this data to the court, and a notice is sent by the court to the registered owner at the address given by the prosecutor. The Information is not amended by the prosecuting attorney to show the identifiers listed above because, presumably, they are not known, nor is the name of the defendant, only the registered owner of the vehicle is known. If there is no response, no warrant may be issued because there is no defendant to whom to issue it, and MULES (Missouri Uniform Law Enforcement System) will not accept warrants that do not have all identifiers. The city has adopted a "boot" ordinance since the audit was completed to address non-appearing alleged parking violators.

The auditor says that as of December 2, 2006, the court had "5396 overdue parking tickets." A query run May 31, 2007 shows that since June of 2001, 46,376 parking tickets had been issued. Of that number, only 163 involved fines owed but not paid, 0.003 percent. A fine is not owed until there is a plea or finding of guilty and a sentence is imposed. The mere issuance of a parking ticket is an allegation, not an owed fine. A 99.997% collection rate of owed parking fines is at least reasonable.

D. *Missouri Supreme Court Rule 37.49 expressly mandates that the judge "shall designate a clerk" to administer the violations bureau. "The clerk shall perform the duties designated by the court, including accepting appearance, waiver of trial, plea of guilty, and payment of fines and costs for the designated violations, entering the plea on the record, and transmitting the violation record as required by law…." The Clerk of Court and Deputy Clerks have been so designated and have performed these functions for decades. The suggestion of the auditor for a judge to further review violation bureau cases is outside the scope and spirit of the Missouri Supreme Court violation bureau structure to streamline simple cases and is not included in the Missouri Supreme Court Rule. Nevertheless, a review process will be developed to allow review of violation bureau cases to assure that only violation-bureau-eligible cases are being handled through the violation bureau.*

The Police Chief provided the following response:

B. *Currently records and security are maintained regarding the issuance of ticket books to individual officers, conservators of the peace, etc. Each individual officer signs for receipt of the tickets by sequential number and are expected to be able to account for every ticket. On a daily basis, our current system cannot track where each individual ticket is, however, as tickets are issued to violators they are entered into the LETS (Law Enforcement Traffic System) where partial reconciliation is possible, but is not done regularly. We issue approximately 43,000 tickets per year.*

In response to the auditor's recommendation, we have instituted new controls where spot checks will be performed by supervisors. The equipment check-in list has been modified to include a section for return of un-used tickets. Officers who resign or retire will be held accountable for tickets that have been issued to them.

We are also currently exploring the costs and have made application for federal grants to implement an electronic ticket issuing process which would help the tracking of Uniform

Traffic Tickets. The Court and the Police Department will have to work together to implement a system to reach the level of accountability suggested in the audit. Initial estimates suggest a cost of $320,000-$350,000 for electronic tickets, and the department is hopeful the cost will be reduced or eliminated through the federal grants.

5. Accounts Receivable Records and Other Procedures

The court's accounts receivable listing is not complete to allow the court to effectively monitor the total amount due to the court. Further, the court and police department have been behind in issuing and entering warrant information.

A. The court's accounts receivable listing is not complete to allow the court to effectively monitor the total amount due to the court, and warrants were not issued timely when a defendant was delinquent in making payments.

The court allows defendants to make payments on fines and court costs and the court maintains an accounts receivable listing indicating the name, case number, and amount due. At October 25, 2006, court records indicated an accounts receivable balance of approximately $1.88 million.

- Some individuals with balances due were not included on the accounts receivable listing report. The omitted amounts include defendants who fail to meet with the collection clerk to set up payment arrangements after their court appearance. The court has not attempted to quantify these account balances due.

- Several instances were noted where a defendant was delinquent in making a payment, and a warrant had not been issued timely. For example, one defendant became delinquent in September 2005 and a warrant was not issued until March 2006. Defendants who pay fines and court costs over a period of time are required to sign an agreement noting the amount due and the date by which fines and court costs will be paid.

Complete listings of total accounts receivable are necessary to facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections. Adequate collection procedures, such as issuing warrants on delinquent accounts, are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division.

A similar condition was noted in our prior report.

B. The police department is not entering warrant information into the Missouri Uniform Law Enforcement System (MULES) on a timely basis. When we inquired about the status of warrant information posted into the MULES, police department personnel indicated they were approximately 30 days behind in

entering the information. For example, a warrant issued by the court on October 29, 2006 was not entered into the MULES by the police department until December 28, 2006.

Timely processing of warrant information into the MULES is necessary to allow law enforcement officers access to all information on individuals with outstanding warrants and enable officers to better identify and apprehend serious offenders.

WE RECOMMEND the City of Springfield and the Municipal Division:

A. Develop procedures to ensure all defendants with amounts due are included on the accounts receivable listing, and ensure appropriate and timely action is taken on all cases with balances due to the municipal division.

B. Work with the Police Department to ensure warrant information is entered into the MULES on a timely basis.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

A. Implemented. The court has accounted for all persons who owe money to the court. Using the auditor's terminology of "accounts receivable listing," 6800 defendants comprise this list and are either on a payment plan or have an arrest warrant issued for failing to appear to show cause why they haven't paid. The "incomplete" nature of this listing is 18 names who failed to meet their appointment with the Probation Collections Officer but who, nevertheless, have a warrant issued for their arrest. Even using the auditor's terminology, the "listing" is complete for 99.998 % of defendants, with the remaining .002% being accounted for by an arrest warrant. A recommendation in the previous report was to "ensure appropriate action is taken on all cases with balances due the municipal division." Immediately after this report, a computer program called PEND was implemented and puts all persons with fines owed either on a payment plan or, if they are late on payments or do not appear to make a pay plan, in line for an arrest warrant. Therefore, "appropriate action is taken on all cases with balances due the municipal division" by either being put on a payment plan or having an arrest warrant issued and has been since the audit report in 2000. The timeliness of warrant issuance is a staffing issue and, to date, warrants are being issued within 2-4 weeks of being ordered.

The Police Chief provided the following response:

B. The audit is accurate in that there could be at least a month's delay in entering warrants into the MULES System. The State of Missouri recently began to require significantly more information to be added to each warrant that is entered. The changes have doubled the amount of time required to enter each warrant and there is not adequate staff to handle the volume; thus significant delay in entering warrants into MULES. We process,

on average, 40 municipal warrants per day and each warrant takes approximately 30 minutes to enter.

6. Computer System Access

Access to the court's computer system and data files is not adequately restricted and changes to programs and data are not routinely monitored.

- Passwords are used, but are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords effectively limit access to the computer system to only those individuals who need access for completion of job responsibilities. Passwords should be unique and changed periodically to reduce the possibility of unauthorized users.

- The System Administrator makes changes to the computer program and has the ability to change court data. The system does not generate a report of changes made by the System Administrator. A report of changes would ensure only authorized changes were made to the computer system.

Since access to various information is not adequately restricted, unauthorized changes could possibly be made to programs and/or data files without the changes being detected.

To establish individual responsibility, and to preserve the integrity of computer programs and data files, access to information should be limited to only those individuals who need it for completion of job responsibilities. Additionally, all changes should be identified by user and change reports should be reviewed by someone independent of the court system.

WE RECOMMEND the City of Springfield and the Municipal Division change passwords periodically and establish procedures to monitor changes made to the computer system.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

Implemented. Passwords must be changed every 180 days. Changes to the database are being monitored by journaling, an IBM supplied system. Changes to municipal court programming are being monitored on a monthly basis at the end of each month.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Springfield Municipal Division on the applicable findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended 1999.

The prior recommendations which have not been implemented are repeated in the current MAR.

City of Springfield Municipal Division

A. Fine and court cost monies were occasionally received from the defendant before the related traffic ticket was received from the city prosecutor and the division did not record or deposit the monies until the related traffic ticket was received.

B. The police department did not maintain records to account for all traffic tickets and ticket books were not always assigned in numerical order.

C.1. The division cashed bond refund checks from fine and court cost receipts which did not allow fines and court costs to be deposited intact.

2. The police department did not issue prenumbered bond forms or receipt slips for bond monies received.

D. Some defendants were delinquent in making a payment and a warrant had not been issued.

Recommendations:

The city of Springfield Municipal Division:

A. Record receipts immediately upon receipt and deposit receipts daily or when accumulated receipts exceed $100.

B. Work with the police department to ensure traffic ticket books are assigned to officers in numerical order and records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

C.1. Issue separate checks to defendants for the amounts of the bond refunds and to the city for the amount of fines and court costs after case disposition is determined. In addition, the practice of cashing bond refund checks out of other court collections should be discontinued.

2. Work with the police department to ensure prenumbered receipt slips or bond forms are issued for all bond monies received and account for the numerical sequence.

D. Ensure appropriate action is taken on all cases with balances due the municipal division.

Status:

A. Not implemented. Payments received from the defendant before the related traffic ticket is received from the city prosecutor are recorded on a log; however, the court does not deposit these monies immediately or reconcile the amounts recorded on this log to the amounts on hand. Some amounts recorded on the log did not agree to the amount of monies on hand. See MAR finding number 2.

B. Partially implemented. Ticket books are assigned in numerical order; however, some traffic tickets could not be located. See MAR finding number 4.

C.1. Partially implemented. The court issues two checks to defendants and no longer cashes bond refund checks from fine and court costs receipts; however, cash was withheld from deposits and misappropriated. See MAR finding number 1.

2. Not implemented. Bonds are no longer collected by the police department but instead are collected by the Greene County Jail. The court has not developed adequate oversight procedures over bond collections which allowed some bonds to be misappropriated. See MAR finding number 1.

D. Not implemented. See MAR finding number 5.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Springfield Municipal Division is one of eight municipal divisions within the Thirty-First Judicial Circuit, which is located in Greene County. The Honorable Don Burrell, Jr serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The Court Administrator, along with 19 assistants are responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury daily. Bond monies are deposited into a separate municipal division bank account pending disposition. Court is held daily. A VB has been established to receive payment of fines and court costs at times other than during court. Court is held by two full-time municipal judges. In addition, the city hires part-time judges as needed.

Personnel

Chief Municipal Judge	Todd M. Thornhill
Municipal Judge	Dennis E. Budd
Court Administrator	David Yancey*
Court Clerk	Rick L. Thompson
Accounting Services Representative	Deanna Farley**
Computer System Administrator	Philip Krebs

* Janice A. Piper served as Court Administrator prior to June 2006. David Yancey was hired September 25, 2006.

** Rhonda Bateman served as Accounting Services Representative prior to June 2006. Sharon Lovell served as Accounting Services Representative until Deanna Farley was hired November 27, 2006.

Financial and Caseload Information

	Year Ended June 30,		
	2006	2005	2004
Receipts	$3,483,206	3,625,122	3,114,539
Number of cases filed	48,440	58,510	50,470

Susan Montee, CPA
Missouri State Auditor

July 2007

City of Gerald, Missouri

Year Ended December 31, 2006

Report No. 2007-29

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

July 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Gerald, Missouri.

Contrary to an Attorney General's opinion, the City Clerk of Gerald is responsible for all record-keeping duties of the city, including duties which would normally be performed by a City Treasurer and a City Collector. No personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the City Clerk. In addition, checks were sometimes signed in advance by the former Mayor.

The city does not have a formal bidding policy and did not solicit bids or retain bid documentation for some major purchases including the dam project at the city park ($12,779) and cleaning services ($2,550). In addition, there is no bid documentation for rock, excavating, and sewer supplies on a city sewer construction project completed in 2004.

The city does not periodically solicit proposals for audit or engineering services. Additionally, the former City Attorney/Prosecuting Attorney was paid $11,680 in December 2006 although the attorney's written request did not provide a detailed accounting of dates and services provided to the city. Also, the city needs a written contract for providing certain services to the City of Rosebud.

The city paid $2,160 in clothing allowances to city police officers in 2006; however, the officers were not required to submit invoices or itemized expense reports, nor were the allowances reported on their W-2 forms.

The city needs to adopt policies which address and prohibit nepotism. Because of the serious consequences which result by hiring a relative, the board should ensure its members abstain from any decision to hire a relative and that the action is fully documented in the board minutes.

The city's budgets do not include some information required by state law, budgets are not approved prior to the beginning of the fiscal year, and an annual maintenance plan for city streets is not prepared.

All reports are available on our website: www.auditor.mo.gov

CITY OF GERALD, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Gerald, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Gerald, Missouri. The city engaged Ross, Spinner & Kummer, P.C., Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2006. To minimize duplication of effort, we reviewed the report of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur.

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Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by March 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Gerald, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Terri Erwin

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls

The city does not have proper segregation of accounting duties, checks are signed in advance, and some officials authorized to sign checks are not bonded.

A. The City Clerk is responsible for all record keeping duties of the city, including duties which would normally be performed by a City Treasurer and a City Collector. These duties include receiving and depositing monies, preparing invoices for payment, signing checks, performing bank reconciliations, and preparing financial reports. No personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. Holding two or three of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits and checks issued to disbursement records, and review bank statements and bank reconciliations. Furthermore, this review of records should be documented.

B. The city's checks require two signatures; however, checks were sometimes signed in advance by the former Mayor. City personnel indicated this was done when one or more of the check signers planned to be on vacation or out-of-town. The Mayor, the City Clerk, and one Alderman can sign checks issued on the city's bank accounts. In addition, the Mayor and the Alderman authorized to sign checks are not bonded.

Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the

disbursement is reviewed and approved by the Board of Aldermen. In addition, failure to bond all persons with access to assets exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

A. Segregate accounting duties to the extent possible, and consider appointing separate individuals to perform the duties of a city clerk, city treasurer, and city collector. If proper segregation of duties cannot be achieved, at a minimum, there should be documented independent reviews of the cash custody and record keeping functions, including reconciliations of receipts to deposits and checks issued to disbursement records, and reviews of bank statements and bank reconciliations.

B. Discontinue the practice of signing checks in advance and obtain bond coverage for all persons with access to city assets.

AUDITEE'S RESPONSE

A. A city treasurer was appointed effective May 2007. This should address the segregation of duties concern.

B. There are now four officials who can sign checks, so signing checks in advance will no longer be done. We are in the process of obtaining bond coverage for all individuals who can sign checks.

2. Budgetary Practices

The city's budgets do not include some information required by state law, budgets are not approved prior to the beginning of the fiscal year, and an annual maintenance plan for city streets is not prepared.

A. The city's annual budgets include only budgeted receipts and disbursements for the current year. They do not include a budget message, a general budget summary, actual (or estimated) revenues and expenditures for the two preceding budget years, amounts required for interest charges on debt, or the beginning and the estimated ending available resources.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimates, and include the beginning available resources and a reasonable estimate of the ending

available resources. The budget should also include a budget message, amount required for payment of interest charges on debt, and comparisons of actual revenues and expenditures for the two preceding years.

B. The city does not normally approve the annual budget until the first board meeting in January; after the start of the fiscal year.

Section 67.030, RSMo, indicates the budgets shall be approved by the Board of Aldermen prior to the beginning of the fiscal year, and Section 67.070, RSMo, indicates that if a budget is not approved at the beginning of the fiscal year, the budget for the preceding year shall govern. To be of maximum benefit to the taxpayers and to properly monitor city activity, the city should adopt the budget prior to the beginning of the fiscal year.

C. An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen:

A. Prepare budgets that contain all information required by state law.

B. Adopt budgets prior to the beginning of the fiscal year.

C. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

A-C. We agree and plan to implement these recommendations during the next budget cycle.

3. Expenditures and Related Matters

The city does not have a formal bidding policy and does not solicit proposals for certain professional services. The city did not require a detailed accounting of the city attorney's services before paying his fee. The city's records of capital assets are not updated in a timely manner. Police officers receive a clothing allowance without being required to submit invoices, and the city pays employees a Christmas bonus.

A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The city did solicit bids and retain bid documentation for some major purchases; however, the following are examples of purchases made in 2006 for which bids were not solicited or bid documentation was not retained:

Purchases	Amount
Dam project at city park	$ 12,779
Cleaning services	2,550
Tires	1,322

In addition, the city spent approximately $104,000 on a sewer construction project which was performed by city employees and completed in 2004. There was no bid documentation for the following expenditures for that project:

Purchases	Amount
Rock	$ 6,381
Excavating	5,355
Sewer supplies	4,913
Culverts	2,323
Oil	1,281

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city’s business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

B. In 2006, the city paid $5,500 to a CPA firm for the annual audit of the city's financial statements. The city has used the same firm for several years and does not periodically solicit proposals for audit services. In addition, the city normally uses the same engineering firm without soliciting proposals for services, and the

city paid $12,359 to this firm without soliciting other proposals for a sewer project which was completed in 2004.

While professional services are not subject to standard bidding procedures, it is good business practice to periodically solicit proposals for such services and select the best proposal based on cost, experience, the type of service to be provided, and any other relevant factors. Complete documentation should be maintained of all proposals received and reasons for selecting the winning proposal. In addition, Section 8.291, RSMo, requires political subdivisions to consider the qualifications of at least three firms when negotiating contracts for architectural, engineering, or land surveying services.

C. The former City Attorney/Prosecuting Attorney made one request for the majority of his services provided in 2006, and in December 2006, the city paid $11,680 (146 hours at $80 per hour). While the request was made in writing, the letter did not provide a detailed accounting of the specific dates that his services were provided to the city.

To ensure the validity of payments made for legal services, the city should require invoices to be sufficiently detailed to include services rendered, including the number of hours worked by day, the work performed, and the hourly rate charged.

D. The city maintains a listing of general capital assets; however, the listing is normally only updated annually prior to the city's financial statement audit, and some purchases and dispositions were not included on the list. For example, a copier for City Hall and a mower purchased for the City Park were both purchased during 2006 but were not added to the asset listing. In addition, the city does not perform annual physical inventories.

Records of capital assets should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and reconciling additions to purchases annually. Complete and accurate asset records are necessary to ensure better internal control over city property, and provide a basis for proper financial reporting and for determining proper insurance coverage required on city property. Annual physical inventories are necessary to ensure the asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

E. The city paid a total of $2,160 in clothing allowances to city police officers in 2006. The officers were not required to submit invoices or itemized expense reports to support the allowance, nor were the allowances reported on their W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments.

Procedures have not been established to ensure that IRS regulations are followed. As a result, the city may be subject to penalties and/or fines for failure to report all taxable benefits.

F. All city employees received a $100 bonus at Christmas during 2006, and the independent contractor who cleans City Hall received a $50 bonus. The total bonuses paid in 2006 was $1,050. This amount was not added to the employees W-2 forms or the contractor's 1099 form.

Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

WE RECOMMEND the Board of Aldermen:

A. Adopt formal bidding policies and procedures, and ensure bids are solicited for all major purchases and all related bid documentation is retained, including documentation of the board's decisions for selecting the winning bidder.

B. Periodically solicit proposals for professional services and maintain all related documentation, including the reasons for the board's decisions.

C. Ensure detailed invoices are received prior to the payment of legal services.

D. Maintain perpetual records of all capital assets which are updated for purchases and dispositions as they occur, and perform annual physical inventories to ensure the asset records are complete and accurate.

E. Require the police officers to submit itemized reports of uniform clothing purchases or report the uniform allowance payments as other income on the employees' W-2 forms. In addition, the prior years' W-2 forms should be amended for any reimbursements for which an adequate accounting cannot be provided.

F. Discontinue the practice of paying bonuses to city employees.

AUDITEE'S RESPONSE

A. We agree and will work on adopting a bidding policy with the help of the city attorney as soon as possible.

B. We agree and will solicit proposals for audit services for next year's audit. We have already solicited proposals from three engineering firms at the May 2007 board meeting.

C. The current city attorney has submitted more detailed invoices on a monthly basis.

D. We agree and will attempt to keep updated inventory records.

E. This was implemented in March 2007.

F. We will take this under advisement.

4. Written Contracts

The city does not have a written agreement with the neighboring City of Rosebud for the use of the city's sewer maintenance equipment. Normally once or twice a year upon request of Rosebud city officials, the City of Gerald has allowed the City of Rosebud to use the equipment at no cost to Rosebud, and in some instances, Gerald city employees accompanied the equipment to Rosebud during normal working hours. The city has not estimated the related costs of this agreement.

The city should review this situation to ensure this arrangement is beneficial to the city. If the city desires to continue this arrangement, a written contract should be prepared and signed by the parties involved. The contract should specify the services to be rendered and the manner and amount of compensation, if any, to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070 RSMo, requires contracts of political subdivisions be in writing.

WE RECOMMEND the Board of Aldermen review this matter to ensure there is a benefit to the city. If the city continues to allow the City of Rosebud to periodically use its sewer maintenance equipment, a written contract should be prepared which documents the services to be provided and any compensation to be paid, including the duties and responsibilities of both parties.

AUDITEE'S RESPONSE

We will determine whether to continue the current arrangement and enter into a written contract as necessary.

5. Nepotism Policy

The city has not adopted policies which address and prohibit nepotism. Two nephews of an Alderman were hired by the board to work on a city sewer project in December 2003. These individuals were considered city employees, and were placed on the city's payroll

as temporary employees for the duration of the project. Applicable board meeting minutes indicate the motion to hire these two individuals was seconded by the related Alderman, and the motion passed three-to-one on a voice vote.

Article VII, Section 6 of the Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Because of the serious consequences which result by hiring a relative, the board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the board minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so that the public has assurance that no city official has benefited improperly. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for city officials.

WE RECOMMEND the Board of Alderman adopt policies to prohibit nepotism and ensure any future appointments comply with the restrictions of the Missouri Constitution. If a relative of a board member is considered for employment or appointment, that board member should abstain from voting on the issue and an adequate record of the abstention should be maintained.

AUDITEE'S RESPONSE

We agree that a policy is needed and will attempt to ensure applicable board members abstain from voting on such matters in the future.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF GERALD, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Gerald is located in Franklin County. The city was incorporated in 1907 and is currently a fourth class city. The population of the city in 2000 was 1,171.

The city government consists of a mayor and a four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Alderman, and other officials during the year ended December 30, 2006, are identified below. The compensation of these officials is established by ordinance.

Mayor and Board of Alderman	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
Diane Ballard, Mayor (1)	January 2006 to December 2006	$ 1,100
Marie Wright, Alderman	January 2006 to April 2006	400
David Luechtefeld, Alderman	April 2006 to December 2006	400
Richard Pierce, Alderman	January 2006 to April 2006	400
Richard Johnson, Alderman	April 2006 to December 2006	400
Dan Maxwell, Alderman	January 2006 to December 2006	800
Larry Long, Alderman (2)	January 2006 to July 2006	600
Charlean Stockton, Alderman (2)	August 2006 to December 2006	200

Other Officials	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
Beverly Maples, City Clerk (3)	January 2006 to December 2006	$ 29,030
Carlos Terrill, Chief of Police (4)	January 2006 to December 2006	27,970
Keith Wehmeyer, Public Works Supervisor (5)	January 2006 to November 2006	28,136
Timothy Melenbrink, City Attorney/Prosecuting Attorney (6)	January 2006 to December 2006	15,940

(1) Otis Schulte was elected Mayor in April 2007.
(2) Larry Long resigned as Alderman in July 2006 and was replaced by Charlean Stockton in August 2006. Brad Landwehr was elected Alderman in April 2007.
(3) Sarah Wheeler was appointed City Clerk in May 2007.
(4) Clyde Zelch was appointed Chief of Police in April 2007.
(5) Employment was terminated in November 2006, and the position remains vacant.
(6) Payments are made by the city to Hansen, Stierberger, Downard, Melenbrink, & Schroeder, LLC, when legal services are rendered and billed to the city. Joseph Purschke was appointed City Attorney/Prosecuting Attorney in May 2007.

In addition to the officials identified above, the city employed nine full-time employees and one seasonal employee on December 31, 2006.

Assessed valuations and tax rates for 2006 were as follows:

ASSESSED VALUATIONS

Real estate	$	12,392,513
Personal property		3,864,106
Total	$	16,256,619

TAX RATES PER $100 ASSESSED VALUATION

		Rate
General	$	.8000
Parks and recreation		.2200

TAX RATES PER $1 OF RETAIL SALES

		Rate
General	$	.0100
Transportation		.0050

Susan Montee, CPA
Missouri State Auditor

July 2007

Transportation Development Districts

Report No. 2007-28

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2007

YELLOW SHEET

The following problems were included in our audit of Transportation Development Districts (TDDs).

As of December 31, 2005, 98 transportation development districts (TDDs) had been established in the state of Missouri, including 29 established in 2005. Almost 70 percent of the districts are located in the St. Louis and Kansas City metropolitan areas. Although the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of a statutory change made that year which allowed the owners of real property located within a proposed district to petition for its creation, if there were no registered voters residing within the district. This statutory change has resulted in a dramatic increase in the number of TDDs established and the significant growth has continued in 2006, with 22 additional TDDs being established through the end of 2006.

Of the 98 TDDs established as of December 31, 2005, 95 percent were initiated by a petition filed by the property owners, and all of them have imposed sales taxes, with rates ranging from one-eighth of one percent to one percent on retail items sold within the districts' boundaries. In a survey of those TDDs, officials or representatives of 97 of the TDDs reported total estimated transportation project costs of over $923 million. In addition, 87 of those TDDs reported total estimated revenues of over $1 billion would be collected over the lives (range from 5 to 40 years) of the respective TDDs. In addition, 43 percent of the TDDs established as of December 31, 2005, were located either completely or partially in a tax increment financing (TIF) redevelopment area. State laws provide that 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that TIF area; however, in some instances, the applicable city has allowed the TDD to apply most, if not all, of its sales tax revenue to its own transportation project costs.

Our previous audit of TDDs (SAO Report No. 2006-12, issued March 2006) reported various issues in the areas of public awareness/involvement, accountability, and compliance. Because many of the issues previously reported required legislative change, we had recommended the General Assembly review these public awareness/involvement, accountability, and compliance issues, and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes. However, during the 2007 legislative session, only one change was made to the TDD statutes that addressed any of the issues reported in the prior audit. Further changes to the TDD statutes should be considered in future legislation.

(over)

Our current audit selected 17 individual TDDs that were established in 2003 or prior, and had not previously been audited by the State Auditor's Office (SAO). This audit disclosed various issues in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters.

Various concerns were noted related to construction contracts and/or project management services involving transportation projects. Competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined. In some instances, the contractor was a related party and work on the projects had already begun when the construction contract was entered. Proposals were either not solicited for project management services or documentation was not available to provide assurance that such proposals were solicited. Again, in some instances, the project manager was a related party.

Written contracts related to the construction services or the construction management services were not always prepared or approved in a timely manner. Written construction contracts were not entered into between the district and the project manager. Additionally, the construction contracts were either not approved by the district board or were not approved prior to the contractor beginning work on the transportation projects.

Requests for proposals for various professional services were either not properly solicited or documentation was not available to provide assurance that such proposals were solicited. These services included primarily those provided by engineers, architects, and legal counsel.

Various matters were noted related to transportation projects costs claimed for reimbursement by the developers. Costs incurred by the developer were not always certified and approved for reimbursement on a timely basis because adequate documentation to support the project costs incurred had not been provided. For other districts, detailed invoices supporting the project costs were not available because the district's projects were combined with costs of other private or public development projects. In one of these instances, it appeared the costs claimed by the developer for reimbursement were included twice, overstating reimbursement requests by approximately $123,800.

The revenues of some districts may not be sufficient to meet the financial obligations of the district or fully reimburse the developer for transportation-related costs incurred. In another district, customers of the major retailer in the district were incorrectly charged sales tax at a rate higher than that approved by the district for an 8-month period, resulting in an overpayment of sales taxes by the retailer to the district of approximately $60,000 for this time period.

Various problems were noted related to the annual budgets of several districts. In addition, as noted in our previous report, many (22 percent) of the TDDs had not filed annual financial reports with the SAO, as statutorily required. Other concerns included the improper distribution of TIF monies, inadequate segregation of duties, and untimely deposits.

All reports are available on our website: www.auditor.mo.gov

TRANSPORTATION DEVELOPMENT DISTRICTS

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited transportation development districts (TDDs) established in the state of Missouri. The audit was conducted relative to our responsibilities pursuant to Section 238.272, RSMo. The scope of this audit included, but was not necessarily limited to, TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2005. The objectives of this audit were to:

1. Report selected information regarding the various TDDs.

2. Determine and report the TDDs' estimated transportation projects costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs.

3. Report on the status of various issues in the areas of public awareness/involvement, accountability, and compliance which were reported in the previous audit.

4. Perform and report on audit work related to 17 selected TDDs that were established in 2003 or prior, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Our methodology to accomplish these objectives included reviewing financial reports or audits filed with the State Auditor's Office, information maintained by the Missouri Department of Transportation (MoDOT), and financial records and other information maintained by or received from various TDD officials/representatives and municipal officials. Some of the selected TDDs had engaged various independent auditors to audit their financial statements for the years under review. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the applicable independent auditors.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by February 2007.

The following Objectives, Scope, and Methodology and Observations and Results sections present our comments, observations, and results regarding our audit of the transportation development districts.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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OBJECTIVES, SCOPE, AND METHODOLOGY

TRANSPORTATION DEVELOPMENT DISTRICTS
OBJECTIVES, SCOPE, AND METHODOLOGY

Sections 238.200 to 238.275, RSMo, allow for the formation of transportation development districts (TDDs). These entities are separate political subdivisions established and organized for the construction of roads, bridges, interchanges, or other transportation-related projects. The projects are generally financed by these districts through the issuance of notes, bonds, or other debt securities for a period not to exceed 40 years. A TDD is governed by a board of directors of not less than 5 nor more than 15 members. The boards have the authority (after qualified voter approval[1]) to impose sales taxes or tolls, or levy property taxes or special assessments within the boundaries of the TDD to pay the expenditures of the entity, including the liquidation of debt incurred to fund the transportation-related projects. The revenues of a TDD, most frequently sales taxes, can only be used for transportation-related projects.

The process of establishing a TDD is initiated by the filing of a petition in the circuit court of the county where the proposed district is located. Such a petition can be filed by: (1) not less than 50 registered voters residing within the proposed TDD; (2) if there are no eligible registered voters residing within the proposed district, by all the owners of real property located within its proposed boundaries; (3) a local transportation authority; or (4) two or more local transportation authorities. A local transportation authority includes a county, city, special road district, or any other local public authority having jurisdiction over transportation projects and services.

For those TDDs established as of December 31, 2005, most of the petitions initiating their establishment were filed by the owners of the property located within the proposed district. See Appendix A for a complete list of all TDDs established as of December 31, 2005, and information regarding their establishment.

State laws require that a copy of the petition filed to establish a TDD be provided to the Missouri Highways and Transportation Commission (highway commission) and each affected local transportation authority. Those entities are then allowed to file an answer stating agreement with or opposition to the creation of the district. In addition, any resident, taxpayer, or any other entity within the proposed district may join in or file a petition supporting or answer opposing the creation of the district. The circuit court subsequently hears the case, if necessary, and makes a decision whether to authorize the establishment of the district.

Many TDDs are located within a tax increment financing redevelopment (TIF) area. Tax increment financing is authorized pursuant to Section 99.800 to 99.865, RSMo, and allows a municipality (a city or county) to approve TIF plans and use new tax revenues generated by development to reimburse certain costs related to that development. See Appendix B for information regarding whether a particular TDD is located within a TIF area.

[1] Section 238.202, RSMo, defines qualified voters as any persons eligible to be registered voters who reside within the proposed district. However, if no registered voters reside within the proposed district, the owners of real property located within the proposed district constitute the qualified voters.

Section 67.010, RSMo, requires each TDD to prepare an annual budget which represents a complete financial plan for the ensuing fiscal year. In addition, Section 105.145, RSMo, requires each district to file an annual financial report with the State Auditor's Office (SAO).

Although there is no statutory annual audit requirement, many districts have issued bonds and are required to obtain annual audits by the bond covenants or bond underwriter. In addition, Section 238.272, RSMo, provides the SAO shall audit each TDD once every 3 years, and may audit more frequently if deemed appropriate. The cost of the audit is to be paid by the respective district.

Section 238.275, RSMo, provides for the abolishment of a TDD once its projects are completed, ownership of the projects has been transferred to the highway commission or the local transportation authority, and the district has no outstanding liabilities. In addition, a TDD can be abolished if the board of directors determines the projects cannot be completed due to lack of funding or for any other reason. Prior to a TDD submitting the question to abolish the district to the applicable voters, the SAO must audit the TDD to determine its financial status, and whether it can be abolished. In September 2006, the SAO was advised of actions taken to abolish one TDD, the Hyannis Port Road TDD, located in an unincorporated area of Jefferson County. The SAO subsequently performed an audit of this TDD (SAO Report No. 2006-84, issued December 2006), and the district was formally abolished in February 2007.

Objectives

The objectives of this audit were to 1) report selected information regarding the various TDDs; 2) determine and report the TDDs' estimated transportation projects costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs; 3) report on the status of various issues in the areas of public awareness/involvement and accountability and compliance which were reported in the previous audit; 4) perform and report on audit work related to 17 selected TDDs that were established in 2003 or prior, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Scope

The scope of this audit included, but was not necessarily limited to, those TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2005. At December 31, 2005, 98 TDDs had been established in the state of Missouri, with one of these districts currently under appeal by the city of Chesterfield, in St. Louis County. Thirty-two of these TDDs were established in 2003 or prior, had existed for portions of at least 3 fiscal years, and were not previously selected for review by the SAO. During the previous audit, we had performed a review of 16 TDDs that had operated for at least three complete fiscal years as of December 31, 2004 (had financial activity throughout the previous 3 fiscal years).

Information used to complete this report included:

- TDD annual financial reports or audit reports and related information submitted to and maintained by the SAO.

- The provisions of the Transportation Development District Act, which include Sections 238.200 through 238.275, RSMo.

- A TDD database, petitions, court orders, and related information maintained by the Missouri Department of Transportation (MoDOT).

- Completed questionnaires, received from officials or representatives of the TDDs, which requested information including, but not limited to, estimated project costs, financing obligations, anticipated revenues, and expected life of the respective TDD. A copy of the questionnaire sent to TDD officials was included as an appendix in our previous audit report.

- Communications with, and information received from, various TDD officials/representatives and municipal officials.

- TDD financial records, including but not limited to agendas and minutes; bank statements; financial records; invoices; budgets; contracts; bid documentation; and/or debt service agreements. These records were maintained by the district or their records custodian.

Methodology

During our audit, we used annual financial reports or audit reports that had been filed by the various TDDs with the SAO as well as an internal database established by the SAO to identify those TDDs established in 2005 and prior and to account for the various financial reports/audits received.

We gathered additional information regarding the TDDs established in 2005 through discussions with various MoDOT officials and from a TDD database and files maintained by that agency. Information obtained included TDD name, location, applicable county/municipality, date established, identity of the individual(s)/entity who filed the petition, the type of funding (i.e., sales taxes, property taxes, etc.), and the funding rate (i.e., 1 percent). Some of this information is presented in Appendix A.

Similar to procedures used in our previous audit, survey questionnaires were sent to each TDD established in 2005, requesting information including, but not limited to, estimated total project costs, how project costs were financed and the amount of that financing, estimated total revenues to be collected and over what period of time, when the collection of revenue and incurrence of expenses started, who was responsible for collection of the revenues and the administering of the funds, and whether financial audits have been conducted by an independent auditor. In addition, follow-up questionnaires were also sent to all the TDDs established through 2005, requesting

information including, but not limited to, the geographic location of the TDD, the name of the development and type of businesses in the district, and whether or not the TDD is located in a TIF redevelopment area. Some of the survey information received from the TDDs is presented in Appendix B.

Relative to our audit responsibilities pursuant to Section 238.272, RSMo, we selected and conducted audit work related to various TDDs (the selected districts) based on the significance of their financial activity and/or because their transportation projects had been substantially completed by the end of fiscal year 2005. Those districts not selected for review did not have as significant a level of financial activity and/or their transportation projects were not substantially completed by the end of fiscal year 2005.

The selected districts included 8 of 19 districts that were audited by an independent auditor and 9 of 13 districts that were unaudited. The 8 audited districts were selected because of the significance of their financial activity, with all of them having recorded expenditures in excess of $8 million during the 3 years ended in fiscal year 2005. The 9 unaudited districts were selected because their transportation projects had been substantially completed and significant financial activity had been incurred by either the TDD or developer through the end of fiscal year 2005. The reported disbursements of the 4 unaudited districts which were not selected totaled less than $150,000 during fiscal years 2003 through 2005, with no significant construction activity reported.

The following table includes the 32 TDDs considered for review during our current audit, including the 17 TDDs selected for review. Some of the TDDs had financial statement (F/S) audits performed by independent auditors.

			F/S Audits Performed		Unaudited	
TDD Name	Date Established	Fiscal Year-End	Selected for Review by SAO	Not Selected for Review by SAO	Selected for Review by SAO	Not Selected for Review by SAO
Meramec Station Road and Highway 141	09/07/00	12/31	X			
370/Missouri Bottom Road/Taussig Road	11/01/00	12/31	X			
Mark Twain Mall	02/20/01	12/31		X		
St. John's Church Road (1)	04/17/01	12/31	X			
Big Bend Crossing	06/25/01	12/31		X		
Stardust-Munger-Diamond	10/16/01	12/31		X		
Interstate Plaza/North Town Village	11/06/01	12/31		X		
Thirty-Ninth Street	04/25/02	06/30	X			
St. John Crossings	06/25/02	12/31		X		
Douglas Station	06/27/02	12/31			X	
CenterState	08/05/02	12/31	X			
Raintree North (2)	08/19/02	12/31			X	
Shoppes at Cross Keys	09/18/02	12/31			X	
Station Plaza (3)	12/04/02	12/31		X		
Hanley/Eager Road	12/16/02	12/31	X			
US Highway 65 and Truman Dam Access	03/12/03	12/31			X	
Lake of the Woods	03/24/03	12/31			X	
I-70 and Adams Dairy Parkway	03/25/03	12/31			X	

Ozark Centre (4)	04/25/03	06/30		X		
Crestwood Point (5)	05/15/03	12/31			X	
M150 and 135th Street	05/15/03	12/31	X			
Boscherts Landing	05/16/03	12/31				X
Salt Lick Road	05/16/03	12/31		X		
Parkville Commons	06/09/03	12/31			X	
Pershall Road (6)	07/30/03	12/31		X		
Lee's Summit Missouri New Longview	07/31/03	12/31	X			
Prewitt Point	08/22/03	12/31			X	
Branson Regional Airport	09/04/03	12/31				X
WingHaven	09/11/03	12/31		X		
Merchant's Laclede	10/08/03	12/31		X		
Belton Town Centre	11/17/03	12/31				X
71 Highway & 150 Highway	11/20/03	12/31				X

(1) Audits of fiscal years 2002 to 2005 were in progress as of January 2007. Although not issued at the time of our review, fieldwork was substantially complete and we were able to review the substantiating working papers.
(2) An audit for fiscal year 2003 was in progress as of January 2007. In addition, audits are planned for fiscal years 2004 and 2005.
(3) Audited for fiscal year 2004 only.
(4) Audited for fiscal year end December 31, 2004. Fiscal year was then changed to June 30. Per TDD officials, the next audit will be for the 18 months ended June 30, 2006.
(5) An independent auditor was engaged to conduct financial audits of the district for fiscal years 2003 to 2006, but those audits had not been completed at the time of our review.
(6) Audited for fiscal year 2005 only.

For the selected districts, we obtained requested information through communications with various TDD officials or representatives and municipal officials who have been involved with district activities. In addition, we reviewed such information and performed audit work, if determined necessary, on TDD records at some of the TDD/representatives' offices.

The objectives of this additional review of the selected TDDs were to 1) determine and report information including, but not limited to: the establishment of the applicable districts and taxes imposed, the transportation projects of the district and related costs, how the transportation projects were financed, whether periodic financial audits are conducted, and the extent of any independent financial oversight; 2) perform and report the results of audit work on the selected TDDs including, but not limited to, a review of internal controls; cash, revenue, and expenditure records; the bidding of construction work and related contracts; and the solicitation of proposals for professional services; 3) determine compliance with certain statutory requirements; and 4) review and report the selected TDDs' financial data. If independent audits were performed of a selected TDD, the supporting working papers were reviewed, and any additional audit procedures were performed as considered necessary.

A Schedule of Receipts, Disbursements, and Cash Balances for the 17 selected districts is presented in Appendix D. A summary of the various comments contained in the management letters of the various independent auditors (of the 17 selected districts) is presented in Appendix E.

Limitations

Some data presented in Appendixes A, B, and D were compiled from survey information submitted by officials or representatives of the various TDDs and the annual financial or audit reports submitted by those districts. This information was not verified for accuracy by us. If any information presented in Appendixes A and B of the prior report was found to have changed since the previous audit, that information was updated on the current appendixes to the extent those changes were noted by us or brought to our attention. The financial data presented in Appendix D is presented as classified by the districts or the district's independent auditors, if applicable; therefore, some disbursements may be classified in an inconsistent manner. The comments included in Appendix E were extracted from the independent auditors' management letters. These comments were not verified by us through additional audit procedures for accuracy, validity, or completeness.

OBSERVATIONS AND RESULTS

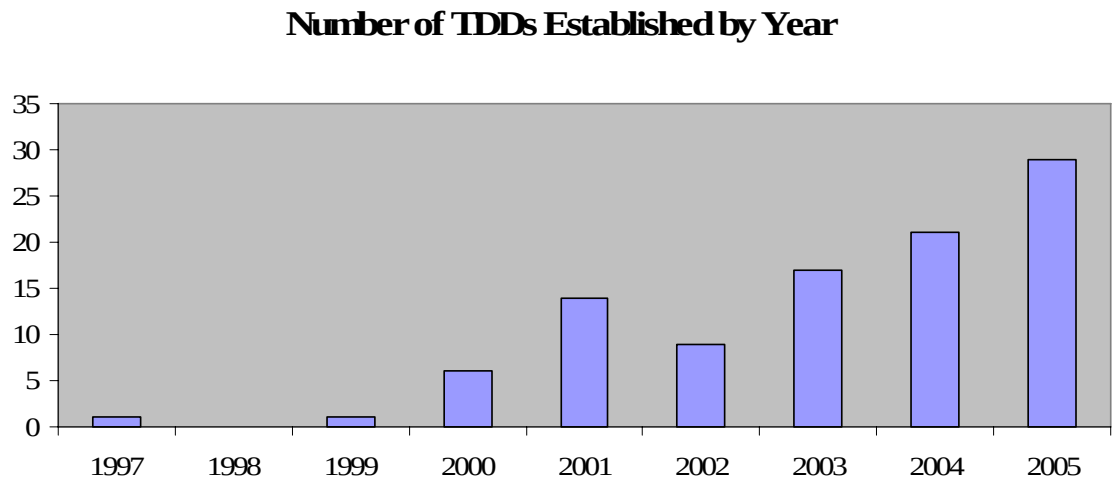
TRANSPORTATION DEVELOPMENT DISTRICTS
OBSERVATIONS AND RESULTS

Background

As of December 31, 2005, 98 transportation development districts (TDDs) had been established in the state of Missouri, including 29 TDDs which were established in 2005. Almost 70 percent of the districts have been established in the state's two biggest metropolitan areas, with 48 and 20 of the TDDs being located in the St. Louis and Kansas City metropolitan areas[1], respectively.

As noted in our previous report, even though the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of statutory changes the General Assembly made that year. In those legislative changes, the General Assembly established another means of creating a TDD, allowing the owners of the real property located within the proposed district to petition for its creation, if there were no registered voters residing within the district. Previously, a petition to establish a TDD could only be filed by not less than 50 registered voters residing within the proposed district or by a local transportation authority.

This statutory change has resulted in a dramatic increase in the number of TDDs established, particularly in recent years, as shown in the following graph.



Of the 98 TDDs established as of December 31, 2005, 93 (or 95 percent) were initiated by a petition filed by the property owners. The significant growth in the number of newly-established TDDs has continued in 2006, with 22 additional TDDs being established through the end of 2006 (according to MoDOT's records).

[1] The St. Louis metropolitan area is defined here as the geographic area that includes the city of St. Louis, St. Louis County, St. Charles County, Jefferson County, and Franklin County. The Kansas City metropolitan area is defined here as the geographic area that includes Jackson County, Platte County, Clay County and Cass County.

In a survey of the 98 TDDs established as of December 31, 2005, officials or representatives of 97 of the TDDs reported total estimated transportation project costs of over $923 million. Estimated transportation project costs of 1 TDD was not provided because the costs were not going to be determined until sales tax revenues were available. In addition, 87 of the 98 TDDs reported total estimated revenues of over $1 billion would be collected over the lives of the respective TDDs. Anticipated revenue information for 11 of the districts was not provided because the information had not been determined or could not be located. The total estimated project costs and anticipated revenue amounts provided by the various TDDs are presented in Appendix B. It appears that interest costs on TDD debt and administrative expenses of the districts would account for the difference between total estimated project costs and total anticipated revenues for many TDDs. For some other TDDs, the TDD sales tax revenues will pay for only a portion of the project costs, with the remainder of the funds coming from other sources.

The table below breaks down the total estimated project costs and anticipated revenues of the 98 TDDs into various dollar ranges.

	Number of TDDs	
Dollar Range	Estimated Transportation Project Costs	Expected Revenues
$0 to $1million	16	10
$1 million to $5 million	42	25
$5 million to $10 million	12	22
$10 million to $15 million	12	7
$15 million to $35 million	11	17
More than $35 million	4	6
Not reported	1	11

In our survey, the TDD officials/representatives reported the number of years their respective districts expected to collect revenue (i.e. sales taxes, etc.), which should correlate with the expected life of the districts. Based on this information, the expected life of the 98 TDDs will range from 5 to 40 years. All of the districts established as of December 31, 2005, have imposed a sales tax, with rates ranging from one-eighth of one percent (1/8 %) to one percent on retail items sold within the districts' boundaries. As a result, all retail establishments located within a TDD charge a higher total sales tax than the retail establishments that lie outside the district's boundaries. Also, 6 of the 98 TDDs have imposed a special assessment or property tax in addition to a sales tax.

The boundaries of 42 (43 percent) of the TDDs established as of December 31, 2005, were located either completely or partially in a tax increment financing redevelopment (TIF) area. Pursuant to Section 99.845, RSMo, 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that particular TIF area. After the TIF portion of the TDD revenues are disbursed to the applicable city for deposit into a TIF account, the remaining portion is to be used by the TDD to fund its transportation project(s). However, as similarly

noted in the previous audit, in some instances the applicable city has allowed the TDD to apply most, if not all, of its sale tax revenue to its own transportation project costs.

Previously Reported Public Awareness/Involvement and Accountability and Compliance Issues

In our previous audit of TDDs (SAO Report No. 2006-12, issued March 2006), we reported various issues regarding TDDs in the areas of public awareness/involvement and accountability and compliance as follows:

- There was no requirement for the public to be notified when a property owner(s)/developer filed a petition with the circuit court to form a TDD. In addition, public hearings regarding the establishment of TDDs were not required to be held.

- Neither registered voters nor their elected representatives were involved in the decision to levy taxes for most TDDs.

- The individuals/entities responsible for initiating the establishment of a TDD were not required to include the estimated transportation project costs or anticipated revenues to be collected in their petition to the circuit court. **(Recently passed legislation, if signed by the Governor, will require this information to be included in a petition filed to establish a TDD).**

- There was no requirement for an independent review or oversight of TDD transportation project costs or other expenditures.

- It was not clear whether the construction of a TDD-funded transportation project(s) could be started prior to the legal establishment of the applicable TDD.

- Unlike most other sales tax revenues collected in the state, very few TDD sales taxes were administered by the Missouri Department of Revenue.[2] This situation provided less assurance these revenues were properly collected and accounted for and less ability to monitor the level of sales tax distributions to the TDDs.

- Many of the TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required.

- The SAO was not notified when a TDD was established. In addition, current audit requirements related to TDDs needed to be reconsidered.

- Payment of project-related costs by the developer complicated the audit process and weakened accountability over those costs.

[2] Sections 238.235 and 238.236, RSMo, provide that any sales taxes imposed by TDDs, except for those districts that consist of an entire county(ies) or city(ies), are to be collected by the districts themselves. The Department of Revenue is only responsible for administering the sales taxes of those TDDs that consist of an entire county(ies) or city(ies).

- The revenues of TDDs located in TIF areas were being handled in different manners, and in some instances there was not adequate assurance TDD sales tax revenues were only used to pay the TDD's share of bond financing costs.

Because many of the issues noted above required legislative change to address the matters reported, we recommended the General Assembly review these public awareness, accountability, and compliance issues and work with MoDOT, the SAO, and other governmental entities to make necessary revisions to the TDD-related statutes. During the 2007 legislative session, only one change was made to the TDD statutes to address any of the issues reported in the prior audit as noted above. While most of other unaddressed issues and our recommendation to the General Assembly have not been repeated in the current report, further changes to the TDD statutes should be considered in future legislation.

Current Audit Results

Our current audit disclosed various issues regarding the 17 selected TDDs in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters as presented below. This section summarizes the results of the audit work performed related to those selected districts. Additionally, the Financial Reporting issue updates a problem reported in the previous audit.

1. Construction Contracts and Project Management

Various concerns were noted related to construction contracts and/or project management services involving transportation projects.

For 9 districts, competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined based on the circumstances and/or the available records. In 2 of these instances, the contractor was a related party (i.e. the developer or a district board member) and work on the projects had already begun when the construction contract was entered into.

Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 involving a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder. While the developer hired the construction contractor in some of the instances noted, since TDD monies either paid or will pay the costs of this construction, the procurement of the contractor or subcontractor(s) through a competitive bid process would have been advisable or appropriate in such instances.

Formal bidding procedures for major purchases provide a framework for economical management of the district's resources and help ensure the districts receive fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the district's business. Complete documentation should be maintained of all bids received and reasons noted why a bid was selected.

In addition, for 6 districts, proposals were either not solicited for project management services (in most of these instances the general contractor also acted as the project manager) or documentation was not available to provide assurance that such proposals were solicited. In 4 of these 6 instances, the project manager was a related party. In addition, in 1 district, the only proposal received for the project management services was from a related party.

Soliciting proposals for such services help provide a range of possible choices and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider at the lowest and best cost.

Also, written contracts related to the construction services or the construction management services were not always prepared or approved in a timely manner. For 2 districts, written construction contracts were not entered into between the district and the project manager (who also may have acted as the general contractor). Also, in 4 districts, the construction contracts were either not approved by the district board or were not approved prior to the contractor beginning work on the transportation projects. Signed written contracts are necessary to document the duties and responsibilities of the applicable parties and to prevent misunderstandings. These contracts should also be approved by the district's board in a timely manner. In addition, Section 432.070, RSMo, requires all contracts of the district to be in writing.

Some of the exceptions noted above related to the same TDDs.

2. Professional Services

Requests for proposals for various professional services were either not properly solicited or documentation was not available to provide assurance that such proposals were solicited for all 17 districts. These services noted included primarily those provided by engineers, architects, and legal counsel. In many of these instances, the firm providing the professional services was selected by the developer, sometimes prior to the formal establishment of the district. If the costs of the professional services are to be subsequently paid or reimbursed to the developer, such services should be solicited and selected through a competitive proposal process.

Soliciting proposals for such services is a good business practice, helps provide a range of possible choices, and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and cost into consideration.

3. Budgetary Matters

Various problems were noted related to the annual budgets of 13 districts. The problems noted included:

- The budget did not include all funds of the district (1 district).

- The budgets were not approved in a timely manner (7 districts).

- The budgets did not present comparative statements of revenues and expenditures for the two preceding years; did not include a budget message describing the important features of the budget and major changes from the previous year; and/or did not include a general budget summary (4 districts).

- The budgets did not include beginning and projected ending fund balances (6 districts). In 2 of these instances, budgeted expenditures exceeded budgeted revenues for one or more years resulting in those TDDs not presenting balanced budgets for those years.

- The budget was overspent in one or more years (2 districts). For another selected district, a budget amendment was approved supporting the overspending; however, the amendment was not approved until after the end of the district's fiscal year.

Sections 67.010 to 67.040, RSMo, include statutory provisions regarding annual budgets. Those sections require each political subdivision of the state to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message and a budget summary.

In addition, Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. To be of maximum benefit, the district budget should be adopted prior to the beginning of the fiscal year.

4. Financial Reporting

As similarly noted in our previous report, many of the TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required.

As of December 31, 2005, we identified 22 of 98 TDDs (22 percent) that had not filed an annual financial report with the SAO, as statutorily required. Section 105.145, RSMo, requires that all political subdivisions file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year-end, while an audit report can be filed within 6 months of the entity's fiscal year-end.

The following table presents the 22 TDDs that had financial activity, but did not file a financial report with the SAO by December 31, 2005, for fiscal year 2004.

TDD Name	Date Established	Fiscal Year-End
Gravois Bluffs	12/07/99	12/31
370/Missouri Bottom Road/Taussig Road	11/01/00	12/31
Boonville Riverfront	02/09/01	12/31
Mark Twain Mall	02/20/01	12/31
Ballwin Town Center	04/26/01	12/31
Platte County Missouri South I	06/19/01	12/31
Platte County Missouri South II	04/12/02	12/31
Interstate Plaza/North Town Village	11/06/01	12/31
Shoppes at Old Webster	11/29/01	12/31
Raintree North	08/19/02	12/31
Hanley/Eager Road	12/16/02	12/31
US Highway 65 and Truman Dam Access	03/12/03	12/31
I-70 and Adams Dairy Parkway	03/25/03	12/31
M150 and 135th Street	05/15/03	12/31
Belton Town Centre	11/17/03	12/31
71 Highway & 150 Highway	11/20/03	12/31
Brentwood/Strassner Road	02/24/04	12/31
Hanley Road and North of Folk Avenue	05/19/04	12/31
Hyannis Port Road	07/16/04	12/31
St. Joseph Gateway	07/20/04	12/31
Park Hills	07/28/04	12/31
Stadium Corridor	10/04/04	12/31

There were also 11 other TDDs that had not filed a report for 2004 because no financial activity had occurred. In such situations, a TDD should notify the SAO that it had no financial activity.

As of December 31, 2006, only 11 of the TDDs noted in the table above had provided their 2004 financial reports to the SAO. In addition, 11 other TDDs established as of December 31, 2005, had not filed annual financial reports/audits for fiscal year 2005. Of these, 9 represented districts established prior to 2005, including 6 of the TDDs listed in the above chart. There were also 20 other TDDs that had not filed a report for 2005 because no financial activity had occurred. The TDDs should make every effort to ensure the required annual financial reports/audits are filed by the time frames specified in 15 CSR 40-3.030. The timely filing of financial reports was found to be a problem in 6 of the selected districts reviewed.

The state regulation also provides that an audit report submitted to satisfy the financial reporting requirements of Section 105.145, RSMo, should be prepared in conformity with generally accepted government auditing standards (GAGAS). Of the 32 districts included in the scope of our 2005 review, it was noted that 18 of the districts had received

independent financial audits. A number of those audits were conducted in accordance with generally accepted auditing standards (GAAS) rather than GAGAS. To fully comply with 15 CSR 40-3.030 reporting requirements, financial audits submitted in lieu of annual financial reports should be conducted in accordance with GAGAS.

5. Other Matters

Related Party Transactions. As noted in 1. above, in some instances the developers or other board members have participated in the transportation projects' construction as project managers and/or contractors. In addition, we noted that some of the individuals providing professional services were related parties.

Such transactions could represent conflicts or the appearance of conflicts, could compromise the TDDs' financial interests, and should be avoided. If these situations cannot be avoided, discussions and decisions concerning situations where potential conflicts exist should be completely documented so that the public has assurance that no district official has benefited improperly.

Financial Condition. In 2 districts, the revenues of the district may not be sufficient to meet the financial obligations of the district or fully reimburse the developer for transportation-related costs incurred. In addition, in 1 district the delay in a development's establishment resulted in decreased revenues for a TIF whose debt financed some transportation projects. If the TIF is unable to make up the shortfall in revenues, this could add to the potential debt burden of the applicable TDD.

The applicable districts should continue to seek additional and/or improved revenue streams.

Reimbursement of Transportation Project Costs. Various matters were noted related to transportation projects costs claimed for reimbursement by the developers. In 2 districts, even though the applicable transportation projects had been completed for more than two years, the costs incurred by the developer were not certified and approved for payment on a timely basis because adequate documentation to support the project costs incurred had not been provided. One of these instances involved questions surrounding the legal documents prepared to support a land purchase.

For 2 districts, documentation of project costs was only supported by a summary of the costs applicable to the district. Detailed invoices supporting the project costs were not available because the district's projects were combined with costs of other private or public development projects. In one of these instances, it appeared the costs claimed by the developer for reimbursement were included twice, overstating reimbursement requests by approximately $123,800.

All project costs should be supported by adequate documentation to ensure the obligation was actually incurred and the expenditures represent appropriate uses of district funds.

Sales Tax Collections. In 1 district, customers of the major retailer within the district were incorrectly charged sales tax at a rate higher than that approved by the district for an 8-month period, resulting in an overpayment of sales taxes by the retailer to the district of approximately $60,000 for this time period.

Distribution of TIF monies. In 1 district, the tax increment financing portion (50 percent) of the district's sales tax collections were not properly allocated and distributed to the applicable city for a 4-month period, resulting in a liability to the district of approximately $50,000. The amount owed was subsequently paid in December 2006.

Segregation of Duties. In 1 district, the accounting duties were found not to be adequately segregated and there was not adequate board oversight.

Untimely Deposits. In 1 district, receipts were not being deposited in a timely manner.

In responding to the matters noted above, some TDDs indicated the project manager and/or construction company involved in its transportation projects were selected by the developer and the related expenditures incurred, before the establishment of the TDD. Some TDDs also pointed out there is no state law which requires that proposals be solicited in the procurement of professional services. Some of the applicable TDDs acknowledged their annual budgets were not approved timely, that annual financial reports were not submitted to the SAO on a timely basis, as required, and that proper documentation was lacking in some instances. Officials/representatives of 4 TDDs acknowledged receipt of the report information related to their applicable TDD, but did not provide a formal response.

Audits of Selected Districts

The following section reports information related to the 17 individual TDDs that were selected for review. The selected districts represented TDDs that were established in 2003 or prior, and had not previously been audited by the SAO. The selected districts are presented in the order of date established. This information was shared with each applicable selected district and included a response from the district, if one was provided. A Schedule of Receipts, Disbursements, and Cash Balances for the selected districts is located at Appendix D.

- **Meramec Station Road and Highway 141 TDD**

  The Meramec Station Road and Highway 141 TDD was organized in September 2000 by petition of the property owners, one of which was Drury Development Corporation, the developer of the property within the proposed district. The TDD's Board of Directors and officers include various employees/representatives of the property owners.

  The qualified voter(s) of the district, in this case the property owners, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective in October 2003. In addition, pursuant to Section 238.230, RSMo, a special assessment of $0.50 per rented room for all hotels was also approved. The sales tax and special assessment are currently expected to remain in effect

for 40 years, unless terminated sooner. The retail establishments and hotels collect sales tax revenues while the hotels also collect the special assessments. These revenues are forwarded to the district, which serves as its own collection agent.

The TDD is located in an unincorporated area of south St. Louis County, and includes property including and adjacent to Meramec Station Road from Highway 141 to Smizer Mill Road and Lambert Drury Drive from Highway 141 to Meramec Station Road. The Drury Acres development includes hotel, restaurant, retail and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district have been conducted by an independent auditor annually since fiscal year 2004.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $7.8 million:

- Relocation and improvements to Meramec Station Road.
- Improvements to Highway 141.
- Construction of and improvements to local connector roads.
- All grading and fill necessary to complete the construction, relocation and/or improvement of these roads.
- Accompanying curb, gutters, storm facilities and required revision or installation of signalization at the intersections of these roads.

The district is located within a TIF area. In 1997, the city of Peerless Park approved a TIF redevelopment plan; however, in 1999 the city disincorporated. As a result, St. Louis County succeeded the city in assuming jurisdiction over the TIF projects and upon the TDD's establishment, the county became the public entity with jurisdiction over the TDD projects and accepted dedication of the completed projects. Because the TDD is located in a TIF area, 50 percent of the non-hotel room-related sales taxes collected in the TDD district are paid to the TIF district for deposit to the accounts relating to the TIF projects.

The developer initially paid the costs of the TDD projects. The developer has not yet been reimbursed for all the costs incurred, but the district has issued this corporation revenue notes totaling $11.8 million for repayment of project costs of about $7.8 million and accrued interest of about $4 million. Four series of notes were issued. Notes A and B were issued for transportation project costs of $4.4 million plus accrued interest of $1.4 million, while Notes C and D were issued for transportation project costs previously included in the city of Peerless Park's 1997 TIF notes of about $3.4 million plus accrued interest of about $2.6 million. Under the agreement, Notes C and D are subordinate to Notes A and B and no payment shall be made on Notes C and D until Notes A and B are redeemed. In addition, Notes C and D will only be redeemed to the extent and in the amount that the original city of Peerless Park's TIF notes are not redeemed prior to their maturity in 2020. Finally, project costs not reimbursed may accrue compounded interest at a rate not to exceed 10 percent per year.

St. Louis County, the Metropolitan Sewer District, and MoDOT were responsible for overseeing various aspects of the projects' construction. In addition, the district's board,

along with the assistance of the project manager, oversaw the projects' construction and the review and approval of contractor invoices.

During our audit work related to this TDD, we noted the following additional matters:

- District officials indicated that because of the disincorporation of the city of Peerless Park and subsequent transfer of the city's TIF projects to St. Louis County, the development's establishment was delayed several years, decreasing expected revenues. Currently, it is estimated the TIF can only pay 50 percent of the interest on its debt, while the principal and remaining 50 percent of interest on the debt is compounding additional interest annually. Because 10 years have already elapsed on the 23 year lifespan of the TIF, the TIF may not be able to make up the shortfall in the remaining timeframe, adding to the potential debt burden of the TDD. As discussed above, the TDD will be responsible for any of the TDD project costs financed by TIF debt ($3.4 million plus accrued interest) not paid at the conclusion of the life of the TIF.

- As indicated previously, in December 2005, the district issued revenue notes to the developer in the amount of $11.8 million. As a result of delays in completing the development, these note issuances included accrued interest charges totaling over $4 million. Interest rates were computed using the prime interest rate plus an additional 2.5 percent, and ranged from 6.62 percent in 2003 to 11.73 percent in 2000. Under the development agreement, the TDD's notes shall bear interest at a rate not to exceed 10 percent per year.

- Upon the approval of the TIF redevelopment projects, the developer served and was compensated as general contractor/project manager to oversee the completion of the proposed projects, including those of the TDD. Based on discussions with district officials, no proposals were solicited for these services nor was a written contract entered into related to these services. In addition, the selection and approval of the general contractor/project manager was not documented in the district's minutes.

  The developer initially requested reimbursement of over $1 million in fees for its services related to the transportation projects; however, the developer subsequently agreed to reduce this amount to about $735,000 during the process of certifying the reimbursable transportation project costs. This reduced amount represented approximately 20 percent of the applicable projects' construction costs not previously financed by the TIF, and these fees/costs were included in the revenue notes issued to the developer discussed above.

- The district did not solicit requests for proposals for various professional services, including the project engineer and legal counsel. Engineering services were selected by the developer prior to the establishment of the district. According to district officials, the developer selected the engineer because the two companies have had a long-standing working relationship. In addition, the owner/developer

apparently checked the engineering firm's billing rates and found them to be comparable to those of other local engineering firms. Approximately $102,400 was expended for these engineering services during the course of the projects.

The appointment of the district's legal counsel was approved by the TDD board in October 2000. According to district officials, the TDD selected the legal counsel based on a recommendation of another developer, after checking the legal counsel's references. In addition, the TDD believed its appointment of their legal counsel was a sole source procurement, based on the legal counsel's experience with TIFs and TDDs. Approximately $60,400 was expended on legal services from its establishment in 2000 through the end of 2005, with the district being billed at rates ranging from $110 to $400 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between $110 and $260 per hour.

- The district's annual budgets have not always been approved in a timely manner. The annual budgets for 2001, 2002, and 2003 were not approved until February 2004. In addition, the district's 2004 and 2005 budgets were not approved until June 2005. The district's 2006 budget was approved in a timely manner. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Meramec Station Road and Highway 141 TDD's Response:

Delay of development's establishment. Your observation regarding the delay in the development's establishment discloses two significant factors resulting in the delay, however we would like to note that there were other factors in addition to the ones you specifically identified.

Selection of the project manager. The City of Peerless Park selected the developer as construction manager prior to the formation of the TDD. Accordingly, the TDD was not in a position to solicit proposals for construction management. The development agreement provides for the TDD to reimburse the developer for costs associated with the TDD projects, including costs related to construction management. The developer incurred costs in excess of $1 million in performing construction management related to the TDD projects. However, the developer chose to limit its request for reimbursement to $735,000, which amount represents approximately 20% of the applicable TDD projects' costs.

Professional services. There is no requirement under Missouri law that the TDD solicits proposals for professional services. However, the TDD acknowledges that soliciting such proposals may, under certain circumstances, enable the TDD to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

<u>Budgets.</u> The TDD acknowledges that it did not submit annual budgets timely through 2005. Beginning with 2006's budget, the TDD has submitted and received approval of the budget in a timely manner. We are committed to continuing with timely submissions in the future.

- **370/Missouri Bottom Road/Taussig Road TDD**

The 370/Missouri Bottom Road/Taussig Road TDD was organized in November 2000 by petition of the owners/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of the owners/developer.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a three-fourths of one percent (0.75%) sales tax on all transactions which are taxable within the boundaries of the district, effective in March 2001. The sales tax was increased to one percent (1%) effective in November 2002. In addition, a special assessment was approved in October 2002; however, the assessment will only be applied if sales taxes are not sufficient to service the district's debt. No special assessments have been levied so far.

The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Hazelwood.

The TDD is located in both the cities of Hazelwood and Bridgeton, in St. Louis County, at the intersection of State Highway 370 and Missouri Bottom Road. The St. Louis Mills development includes retail, restaurant, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district have been conducted by an independent auditor every year since fiscal year 2002.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately $34 million:

- Construction of an interchange at State Highway 370 and Missouri Bottom Road.
- Relocation of Missouri Bottom Road to accommodate the interchange improvements.
- Leasing of land and construction of a public parking field within the boundaries of the district.
- Construction of St. Louis Mills Circle around the district, including its intersection with St. Louis Mills Boulevard.
- Widening of Taussig Road, including the demolition and construction of a new railroad overpass.

The cities of Hazelwood and Bridgeton, St. Louis County, and MoDOT are the public entities with jurisdiction over these projects and will accept dedication (ownership) of the completed projects.

Because a portion of the district is located within a city of Hazelwood TIF area, 50 percent of the sales tax collected from retailers in the TIF area has been paid to the city of Hazelwood for deposit to the accounts relating to the TIF projects.

The developer initially funded the costs of the projects prior to the district issuing approximately $39.5 million in revenue bonds in 2002. After the district's bonds were issued, the developer was reimbursed for the costs incurred. All subsequent costs of the projects were paid from the bond proceeds.

The cities of Hazelwood and Bridgeton, St. Louis County, and MoDOT were responsible for overseeing the projects' construction while the city of Hazelwood provided some independent financial oversight by reviewing and approving reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit proposals for the company that served as the general contractor/project manager for the district's transportation projects. According to the district's legal counsel, the owner/developer had a prior business relationship with this company, having used their services previously on the construction of a similar project.

  Prior to the establishment of the TDD, the general contractor/project manager was brought to St. Louis to work with the owner/developer on the TIF redevelopment projects. As a result, the district believed savings could be realized in the areas of start-up time and costs by using this same contractor to manage the transportation projects. During the course of the district's projects, the general contractor/project manager oversaw the competitive procurement and completion of over $16 million in subcontract work. The general contractor/project manager's fee for these services was approximately $420,000.

- The district did not solicit requests for proposals for various other professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

  Over $1.5 million was expended during the course of the project for services provided by the district's primary engineer. Approximately $780,000 was expended from 2002 through the end of 2005 for services provided by the district's primary legal counsel. The legal services were billed at rates ranging from $100 to $400 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates ranging from $100 to $330.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district submitted its 2005 and 2004 audit reports in August and June 2006, respectively.

  Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

370/Missouri Bottom Road/Taussig Road TDD's Response:

General contractor/project manager services. The general contractor/project manager fee was less than three percent (3%) of the total cost of subcontract work overseen by the general contractor/project manager. The District believes that, had it solicited proposals for a general contractor/project manager, no other responsible bidder could have reasonably provided the same services at a comparable fee.

Professional services. There is no requirement under Missouri law that the District solicit proposals for professional services. However, the District acknowledges that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Financial reports. The District acknowledges that it did not submit its 2004 and 2005 annual financial statements to the State Auditor's Office in a timely manner. The District plans to submit its 2006 audit to the State Auditor's Office in a timely manner and is committed to continuing with timely submittal of annual audits in the future.

- **St. John's Church Road TDD**

The St. John's Church Road TDD was organized in April 2001 by petition of the owners of the property within the proposed district. The district's developer (Costco Wholesale Corporation) was not the property owner at the time the district was established. Shortly after final judgment was issued on the creation of the district, the property owners sold the property to the developer. The TDD's Board of Directors and officers are representatives of the property owner/developer.

The qualified voter(s) of the district, in this case the property owners (including the developer and a banking institution that purchased a portion of the property from the developer) approved the imposition of a one-half of one percent (1/2%) sales tax on all transactions which are taxable within the boundaries of the district, effective July 2002. The sales tax is currently expected to remain in effect for a period of up to 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's administrator.

The TDD is located in an unincorporated area of south St. Louis County, southwest of the intersection of Interstate 55 and Lindbergh Boulevard. The Costco/Target development includes retail, restaurant, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district for the years ended December 31, 2005, 2004, 2003 and 2002, are being conducted by an independent auditor as of January 2007. The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated total cost of approximately $12 million:

- Construction of an extension off St. John's Church Road south of Lindbergh Boulevard.

- Construction of a cul-de-sac at the end of existing Elm Road.

- Construction of improvements at the intersection of St. John's Church Road and Lindbergh Boulevard.

- Construction of Brotman Way from Rusty Road to Elm Park Drive.

- Construction of improvements to existing Elm Park Drive.

- Construction of improvements to Bi-State Industrial Drive.

- Payment of Traffic Generation Assessments imposed by St. Louis County in connection with the retail development proposed within the district.

- Accompanying curb, gutter, sidewalk, stormwater facilities or other similar or related infrastructure or improvement.

St. Louis County and MoDOT are the public entities with jurisdiction over these projects and will accept dedication of the completed projects. Only the initial phase of the projects has been completed. At an estimated $4 million, construction on the second phase of the projects began in 2006, although the owner/developer has not yet submitted those costs to the district for reimbursement.

The developer funded the initial costs of the transportation projects prior to the district authorizing the issuance of up to $12 million in revenue notes in November 2002. After the district's loan was obtained, the developer was reimbursed for these initial costs, as well as all subsequent project costs incurred. Draws made by the district on the revenue notes through 2005 totaled approximately $7.6 million.

MoDOT and St. Louis County were responsible for overseeing the projects' construction while the bank trustee administers the district's funds and makes payments.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's legal counsel, the $4.5 million construction contract for the initial phase of projects was competitively bid, however, documentation of the bids obtained and the contractor selection process was not received and maintained by the records custodian. As a result, the district had no evidence that the bidding process related to this construction was handled properly. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

  Approximately $245,200 was expended for engineering services during the course of the project. Approximately $141,000 was expensed for legal services from 2002 through the end of 2005, with the district being billed at rates ranging from $105 to $125 per hour for paralegal services and from $175 to $230 per hour for attorney services.

- The district did not prepare a budget for its Project Fund maintained by the bank trustee for 2004, 2003, or 2002. In addition, the district's 2005 budgets were not approved in a timely manner. The district did not approve its 2005 budgets until June 2006, approximately six months after the end of the fiscal year. Further, the district overspent its Debt Service Fund in 2005 and 2004. This was the result of the district receiving more sales tax revenues than expected which were used to retire additional district debt; however, a formal budget amendment was not approved authorizing the additional expenditures. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

St. John's Church Road TDD's Response:

<u>Construction contract services</u>. The District's custodian of records requested that the firm that served as the project manager provide a copy of the documentation regarding bids obtained and the contractor selection process related to the Transportation Project financed by the District. However, these documents have not been provided to the District's custodian of records to date. The District's custodian of records will continue to request that this information be provided.

<u>Professional services</u>. There is no requirement under Missouri law that the District solicit proposals for professional services. However, the District acknowledges that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Budgets. The District acknowledges that it did not prepare a budget for its Project Fund for 2002, 2003 or 2004. However, beginning in 2005, the District began preparing a budget for its Project Fund and is committed to doing so in the future. The District acknowledges that it did not approve its 2005 budget in a timely manner. The District is committed to timely approval of its budgets in the future. The District acknowledges that it should have amended its 2004 and 2005 to provide for the additional payment of interest and principal on its Notes. The District is committed to approving budget amendments in the future, as necessary.

- **Thirty-Ninth Street TDD**

The Thirty-Ninth Street TDD was organized in April 2002, after petition by the city of Independence (the developer) and approval of the registered voters within the district. The TDD's Board of Directors and officers were elected by the registered voters in the district and reside within the district.

The qualified voter(s) of the district, in this case the registered voters, approved the imposition of a one-eighth of one percent (0.125%) sales tax on all transactions which are taxable within the boundaries of the district, effective in September 2002. The sales tax is currently expected to remain in effect for 30 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Independence.

The TDD is located in the city of Independence, in Jackson County, near the Interstate 70 and Interstate 470 interchange. The TDD includes the Independence Center and other developments that include retail, fast food, and other service establishments. The TDD has a fiscal year end of June 30. Financial audits of the district were conducted by an independent auditor for fiscal years 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $15 million:

- Expansion and improvement of portions of 39th Street from Lee's Summit Road to Crackerneck Road (first phase).

- Expansion and improvement of portions of 39th Street from Arrowhead Drive to Jackson Drive.

- Extension and realignment of 39th Street from Little Blue Parkway to R.D. Mize Road.

- Expansion and improvement of R.D. Mize Road from the proposed new alignment of 39th Street to Duncan Road.

- Improvement and enlargement of the existing right-of-way of 39th Street and Pink Hill Road from the point of the beginning of the proposed new alignment of 39th Street, east of Little Blue Parkway, to R.D. Mize Road.

- Improvement of ingress and egress on public streets to and from the Independence Center shopping mall.

The city of Independence is the public entity with jurisdiction over these projects. Under the terms of the cooperative agreement with the city, title to the improvements will remain with the district until all project costs and any related debt have been paid. In addition, MoDOT also had jurisdiction over the first phase of the projects due to the district receiving federal funds for its completion. The first phase of the projects was completed in May 2005, and is the only phase of the projects that has been completed.

Because the district is located within several TIF areas, 50 percent of the TDD sales tax collected in those areas has been paid to the city of Independence for deposit in special allocation funds under the TIF plans.

The district entered into a note payable in the amount of $942,000 in March 2003 for the purpose of acquiring property along the Thirty-Ninth Street Redevelopment area. This note was paid in full with proceeds from a $7.25 million revenue bond issuance in July 2003. In addition to repaying the note payable, these bonds were used to finance the design of the entire project and the construction of the initial phases of the district's projects.

The city of Independence has provided some independent oversight for the first phase of the projects and was responsible for overseeing the project's construction and the review and approval of contractor invoices prior to payment. In addition, due to the federal funding provided, MoDOT also approved and oversaw construction of the first phase of the projects. The district's board chairman and executive director review and approve all general operating expenditures prior to payment by a private contractor.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the city of Independence prior to the establishment of the district.

  Approximately $450,000 and $562,000 was expended for engineering and legal services from fiscal year 2003 through fiscal year 2005, respectively. Legal services were billed at $95 per hour for paralegals and $195 per hour for attorneys. Effective January 1, 2006, the rate for attorney services increased to $205 per hour.

Thirty-Ninth Street TDD's Response:

Professional services. With regard to the comment that the TDD did not solicit requests for proposals for engineering and legal services, the TDD would like to clarify that the engineering firm and law firm, as selected by the City of Independence, provided significant engineering and legal services, respectively, to this project before the TDD was formed. Preliminary engineering work was necessary to determine proposed improvements and project costs. Copies of preliminary engineering drawings were included in the petition filed to form the TDD. Preliminary legal work was necessary to determine how to finance the proposed improvements, prepare the formation petition, and coordinate the formation election with the Jackson County Election Board. The engineering firm and law firm performed all of this work in consultation with the City of Independence. In fact, the City of Independence initiated the formation of the TDD and was the lead plaintiff in the formation petition. After TDD formation, the TDD board adopted resolutions authorizing contracts for the engagement of the engineering firm to provide engineering services and the law firm to provide legal services to the TDD.

The City of Independence has procedures for selecting qualified professionals for projects of this sort. The TDD further notes that the engineering firm and law firm selected performed this preliminary work at considerable risk. If the registered voters had not approved the TDD and the TDD sales tax, there would have been no funds available to pay for such work.

Regarding the engineering and legal service payments for 2003, 2004 and 2005, the TDD would like to clarify with respect to the legal service payments that a significant amount of legal fees paid in 2003 were incurred in 2001 and 2002 before the TDD was formed and before the TDD sales tax became effective in September 2002. In addition, the TDD issued bonds in 2003 and a portion of the legal fees paid in 2003 related to work performed as bond counsel.

- **Douglas Station TDD**

The Douglas Station TDD was organized in June 2002 by petition of the owner/developer of the property within the proposed district. The Douglas Station TDD's Board of Directors and officers include the owner/developer and various associates/relatives. In November 2002, the Douglas Station TDD and the Douglas Square TDD (another local TDD in which the owner/developer has an ownership interest), entered into an agreement adopting each others' transportation projects in order to enhance and complement each other's development projects. This agreement allowed each TDD's sales tax revenues to be used to fund the various transportation projects of the two districts.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective in August 2003. The sales tax is currently expected to remain in effect for 20 years, unless terminated sooner. The retail

establishments collect the sales tax and forward the collections to the bank trustee or a private accounting contractor.

The TDD is located in the city of Lee's Summit, in Jackson County, between Northeast Douglas Street and Sloan Street. The Douglas Station development includes retail, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $1.5 million:

- Grading and construction of a portion of Sloan Street.
- Grading and construction of a new unnamed street (subsequently named Sycamore Street) between N.E. Douglas Street and Sloan Street.
- Construction of sidewalks adjacent to the new streets.
- Installation of a traffic signal at the intersection of Northeast Douglas Street and the new unnamed street.
- Construction of related drainage and public infrastructure in the city's right-of-way.

The city of Lee's Summit is the public entity with jurisdiction over these projects and accepted dedication of the completed projects.

The developer funded the initial costs of the projects prior to the district obtaining a $1.6 million commercial loan in 2002. After the district's loan was obtained, the developer was reimbursed for the costs incurred. All subsequent costs of the projects were paid from the loan proceeds.

The city of Lee's Summit's Public Works Department was responsible for overseeing the projects' construction. According to the district's legal counsel, the district's board chairman reviewed and approved the TDD's expenditures prior to their payment by a private accounting contractor.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's records, on July 25, 2002, the district entered into a contract with a project manager and on September 9, 2002, hired a construction company to complete the proposed projects. These two companies were owned by the district's developer, who is also the chairman of the TDD board. Concerns were noted regarding the selection, approval, and handling of these contracts.

Included in the project manager's contract was a requirement that following approval of the plans and specifications, the manager would solicit bids for construction of the project. Even though the construction contract was dated September 9, 2002, the documentation provided indicated the district did not advertise for bids for the construction services associated with the proposed projects until September 9 and September 13, 2002. It appears only one bid proposal was received, that being on September 17, 2002, from the construction company owned by the district's developer. That construction bid, totaling $1.18 million, was accepted. It appears no other bid proposals were received related to this project nor were any further efforts made to solicit other bids/proposals for these construction services. Ultimately, this construction company was paid about $1,289,000 for the work performed, which included about $106,000 in approved change orders. The project manager received no compensation for their services. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

It was also noted that work on the project by the developer's construction company actually began in July 2002, according to applicable progress invoices. The district's attorney indicated the developer was reimbursed approximately $15,000 for preliminary work done by the developer's construction company prior to the work being advertised for bid or the construction contract being awarded.

Lastly, the selection and approval of the contracts with the project manager and construction company were not documented in the district's minutes in a timely manner, but only formally approved at a recent board meeting in September 2006.

- The district did not solicit requests for proposals for various professional services, including the project surveyor, engineer, and legal counsel. These professional services were selected by the developer prior to the establishment of the district.

  A total of about $87,300 was expended for services provided by the project surveyor and engineer during the course of the project. The district expended about $153,700 on legal services from its establishment in 2002 through the end of 2005. The engagement letter accepted by the district for these services indicated rates would be charged at $95 per hour for law clerks and $125 to $325 per hour for attorneys. During our review of invoices, we noted that most of the legal services billed the district were charged at rates between $95 and $250 per hour.

- The district's annual budgets did not include some necessary information. The district's budgets for various years failed to include information such as a budget message and summary, the beginning available resources, estimated ending fund balance(s), and comparisons of actual revenues and expenditures for the two preceding fiscal years. In addition, the district amended its 2005 and 2004 budgets after the end of the fiscal year to cover budgetary overspending that

occurred during each of those years. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Douglas Station TDD's Response:

Construction and project manager services. With regard to the statement that the District and the construction company entered into the construction contract on September 9, 2002 ("construction contract"), prior to the publication of the notice for bids and selection of a contractor, the date of the construction contract was a scrivener's error. The construction contract was not effective until after the single bid was approved by the District and the City of Lee's Summit, Missouri ("City").

Regarding the single bid being submitted by a construction company which has the same owner as Douglas Station, LLC, the developer of the commercial shopping center within District, we would like to clarify that the construction contract is permitted under Missouri law where, as here, the District awarded such contract following a competitive bid process to the lowest bidder.

In regard to the construction work on the public road project beginning in July 2002 prior to the selection of a contractor and execution of the construction contract, this work occurred in conjunction with site clearance of the commercial shopping center which was already underway. The applicable invoice, totaling about $15,000, shows that the preliminary site work for the District's project consisted of "clearing, chipping and hauling trees," which represented a small portion of the overall work performed under the Construction Contract. Douglas Station, LLC, paid this invoice on August 1, 2002, not the District. Thus, although the construction company performed minimal site work before the District awarded the construction contract, the District was already formed and did not reimburse Douglas Station, LLC for such work until November 22, 2002, after the construction contract was in place and the District had sufficient funds in the form of loan proceeds. The reimbursement was authorized by the Agreement for Construction Management Services between the District and Douglas Station, LLC dated July 25, 2002 ("Management Contract").

In regard to the management contract and the construction contract not being formally approved in a timely manner, we would like to clarify that both contracts have been fully performed and that the District's public road project has been completed and accepted by the District and the City. The District ratified, confirmed and approved all actions taken by the District in 2002 at the District's annual meeting on January 31, 2003, as evidenced by Resolution 2003-02. Furthermore, once the District discovered the apparent failure to specifically approve the contracts, the District took action to specifically approve and ratify both contracts at a special board meeting held on September 26, 2006.

Professional services. In regard to the District not soliciting proposals for contracts for various professional services, we would like to clarify that, pursuant to Section 8.285, RSMo, the District may negotiate contracts for engineering and land surveying services

on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. In addition, the District properly engaged its legal counsel by adoption of Resolution 2002-06 at the organizational meeting of the board of directors on July 1, 2002, which approved and authorized the execution of the engagement letter for legal services dated the same date. The management contract authorized Douglas Station, LLC to contract with consultants for the project and authorized the District to reimburse the Douglas Station, LLC for such costs.

Budgets. With regard to matters noted related to the District's budgetary procedures, the District will make an effort to implement your comments on future budgets.

- **CenterState TDD**

The CenterState TDD was organized in August 2002 by petition of the owner/developer of property within the proposed district. The CenterState TDD's Board of Directors and officers include the owner/developer and project engineer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective May 1, 2003. However, sales tax collections did not begin until 2005, upon the opening of the development. The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Columbia.

The TDD is located in the city of Columbia, in Boone County, at the intersection of U.S. Highway 63 and Vandiver Drive. The development includes retail (a Bass Pro Shop), restaurant, hotel, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district have been recently conducted by an independent auditor for the years ended December 31, 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $7.5 million:

- State right-of-way projects including the construction of a new interchange between U.S. Highway 63 and Vandiver Drive, including entrance/exit ramps and acceleration/deceleration lanes on U.S. Highway 63, and the construction of a new bridge over U.S. Highway 63 along Vandiver Drive.

- Local right-of-way projects including the construction of new interior roads and widening of existing roads throughout the district and the construction of a pedestrian trail along Hinson Creek.

The city of Columbia and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects in July and September 2003, respectively.

The city of Columbia, Boone County, and the developer advanced money and/or land to MoDOT for the construction of the projects. Neither the city, county, or the developer have been fully reimbursed by the district for their respective contributions, but hold revenue notes issued by the district for repayment of project costs plus accrued interest totaling approximately $1.2 million. In June 2004, the district issued revenue notes in the amount of $1.12 million and $7.62 million, respectively. In October 2004, the district issued revenue bonds totaling $1.49 million, refunding the earlier $1.12 million revenue note issuance. Additional interest accrues at 6.85 and 6 percent, respectively until the debt is paid in full. In May 2006, the District issued a subordinate revenue note to the developer in a principal amount of up to $450,000 for reimbursement of the costs associated with the construction of Lake Ridgeway Road. This note is currently outstanding in a principal amount of $367,000 plus accrued interest from the date of issuance at the rate of ten percent (10%) per annum.

MoDOT was responsible for overseeing the project's construction and approving contractor invoices prior to payment. The city of Columbia administers the district's sales taxes, with a district official's approval.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit requests for proposals for engineering services. These services were solicited by the developer prior to the establishment of the district. In addition, upon the establishment of the district, the president of one of these engineering firms was asked to serve as a director on the district's board.

  In March 2004, the district approved the certification of the reimbursable transportation project costs. The board minutes indicate the applicable board member who was a party to one of the engineering contracts voted to approve the certified costs. The total engineering costs paid by the developer during the course of the projects were approximately $1 million, of which $709,900 was incurred by the board member's engineering firm.

- The district did not solicit requests for proposals for legal services. These services were also solicited by the developer prior to the establishment of the district. The district incurred approximately $76,600 in legal expenses from its establishment in 2003 through the end of 2005, with the district being billed at rates ranging from $100 to $125 per hour for paralegal services and from $175 to $210 per hour for attorney services.

- The district's 2005 budget was not approved in a timely manner. The budget for that year was not approved until February 2006, after the end of the fiscal year. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

CenterState TDD's Response:

Engineering services. The individual identified as the president of one of the developer's engineering firms was elected to the District's Board of Directors by the qualified voters of the District in 2002 and served until 2006. At no time during this period did the District enter into a contract with the individual's engineering firm. Instead, the developer engaged the engineering firm in question and paid the engineering firm's invoices directly. After payment of such invoices, the developer then sought reimbursement from the District for some of the engineering fees it had paid. The District's legal counsel has advised that, in March 2004, the individual in question did not have a statutorily prohibited conflict of interest when he voted to approve the developer's reimbursement request because the engineering firm had already received payment from the developer for such fees and it did not appear that the individual in question derived any special monetary benefit from the District's vote to approve reimbursement of the developer.

Professional/legal services. There is no requirement under Missouri law that the District solicit proposals for professional services. However, the District acknowledges that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Budgets. The District acknowledges that it did not approve its 2005 budget in a timely manner. The District did adopt its 2007 budget in a timely manner and is committed to continuing with timely approval of its budgets in the future.

- **Raintree North TDD**

The Raintree North TDD was organized in August 2002 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include the owner/developer and various relatives.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a one-half of one percent (1/2%) sales tax on all transactions which are taxable within the boundaries of the district, effective August 2003. The sales tax is currently expected to remain in effect for 14 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Lee's Summit.

The TDD is located in the city of Lee's Summit, in Jackson County, just west of the intersection of Missouri Highway 150 and Missouri Highway 291. The Raintree North development includes grocery, retail, and service establishments. The TDD has a fiscal year end of December 31. A financial audit of the district is in progress for fiscal year 2003 (the audit's completion and issuance have been delayed until the project costs incurred by the developer have been approved by the city) and audits are planned for fiscal years 2004 and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $1.7 million:

- Construction of Greenwich Drive and Cosentino Drive.

- Auxiliary lane widening and improvements to the south side of Missouri Highway 150.

- Auxiliary lane widening and improvements to both the east and west sides of Missouri Highway 291 West Outer Road (Market Street).

- A temporary span wire traffic signal at the intersection of Cheddington Drive and Missouri Highway 150 and permanent modifications to the traffic signal at the intersection of Missouri Highway 150 and Missouri Highway 291 West Outer Road (Market Street).

- Accompanying storm sewers, sidewalks, median and lighting.

The city of Lee's Summit and MoDOT are the public entities with jurisdiction over these projects, but will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district. The projects have been completed and the development was opened around August 2003.

The developer advanced the costs of the projects, and entered into a reimbursement agreement with the district in October 2003, for repayment of the project costs. The developer has not yet been reimbursed for any of the transportation project costs.

MoDOT and the city of Lee's Summit Public Works Department were responsible for overseeing the projects' construction. In addition, the city of Lee's Summit Finance Department is providing some independent financial oversight as they are responsible for reviewing and approving developer reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- As of January 30, 2007, the district has yet to receive approval from the city of Lee's Summit to reimburse the developer for transportation project costs incurred by that party even though the transportation projects were completed and the Raintree North development was opened in August 2003.

  Adequate documentation of the owner/developer's project costs has not been provided to support the February 2006 reimbursement request submitted to the city of Lee's Summit. As a result, the project costs have not been approved for reimbursement. According to district records, the costs allocated to the TDD projects totaled approximately $1.7 million, however, adequate documentation supporting these costs was not provided.

As a result of the district's untimely action with regard to this matter, an independent audit of the district for fiscal year 2003 has not been completed and audits of the district for fiscal years 2004 and 2005 have not yet been started.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

  Approximately $97,300 was expended for engineering services during the course of the project. Approximately $55,000 was incurred in legal expenses from 1999 through the end of 2005, with the legal services being billed at rates ranging from $75 to $395 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between $75 and $225 per hour.

- The district's annual budgets did not include some necessary information, with beginning available resources and reasonable estimates of the ending fund balance(s) not being included. In addition, the district overspent its 2004 budget by approximately $8,240.

  Furthermore, the district has not always prepared and approved an annual budget in a timely manner. The district's 2003 budget was not approved and submitted to the city of Lee's Summit until September 2003. In addition, the 2004 budget was not approved by the district board until October 2004. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district did not submit its 2004 and 2003 financial reports until April 2006 and September 2004, respectively.

  Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Raintree North TDD's Response:

<u>Documentation of developer's project cost</u>. While the developer's costs have not yet been documented fully, neither has the developer been reimbursed for any project costs after advancing approximately $1.7 million. Efforts to obtain this information have been made by District counsel, the Budget Officer and Treasurer of the District, the CPA and the independent auditor, working with the developer's internal accountant. The effort to fully document the costs has been taken over by an outside accounting firm. The outside accounting firm reports that they have now retrieved most of the documentation.

Engineering and legal services. The Transportation Development District Act in Chapter 238 RSMo, requires that only construction contracts in excess of $5,000 be bid. As a practical matter, much of the engineering and legal work with respect to transportation development districts must be done before they are even formed, as was the case here. It would not make sense to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Budgets. The District budgets include all information required by Section 67.010, RSMo, including all anticipated revenues and expenditures on a cash basis. Anticipated revenue surpluses are stated on a year-by-year basis. The budgets do not include statements of assets on hand or account balances not resulting from annual revenues, which are reflected on the District's full accounting statements. Expenditures made from fund balances other than revenues are noted as appropriate; see, for example, the District budget for fiscal year 2006. In 2004, the expenditure of funds in excess of budgeted expenses was approved by the Board of Directors as required by Section 67.040, RSMo. The expenditure did not result in expenses exceeding revenues. Due to ongoing negotiation with the City of Lee's Summit, Missouri, the District Board of Directors considered, but did not timely approve, budgets for the 2003 and 2004 fiscal years pending review and approval by the City.

Financial reports. The audited financials were delayed because of problems with documenting costs, mentioned above.

- **Shoppes at Cross Keys TDD**

The Shoppes at Cross Keys TDD was organized in September 2002 by petition of the owner of property within the proposed district. In November 2002, that owner sold the property to the developer. The TDD's Board of Directors and officers include relatives of the current owner/developer.

The qualified voter(s) of the district, in this case the owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective August 2003. The sales tax is currently expected to remain in effect for 23 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Florissant.

The TDD is located in the city of Florissant, in St. Louis County, at the intersection of Lindbergh Boulevard (Highway 67) and New Halls Ferry Road. The Shoppes at Cross Keys development includes retail, grocery, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of improving roadways within the district and widening, access and signalization improvements to Lindbergh Boulevard and New Halls Ferry Road at a total cost of approximately $4.9 million.

The city of Florissant and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

The district is located within a TIF area, thus, the city of Florissant could claim 50 percent of the sales tax collected for purposes of the TIF. However, pursuant to a formal agreement with the city, the district has agreed to disburse all the TDD sales tax revenues, less administrative and collection costs, to the bond trustee to pay debt service on the TDD-portion of the TIF bonds until they are retired.

The city of Florissant issued approximately $19 million in TIF bonds in November 2002 to finance the TIF redevelopment projects and the district's transportation projects. Subsequently, the developer submitted reimbursement requests to the city for the construction of the TDD projects. The projects were completed at the end of 2004.

MoDOT and the city of Florissant were responsible for overseeing the projects' construction. The city of Florissant was also responsible for reviewing and approving reimbursement requests from the developer for project costs incurred. The bank trust company reviews and approves all other expenses.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not advertise or otherwise solicit competitive bids for the primary construction contract related to the transportation projects. According to district officials, the district requested a quote from a contractor which the owner/developer had satisfactory experience with on previous projects. No efforts were made to solicit any other bids for these construction services. Ultimately, the construction contractor was paid approximately $2.75 million for the work performed. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including the project engineer, legal counsel, and project manager. In addition, a written contract was not entered into related to the project management services.

  The engineering and legal services were provided by firms that had provided these services to the owner/developer on previous projects. The owner/developer served and was compensated as project manager to oversee the completion of the proposed TIF redevelopment projects, including those of the TDD.

  Approximately $221,000 was expended on other reimbursable costs, including professional services, from the district's establishment through the end of 2005.

The district was billed for the legal services at an average rate of $86 per hour for paralegals and $180 per hour for attorneys.

- The district's annual budgets for various years did not include some necessary information such as; a budget message and summary, the beginning available resources and estimated ending fund balance(s), and comparisons of actual revenues and expenditures for the two preceding fiscal years. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

The Shoppes at Cross Keys TDD acknowledged receipt of this information, but did not provide a formal response.

- **Hanley/Eager Road TDD**

The Hanley/Eager Road TDD was organized in December 2002 by petition of the owners/developer of the property within the proposed district. The Hanley/Eager Road TDD's Board of Directors and officers include members of the owners/developer group and various associates.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a one percent (1%) sales tax, effective in August 2003, on all transactions which are taxable within the boundaries of the district. Sales tax collections actually began in January 2004. In addition, a parking garage fee not to exceed 10 percent of all other parking fees was also approved. However, the parking garage fee is contingent upon the construction of Phase 2 of the project, which has not yet been completed. In addition, it is not anticipated that any other parking fees will be charged for the use of any parking garage with the TDD.

The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Brentwood.

The TDD is located in the city of Brentwood, in St. Louis County, at the intersection of Hanley Road and Eager Road just south of Interstate 64 (U.S. Highways 40/61). The Meridian at Brentwood development includes retail, banking and office space. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately $12 million:

- Widen and improve Eager Road along the northern boundary of the district, and extending eastward along Eager Road to Hanley Road.

- Widen and improve Hanley Road along the eastern boundary of the district, and extending along such eastern boundary and including the intersection of Eager Road and Hanley Road.

- Construction of a new roadway commencing and intersecting with Eager Road at the northeastern boundary of the district, passing through the district, first in a southerly direction and thence eastwardly to an intersection with Hanley Road aligned approximately with the current intersection of Hanley Road and Dale Drive.

- Demolition, rebuilding, and widening of the bridge currently located on Eager Road over the Metrolink right-of-way.

- Accompanying right-of-way acquisition, utility relocation, grading sidewalks, retaining walls, fencing, lighting, signalization, paving, landscaping and related improvements.

The city of Brentwood and St. Louis County are the public entities with jurisdiction over these projects.

Because the district is located within a TIF area, 50 percent of the sales tax collected has been paid to the city of Brentwood for deposit into the accounts relating to the TIF projects. However, the sales tax allocated will be capped at $115,000 should it exceed this amount in any semi-annually period.

The TDD issued approximately $5.68 million in revenue notes to the owners/developer for easements purchased from the owners/developer. The district also sold $6.3 million in revenue notes in 2003 to an investment management firm to finance the remaining project costs.

The city of Brentwood was responsible for overseeing the projects' construction while the bank trustee administers the district's funds and makes payments.

During our audit work related to this TDD, we noted the following additional matters:

- On September 8, 2003, the district board accepted a bid for $5.39 million submitted by a construction company to construct and complete the district's transportation projects and awarded a contract to that company. This company was owned by a non-controlling member of the owners/developer group, who also serves as the treasurer of the TDD board.

  Documentation was provided indicating the district advertised for bids related to this construction work on August 21 and August 29, 2003, with the bids being due on September 3, 2003. In addition, the invitation for bids required the projects to be completed by October 24, 2003. Only one bid was subsequently received by the deadline date, that being from the construction company owned by the non-

controlling member of the owners/developer group. The limited time frame required to submit bids and complete the construction work may have contributed to only one bid being received related to this bid letting. It was also noted that some pre-development work was performed by the construction company and various other independent vendors on the project prior to September 2003, including initial site clearing.

Ultimately, this construction company (the successful bidder) was paid about $5,578,600 for the work performed, which included about $160,600 in approved change orders. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The revenues generated by the TDD may not be adequate in the short term to meet the financial obligations of the district. In October 2005, the district borrowed an additional $22,500 from the developer to meet its financial obligations. In January 2006, the district ratified and approved the prior borrowing and passed a resolution authorizing the district to borrow additional monies up to $100,000 from the developer, if necessary to meet future obligations. These loans bear interest at the rate of 5 percent per year.

  District officials indicated the loans from the developer are only a temporary source of funding for the district. Those officials indicated that they were informed by the developer that construction on Phase 2 of the redevelopment project will begin in the summer of 2007, adding a parking garage and additional retail space. They estimated that the Phase 2 project work will be completed by fall 2008. With the additional retail space as noted above and projected growth in sales, district officials believe sufficient revenues will be generated to repay the district's debt to the investment management firm (but not the owners/developer) within the timeframe allowed by TDD statutes.

- The district did not solicit requests for proposals for various professional services, including the project architect, engineer, and legal counsel. These services were solicited by the owner/developer prior to the establishment of the district. According to district officials, the owner/developer interviewed several professional firms for these services during the negotiations related to the redevelopment project and selected the architect, engineer, and legal counsel based on experience and price. Later, these firms were engaged to represent the district because of their familiarity with the TIF redevelopment project.

  Approximately $157,000 was expended for architect and engineering services during the course of the projects. In addition, about $78,300 was expended on legal services from 2003 through the end of 2005, with the district being billed at rates ranging from $125 to $250 per hour for attorney services and $70 per hour for paralegal services.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district did not submit its 2005, 2004, and 2003 audited financial statements until November 2006, February 2006, and January 2005, respectively.

  Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Hanley/Eager Road TDD's Response:

Financial reports. The district fully intends to comply in a timely manner in the future.

- **U.S. Highway 65 and Truman Dam Access TDD**

The U.S. Highway 65 and Truman Dam Access TDD was organized in March 2003 by petition of the owner of the property within the proposed district. The district's developer (Wal-Mart) was not the property owner at the time the district was established. Shortly after final judgment was issued on the creation of the district, the property owner sold the property to the developer. The TDD's Board of Directors and officers are employees of the current property owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective November 1, 2003. The sales tax is currently expected to remain in effect for 25 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's bank.

The TDD is located in the city of Warsaw, in Benton County, just southwest of the intersection of US Highway 65 and Truman Dam Access Road. The North Town Center development includes one retail establishment (a Wal-Mart). The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects at a total cost of approximately $2 million:

Local Transportation Projects

- Construction of a portion of Commercial Street beginning at the intersection of the centerline of Long View Drive and centerline of Hilltop Drive, including all storm drainage requirements.

- Construction of Polk Street beginning at the intersection of the centerline of the newly constructed Commercial Street extension and near the relocated County Road, running westerly. This also includes all storm drainage improvements.

State Transportation Projects

- Construction of the northbound highway ramp at the intersection of U.S. Highway 65 and Truman Dam Access Road ("Ramp 3").
- Construction of the southbound highway ramp at the intersection of U.S. Highway 65 and Truman Dam Access Road ("Ramp 4").
- Accompanying storm drainage improvements.

The city of Warsaw and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

The owner/developer advanced the costs of the state and local projects. Funds for the state projects were deposited with MoDOT. Upon completion of the state projects, excess funds were returned to the owner/developer. The owner/developer has not yet been reimbursed for all the costs incurred, but has entered into a reimbursement agreement with the district for repayment of project costs plus accrued interest. Under the agreement, project costs not reimbursed may accrue compounded interest at a rate equal to six percent per year. At December 31, 2005, over $1.75 million was owed to the owner/developer related to unreimbursed costs.

MoDOT was responsible for handling the owner/developer's funds advanced for the state portion of the projects and oversaw those projects' construction, while the city of Warsaw was responsible for giving final approval of the local portion of the projects' construction. The district's board reviewed and approved contractor invoices prior to payment for the local portion of the projects and approves other regular monthly operating expenses.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's minutes, two responsive bids were received in 2003 for improvements associated with the local portion of the proposed construction projects. The amount of the initial construction contract was for approximately $480,200; however, the construction contractor was ultimately paid almost $534,600 as a result of approved change orders of approximately $54,400. Documentation of the bids and contractor selection process was not received and maintained by the records custodian, therefore, verification of the proper handling of the bidding process related to this construction contract could not be completed. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including the project engineer for the local portion of the projects and legal

counsel. These services were solicited by the developer prior to the establishment of the district.

Approximately $42,600 in expenses were incurred for services provided by the project engineer during the course of the projects. The district also incurred approximately $74,800 in legal expenses from its establishment in 2003 through the end of 2005, with the district being billed at rates ranging from $90 to $395 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between $90 and $225 per hour.

- The district's annual budgets did not include some necessary information, with beginning available resources and reasonable estimates of the ending fund balance(s) not being included. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district submitted its 2005 financial report in May 2006; however, the 2004 financial report was not submitted until July 2006.

  Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

U.S. Highway 65 and Truman Dam Access TDD's Response:

Documentation of developer's project cost. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a Transportation Development District ("District") and a private contractor be competitively bid and awarded to the lowest and best bidder. As the State Auditor stated there were two responsive bids for the local transportation projects. These bids were received by the developer who reported the results in a public District Board meeting. The District reviewed the submitted costs of the developer and found them reasonable. The same contractor was also the lowest and best bidder for the Missouri Department of Transportation improvements which were financed by this District.

Engineering and legal services. The Transportation Development District Act in Chapter 238 RSMo requires that only construction contracts in excess of $5,000 be bid. As a practical matter, much of the engineering and legal work with respect to transportation development districts must be done before a petition may be filed to form the District. It would not make sense to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Budgets. The District budgets include all information required by Section 67.010, RSMo, including all anticipated revenues and expenditures on a cash basis. Anticipated revenue surpluses are stated on a year-by-year basis. The budgets do not include statements of assets on hand or account balances not resulting from annual revenues, which are reflected on the District's full accounting statements. Expenditures made from fund balances other than current revenues are noted as appropriate.

Lake of the Woods TDD

The Lake of the Woods TDD was organized in March 2003 by petition of the owners of the property within the proposed district. The district's developer was also a property owner at the time the district was established. The TDD's Board of Directors and officers include the owner/developer and various employees.

The qualified voter(s) of the district, in this case the property owners, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective August 1, 2003. The sales tax is currently expected to remain in effect for 30 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's collection agent, the city of Columbia.

The TDD is located in the city of Columbia, in Boone County, just southeast of the intersection of Interstate 70 and St. Charles Road. When fully developed it is anticipated that the development will include retail, banking, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $2.7 million:

- Widening the entrance/exit ramps on I-70 at the Lake of the Woods interchange.

- Demolition, reconstruction and relocation of the existing southeast outer road near I-70 and St. Charles Road, including a new intersection of the remaining portion of the southeast outer road with a newly constructed road running south into the district.

- Construction of Bull Run Drive and Hunley Drive within the district, including a new intersection of the two new roads.

- Construction of a new interchange at Bull Run Drive and St. Charles Road, including construction of 100 feet of Bull Run Drive east into the district and 100 feet of a new southwest outer road west of St. Charles Road.

- Improvements along St. Charles Road, including construction of turn lanes and signalization at various intersections.

- Accompanying right-of-way acquisition, drainage, curb, gutter, stormwater facilities, utility relocation, grading, sidewalks, lighting, signalization, paving, and related improvements.

The city of Columbia and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects. The projects were completed in February 2004.

The developer paid the costs of the projects totaling approximately $2.7 million. In May 2004, $2,678,815 in reimbursable transportation development costs, and $42,085 in administrative costs were approved by the TDD board. TDD officials indicated they intend to issue revenue bonds to reimburse the developer for all or a portion of these costs when district revenues are sufficient to warrant a bond issue.

MoDOT and the city of Columbia were responsible for overseeing the projects' construction. The city of Columbia will provide some independent financial oversight by reviewing and approving contractor invoices during the certification process.

During our audit work related to this TDD, we noted the following additional matters:

- The district may not generate sufficient revenues over its life to fully reimburse the developer for the project costs previously paid. As of December 31, 2005, the district had one retail/service establishment in operation which collected about $18,800 in sales tax revenues for the district. Several lots within the boundaries of the district have been sold to businesses that will generate little or no sales tax revenues; however, it should be noted that a furniture store opened in the district in 2006 and will generate additional sales tax revenues for the district.

- The district did not solicit requests for proposals for professional services provided by the project engineers, legal counsel, and architect. The project engineers and legal counsel were solicited by the developer prior to the establishment of the district.

  Approximately $371,400 was incurred by the developer for services provided by project engineers during the course of the projects. These services included a traffic study, design plan, environmental analysis, and other engineering costs. In addition, approximately $54,400 in legal expenses have been incurred and paid by the developer from 2003 through the end of 2005, with legal services being billed at rates ranging from $105 to $250 per hour for paralegal and attorney services. Most of the legal services were billed at rates between $105 and $225 per hour.

  Further, $7,320 in expenses were incurred by the developer for architectural services. These services were provided by a board member's company while

acting as a liaison for the district during rezoning meetings with the city of Columbia. As of December 31, 2005, these costs still have to be officially certified prior to reimbursement of the developer.

- The district has not always prepared and approved an annual budget in a timely manner. The district's 2004 budget was not approved until May 2004, and the district's 2005 and 2006 budgets were not approved until April 2006. In addition, an annual budget was not prepared for 2003, the district's first year of existence. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Lake of the Woods TDD's Response:

Sufficiency of revenues. The District contains approximately 9 acres suitable for future retail development. In addition to the revenue-generating projects you mentioned, it is anticipated that there will be a hotel, and other retail development over the next several years.

Professional services. State law does not require solicitation of requests for professional services for transportation development districts.

The majority of traffic, design, and engineering services were requested and/or required by MoDOT.

The architectural services provided were provided at below market cost to the District, and were approved by minutes of the Board of Directors of the District on May 26, 2004, after full disclosure.

Budgets. The District prepared no budget in 2003, as no revenues were anticipated to be collected until 2004. Further, the District has not historically processed expenditures out of the District revenues collected; the developer has paid administration expenses directly. Budgets are typically adopted during the annual meeting of the District, which has historically been held in April or May of each year.

- **I-70 and Adams Dairy Parkway TDD**

The I-70 and Adams Dairy Parkway TDD was organized in March 2003 by petition of the owner/developer (Home Depot) of the property within the proposed district. The TDD's Board of Directors and officers are employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective September 1, 2003. The sales tax is currently expected to remain in effect for 10 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's bank.

The TDD is located in the city of Blue Springs, in Jackson County, just south of Interstate 70 at the intersection of Adams Dairy Parkway and Northeast Coronado Drive. The development includes one retail establishment, a home improvement center (Home Depot). The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $1.95 million:

- Construction of Coronado Drive and including right-of-way acquisition, storm sewers, sanitary and waterline location, utility relocation, sidewalks, bike trail, landscaping, lighting, and modifications to the traffic signal at the intersection of Coronado Drive and Adam's Dairy Parkway.

- Construction of a parking lot and required landscaping within the district.

- Construction of a bike trail artistic amenity to be located on a portion of the bike trail at the southwest corner of the intersection of Adam's Dairy Parkway and Coronado Drive.

The city of Blue Springs was the public entity with jurisdiction over these projects and accepted dedication of the projects upon completion.

The developer paid the costs of the projects. The developer has not yet been reimbursed for all the costs incurred, but has a signed reimbursement agreement with the district for repayment of project costs plus accrued interest. Under the agreement, project costs not reimbursed may accrue compounded interest at a rate equal to six percent per year. At December 31, 2005, over $1.3 million was owed to the owner/developer related to unreimbursed costs.

The city of Blue Springs was responsible for overseeing the projects' construction while the district's board certified the construction costs and agreed to an amount to be reimbursed to the owner/developer. In addition, a representative of the property owner/developer (Home Depot) reviews and approves monthly operating expenses prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- Progress invoices submitted to the owner/developer by the construction contractor included both the district's transportation project costs and the owner/developer costs to erect its new retail establishment. The total combined project costs were about $5.7 million. Neither the district nor the owner/developer was separately invoiced for the transportation project costs. During the certification of reimbursable transportation project costs, the contractor was asked to submit a breakdown for construction costs related to the transportation projects. Project

cost information totaling approximately $1.16 million was subsequently provided and consisted of project totals for the applicable transportation projects.

In addition, the district obtained a signed statement from owner/developer's legal counsel indicating that all contracts and materials, labor, and services included in the district's projects were competitively bid and awarded to the lowest and best bidder. However, documentation of the bids and contractor selection process was not received and maintained by the records custodian, therefore, verification of the proper handling of the bidding process related to this construction contract could not be completed. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

  Approximately $26,000 was expended for engineering services during the course of the project. Approximately $98,600 was incurred in legal expenses from 2003 through the end of 2005, with the legal services being billed at rates ranging from $75 to $395 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between $75 and $225 per hour.

- Some project costs paid by the owner/developer for legal fees, a traffic signal, and the general contractor's expense reimbursements were included twice in the Developer's Certification for Cost Reimbursement due to an error made when compiling the cost information. As a result, project costs included in the reimbursement agreement between the owner/developer and the district were overstated by approximately $123,800.

- The district's accountant discovered the district's only retail establishment (Home Depot) incorrectly charged a 1 percent sales tax on all of its retail sales from September 2003 to April 2004. As noted above, the district only approved the imposition of a one-half percent (0.50%) sales tax. This resulted in an overpayment of sales taxes by the retailer to the district of approximately $60,000 for this time period.

- The district's annual budgets did not include some necessary information, with beginning available resources and reasonable estimates of the ending fund balance(s) not being included. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

- The district did not submit an annual financial report to the State Auditor's Office (SAO) for 2004. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO. The district's 2005 financial report was submitted to the State Auditor's Office as required.

I-70 and Adams Dairy Parkway TDD's Response:

Documentation of developer's project costs. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a Transportation Development District ("District") and a private contractor be competitively bid and awarded to the lowest and best bidder. The District was not a party to the construction contracts for the transportation projects in this development. The transportation project costs were bid and constructed, as part of a larger in scope contract of the developer, which resulted in, among other advantages, better pricing. The District advised the developer of their responsibilities and obtained not simply a signed statement, but the affidavit of a developer representative that the projects were competitively bid and awarded to the lowest and best bidder. In addition, the affiant acknowledged the application of Missouri's prevailing wage law to the projects.

Engineering and legal services. The Transportation Development District Act in Chapter 238 RSMo requires that only construction contracts in excess of $5,000 be bid. As a practical matter, much of the engineering and legal work with respect to transportation development districts must be done before a petition may be filed to form the District. It would not make sense to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Error in compiling the cost information. The District is appreciative of this audit comment and plans to review and resolve this comment.

Incorrect tax levy charged by retailer. The District has notified the retailer that the District believes the Retailer has overpaid its District sales tax and tendered a refund. The Retailer disagreed. The District will honor any timely filed refund requests.

Budgets. The District budgets include all information required by Section 67.010, RSMo, including all anticipated revenues and expenditures on a cash basis. Anticipated revenue surpluses are stated on a year-by-year basis. The budgets do not include statements of assets on hand or account balances not resulting from annual revenues, which are reflected on the District's full accounting statements. Expenditures made from fund balances other than current revenues are noted as appropriate.

- **Crestwood Point TDD**

The Crestwood Point TDD was organized in May 2003 by petition of the owners of the property within the proposed district, the developer and the city of Crestwood. The TDD's Board of Directors and officers include representatives of the owner/developer and various city officials.

The qualified voter(s) of the district, in this case the owner/developer and the city, approved the imposition of a one percent (1%) sales tax on all transactions which are

taxable within the boundaries of the district, effective November 2003. The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's collection agent, the city of Crestwood.

The district is located in the city of Crestwood, in St. Louis County, at the intersection of Watson Road and Sappington Road. The Crestwood Point development includes one retail establishment (a Kohl's department store). The district has a fiscal year end of December 31. The board has hired an independent auditor to conduct financial audits of the district for fiscal years 2003 to 2006, but those audits had not been completed at the time of our review.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $3 million:

- Demolition and reconstruction of an existing parking lot on property owned by the city.

- Improvements to Sappington Road, including a dual left-hand turn lane from southbound Sappington Road to eastbound Watson Road.

- Construction of cross access between Watson Plaza and a commercial development to be constructed within the district.

- Relocation of curb cut on Watson Road serving as the entrance to the commercial development to be constructed within the district.

- Accompanying grading, drainage, pavement, curb, gutter, sidewalk, stormwater facilities, signing, lighting, traffic signals or other similar or related infrastructure or improvement.

The city of Crestwood, St. Louis County, and MoDOT are the public entities with jurisdiction over these projects. St. Louis County and MoDOT accepted dedication and future responsibility for the completed projects within their jurisdiction. Responsibility for the future maintenance of the remaining projects rests with the city or the developer.

Because the district is located within a TIF area, 50% of the sales taxes collected have been paid to the city of Crestwood for deposit to the accounts relating to the TIF projects.

The developer advanced the costs of the projects. The developer has not yet been reimbursed for the costs incurred, but has submitted several reimbursement requests to the district, which requests were partially approved by the district on March 28, 2007. Upon approval of the reimbursement requests, the district plans to issue revenue bonds to reimburse the developer.

MoDOT, St. Louis County, and the city of Crestwood were responsible for overseeing the projects' construction while the city of Crestwood has provided some independent financial oversight. The TDD board is controlled by the city (3 of 5 voting members) and is responsible for reviewing and approving the developer's reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- Even though the majority of the transportation projects were completed in November 2005 (the city parking lot project had not been started, as of January 2007), the district did not certify the reimbursable transportation costs until March 28, 2007, and has yet to pay any of the reimbursable transportation project costs incurred by the developer.

  The owner/developer submitted seven reimbursement requests totaling $2.485 million in transportation project costs to the district between December 2003 and October 2006. These requests account for the project costs incurred to-date, but had not been approved by the district board until March 28, 2007. According to the district's legal counsel, the delay in approval of reimbursement of the owner/developer has been the result of two factors: significant turnover of several key positions in the city of Crestwood, including mayor, finance director, city administrator (these positions hold two of the three city seats on the district board) and some controversy related to a land acquisition involving the development and transportation projects.

  In December 2002, the owner/developer reportedly purchased two parcels of real property (what was formerly the Crestwood Swim Club) from the property owner for $850,000, with one parcel (approximately 1 acre) to be used in the construction of the Kohl's department store and parking lot and the other parcel (approximately 0.7 acres) to be used by the city for the construction of a city parking lot (one of the transportation projects).

  Problems arose when the legal documents submitted by the owner/developer as part of the reimbursement request in connection with this property acquisition did not support the sales transaction described above. Specifically, the sales agreement related to this real estate sale indicated only the 1 acre parcel was the subject of the sale. In addition, the 0.7 acre parcel acquired by the city was deeded directly to the city from the owner of the swim club rather than being deeded from the owner to the developer and then to the city. In an effort to clarify the circumstances surrounding this transaction, affidavits were obtained from representatives of the swim club, the developer, and the city which stated that the $850,000 paid by the developer to the owner of the swim club was consideration for both the conveyance of the 1 acre parcel to the developer and the conveyance of the 0.7 acre parcel to the city.

In addition to addressing the legal questions regarding this property acquisition, there has been some disagreement in the amount which should be reimbursed to the developer. The developer included $800,000 (94% of the total purchase cost) in its reimbursement requests for the city's parcel of land. According to the district's legal counsel, the developer contended that the city's portion of the property was more valuable than the parcel used for the Kohl's development. However, the district's board of directors found that there was insufficient evidence to support the $800,000 reimbursement request and this reimbursement request was not approved.

To resolve this issue, in December 2006 the district hired an independent appraiser to give an "opinion of value" of the two parcels of land as of the date of acquisition. In March 2007, the appraiser determined the value of the parcel associated with the city parking lot at the date of acquisition to be $295,000. The TDD board subsequently certified project costs totaling approximately $1,925,000 for reimbursement to the developer (including the $295,000 discussed above), and it intends to move forward with the bond financing of those costs.

- The district did not solicit proposals for the company that served as the general contractor/project manager for the district's transportation projects. The general contractor/project manager was selected by the owner/developer prior to the establishment of the district.

  According to the owner/developer, the general contractor/project manager was selected after competitive bidding for all the work associated with the TIF redevelopment projects which included, in part, the transportation projects. However, the owner/developer has not provided the district's custodian of records with documentation of the bids obtained and the contractor selection process. The general contractor/project manager received approximately $88,000 in project management fees. In addition, during the course of the district's projects, the general contractor/project manager provided construction work related to utility relocations in the amount of approximately $27,400. The owner/developer has indicated that this work was competitively bid; however, the owner/developer has not provided the district's custodian of records with documentation of the bids obtained or the contractor selection process. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including architectural/engineering services and legal counsel. With the exception of the district's primary legal counsel, these professional services were solicited by the owner/developer prior to the establishment of the district. The district selected its primary legal counsel at the time of its establishment without soliciting requests for proposals.

Approximately $82,400 was incurred in architectural/engineering expenses during the course of the project. Approximately $86,900 was incurred in legal expenses, including condemnation petition proceedings, from 2002 through the end of 2005. The district's primary legal counsel billed the district at rates ranging from $100 to $125 per hour for paralegal services and from $175 to $210 per hour for attorney services.

- The district's annual budgets were not always approved in a timely manner. Prior to December 2006, the last board meeting held by the district was in 2004; therefore, the district's 2005 and 2006 budgets were not approved until the December 2006 board meeting. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Crestwood Point TDD's Response:

General contractor/project manager services. The district's custodian of records requested that the owner/developer provide a copy of the documentation regarding bids obtained and the contractor selection process related to the transportation projects financed by the District. However, these documents have not been provided to the District's custodian of records to date. The District's custodian of records will continue to request that this information be provided.

Professional services. There is no requirement under Missouri law that the district solicit proposals for professional services. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Budgets. The district acknowledges that it did not submit its 2005 and 2006 budgets in a timely manner. The District approved its 2007 budget in a timely manner and is committed to continuing with timely approval of budgets in the future.

- **M150 and 135th Street TDD**

The M150 and 135th Street TDD was organized in May 2003 by petition of the owners/developers of the property within the proposed district. The TDD's Board of Directors and officers include the owners/developers.

The qualified voter(s) of the district, in this case the property owners/developers, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective November 1, 2003. The sales tax is currently expected to remain in effect for 20 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to a bank, the district's collection agent.

The TDD is located in the city of Kansas City, in Jackson County, southeast of the intersection of Missouri Highway 150 and Kenneth Road. The State Line Shops development includes primarily retail businesses, but it also includes some banking, restaurant, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2005 and 2004.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately $12 million:

- Phase 1- Construct new four lane road from Kenneth Parkway to West Loop Drive, construct new three lane road from West Loop Drive to Madison Avenue, and construct Madison Avenue south of 136th Street extending to the drainage channel; construct thru/turn lanes at the intersections of 136th Street and the above roads, as well as 136th Street and M-150; install new traffic signal at the intersection of 136th Street and Kenneth Parkway; and modify the traffic signal at 136th Street and M-150.

- Phase 2 - Construct Inverness Road south of 135th street extending to the drainage channel, construct Entrance Drive A connecting 135th Street to Inverness Road, extend Inverness Road from the drainage channel to Entrance Drive B, construct Entrance Drive B, and connect Entrance Drive B to Wyandotte Street; construct thru/turn lanes at the intersections of 135th Street and Entrance Drive A, 135th Street and Inverness Road, and Inverness Road and Entrance Drive B; and install a new traffic signal at the intersection of 135th Street and Inverness Road.

- Phase 3 - Extend Madison Avenue from the drainage channel to 138th Terrace, construct a new road from Madison Avenue to M-150, and construct a new southbound lane from State Line Road to 136th Street; construct thru/turn lanes at the intersections of Wyandotte Street and Madison Avenue, Wyandotte Street and M-150, Madison Avenue and 138th Terrace, and 138th Terrace and M-150; construct a second turn lane and acceleration/deceleration lanes at the intersection of 136th Street and M-150; install a new traffic signal at the intersection of 138th Street and M-150; and modify the traffic signal at the intersection of Wyandotte Street and M-150.

- Phase 4 - On June 30, 2005 the property owners of the district voted to expand the district's boundaries to include 14.76 acres of land located to the south and east of the district's original boundaries, also known as Phase 4. The transportation projects related to this phase were included in the Phase 2 improvements.

The Phase 1 and Phase 2 projects were completed in 2004 and 2005, respectively. Phase 3 of the project is currently under development and Phase 4 of the project was completed in January 2006.

The city of Kansas City and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the projects upon completion.

The district issued $9.6 million in revenue bonds in 2004 to finance a portion of the cost of the projects. The district also issued a 2004 promissory note payable to the Phase 1 developer for reimbursement of approximately $899,000 in eligible public transportation improvements paid by the developer on behalf of the district. Any remaining costs of the projects will be advanced by the developers, with the district issuing them promissory notes for their reimbursement. These notes will be subordinate to the revenue bond issue. MoDOT and the city of Kansas City were responsible for overseeing the projects' construction while the district's board reviewed and approved contractor invoices prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- In May 2003, the district hired a company as project manager for Phase 1 of the district's transportation projects. Two owners/officials of the company hired as project manager also serve on the TDD board. Their company submitted the only proposal or bid for this service at a cost of approximately $198,000. The contract's term was from May through September 2003; however, the contract was not approved by the board until August 2003. The board's minutes indicate that one of the two applicable board members voted to approve the contract of which his company was a party, but only after disclosing his affiliation with the company and indicating he had no involvement in preparing the proposal. It appears the other applicable board member did not attend that meeting.

  The board also has plans to approve an agreement to reimburse the Phase 2 developer approximately $2.6 million in costs paid to construct a portion of the district's transportation improvements. The same company that served as the Phase I project manager was also the project manager for Phase 2 of the transportation projects. These costs were advanced by the developer, but have not been certified and approved by the district for reimbursement.

  The project manager for the Phase I and Phase 2 projects was also a subcontractor on the district's transportation projects and received payments totaling $1.3 million for construction work and construction management services performed through December 31, 2005.

- The district did not solicit requests for proposals for various professional services, including legal counsel, auditing, and accounting services. The legal counsel was selected by the developers prior to the establishment of the district. Approximately $174,000 was incurred in legal expenses from the district's

establishment in 2003 through the end of 2005, with the district being billed at rates ranging from $90 to $225 per hour for paralegal and attorney services. In addition, the district expended approximately $19,000 for auditing and accounting services in 2004 and 2005. Legal counsel indicated district officials viewed the auditing and accounting services as a sole source procurement.

- The district did not submit its 2004 annual financial report to the State Auditor's Office in a timely manner. The district submitted its 2004 financial report on June 30, 2006.

  Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end. The district's 2005 financial report was submitted timely.

M150 and 135th Street TDD's Response:

Board approval of project manager contract. Of the two members of the Board of Directors affiliated with the company approved by the District Board of Directors as project manager, one did not attend the August 23, 2003 meeting at which the contract was approved. The second affiliated Board member, being required for a quorum, did vote after full disclosure of his affiliation and a statement that he had not participated in preparation or submission of the bid. The disclosure and statement of the affiliated Board member are included in the minutes of the meeting. Most importantly, the District received only one proposal in response to its request for proposals for the project manager contract, which request for proposals was published in full compliance with all statutory requirements. All contracts awarded to the project manager for Phase I and Phase II, including construction subcontracts, were awarded pursuant to public request for proposals and full consideration by the Board of Directors of competing bid proposals when received.

Professional services. Section 238.252.2 of the Missouri Transportation Development District Act requires only that construction contracts in excess of $5,000 be bid. As much of the engineering and legal work with respect to transportation development districts must be done before a petition for formation of a district may be filed, it would be highly inefficient to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Financial reports. Following preparation and submission of the District's audited 2004 annual financial report, the District implemented procedures to assure timely completion of all future reports. As noted, the District's 2005 annual financial report was timely

submitted, and the District anticipates its 2006 annual financial report will be submitted timely as well.

- **Parkville Commons TDD**

The Parkville Commons TDD was organized in June 2003 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of the developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 2004. The sales tax is currently expected to remain in effect for 22 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district.

The TDD is located in the city of Parkville, in Platte County, at the intersection of Missouri Highway 45 and Missouri Highway 9. The Parkville Commons Shopping Center development includes retail, grocery, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately $8 million:

- Construction of a public road or thoroughfare across the district, running generally north and south to/from Missouri Highway 45, then intersecting 63rd Street, then running generally east and west to/from Missouri Highway 9.

- Construction of parking stalls along the road noted above.

- Construction of traffic circles.

- Construction and/or improving access points for the district to and from Bell Road, Missouri Highway 45, and Missouri Highway 9.

- Construction and/or improving storm sewers, sidewalks, and green spaces associated with the roads noted above.

The city of Parkville and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

The district is located within a TIF area, thus, the city of Parkville could claim 50 percent of the sales tax collected for purposes of the TIF. However, the city has agreed to allow the TIF portion of the TDD sales tax to be remitted to Platte County and applied to the

district's portion of debt service costs incurred related to the development and transportation projects.
In December 2004, Platte County, on behalf of the Parkville Commons Neighborhood Improvement District (NID), issued $8.35 million and $5.795 million in Series A and Series B NID bonds, respectively, to refinance temporary notes previously issued by the county to finance the district's projects as well as the redevelopment projects. The NID levies an assessment on all real property within the district. The district's sales tax collections are used to pay its portion of these assessments. These assessments are paid to Platte County which uses them to pay a portion of the principal and interest on the NID bonds (the TIF redevelopment area also pays an assessment on its real property).

MoDOT and the city of Parkville's Public Works Department were responsible for overseeing the projects' construction while the city of Parkville and Platte County provided financial oversight by reviewing and approving contractor invoices prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's records, the city of Parkville (the city) requested proposals from potential developers for a redevelopment project in October 2001. The redevelopment project would include transportation improvements also authorized with the establishment of the TDD. One developer submitted a proposal for the redevelopment project. No other responses were received. In December 2001, the city selected this developer to implement the redevelopment plan and later entered into an agreement with the developer related to this redevelopment plan (capping reimbursable redevelopment project costs). In addition, the developer entered into a subcontract with a contractor to construct the improvements outlined in the agreement. These improvements included both the redevelopment projects and the transportation projects. The developer did not advertise or otherwise solicit competitive bids for the primary subcontractor related to these improvements.

  According to district officials, the developer selected the primary subcontractor based on several factors, including that company's experience with other projects of similar size. Ultimately, construction costs related to the combined projects totaled approximately $13.4 million, with debt issuance costs increasing the total project costs to approximately $14.3 million. A substantial portion of the construction costs were paid to the primary subcontractor. In November 2004, the Platte County Commission issued an order determining that 50.4 percent, or approximately $7.2 million, of the project costs was determined to be attributable to the TDD's transportation projects. As a result, this percentage was used to determine the transportation portion of the NID bond debt, and the TDD's sales tax collections have been used to pay the NID assessments used to retire that debt.

  Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded

to the lowest and best bidder. While the developer contracted with the primary subcontractor to perform the construction work related to these projects, the procurement of the subcontractor through a competitive bid process would have been advisable considering TDD revenues will ultimately pay the transportation-related project costs (indirectly through the payment of NID assessments).

- Approximately $250,000 of the transportation projects costs discussed previously were incurred for services provided by the project engineer during the course of the transportation projects. Engineering services used in the redevelopment projects (which included the transportation projects) were selected by the developer prior to the establishment of the district. Neither the TDD nor the developer provided documentation to indicate that proposals were solicited for these professional services. In addition, according to the district's legal counsel, the district did not execute any contracts for professional services.

- The district's annual budgets did not include some necessary information such as; a budget message and summary, the beginning available resources and estimated ending fund balance(s), and comparisons of actual revenues and expenditures for the two preceding fiscal years, if applicable.

  In addition, the district's 2005 and 2006 budgets were deficit budgeted as estimated expenditures exceeded projected revenues. Even if the district had included their beginning available resources (cash) in the budget documents, they still would have projected ending deficit cash balances by a significant amount. The deficits were the result of the district's annual NID assessments presented on the budgets exceeding projected sales tax revenues. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

The Parkville Commons TDD acknowledged receipt of this information, but did not provide a formal response.

- **Lee's Summit Missouri New Longview TDD**

The Lee's Summit Missouri New Longview TDD was organized in July 2003 by petition of the owner/developer of the property within the proposed district. Members of the TDD's Board of Directors and officers include associates and employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 1, 2006. The sales tax is currently expected to remain in effect for 20 years unless terminated sooner. The retail establishment(s) will collect the sales tax and forward the collections to the district's collection agent, the city of Lee's Summit.
The TDD is located in the city of Lee's Summit, in Jackson County, just east of Longview Community College. The New Longview development will include retail and

office space as well as residences and apartments and is expected to be completed in 8-10 years. The TDD has a fiscal year end of December 31. Financial audits of the district have been conducted by an independent auditor for fiscal years 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately $10.7 million:

- Construction of Longview Boulevard (a project of interest to the city, financed through annual payments appropriated from city funds).

- Construction of two east-west arterial roads, from the Longview College entrances on Longview Road, easterly to the two roundabout intersections with Longview Boulevard.

- Improvements to Longview Road from the intersection of View High Road and 3rd Street to the southernmost roundabout on Longview Road.

The city of Lee's Summit is the public entity with jurisdiction over these projects and will accept dedication of the projects upon payment of the project costs and any related debt financing.

The district is located within a TIF area, thus, the city of Lee's Summit could claim 50 percent of the sales tax collected for purposes of the TIF. However, per a formal agreement, the city has agreed that the TIF portion of the TDD sales tax will be remitted to the trustee and applied to the district's debt service costs. In addition, the city appropriated monies from its excise tax and capital improvement sales tax funds in fiscal years 2003, 2004 and 2005 which were applied to the district's debt service costs. Further, the city expects to make additional appropriations on an annual basis through 2007.

The TDD issued $5.44 million in revenue bonds in 2003 to partially finance the construction of the district projects. This financing was available as a result of annual appropriations of an equal amount approved by the city of Lee's Summit for the construction of Longview Boulevard. Project costs are paid by the developer and then a reimbursement is requested from the bond funds held by the TDD. The developer has signed a reimbursement agreement with the district for repayment of the remaining project costs advanced over and above the original bond issue.

The city of Lee's Summit has been responsible for overseeing the projects' construction and reviewing and approving invoices, while the district's funds have been administered by a bank trustee.

During our audit work related to this TDD, we noted the following additional matters:

- The owner/developer has served as the project manager for the district's transportation projects. No proposals were solicited for these services and a written contract specifically addressing the services to be provided and the fees to be charged was not entered into between the district and the owner/developer. Approximately $73,000 was billed to the district by the owner/developer through the end of 2005 for these services.

- The district did not solicit requests for proposals for the professional services provided by its legal counsel. The legal counsel was selected by the owner/developer prior to the establishment of the district. Approximately $61,200 has been spent on legal services provided by the district's primary legal counsel, from the district's establishment in 2003 through 2005. The district was billed at rates ranging from $285 to $350 per hour for these attorney services. Most of these attorney services billed the district were charged at the $285 per hour rate.

- The district's 2005 budget estimated an ending deficit cash balance of about $4.4 million. The beginning cash available plus estimated revenues equaled approximately $4.2 million, while estimated expenditures were projected at about $8.6 million. The deficit was the result of the district budgeting transportation project costs to be incurred by the developer (the developer advanced funds on behalf of the district to pay these costs). However, these costs were not to be cash disbursements of the district in 2005. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

The Lee's Summit Missouri New Longview TDD acknowledged receipt of this information, but did not provide a formal response.

- **Prewitt Point TDD**

The Prewitt Point TDD was organized in August 2003 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include the owner/developer and various employees/relatives.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 1, 2004. The sales tax is currently expected to remain in effect for 25 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district.

The TDD is located in the city of Osage Beach, in Miller County, at the intersection of U.S. Highway 54 and State Route 42. The Prewitt Point development includes retail, grocery, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district

conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring, designing, engineering, constructing and/or financing five roads or streets within the district; together with associated curb, gutter, storm sewer, signage and signalization. The cost of these projects totaled approximately $4.75 million. The projects were completed and the Prewitt Point development was opened at the end of 2003.

The city of Osage Beach is the public entity with jurisdiction over these projects, but will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

Because the district is located within a TIF area, 50% of the sales taxes collected have been paid to the city of Osage Beach for deposit to the accounts relating to the TIF projects. However, in August 2006, the TIF agreement was amended allowing the district to retain the TIF portion of future sales taxes to be used to reimburse project costs or retire any outstanding debt related to these costs.

The developer advanced the costs of the projects. The developer has not yet been reimbursed for all the costs incurred, but the district issued a $5.6 million promissory note in December 2004, pledging to reimburse the developer for the project costs incurred plus accrued interest totaling $769,700. Accrued interest was charged on project costs advanced by the developer at a rate of 6 percent. At December 31, 2005, approximately $5.87 million was owed to the owner/developer pursuant to this note related to unreimbursed project costs and accrued interest. Additional interest accrues until the note is paid in full.

The city of Osage Beach provided limited oversight of the projects' construction while the district's board reviewed and approved construction costs advanced by the developer. The district's board also reviews and approves operating expenses of the district.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's records, in July 2000 the developer had entered into a TIF development agreement with the city of Osage Beach related to this development. Subsequently, in December 2000, the developer entered into a contract with a construction manager whereby that contractor became responsible for managing the redevelopment project, including the subcontracting of work to various construction companies. It appears no proposals were solicited for these construction management services The subcontractors included the construction manager's own company, which constructed applicable sewer improvements. In addition, upon the establishment of the district, the project manager was asked to be a director on the district's board.

According to the district's legal counsel, when the TIF development agreement was signed, the developer did not know he would later establish a TDD. Therefore, the developer began work on the development under the terms of the TIF agreement. As a result, the TIF projects, including what would later become TDD projects, were negotiated and contracted as a larger combined project. The total combined project costs reimbursable from TIF revenues totaled about $23.2 million. Progress invoices submitted to the owner/developer included both TIF and TDD transportation project costs without separate invoices or records of the district's transportation project costs being prepared/maintained.

Prior to the approval of the promissory note issued by the district to the developer, the construction manager was asked to prepare and submit a breakdown of construction costs incurred by the developer related to the transportation projects. The project manager provided the district a spreadsheet indicating approximately $4.5 million of the total construction costs related to the district's transportation projects. The promissory note was subsequently approved by the district board in December 2004, and the applicable board member (the construction manager) who was a party to the construction contracts moved to adopt the applicable resolution approving the agreement. According to the district minutes, the motion unanimously carried and the resolution was adopted.

According to the construction manager, the district did not advertise or otherwise solicit competitive bids for the construction services, but rather negotiated with potential contractors for the combined TIF/TDD projects prior to the establishment of the district. All actions on behalf of the district were retroactively approved at the first board meeting in September 2003. Ultimately, pursuant to the promissory note, the district agreed to reimburse the owner/developer $409,900 for the sewer improvements performed by the construction manager; $3,225,400 for subcontracted earthwork; and $380,300 for subcontracted asphalt pavement, curb and guttering work. Section 238.252, RSMo, requires that all construction contracts in excess of $5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder. In addition, the construction manager also received compensation totaling about $214,600 for his project management services.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

  According to the construction manager, some of the preliminary engineering work had already been done prior to his hiring. Therefore, upon his hiring he negotiated rates for completion of the civil engineering services to ensure these engineering costs were reasonable. He also indicated bids were received from two firms for geotechnical engineering; however, documentation was not provided.

Approximately $119,400 and $158,000 was expended for geotechnical and civil engineering services, respectively, during the course of the project. The district expended about $16,700 on legal services from its establishment in 2003 through the end of 2005. The engagement letter accepted by the district for these services indicated rates would be charged at $225 per hour for attorney services (as of 2003). Most of the legal services billed the district were charged at rates between $90 to $140 per hour for paralegal and secretarial services and $225 to $250 per hour for attorney services.

- During negotiations related to the amended TIF Plan, the district stopped disbursing 50 percent of the sales tax collections to the city of Osage Beach as required by the original TIF Plan. According to city officials, the district owed the city an estimated $50,000 as a result of this oversight. The amount owed the city was subsequently paid in December 2006.

- The district's 2004 budget was not prepared in a timely manner as it was not approved by the district board until December 2004. In addition, the district's 2004 and 2005 budgets failed to include a budget message, while the 2005 budget did not include a comparison of actual revenues and expenditures for the preceding fiscal year. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

- Sales tax receipts were not deposited in a timely manner. Deposits were usually only made once or twice a month and averaged several thousand dollars.

- Accounting duties are not adequately segregated. The district's Secretary/Treasurer's duties include receiving and depositing the sales tax collections, preparing and signing checks for district expenditures, preparing bank reconciliations, and maintaining the accounting records. In addition, the district's board provides little oversight by approving invoices or other supporting documentation after the payments have been made. The district board approved 2004 and 2005 expenditures in December 2004 and February 2006, respectively.

The Prewitt Point TDD acknowledged receipt of this information, but did not provide a formal response.

APPENDIXES

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
210 Highway	09/23/97	Clay	Kansas City	Property Owners	1
Gravois Bluffs	12/07/99	St.Louis	Fenton	Property Owners & City of Fenton	2
Strother Interchange	01/21/00	Jackson	Lee's Summit	Property Owners	1
Fenton Crossing	02/08/00	St. Louis	Fenton	Property Owners	1
Kenilworth	08/15/00	St. Louis	Brentwood	Property Owners	1
Meramec Station Road and Highway 141	09/07/00	St. Louis	N/A	Property Owners	2
Douglas Square	09/21/00	Jackson	Lee's Summit	Property Owners	4
370/Missouri Bottom Road/Taussig Road	11/01/00	St. Louis	Bridgeton/Hazelwood	Property Owners	2
Boonville Riverfront	02/09/01	Cooper	Boonville	Property Owners & City of Boonville	1
Mark Twain Mall	02/20/01	St.Charles	St. Charles	Property Owners	1
I-470 and I-350	03/17/01	Jackson	Lee's Summit	Property Owners	1
St. John's Church Road	04/17/01	St. Louis	N/A	Property Owners	9
Ballwin Town Center	04/26/01	St. Louis	Ballwin	Property Owners	1
Brentwood Pointe	05/16/01	St. Louis	Brentwood	Property Owners	2
Platte County Missouri South I	06/19/01	Platte	Kansas City	Property Owners	3
Big Bend Crossing	06/25/01	St. Louis	Crestwood	Property Owners & City of Crestwood	1
Truman Road	06/25/01	Jackson	Independence	Property Owners	1
Country Club Plaza of Kansas City, Missouri	07/12/01	Jackson	Kansas City	Property Owners & TIF Commission of KC	3
Stardust-Munger-Diamond	10/16/01	Marion	Hannibal	Property Owners & City of Hannibal	1
Interstate Plaza/North Town Village	11/06/01	Pulaski	St. Robert	Property Owners & City of St. Robert	27
Wentzville	11/16/01	St. Charles	Wentzville	Property Owners	5
Shoppes at Old Webster	11/29/01	St. Louis	Webster Groves	Property Owners	3
Platte County Missouri South II	04/12/02	Platte	Kansas City	Property Owners	1
Thirty-Ninth Street	04/25/02	Jackson	Independence	City of Independence	**
St. John Crossings	06/25/02	St. Louis	St. John	Property Owners & City of St. John	1
Douglas Station	06/27/02	Jackson	Lee's Summit	Property Owners	1
CenterState	08/05/02	Boone	Columbia	Property Owners	1
Raintree North	08/19/02	Jackson	Lee's Summit	Property Owners	1
Shoppes at Cross Keys	09/18/02	St. Louis	Florissant	Property Owners	1
Station Plaza	12/04/02	St. Louis	Kirkwood	Property Owners & City of Kirkwood	1
Hanley/Eager Road	12/16/02	St. Louis	Brentwood	Property Owners	6
US Highway 65 and Truman Dam Access	03/12/03	Benton	Warsaw	Property Owners	1
Lake of the Woods	03/24/03	Boone	Columbia	Property Owners	2
I-70 and Adams Dairy Parkway	03/25/03	Jackson	Blue Springs	Property Owners	1
Ozark Centre	04/25/03	Christian	Ozark	Property Owners	1
Crestwood Point	05/15/03	St. Louis	Crestwood	Property Owners & City of Crestwood	2
M 150 and 135th Street	05/15/03	Jackson	Kansas City	Property Owners	1
Boscherts Landing	05/16/03	St. Charles	St.Peters	Property Owners	2
Salt Lick Road	05/16/03	St. Charles	St. Peters	Property Owners	1
Parkville Commons	06/09/03	Platte	Parkville	Property Owners	1
Pershall Road	07/30/03	St. Louis	Ferguson	Property Owners & City of Ferguson	1
Lee's Summit Missouri New Longview	07/31/03	Jackson	Lee's Summit	Property Owners	1
Prewitt Point	08/22/03	Miller	Osage Beach	Property Owners	2
Branson Regional Airport	09/04/03	Taney	Branson	Property Owners	1
WingHaven	09/11/03	St. Charles	O'Fallon	Property Owners	12
Merchant's Laclede	10/08/03	N/A	St. Louis	Property Owners	2
Belton Town Centre	11/17/03	Cass	Belton	Property Owners	10
71 Highway & 150 Highway	11/20/03	Jackson	Grandview	Property Owners	2
Brentwood/Strassner Road	02/24/04	St. Louis	Brentwood	City of Brentwood and St. Louis County	**
Hutchings Farm Plaza	03/04/04	St. Charles	O'Fallon	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
Mexico Road	04/08/04	St. Charles	O'Fallon	Property Owners	1
Southtown	04/12/04	N/A	St. Louis	Property Owners	1
Francis Place	04/13/04	St. Louis	Richmond Heights	Property Owners	1
Poplar Bluff Conference Center	05/04/04	Butler	Poplar Bluff	Property Owners	1
Eureka Commercial Park	05/10/04	St. Louis	Eureka	Property Owners	4
Hanley Road and North of Folk Avenue	05/19/04	St. Louis	Maplewood	Property Owners	1
Megan Shoppes	06/07/04	St.Charles	O'Fallon	Property Owners	2
Folk Avenue South	07/14/04	St. Louis	Maplewood	Property Owners	2
Hyannis Port Road	07/16/04	Jefferson	N/A	Property Owners & Jefferson County	3
St. Joseph Gateway	07/20/04	Buchanan	St. Joseph	Property Owners	1
Park Hills	07/28/04	St. Francois	Park Hills	Property Owners	2
Hawk Ridge	09/02/04	St. Charles	Lake St. Louis	Property Owners & City of Lake St. Louis	3
Olive Boulevard	09/09/04	St. Louis	Creve Coeur	Property Owners & City of Creve Coeur	2
Shoppes at Stadium	09/27/04	Boone	Columbia	Property Owners	1
Stadium Corridor	10/04/04	Boone	Columbia	Property Owners	4
Troy/Lincoln County	10/05/04	Lincoln	Troy	City of Troy & Lincoln County	**
Chesterfield Commons	10/12/04	St. Louis	Chesterfield	Property Owners	1
Eureka Old Town	10/12/04	St. Louis	Eureka	Property Owners & City of Eureka	4
North Main/Malone	11/19/04	Scott	Sikeston	Property Owners	1

New TDDs Established in 2005:

Grindstone Plaza	01/31/05	Boone	Columbia	Property Owners	3
Residence Inn Downtown St. Louis	02/14/05	N/A	St. Louis	Property Owners	1
Mid Rivers/N	02/17/05	St. Charles	St. Peters	Property Owners	1
Bowman	02/17/05	Pulaski	Waynesville	Property Owners	1
Farris Family	02/17/05	Pulaski	St. Robert	Property Owners	4
Wentzville Parkway I	03/03/05	St. Charles	Wentzville	Property Owners	1
St. Charles Riverfront	03/04/05	St. Charles	St. Charles	Property Owners	1
Wentzville II	03/07/05	St. Charles	Wentzville	Property Owners	1
Branson Landing	03/17/05	Taney	Branson	City of Branson	1
Highlands	04/20/05	N/A	St. Louis	Property Owners	2
Kingsmill	05/05/05	St. Charles	O'Fallon	Property Owners	2
Broadway-Fairview	05/10/05	Boone	Columbia	Property Owners	1
US 36/I-72	06/03/05	Marion	Macon/Hannibal	Transportation Corporation, 5 Counties & 6 Cities	**
Osage Station	07/19/05	Camden	Osage Beach	Property Owners	1
Northwoods	07/22/05	Boone	Columbia	Property Owners	1
Glenwood-Watson	07/26/05	St. Louis	Crestwood	Property Owners	2
Commons of Hazel Hills	08/11/05	Cole	Jefferson City	Property Owners	1
Dardenne Town Square	08/18/05	St. Charles	Dardenne Prairie/Lake Saint Louis	Property Owners	10
Hanley Station	09/29/05	St. Louis	Brentwood	Property Owners	1
Raintree Lake Village	10/19/05	Jackson	Lee's Summit	Property Owners	1
1717 Market Place	11/25/05	Jasper	Joplin	Property Owners	2
Cripple Creek	11/28/05	Butler	Poplar Bluff	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
Chesterfield Valley	11/28/05	St. Louis	Chesterfield	City of Chesterfield	**
Hawthorne	11/30/05	Johnson	Warrensburg	Property Owners	7
Tuileries Plaza	12/09/05	Platte	Kansas City	Property Owners	1
Conley Road	12/09/05	Boone	Columbia	Property Owners	3
Harrisonville Towne Center	12/12/05	Cass	Harrisonville	Property Owners	1
Elm Grove	12/20/05	St. Louis	Hazelwood	Property Owners	2
Tuscany Village	12/21/05	Buchanan	St. Joseph	Property Owners	1

** The district has registered voters who approved the district's establishment.

Source: MoDOT TDD data base and the Judgement and Order issued by the Circuit Courts.

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name		Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**		TDD Within a TIF district?
210 Highway		$ 8,587,389	11 Years	$ 5,972,759	1	No
Gravois Bluffs	*	12,764,073	11.5 Years	30,211,614		Yes
Strother Interchange		25,846,800	20 Years	4,231,781	1	Yes
Fenton Crossing	*	4,574,762	20 Years	8,000,000		Yes
Kenilworth	*	1,500,000	14.5 Years	3,859,150		Yes
Meramec Station Road and Highway 141		6,720,000	40 Years	15,700,000		Yes
Douglas Square		450,000	20 Years	4,320,746	2	No
370/Missouri Bottom Road/Taussig Road		34,010,000	17 Years	54,596,724		Yes
Boonville Riverfront		3,908,420	40 Years	4,000,000		No
Mark Twain Mall		1,500,000	30 Years	5,000,000		Yes
I-470 and I-350		17,080,627	40 Years	134,326,373	3	Yes
St. John's Church Road		12,000,000	40 Years	27,000,000		No
Ballwin Town Center	*	1,300,000	21 Years	5,751,400		Yes
Brentwood Pointe		5,101,697	20 Years	13,503,100		Yes
Platte County Missouri South I	*	24,000,000	30 Years	52,000,000		No
Big Bend Crossing		1,487,415	20 Years	2,500,000		No
Truman Road		232,700	21 Years	483,363		Yes
Country Club Plaza		11,149,363	20 Years	30,163,825		Yes
Stardust-Munger-Diamond		4,704,000	19 Years	11,678,000		Yes
Interstate Plaza/North Town Village	*	3,980,000	20 Years	6,500,000		Yes
Wentzville	*	3,150,000	15 Years	5,921,700		No
Shoppes at Old Webster		520,000	20 Years	865,000		No
Platte County Missouri South II		-	-	-	4	No
Thirty-Ninth Street		15,075,640	23 Years	23,614,406		Yes
St. John Crossings		901,630	22 Years	2,354,600		Yes
Douglas Station		1,742,852	20 Years	3,461,671		No
Center State		7,542,000	21 Years	8,000,000		No
Raintree North	*	1,700,000	14 Years	1,700,000		No
Shoppes at Cross Keys		4,900,000	23 Years	12,000,000		Yes
Station Plaza	*	1,550,000	25 Years	3,461,395		No
Hanley/Eager Road		12,000,000	30 Years	22,924,051		Yes
US Highway 65 and Truman Dam Access		2,000,000	25 Years	4,250,000		No
Lake of the Woods	*	2,700,000	30 Years	Unknown	5	No
I-70 and Adams Dairy Parkway	*	1,950,000	10 Years	1,883,723		No
Ozark Centre		3,408,293	20 Years	6,000,000		No
Crestwood Point		2,986,000	40 Years	4,827,000		Yes
M 150 and 135th Street		12,000,000	20 Years	18,817,000		No
Boscherts Landing		553,342	40 Years	Unknown	5	No
Salt Lick Road		1,406,281	30 Years	Unknown	5	No
Parkville Commons		8,000,000	22 Years	12,000,000		Yes
Pershall Road		620,000	25 Years	993,000		No
Lee's Summit Missouri New Longview		5,900,000	20 Years	10,500,000		Yes
Prewitt Point		4,750,000	25 Years	16,152,000		Yes
Branson Regional Airport	*	150,000,000	30 Years	Unknown	5	No
WingHaven		3,048,098	20 Years	8,178,263	6	No
Merchant's Laclede		6,510,000	30 Years	10,080,000		No
Belton Town Centre	*	19,000,000	23 Years	5,480,360	1	Yes
71 Highway & 150 Highway		450,000	23 Years	763,850		Yes
Brentwood/Strassner Road	*	8,365,000	11 Years	8,550,000		Yes
Hutchings Farm Plaza	*	600,000	8 Years	816,000		No

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name		Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**		TDD Within a TIF district?
Mexico Road	*	2,600,000	40 Years	3,000,000		No
Southtown	*	1,231,292	23 Years	4,204,762		Yes
Francis Place		4,400,000	23 Years	10,000,000		Yes
Poplar Bluff Conference Center		2,400,000	40 Years	Unknown	5	No
Eureka Commercial Park		1,430,000	40 Years	Unknown	5	No
Hanley Road and North of Folk Avenue		16,300,000	25 Years	30,900,000		No
Megan Shoppes	*	1,145,834	40 Years	5,520,000		No
Folk Avenue South		6,958,609	26 Years	19,500,000		Yes
Hyannis Port Road	*	564,512	5 Years	650,000	7	No
St. Joseph Gateway	*	Unknown	23 Years	1,821,212	8	Yes
Park Hills	*	750,000	20 years	200,000	1	Yes
Hawk Ridge		19,400,000	25 Years	38,700,000		No
Olive Boulevard	*	4,500,000	20 Years	8,881,735		Yes
Shoppes at Stadium		2,500,000	15 Years	4,000,000		No
Stadium Corridor		13,819,603	25 Years	16,120,457		No
Troy/Lincoln County	*	900,000	5 Years	900,000	9	No
Chesterfield Commons		12,000,000	30 Years	Unknown	5	Yes
Eureka Old Town		1,367,500	30 Years	1,260,000	10	No
North Main/Malone	*	8,600,000	23 Years	1,398,084	1	Yes
New TDDs Established in 2005						
Grindstone Plaza		9,400,000	30 Years	24,000,000		No
Residence Inn Downtown St. Louis		500,000	20 Years	1,500,000		No
Mid Rivers/N		2,206,225	20 Years	8,400,000		No
Bowman	*	125,000	20 Years	500,000		No
Farris Family		250,000	Unknown	Unknown	5	No
Wentzville Parkway I		3,830,625	30 Years	Unknown	5	No
St. Charles Riverfront		10,000,000	20 Years	8,500,000	1	No
Wentzville II		2,800,000	25 Years	7,500,000		No
Branson Landing		53,759,228	23 Years	47,106,055	1	Yes
Highlands		700,000	23 Years	733,119		Yes
Kingsmill		1,525,000	40 Years	1,525,000		No
Broadway-Fairview		5,000,000	30 Years	17,000,000		No
US 36/I-72		136,000,000	15 Years	43,000,000	1	Yes
Osage Station		1,700,000	17 Years	1,700,000		No
Northwoods		1,120,000	30 Years	6,000,000		No
Glenwood-Watson		2,350,000	23 Years	1,952,005	1	Yes
Commons of Hazel Hills	*	12,000,000	15 Years	23,000,000		No
Dardenne Town Square		15,000,000	19 Years	10,750,000	1	No
Hanley Station	*	2,000,000	19 Years	6,670,000		Yes
Raintree Lake Village		1,530,000	24 Years	4,767,995		No
1717 Market Place	*	1,428,680	23 Years	2,070,000		Yes
Cripple Creek		2,087,628	Unknown	Unknown	5	No

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name		Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**		TDD Within a TIF district?
Chesterfield Valley		37,300,000	25 Years	25,175,000	1	Yes
Hawthorne		17,524,000	20 Years	8,807,602	1	No
Tuileries Plaza		3,600,000	16 Years	8,700,000		No
Conley Road		20,000,000	35 Years	57,000,000		No
Harrisonville Towne Center		1,124,000	23 Years	Unknown	5	Yes
Elm Grove	*	750,000	40 Years	2,000,000		No
Tuscany Village		13,000,000	23 Years	7,200,000	1	Yes
Total		$ 923,704,118		$ 1,086,005,880		

* The amount of project costs and anticipated revenues presented were amended by a district official or representative from the amounts initially reported on the TDD survey questionnaire.

**Interest costs on TDD debt and administrative costs of the districts would appear to account for the difference between total estimated project costs and total anticipated revenues for many of the TDDs. In addition, sales tax will be collected until the project's financing has been paid. If revenues exceed expectations this will decrease the TDD's estimated life.

TIF - Tax Increment Financing - 50% of the sales tax collected is used for TIF projects unless an agreement specifies otherwise.

1. TDD sales tax revenues are used to supplement the project cost with the remaining project cost being funded from other revenue sources.
2. The additional revenue will be used to supplement the project cost related to an adjacent district.
3. The district's project(s) has several construction phases with estimated project costs provided only for Phase 1.
4. Project cost/life of district/anticipated revenue included in information presented for Platte County Missouri South I.
5. Anticipated revenues were not determined and sales tax will be collected until the project financing has been paid.
6. The estimated project costs reported by the district do not include an estimated annual expense of approximately $200,000 for a trolley service system.
7. The district sales tax was repealed in November 2005, and the district was subsequently abolished in February 2007.
8. Projects will be determined as revenue is received.
9. The district sales tax was repealed August 2005; however, the district will remain in existence until the projects are completed (estimated at 3 additional years).
10. The district's project(s) was split into four phases and revenue was only estimated on two of the phases.

Source: TDD survey questionnaires and communication with district officials/representatives.

APPENDIX C

TRANSPORTATION DEVELOPMENT DISTRICTS
LOCATION OF TDDs BY COUNTY
(As of DECEMBER 31, 2005)

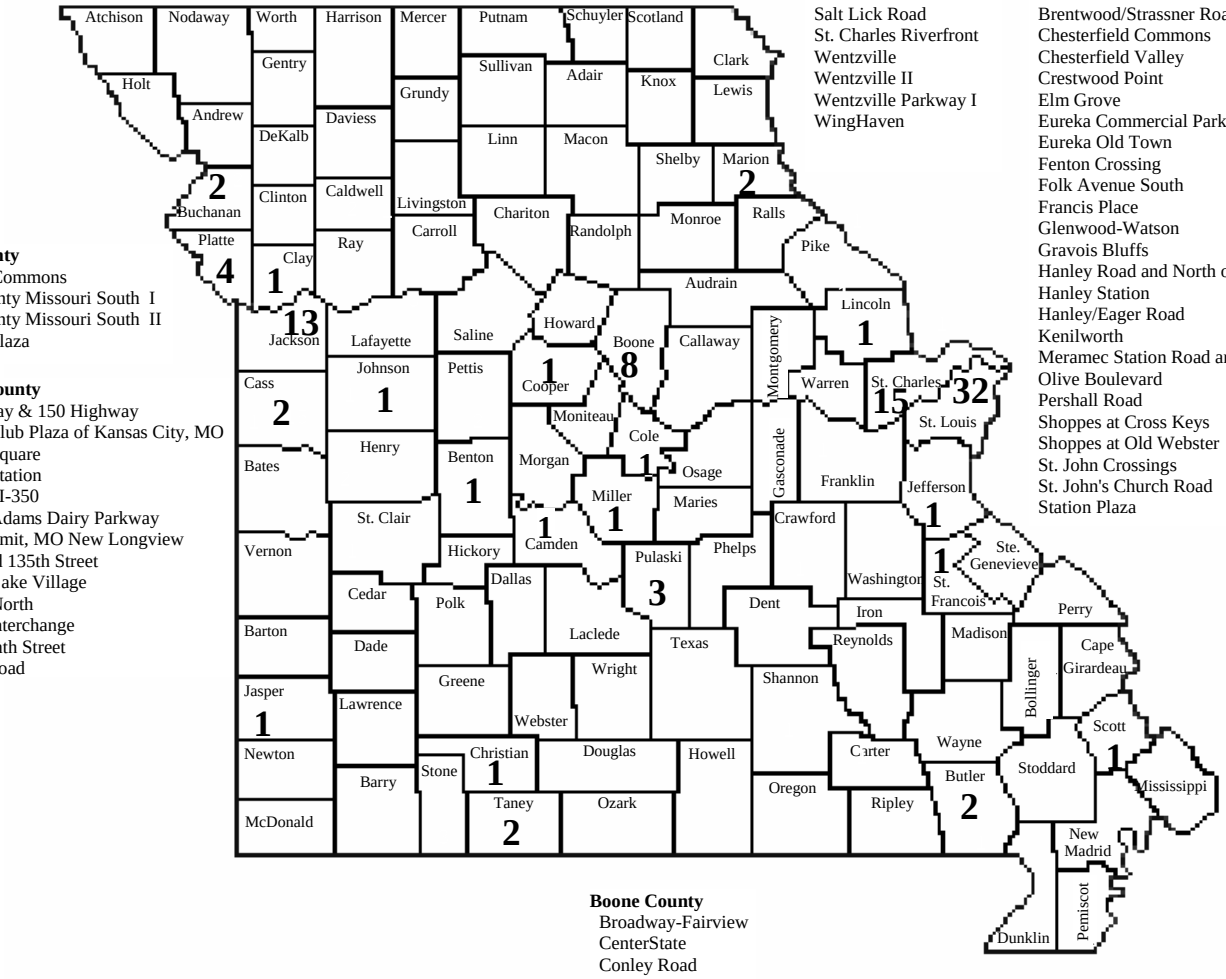
St. Charles County
Boscherts Landing
Dardenne Town Square
Hawk Ridge
Hutchings Farm Plaza
Kingsmill
Mark Twain Mall
Megan Shoppes
Mexico Road
Mid Rivers/N
Salt Lick Road
St. Charles Riverfront
Wentzville
Wentzville II
Wentzville Parkway I
WingHaven

City of St. Louis
Highlands
Merchant's Laclede
Residence Inn Downtown St. Louis
Southtown

St. Louis County
370/Missouri Bottom Road/Taussig Road
Ballwin Town Center
Big Bend Crossing
Brentwood Pointe
Brentwood/Strassner Road
Chesterfield Commons
Chesterfield Valley
Crestwood Point
Elm Grove
Eureka Commercial Park
Eureka Old Town
Fenton Crossing
Folk Avenue South
Francis Place
Glenwood-Watson
Gravois Bluffs
Hanley Road and North of Folk Avenue
Hanley Station
Hanley/Eager Road
Kenilworth
Meramec Station Road and Highway 141
Olive Boulevard
Pershall Road
Shoppes at Cross Keys
Shoppes at Old Webster
St. John Crossings
St. John's Church Road
Station Plaza

Platte County
Parkville Commons
Platte County Missouri South I
Platte County Missouri South II
Tuileries Plaza

Jackson County
71 Highway & 150 Highway
Country Club Plaza of Kansas City, MO
Douglas Square
Douglas Station
I-470 and I-350
I-70 and Adams Dairy Parkway
Lee's Summit, MO New Longview
M 150 and 135th Street
Raintree Lake Village
Raintree North
Strother Interchange
Thirty-Ninth Street
Truman Road



Boone County
Broadway-Fairview
CenterState
Conley Road
Grindstone Plaza
Lake of the Woods
Northwoods
Shoppes at Stadium
Stadium Corridor

Note - Of the 32 TDDs located in the area identified as St. Louis, 28 of the districts are located in St. Louis County and 4 are located in the city of St. Louis.

Source: MoDOT TDD database

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Meramec Station Road and Highway 141 *	370/Missouri Bottom Road/ Taussig Road	St. John's Church Road	Thirty-Ninth Street * **	Douglas Station
Beginning balance, Fiscal Year 2003	$ 0	35,818,315	68,117	0	0
Receipts:					
Sales taxes	3,202	0	326,691	571,663	4,481
Special assessments	0	0	0	0	0
Interest	0	599,144	640	0	0
Revenue bond/note proceeds	0	0	2,002,000	942,041	1,066,491
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	18,893
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	3,202	599,144	2,329,331	1,513,704	1,089,865
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	0	5,150	314,854	0
Debt service	0	2,773,624	288,007	12,454	80,703
Insurance	0	0	0	8,138	0
Accounting and auditing	0	0	0	1,000	0
Administrative	0	59,441	0	0	38,287
City transportation project costs	0	0	0	0	0
Transportation project costs	0	20,216,461	2,002,000	1,027,328	966,725
Collection fees	0	0	0	34,884	0
Tax increment financing	0	0	0	51,930	0
Other	17	0	290	2,514	0
Total Disbursements	17	23,049,526	2,295,447	1,453,102	1,085,715
Ending Balance, Fiscal Year 2003	3,185	13,367,933	102,001	60,602	4,150
Receipts:					
Sales taxes	44,367	1,172,719	361,783	824,913	43,913
Special assessments	19,833	0	0	0	0
Interest	0	291,027	1,140	54,999	3,619
Revenue bond/note proceeds	0	0	2,277,000	7,245,000	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	92,560
Donations	0	0	0	0	0
Other	0	0	50	0	26,685
Total Receipts	64,200	1,463,746	2,639,973	8,124,912	166,777
Disbursements:					
Bond issuance costs	0	0	0	295,154	0
Professional fees	0	0	3,400	167,789	0
Debt service	0	2,804,789	362,033	1,292,298	131,516
Insurance	0	0	0	6,142	0
Accounting and auditing	0	0	0	8,300	0
Administrative	0	19,034	0	0	15,964
City transportation project costs	0	0	0	0	0
Transportation project costs	0	2,904,815	2,277,000	1,122,489	0
Collection fees	0	0	0	14,960	0
Tax increment financing	0	572,504	0	100,771	0
Other	0	0	153	22,014	0
Total Disbursements	0	6,301,142	2,642,586	3,029,917	147,480
Ending Balance, Fiscal Year 2004	67,385	8,530,537	99,388	5,155,597	23,447
Receipts:					
Sales taxes	55,829	1,396,509	401,625	846,813	49,784
Special assessments	25,365	0	0	0	0
Interest	0	265,227	3,769	86,450	0
Revenue bond/note proceeds	11,795,813	791,507	0	0	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	91,981
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	11,877,007	2,453,243	405,394	933,263	141,765
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	39,208	0	2,051	34,514	0
Debt service	0	2,804,789	361,938	563,713	152,263
Insurance	0	0	0	6,491	0
Accounting and auditing	2,260	0	0	8,670	0
Administrative	0	142,836	0	13,200	9,458
City transportation project costs	0	0	0	0	0
Transportation project costs	11,795,813	661,371	0	250,005	0
Collection fees	0	0	0	20,646	0
Tax increment financing	1,529	573,905	0	113,897	0
Other	0	20,364	68	22,503	0
Total Disbursements	11,838,810	4,203,265	364,057	1,033,639	161,721
Ending Balance, Fiscal Year 2005	$ 105,582	6,780,515	140,725	5,055,221	3,491

* Non-cash items presented on the TDD's financial statements were not presented on this schedule.
** The TDDs fiscal year end is June 30.

Source: TDD Annual Financial Reports or Audit Reports.

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	CenterState	Raintree North	Shoppes at Cross Keys	Hanley/Eager Road	US Highway 65 & Truman Dam Access
Beginning balance, Fiscal Year 2003	$ 0	0	0	0	0
Receipts:					
Sales taxes	0	7,328	187,347	0	0
Special assessments	0	0	0	0	0
Interest	0	0	0	2,079	0
Revenue bond/note proceeds	0	0	0	11,978,595	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	44,024	200	0	0	0
Other	0	0	0	0	0
Total Receipts	44,024	7,528	187,347	11,980,674	0
Disbursements:					
Bond issuance costs	0	0	0	295,328	0
Professional fees	16,000	3,929	2,871	0	0
Debt service	0	0	163,980	68,335	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	26,361	0	0	0	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	10,877,674	0
Collection fees	0	0	1,664	0	0
Tax increment financing	0	0	0	0	0
Other	0	159	53	0	0
Total Disbursements	42,361	4,088	168,568	11,241,337	0
Ending Balance, Fiscal Year 2003	1,663	3,440	18,779	739,337	0
Receipts:					
Sales taxes	0	71,634	432,884	174,822	170,491
Special assessments	0	0	0	0	0
Interest	535	183	0	3,643	1,289
Revenue bond/note proceeds	10,230,018	0	0	0	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	10,230,553	71,817	432,884	178,465	171,780
Disbursements:					
Bond issuance costs	103,413	0	0	0	0
Professional fees	0	12,682	8,746	0	0
Debt service	1,120,000	0	385,716	276,412	0
Insurance	0	0	4,431	0	0
Accounting and auditing	0	5,657	0	0	0
Administrative	58	0	0	3,621	0
City transportation project costs	0	0	0	0	0
Transportation project costs	8,764,089	0	0	306,016	0
Collection fees	0	5,766	4,025	0	0
Tax increment financing	0	0	0	0	0
Other	0	3,001	28	0	0
Total Disbursements	9,987,560	27,106	402,946	586,049	0
Ending Balance, Fiscal Year 2004	244,656	48,151	48,717	331,753	171,780
Receipts:					
Sales taxes	58,149	84,489	707,535	179,078	163,296
Special assessments	0	0	0	0	0
Interest	5,726	0	0	9,075	5,020
Revenue bond/note proceeds	0	0	0	22,511	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	63,875	84,489	707,535	210,664	168,316
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	10,183	5,101	0	14,862
Debt service	98,614	0	686,786	276,412	297,469
Insurance	0	0	4,431	0	0
Accounting and auditing	0	0	0	3,670	4,238
Administrative	23,363	0	0	1,789	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	778	0
Collection fees	0	845	7,058	0	0
Tax increment financing	0	0	0	0	0
Other	0	1,994	42	0	0
Total Disbursements	121,977	13,022	703,418	282,649	316,569
Ending Balance, Fiscal Year 2005	$ 186,554	119,618	52,834	259,768	23,527

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Lake of the Woods	I-70 & Adams Dairy Parkway	Crestwood Point	M150 & 135th Street *	Parkville Commons
Beginning balance, Fiscal Year 2003	$ 0	0	0	0	0
Receipts:					
Sales taxes	0	0	18,010	18,451	0
Special assessments	0	0	0	0	0
Interest	0	0	0	0	0
Revenue bond/note proceeds	0	0	0	0	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	100	0	0	0	0
Other	0	0	0	0	0
Total Receipts	100	0	18,010	18,451	0
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	0	0	0	0
Debt service	0	0	0	0	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	0	0	0	0	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	0	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	0	0	0
Total Disbursements	0	0	0	0	0
Ending Balance, Fiscal Year 2003	100	0	18,010	18,451	0
Receipts:					
Sales taxes	7,897	206,502	162,382	153,114	138,245
Special assessments	0	0	0	0	0
Interest	0	1,135	0	15,970	340
Revenue bond/note proceeds	0	0	0	10,499,072	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	24	0	0	0	0
Total Receipts	7,921	207,637	162,382	10,668,156	138,585
Disbursements:					
Bond issuance costs	0	0	0	448,595	0
Professional fees	0	0	5,000	42,028	0
Debt service	0	0	0	219,474	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	0	0	0	5,108	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	8,184,837	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	65	35	65	0	32
Total Disbursements	65	35	5,065	8,900,042	32
Ending Balance, Fiscal Year 2004	7,956	207,602	175,327	1,786,565	138,553
Receipts:					
Sales taxes	10,950	133,454	156,367	229,804	284,986
Special assessments	0	0	0	0	0
Interest	0	1,312	0	21,879	1,667
Revenue bond/note proceeds	0	0	0	0	0
Payment from city	0	0	0	0	0
Payments to another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	10,950	134,766	156,367	251,683	286,653
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	49,885	0	22,432	0
Debt service	0	265,484	0	523,250	400,000
Insurance	0	0	0	0	0
Accounting and auditing	0	6,865	0	0	0
Administrative	0	0	0	13,901	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	829,817	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	7	0	60
Total Disbursements	0	322,234	7	1,389,400	400,060
Ending Balance, Fiscal Year 2005	$ 18,906	20,134	331,687	648,848	25,146

* Non-cash items presented on the TDD's financial statements were not presented on this schedule.

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Lee's Summit Missouri New Longview	Prewitt Point
Beginning balance, Fiscal Year 2003	$ 0	0
Receipts:		
Sales taxes	0	0
Special assessments	0	0
Interest	0	0
Revenue bond/note proceeds	5,435,000	0
Payment from city	251,000	0
Payments from another TDD	0	0
Donations	0	0
Other	0	0
Total Receipts	5,686,000	0
Disbursements:		
Bond issuance costs	183,583	0
Professional fees	0	0
Debt service	0	0
Insurance	0	0
Accounting and auditing	0	0
Administrative	30,485	0
City transportation project costs	2,085,936	0
Transportation project costs	45,000	0
Collection fees	0	0
Tax increment financing	0	0
Other	0	0
Total Disbursements	2,345,004	0
Ending Balance, Fiscal Year 2003	3,340,996	0
Receipts:		
Sales taxes	0	74,795
Special assessments	0	0
Interest	27,545	0
Revenue bond/note proceeds	0	0
Payment from city	983,000	0
Payments from another TDD	0	0
Donations	0	300
Other	0	0
Total Receipts	1,010,545	75,095
Disbursements:		
Bond issuance costs	0	0
Professional fees	0	8,329
Debt service	964,464	0
Insurance	0	0
Accounting and auditing	0	532
Administrative	23,926	0
City transportation project costs	1,474,634	0
Transportation project costs	110,753	0
Collection fees	0	0
Tax increment financing	0	29,834
Other	0	74
Total Disbursements	2,573,777	38,769
Ending Balance, Fiscal Year 2004	1,777,764	36,326
Receipts:		
Sales taxes	0	228,908
Special assessments	0	0
Interest	61,803	1,993
Revenue bond/note proceeds	0	0
Payment from city	2,346,000	0
Payments to another TDD	0	0
Donations	0	0
Other	0	0
Total Receipts	2,407,803	230,901
Disbursements:		
Bond issuance costs	0	0
Professional fees	0	8,454
Debt service	2,361,588	100,000
Insurance	0	0
Accounting and auditing	0	114
Administrative	27,831	0
City transportation project costs	931,384	0
Transportation project costs	757,963	0
Collection fees	0	0
Tax increment financing	0	100,497
Other	0	222
Total Disbursements	4,078,766	209,287
Ending Balance, Fiscal Year 2005	$ 106,801	57,940

APPENDIX E

TRANSPORTATION DEVELOPMENT DISTRICTS
SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY INDEPENDENT AUDITORS – SELECTED TDDs

Expenditures

- Invoices were not effectively canceled after payment was made (Thirty-Ninth Street TDD).

Accounting Records and Procedures

- Three districts did not have a written accounting policies and procedures manual (CenterState, Hanley/Eager Road, and M150 & 135th Street TDDs).

- District activities were not separately reported in individual fund types (Thirty-Ninth Street TDD).

- Differences between sales tax collection reports and monthly deposits were not reconciled (Thirty-Ninth Street TDD).

Budgetary Procedures

- For three districts, the budget format was presented in a different method from the district's established funds (370/Missouri Bottom Road/Taussig Road, Thirty-Ninth Street, and Hanley/Eager Road TDDs).

- An annual budget was not adopted (Thirty-Ninth Street TDD).

- Expenditures exceeded budgetary appropriations in various funds (Thirty-Ninth Street TDD).

Investments

- A written investment policy was not adopted (M150 & 135th Street TDD).

Pledged Securities

- Monies held by banks were not fully collateralized (Thirty-Ninth Street TDD).

Fraud Detection Program

- Three district's did not have a proper fraud detection program (370/Missouri Bottom Road/Taussig Road, CenterState, and Hanley/Eager Road TDDs).

GASB 34 Implementation

- It was recommended in two districts that they continue to plan for the adoption of Governmental Accounting Standards Board, Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments (Thirty-Ninth Street and Hanley/Eager Road TDDs).

Susan Montee, CPA
Missouri State Auditor

June 2007

City of Puxico, Missouri

Year Ended June 30, 2006

Report No. 2007-26

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

June 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Puxico, Missouri.

The City's General Fund had a cash balance of approximately $38,950 at June 30, 2006. However, the true picture shows the balance, including the Fire and Police Departments and the Nutrition Center Fund, to be ($166,326). As the balance of the General Fund was not sufficient to cover the negative balances of these funds, it appears the city is using monies from restricted funds for general operations.

There are various problems with the city's accounting controls and procedures. Monies collected are not deposited intact or reconciled to the composition of the various receipts issued, and the duties of cash custody and record keeping related to the water, sewer and trash services are not adequately segregated. The city did not obtain a current appraisal when some real property was purchased. In addition, the city used taxpayer monies for a Christmas party, employee Christmas presents and for flowers, figurines, and candy for city employees.

The city paid for fuel that the Marshal used in his personal vehicle, when transporting the K9 unit dog. The Marshal was not required to report mileage or actual vehicle expenses incurred for city business. In addition, vehicle usage and maintenance logs maintained by the Maintenance, Fire and Police Departments do not appear adequately detailed and are not reviewed by the Board for reasonableness or agreed to fuel purchases.

The city does not have a formal written bidding policy. The decision to solicit bids is made on an item-by-item basis. During the past years, bids were either not solicited or bid documentation was not retained for some items, including $79,649 for a fire truck. Some bills were not properly approved and numerous payments were processed without an original invoice or adequate supporting documentation resulting in some duplicate payments. Additionally, the city does not have written contracts for some services.

Also included in the report are recommendations related to meetings, minutes, and ordinances, budget planning and financial reporting, trash collection fees, capital assets, and fire department volunteer payments.

All reports are available on our website: www.auditor.mo.gov

CITY OF PUXICO, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Puxico, Missouri 63960

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Puxico, Missouri. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide

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reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by March 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Puxico, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven J. Re', CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Reporting

The City's General Fund does not truly reflect the financial condition of the city. At June 30, 2006, the city's General Fund had a cash balance of approximately $38,950. However, the Fire and Police Departments, which are normally funded with the general revenues of the city; are budgeted and presented separately and have been operating with a deficit balance. The city does not budget to transfer monies from the General Fund to these areas, and no transfers are made. In addition, the Nutrition Center Fund has also been operating with a deficit balance. To obtain a true picture of the financial condition of the city, these funds must also be considered. At June 30, 2006, the fund balances were as follows:

	Year Ended June 30,	
Fund	2006	2005
General Fund	$ 38,950	$ 38,288
Fire Fund	(39,683)	(6,655)
Police Fund	(93,759)	(93,830)
Nutrition Center Fund	(71,834)	(69,925)
Total	(166,326)	(132,122)

As noted in MAR 5A, the city deficit budgets for the Fire, Police, and Nutrition Center funds.

In addition, fund activities are not clearly related to bank activity. At June 30, 2006, the reconciled bank account balances did not agree to the cash balances reflected on the financial statements by fund. It appears monies for some items are paid from the general account but allocated to the various funds; however, these monies are not transferred among the bank accounts. City personnel indicated that their accounting firm will periodically instruct them to transfer amounts among the bank accounts to bring the books and accounts back into balance.

The balance of the General Fund was not sufficient to cover the negative balances of the Fire and Police funds. It appears the city is using monies from restricted funds, such as the Street, Water, and Industrial Development, for general operations of the city. No documentation could be provided indicating the city had any plans to bring these funds into balance or had noted the poor financial condition of the city.

Accounting for all general operations of the city in the General Fund would provide a more clear and concise summary of overall activities and the financial condition of the city. In addition, the Street Fund is restricted for the maintenance and repairs of the city's streets. Article IV, Section 30 of the Missouri Constitution, requires motor vehicle-

related receipts apportioned by the state of Missouri be expended for street related purposes only including constructing, repairing, policing, signing, lighting and cleaning of the roads and streets. Additionally, the utility funds are separate accounting entities designed to account for specific city activities. Utility revenues should be used to fund the operations of the respective utility services only. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs), repaying bonds, and repairing and replacing infrastructure. These utility services should not generate profits to fund other services provided by the city.

WE RECOMMEND the Board of Aldermen consider combining the Fire and Police funds with the city's General Fund to more closely reflect general operations of the city and to ensure restricted funds are not used for general operations of the city. In addition, the Board should closely monitor the financial condition of the General, Fire, Police, and Nutrition Center funds, and develop a long-term plan to operate within available resources.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

It is the Board's understanding that the City's accounting firm has begun implementing the separation of the restricted funds from the general funds with the recent change to a cash basis form of accounting. This has put the Fire and Police Funds with the City's General Fund.

2. Accounting Controls and Procedures

Monies collected are not deposited intact or reconciled to the composition of the various receipts issued, and the duties of cash custody and record keeping related to the water, sewer and trash services are not adequately segregated. The Collector/Court Clerk does not issue a receipt slip to the Marshal indicating the receipt of monies transmitted. The city did not obtain a current appraisal when some real property was purchased, and some disbursements do not appear to be necessary costs of operating the city. In addition, the city paid for fuel used in the Marshal's personal vehicle when transporting the K9 unit dog; however, they did not require him to account for the mileage driven for the city with this vehicle.

A. Monies collected are not deposited intact or reconciled to the composition of the various receipts issued. The Collector withholds various amounts of cash from deposits to use as a change fund and substitutes checks received the following day to replace the cash withheld. In addition, she cashes some personal checks from cash on hand and holds deposits received for use of the city's community center and cash bonds required by the court until the rental/court date.

The method of payment is not indicated on property tax receipts. The Collector indicates the method of payment on her receipts report for utility payments and on the actual receipt slips issued for other types of monies collected; however, no one reconciles the composition of the amounts deposited to the composition of the receipts report/receipt slips.

Due to the procedures noted above, checks and cash deposited do not match the cash receipt reports where the utility transactions are recorded.

To adequately safeguard receipts and reduce the risk of loss, or misuse of funds, deposits should be made intact and all disbursements should be made by check. To ensure all receipts are deposited intact, the method of payment should be recorded on the receipt slips, and the composition of receipt slips should be reconciled to the composition of deposits. In addition, personnel checks should not be cashed and the change fund should be maintained at a constant amount.

B. The duties of cash custody and record keeping related to water, sewer, and trash services are not adequately segregated. The City Collector performs all functions related to preparing the utility bills, receipting and recording utility payments and credit adjustments, depositing water and sewer receipts, monitoring accounts for delinquencies, and initiating shutoff orders. No independent review of the accounting records is performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the accounting records.

C. The Marshal collects fines and court costs when city hall is closed and issues a receipt slip to the payee. Monies are then transmitted to the Collector/Court Clerk for deposit. The Collector/Court Clerk also issues a receipt slip and mails a copy to each payee. No reconciliation is performed between receipts written by the Marshal and those written by the clerk.

To provide more assurance that all monies have been transmitted, a receipt slip should be issued to the Marshal for each transmittal of monies, with the total reconciled to receipts collected by the Marshal. Additionally, it would not seem necessary for another receipt to then be issued and sent to the payee by the clerk.

D. In October 2006, the city purchased a building and land for the new nutrition center for $172,500; however; the city did not obtain a current appraisal for the property. The appraisal obtained by the city from the previous owner indicated the property was valued for $314,000 on March 14, 2004. There was no

documentation on how the city determined this property best fit the city's need, particularly considering the city committee for this project had researched and recommended a different property.

Good business practices require that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid.

E. The Marshal used his personal vehicle when transporting the K9 unit dog. The city paid for fuel that the Marshal used in his personal vehicle. The Marshal was not required to report mileage or actual vehicle expenses incurred for city business; therefore, the city has no assurance that the Marshal's gasoline expenses were entirely incurred for city business.

The city should require the Marshal to report all city-related expenses incurred on his personal vehicle to ensure all gasoline charges are reasonable, or consider reimbursing the Marshal for actual mileage incurred and discontinue paying for gasoline. In addition, those gasoline payments appear to be taxable compensation to the Marshal but are not reported on his W-2 forms. IRS regulations require travel and expense reimbursements be reported on the recipients' W-2 forms unless the recipients are required to report the related expenses to their employer.

F. The city used taxpayer funds to purchase hams for Christmas presents for their employees and for a Christmas party, totaling approximately $1,400. In addition, the city paid for flowers, figurines, and candy for city employees or other individuals, for illness or death, using taxpayer funds. The city also paid for a conference fee for an official's spouse.

These disbursements do not appear to be necessary costs of operating the city and are a questionable use of public funds. The city's residents have placed a fiduciary trust in their public officials to expend tax revenues and fees in a necessary and prudent manner.

WE RECOMMEND the Board of Aldermen:

A. Ensure monies are deposited intact, and the composition of receipt slips is reconciled to the composition of deposits. In addition, the practice of cashing personal checks should be discontinued and the change fund should be maintained at a constant amount.

B. Segregate the duties of receiving and depositing monies from that of preparing bills, recording payments and following up on delinquent accounts. If this is not possible, at a minimum, procedures for adequate independent reviews should be established.

C. Require the Collector to issue prenumbered receipt slips for all monies transmitted from other officials, and to reconcile such amounts with receipts collected by the other officials.

D. Obtain current independent appraisals for the purchase and sale of city property.

E. Require the Marshal to report all city-related expenses incurred on his personal vehicle to ensure all gasoline charges are reasonable, or consider reimbursing the Marshal for actual mileage incurred and discontinue paying for gasoline.

F. Ensure the disbursements of city monies are a necessary and prudent use of public funds.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

A. When the treasurer and collector make deposits they will itemize checks and cash, and ensure monies are deposited intact. The City will arrange with the bank to deposit this money in the appropriate accounts. The City will not cash personal checks and the collector will maintain a change fund of $200 in order to make change.

B. Since it is not feasible to segregate the duties, the treasurer will review all of the collector's deposits, payment records, monthly water collection statements, and delinquent accounts to verify correctness.

C. The collector will issue pre-numbered receipt slips for all monies transmitted from other officials, and reconcile such amounts with receipts collected by the other officials.

D. The City will obtain current independent appraisals for the purchase and sale of city property.

E. If the Marshal or any other employee uses his personal vehicle, the City will only reimburse him or her for actual mileage incurred.

F. They will ensure that all disbursements of City monies will be necessary and a prudent use of public funds.

3.	Expenditures

Vehicle usage and maintenance logs are not adequately detailed, reviewed by the Board for reasonableness, or agreed to fuel purchases. The city does not have a formal bid policy or written contracts for some services. Some warrants were not properly approved, and numerous payments were processed without an original invoice or other adequate supporting documentation including the purpose of the disbursement. In

addition, invoices are not always marked paid or otherwise canceled upon payment and typically do not indicate the goods or services were received.

A. Vehicle usage and maintenance logs maintained by the Maintenance, Fire and Police Departments do not appear adequately detailed and are not reviewed by the Board for reasonableness or agreed to fuel purchases. The Maintenance and Fire Departments submitted their logs for 2005 upon request; however, there has been no formal request for 2006. The City Marshal refused to submit the police logs to the Board. The logs showed only the beginning and ending mileage recorded for each day, with only occasional references to the purpose of a trip. Vehicle logs should contain the mileage driven daily, the purpose and destination of each trip, and fuel purchases or maintenance performed.

A review of fuel invoices for the Police Department showed variances in the number of gallons purchased and miles driven between fill-ups. The police department is supposed to indicate the odometer reading on each invoice; however, this information was not noted on several invoices reviewed. The miles per gallon, for those invoices with the odometer readings, varied from a high of 23 to a low of 8. For the year ending June 30, 2006, the city paid a total of approximately $2,800 for the Police Department, $2,100 for the Fire Department, and $5,500 for the Maintenance Department for fuel and oil.

Usage and maintenance logs are necessary to document appropriate use of the vehicles and to support fuel charges. The usage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment is used only for city business, and helps identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance invoices.

B. The city does not have a formal written bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The City Clerk indicated they frequently obtain proposals or quotes in writing or over the telephone. During the past years, bids were either not solicited or bid documentation was not retained for the following: $6,873 for communication equipment, $4,500 for a trailer, $79,649 for a fire truck, $2,100 for radios, and $1,360 for boring holes.

Formal bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be

maintained of all bids received and reasons noted why the bid was selected. If the provider is a sole source therefore no other bids can be obtained it should also be documented.

C. Some warrants were not properly approved. The City Clerk prepares a listing of warrants to be approved by the Mayor and the Board. The Mayor is authorized to approve the regular monthly bills, and signs off on the remaining bills after the Board meeting to indicate they have been properly approved by the Board. However, several warrants were not approved by the Mayor. City personnel indicated some of these were an oversight, and some the Mayor had refused to approve, but the Board had approved them. However, there was no documentation of the Board's approval.

In addition, as noted in various board minutes, some purchases made by department supervisors apparently did not have prior Board approval. In July 2006, the Fire Chief purchased 37 T-shirts for $394, and in August 2006, an aldermen purchased a computer for the Fire Department costing $647, without obtaining prior approval. Purchases should be reviewed and approved by the Board prior to the purchase to ensure that no unnecessary costs are incurred that are not budgeted.

To adequately document the Board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board members to denote their approval, and retained with the official minutes. Failure to properly review all invoices and supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

D. Numerous payments were processed without an original invoice or other adequate supporting documentation including the purpose of the disbursement. In addition, invoices are not always marked paid or otherwise canceled upon payment and typically do not indicate the goods or services were received. During the year ended June 30, 2006, some payments were made from past due invoices or monthly statements and the city made several duplicate payments to various vendors. The city subsequently received credit from the vendors for these duplicate payments after the vendor noted them.

Original invoices or other supporting documentation are necessary to ensure disbursements are for legitimate purposes. When original invoices can not be located, the City Clerk should request copies of the invoices from the vendors, rather than paying them from statements or the past due notices. Canceling invoices and all other supporting documentation reduces the likelihood of duplicate payments and requiring acknowledgement of receipt of goods and/or services prior to payment will ensure the city actually received all items.

E. The city does not have written contracts for some services.

- The city currently pays the city attorney $100 per hour for all services performed; however, there is no written contract.

- The city does not have a written contract with the accounting firm hired to prepare the city's financial records. During the year ended June 30, 2006, the city paid the accounting firm approximately $6,400 for accounting services. Also, the invoices from the accounting firm did not provide information as to the rate and the hours billed.

- Several payments were made to a contractor for painting services on the city's Nutrition Center. The city obtained bids for this service, but did not enter into a written contract. Per the board minutes, the vendor later charged the city for an additional 36 hours of work not originally agreed upon for which the city paid $720. The city had not entered into a formal contract with the vendor specifying the work to be performed and cost to be paid.

- Advertising is sold for a law enforcement calendar by a local vendor. The city does not have a contract with the vendor for these fees or for the costs of printing the calendar. The funds from these sales are held by the vendor, who indicated they are used to pay for the costs of the calendar and the annual appreciation dinner for the city law enforcement officers. The vendor does not account for these monies to the city.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. In addition, detailed invoices should be obtained from independent contractors to support the services provided and the payments made.

WE RECOMMEND the Board of Aldermen:

A. Establish procedures for maintaining accurate and complete usage logs for all city owned vehicles and reconcile these logs to fuel purchased and to calculate, review and compare miles per gallon for reasonableness.

B. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.

C. Ensure all warrant lists are properly approved prior to payment, and all purchases are approved by the Board before the purchase is made.

D. Ensure that invoices or other supporting documentation are maintained to support

all city expenditures. In addition, ensure invoices are marked paid and receipt of goods and/or services is indicated.

E. Enter into written agreements for all services. In addition, ensure all invoices include adequate documentation to include the date service was provided and the rate charged. Ensure that all contracts properly stipulate the payment terms, and properly monitor all invoices to ensure all payments and credits are properly reflected.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

A. Procedures that are already in place for maintaining accurate logs will be reinforced. The City Clerk will reconcile these logs on a monthly basis and calculate miles per gallon.

B. The City will contact Missouri Municipal League for a sample bidding policy and implement it.

C. All warrants will be properly approved. The Board will advise all department heads to obtain prior approval before making any purchases.

D. Corrective measures are already in place to ensure that supporting documentation is maintained to support all city expenditures. Invoices are attached to check stubs and are marked paid. Receipt of goods is indicated.

E. The City agrees wholeheartedly that this needs to be done and the City will have contracts written for accounting services, legal services, and other services.

4. Meetings, Minutes, and Ordinances

The city does not document when agendas for board meetings are posted or how some items discussed in closed session complied with state law. Some decisions made in closed session were not subsequently disclosed in open session as required. City ordinances were not up-to-date and the city's policy regarding access to city records does not comply with state law.

A. The city does not document when agendas for board meetings are posted. Board meetings are required to be posted within 24 hours of the meeting excluding weekends and holidays. There was no information available to determine when the agendas were posted.

The Sunshine Law, Chapter 610, RSMo , requires a posting of the time, date and place of each meeting along with a tentative agenda of the matters to be discussed. When it is necessary to hold a meeting on less than twenty-four hours' notice, the reason justifying the departure from the normal requirements should be stated in the minutes. Maintaining a complete file of the meeting notices and tentative agendas would allow the city to demonstrate compliance with the law.

B. The city did not document how some items discussed in closed session complied with state law, and some decisions made in closed session were not subsequently disclosed in open session as required. Closed session meetings included discussions on advertising for the positions of City Treasurer and City Clerk, and an additional part-time position for the fire department. The decisions to hire employees, to give pay increases for some employees, and to accept employee resignations were not disclosed in open session as required.

Section 610.020, allows matters to be discussed in closed session only if they relate to certain specified subjects. Discussions in closed meetings should relate to the specific topics used to justify the meeting closure. In addition, the law requires certain votes taken in closed session to be disclosed in open session.

C. City ordinances do not appear up-to-date. For example:

- City officials indicated that customers forfeit their water deposit if their account is unpaid after 180 days; however, the city ordinance regarding delinquent accounts does not specify this.

- City officials indicated fire fighters are paid a clothing allowance for each fire they fight; however, the city ordinance indicates the payment is for services rendered (see MAR 8).

Since ordinances represent legislation which has been passed by the Board to govern the city and its residents, it is important that the city's ordinances be maintained in a complete and up-to-date manner.

D. The city has adopted a policy regarding public access to city records; however, the policy states that 25 cents is to be charged for each page copied and $20 per hour for document search, which does not comply with state law.

Section 610.026, RSMo, indicates that the fees for copying public records shall not exceed ten cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. The cost of copying information onto a disk shall only include staff time, which shall not exceed the average hourly rate of pay for staff of the public governmental body and if necessary the cost of the disk, tape, or other medium used for the duplication. This ordinance and policy should establish a person to contact and an address to mail requests for access to records.

WE RECOMMEND the Board of Aldermen:

A. Ensure documentation is maintained to show notices of board meetings are posted in compliance with state law.

B. Document how topics discussed in closed session comply with state law and ensure decisions made in closed session are properly reported in the open minutes when required.

C. Ensure ordinances are complete and up-to-date.

D. Ensure fees for record requests are charged in accordance with state law.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

A. The City Clerk will ensure that notices of board meetings are posted in compliance with state law.

B. The City will comply with the Sunshine Law.

C. Ordinances will be updated on a regular basis.

D. Our charges for record requests are now in accordance with state law.

5. Budgets, Planning, and Financial Reporting

The Board approved deficit budgets for some funds and approved budget amendments after expenses were incurred. The city has not filed annual financial reports with the State Auditor's office since 2003. Revenues and expenses were inconsistently charged to general ledger accounts. In addition, the city does not have a long term maintenance plan for its water and sewerage system or for the maintenance of its streets.

A. The Board approved deficit budgets for the following funds for the year ended June 30, 2006:

	Fire Fund	Police Fund	Nutrition Center Fund
Beginning Balance	$ (6,694)	(95,902)	(69,964)
Estimated receipts	238,572	72,920	1,000
Estimated disbursements	271,473	78,750	3,018
Ending Balance	$ (39,595)	(101,732)	(71,982)

The Board approved a budget amendment in June 2006 to agree budgeted revenues and expenditures to actual amounts. For example, Fire Fund revenues were increased $174,372 and expenditures were increased $206,873 due to a grant received. It appears the amendments were made for statutory compliance only and circumvented the intended use of the budget as a management tool. The Board receives a copy of the budgeted to actual financial statements for each month; however, there is no documentation in the minutes indicating they discussed the financial statements. Reviewing the financial statements each month provides the city with the information needed to make necessary decisions regarding expenditures and for monitoring the current financial condition of the city.

Section 67.010, RSMo, prohibits deficit budgeting. The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 2000, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 2000, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The Board of Aldermen should require that timely budget to actual comparisons are received and reviewed and budget amendments passed prior to approving expenditures.

B. Annual financial reports have not been filed with the State Auditor's office since the fiscal year ended June 30, 2003. Section 105.145, RSMo, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's office.

C. Invoices and revenues are inconsistently coded to general ledger accounts from year to year. For example:

- The purchase of water meters was recorded as repairs and maintenance in 2005 and materials and supplies in 2006.

- The purchase of gravel was recorded as materials and supplies in 2005 and repairs and maintenance in 2006.

- Franchise tax revenues were recorded as cable income in 2005.

Inconsistent coding of expenses and revenues can lead to misinterpretations when making yearly comparison and preparing the budget. The Board should establish procedures to ensure revenues and expenses are properly recorded to provide accurate financial statements.

D. The city does not have a maintenance plan for its water and sewerage system. In addition, the city does not prepare a formal maintenance plan for city streets. A formal plan of repairs and improvements noting the most critical needs of the city is needed to support the expenditures made by the city. This plan is necessary to show whether financial resources are sufficient to meet the critical needs, to provide financial support for budget preparation and expenditures for street repairs, and to answer any questions raised by the public.

Formal maintenance plans should be prepared in conjunction with the annual fiscal budget and include a description of the work to be done on the waterworks and sewerage system and city streets, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, and other relevant information. The plans should be included in the budget message and be approved by the Board. In addition, public hearings should be held to obtain input from the city residents.

WE RECOMMEND the Board of Aldermen:

A. Ensure the city discontinues deficit budgeting. In addition, ensure budget amendments are made prior to incurring the actual expenditures.

B. Submit annual reports of financial transactions to the State Auditor's office as required by state law.

C. Establish procedures to ensure expenses and revenues are consistently recorded to the proper general ledger account.

D. Prepare an annual waterworks and sewerage system as well as a street maintenance plan as part of the budget.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

A. With a clearer understanding of the problems incurred with deficit spending, the Board will make every effort to discontinue deficit spending. The budget will be amended prior to actual expenditures.

B. The Board will send in the annual reports to the State Auditor's office as required by state law.

C. Corrective measures have been taken to make sure that this is done.

D. The Board and the Maintenance Supervisor will prepare sewer, water and maintenance plans as part of the budget.

6. Trash

The city has not documented the administrative costs of providing trash collection services. The city charges its residents a monthly fee of $8.75 for trash collection. The city entered into a 2 year contract beginning in September 2005, which required payment of $8 per customer to the waste disposal company the first year and $8.25 the second year. As a result the city retained an administrative fee of $.75 per customer per month in the General Fund the first year and currently retains $.50 per customer. For the year ending June 30, 2006, the city received approximately $2,210 in administrative fees.

The administrative costs of providing trash collection services should be calculated and documented. The user fee charged to city residents for trash services should be set at a level sufficient to cover the costs of the service and not used for general operations of the city.

WE RECOMMEND the Board of Aldermen perform a cost study to ensure that the fees charged and collected from the customers are not in excess of the administrative cost.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

The Board will do a cost study to ensure that the fees charged for trash service are not excessive.

7. Capital Assets

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The city does maintain lists of property by various departments; however, these lists did not reflect the real property owned by the city or the historical cost and serial number for some assets. In addition, the assets were not tagged as property of the city. The city currently owns 13 buildings/structures and several vehicles.

Adequate capital asset records are necessary to provide better internal controls over city property and provide a basis for proper financial reporting. Formal policies and procedures for the annual physical inventory are necessary to ensure all personnel understand the duties assigned to them.

To develop appropriate records and procedures for capital assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all capital asset transactions and ensure the accuracy of the recorded assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

WE RECOMMEND the Board of Aldermen establish property records for capital assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

This process of updating inventories is now underway. The City does plan to use tag numbers to mark equipment. Upon completion of the updating, an annual physical inventory will be performed and will be performed annually thereafter.

8. Fire Department

The City is not properly accounting for its payments to the volunteer firemen. Volunteer firemen are paid $10 for each fire they fight. City personnel indicated these payments were a clothing allowance; however; city ordinance 202.140 refers to this as "payment for value of services rendered by any authorized person for washing, cleaning, and greasing the fire truck(s), and all necessary labor on the fire apparatus so that the efficiency of the Department may be maintained fighting a fire". During the year ended June 30, 2006, the firemen were paid $3,340.

The city does not require the volunteers to account for the reimbursement of the clothing allowance. Internal Revenue Service (IRS) regulations require that expenses not accounted for to the employer be considered gross income and subject to applicable withholdings and taxes. The city needs to require the volunteers to account for the payments received or treat the payments as wages subject to withholdings and taxes.

WE RECOMMEND the Board of Aldermen require the volunteer firemen to account for the payments received or treat the payments as wages, subject to applicable withholdings and taxes.

AUDITEE'S RESPONSE

The Board of Aldermen indicated:

The Board is considering all options and will need to do some research before making a decision.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

CITY OF PUXICO, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Puxico is located in Stoddard County. The city was incorporated in 1884 and is currently a fourth-class city. The population of the city in 2000 was 1,145.

The city government consists of a mayor and a four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2006, are identified below. The Mayor is paid $332 per month and Board of Aldermen are paid $79 per month. The compensation of these officials is established by ordinance.

Mayor and Board of Aldermen	Dates of Service During the Year Ended June 30, 2006
Ruth Temple, Mayor (1)	July 2005 – June 2006
S.L. Cates, Alderman (2)	July 2005 – June 2006
Doyle Mitchell, Alderman (3)	July 2005 - June 2006
Peter Coutavas, Alderman	April 2006 – June 2006
Judy Cookson, Alderwoman	July 2005 – March 2006
Barbara Stoops, Alderwoman	April 2006 – June 2006
Gary Zoll, Alderman (4)	October 2005- December 2005
Ancel Cookson, Alderman (5)	July 2005 – August 2005

Other Officials	Dates of Service During the Year Ended June 30, 2006	Compensation Paid for the Year Ended June 30, 2006
Patty Cooper, Collector *	July 2005 – June 2006	$ 16,707
John Clark, Marshal *	July 2005 – June 2006	25,000
Alice Patrick, City Clerk (6)	June 2006	689
Madeline Wilhelm, City Clerk (6)	July 2005 - June 2006	8,978
Donna Gilmore, Treasurer (7)	June 2006	175
Sheila Bruton, Treasurer (7)	July 2005 - June 2006	10,556
David DeVaughn, Municipal Judge	July 2005 – June 2006	3,651

* Elected position

(1) In April 2007 Alderman Doyle Mitchell was elected Mayor.

(2) In April 2007 Alice Wilfong was elected Alderwoman.

(3) In April 2007 Harlan Lamb was elected Alderman.

(4) In December 2005, Gary Zoll resigned. No one was appointed to complete the remaining 3 months of the term.

(5) Ancel Cookson resigned in August 2005 and Gary Zoll was appointed to the position of Alderman in October.

(6) In June 2006, Madeline Wilhelm retired and Alice Patrick was appointed City Clerk.

(7) In June 2006, Sheila Bruton resigned and Donna Gilmore was appointed City Treasurer.

In addition to the officials identified above, the city employed 5 full-time employees and 6 part-time employees on June 30, 2006.

Assessed valuations and tax rates for 2006 were as follows:

ASSESSED VALUATIONS

Real estate	$	4,460,260
Personal property		1,793,020
Total	$	6,253,280

TAX RATES PER $100 ASSESSED VALUATION

		Rate
General Fund	$	0.4948
Parks & Recreation		0.2120
Library		0.0707
Health		0.1009
Cemetery		0.1009

TAX RATE(S) PER $1 OF RETAIL SALES

		Rate
General	$	0.0100

The city registered $65,000 of combined waterworks and sewerage system refunding and improvement revenue bonds (series 2002A). The series 2002A bond issue requires interest only payments of approximately $1,833 every 6 months until January 1, 2025 when the first principal payment of $30,000 is due. The final principal payment of $35,000 is due January 1, 2026. The current principal balance as of June 30, 2006 was $65,000.

The city registered $540,000 of combined waterworks and sewerage system refunding and improvement revenue bonds (series 2002B) on November 1, 2002. The city makes annual principal and interest payments of $32,889 on the series 2002B until the bonds are paid off on July 1, 2023. The current principal balance as of June 30, 2006 is $500,000.

The city had a total of $16,182 in the Bond Reserve Fund.

A summary of the city's financial activity for the year ended June 30, 2006, is presented below:

	General Fund	Water Fund *	Cemetery Fund	Street Fund	Fire Fund	Sewer Operations and Maintenance Fund	Park Fund	Library Fund	Police Fund	Other Funds **	Total
Receipts:											
Property taxes	$ 37,072	0	4,207	0	0	0	12,537	4,530	0	0	58,346
Franchise tax	45,818	0	0	0	0	0	0	0	757	0	46,575
Licenses	2,339	0	0	1,840	0	0	0	0	0	0	4,179
Sales taxes	2,158	600	0	21,576	11,002	0	6,479	5,194	61,463	7,280	115,752
Police fines	0	0	0	0	0	0	0	0	7,139	0	7,139
Interest income	5,498	20	0	20	10	567	6	2,104	56	2,295	10,576
Penalities	389	5,846	47	0	0	832	136	50	0	0	7,300
Rental income	0	0	0	0	0	0	0	0	0	420	420
Motor vehicle tax	0	0	0	46,977	0	0	0	0	0	0	46,977
Water income	0	103,107	0	0	0	0	0	0	0	0	103,107
Trash collections	0	35,510	0	0	0	0	0	0	0	0	35,510
Miscellaneous	821	4,026	121	200	344	49	71	49	15	2,159	7,855
Book fines	0	0	0	0	0	0	0	200	0	0	200
Cemetery plot sales	0	0	5,350	0	0	0	0	0	0	0	5,350
Sewer income	0	0	0	0	0	32,402	0	0	0	0	32,402
Sewer tap fees	0	0	0	0	0	260	0	0	0	0	260
Sales of assets	0	0	0	0	0	0	0	0	0	45,211	45,211
Meter charges	0	1,450	0	0	0	0	0	0	0	0	1,450
Court costs	0	0	0	0	0	0	0	0	468	0	468
Law enforcement training fee	0	0	0	0	0	0	0	0	617	0	617
Contributions	0	0	2,081	0	1,378	0	0	1,431	20	1,000	5,910
Fire calls	0	0	0	0	500	0	0	0	0	0	500
Rural fire revenues	0	0	0	0	17,290	0	0	0	0	0	17,290
Cable video	1,704	0	0	0	0	0	0	0	0	0	1,704
Grant income-Fire	0	0	0	0	207,404	0	0	0	0	0	207,404
Grant income-Other	0	300	0	0	0	0	2,608	30	6,894	0	9,832
State Library Aid	0	0	0	0	0	0	0	475	0	0	475
Notes receivable payments	0	0	0	0	0	0	0	0	0	4,542	4,542
Canine income	0	0	0	0	0	0	0	0	475	0	475
Total receipts	95,799	150,859	11,806	70,613	237,928	34,110	21,837	14,063	77,904	62,907	777,826

Disbursements

Salaries	41,439	23,656	3,548	8,578	3,000	11,828	3,548	7,629	53,828	0	157,054
Payroll expenses	3,133	1,840	271	635	230	905	271	592	4,118	0	11,995
Utilities	7,943	8,043	0	10,153	0	4,476	953	2,394	4,430	1,057	39,449
Materials and supplies	5,352	10,895	4,407	3,187	5,495	1,253	2,826	1,660	1,064	908	37,047
Postage and freight	1,154	1,251	0	0	548	0	0	0	0	0	2,953
Gas and oil	458	175	740	3,893	2,099	157	568	0	2,832	0	10,922
Repair and maintenance	1,832	2,324	1,352	3,798	2,373	1,636	1,598	2,125	767	1,413	19,218
Legal fees	865	0	0	0	0	0	0	0	1,305	0	2,170
Accounting and auditing	9,151	0	0	0	0	0	0	0	0	0	9,151
Insurance and bonding	19,898	1,385	491	1,326	227	547	492	1,371	3,434	831	30,002
Trash removal	0	31,192	0	0	0	0	0	0	0	0	31,192
Advertising	1,278	0	0	0	254	0	0	16	0	0	1,548
Dues and assessments	1,857	1,651	0	0	0	0	0	316	1,614	0	5,438
Rent expense	813	364	364	364	36	329	329	38	0	0	2,637
Misellaneous	2,011	3,231	262	0	251	0	0	20	248	0	6,023
Lab test	0	0	0	0	0	843	0	0	0	0	843
Interest expense	0	38,780	0	0	0	0	0	0	0	1,852	40,632
Travel expense	0	385	0	0	101	0	0	0	0	0	486
Training	0	165	0	0	245	495	0	28	1,754	0	2,687
Labor	0	0	0	0	3,340	0	0	0	0	0	3,340
Equipment purchases	1,320	986	1,406	986	3,000	986	3,048	234	0	0	11,966
Lease purchase agreement	0	0	0	0	10,112	0	0	0	0	0	10,112
Grant expense	0	0	0	0	239,645	0	0	350	2,100	1,670	243,765
Canine expense	0	0	0	0	0	0	0	0	279	0	279
Bond principal payments	0	15,060	0	0	0	0	0	0	0	0	15,060
Note principal payments	0	647	141	113	0	0	0	0	0	0	901
Total disbursements	98,504	142,030	12,982	33,033	270,956	23,455	13,633	16,773	77,773	7,731	696,870
Receipts over (under) disbursements	(2,705)	8,829	(1,176)	37,580	(33,028)	10,655	8,204	(2,710)	131	55,176	80,956
Transfers	3,367	(8,497)	(296)	(11)	0	(4,885)	(3,136)	897	(60)	9,301	(3,320)
Beginning Balance July 1	38,288	171,956	11,621	159,482	(6,655)	3,898	31,980	50,624	(93,830)	153,647	521,011
Ending Balance June 30 $	38,950	172,288	10,149	197,051	(39,683)	9,668	37,048	48,811	(93,759)	218,124	598,647

* Includes the UMB Bond Reserve Fund

** Includes the Industrial Development Fund, the Nutrition Center Fund, the Wastewater Bond Fund, the Principal and Interest Fund, the Bond Reserve Fund, the Depreciation and Replacement Fund, and the Economic Development Fund.

Susan Montee, CPA
Missouri State Auditor

May 2007

Crime Victims' Compensation Program

Report No. 2007-25

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

May 2007

YELLOW SHEET

The following issues were noted in an audit conducted by our office of the Crime Victims' Compensation Program.

Missouri state law authorizes the Crime Victims' Compensation Program to assist victims who suffer actual bodily harm as a direct result of a crime. The program, adopted in 1981, has been located within the Department of Labor and Industrial Relations, Division of Workers' Compensation and the Department of Public Safety. By Executive Order 07-07, the Program will be located entirely within the Department of Public Safety effective August 28, 2007. The program consists of the Crime Victims' Compensation Fund (CVCF), the Services to Victims Fund (SVF), and the State Forensic Laboratory Fund (SFLF).

The Department of Revenue (DOR) has not correctly allocated surcharge collections from the circuit courts between the CVCF and the SVF since the law establishing the allocation process changed in August 2001. According to DOR records, these collections totaled about $2,869,000 and $2,357,000 for the years ended June 30, 2006 and 2005, respectively.

The DOR did not always deduct the expenses of the Office for Victims of Crime (OVC) and the operating costs of the crime victim notification system when determining the net collections for allocation to the SVF. After correctly deducting $250,000 each year for the SFLF from total collections, the DOR allocated the remaining collections to the two funds, without first deducting the required expenses.

We have determined that approximately $1,074,000 is due from the SVF to the CVCF for incorrect allocations of the revenues during the two years ended June 30, 2006, and up to $178,000 is due for similar activity during the three years prior to July 1, 2004. In addition, similar adjustments will be needed for collections already allocated during the current fiscal year.

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CRIME VICTIMS' COMPENSATION PROGRAM

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Rod Chapel, Director
Department of Labor and Industrial Relations
and
Mark S. James, Director
Department of Public Safety
and
Michael Buenger, Administrator
Office of State Courts Administrator
and
Trish Vincent, Director
Department of Revenue
Jefferson City, MO 65102

We have audited the Crime Victims' Compensation Program. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2006 and 2005. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Review certain revenues and expenditures.

4. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing written policies, financial records, contracts, and other pertinent documents; interviewing various personnel of the agencies; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by March 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the agencies' management and was not subjected to the procedures applied in the audit of the program.

The accompanying Management Advisory Report presents our finding arising from our audit of the Crime Victims' Compensation Program.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA,CFE
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Ryan King

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Allocation of Crime Victim Surcharge Collections

The Department of Revenue (DOR) has not correctly allocated surcharge collections from the circuit courts between the Crime Victims' Compensation Fund (CVCF) and the Services to Victims Fund (SVF) since the law establishing the allocation process changed in August 2001. According to DOR records, these collections totaled about $2,869,000 and $2,357,000 for the years ended June 30, 2006 and 2005, respectively.

Circuit and municipal courts collect a $7.50 court fee surcharge on most criminal cases and remit these surcharge fees monthly to the DOR. The surcharge fees collected from the municipal courts are deposited 50 percent to the CVCF and 50 percent to the SVF as required by state law. However, for circuit court surcharge fees, Section 595.045, RSMo, first requires the DOR to deduct certain items from the fees to determine the net collections to allocate between the two funds. The net collections are to be determined by deducting $250,000 annually for deposit to the State Forensic Laboratory Fund and, since August 28, 2001, also deducting certain expenses of the Department of Public Safety paid from the CVCF for operating the automated statewide crime victim notification system and for expenses of the Office for Victims of Crime (OVC). For collections prior to September 1, 2004, the percentage required by law to be allocated to the SVF was either 25 percent or 50 percent of the net collections depending on the size of the CVCF cash balance and other factors.

The DOR did not always deduct the expenses of the OVC and the operating costs of the crime victim notification system when determining the net collections for allocation to the SVF. After deducting the $250,000 each year for the State Forensic Laboratory Fund from total collections, the DOR allocated the remaining collections to the two funds based on the percentages noted above, without first deducting the required expenses. During the year ended June 30, 2006, the DOR realized that it had not considered the expenses of the OVC and notification system and transferred monies totaling about $430,000 from the SVF to the CVCF representing the SVF's share of the applicable expenses for July 1, 2005 through March 31, 2006. However, the DOR has not performed a similar transfer to account for these expenses since March 31, 2006, and the DOR did not make any adjustments for the incorrect allocations of previous years. Due to the increased allocation percentages and growth in the applicable expenses, the impact of the incorrect allocations became more significant beginning in fiscal year 2005.

We have determined that approximately $1,074,000 is due from the SVF to the CVCF for incorrect allocations of the revenues during the two years ended June 30, 2006, and up to $178,000 is due for similar activity during the three years prior to July 1, 2004. In addition, similar adjustments will be needed for collections already allocated during the current fiscal year.

WE RECOMMEND the Department of Revenue deduct expenses of the Office for Victims of Crime and for the operation of the automated statewide crime victim notification system when determining the net crime victim surcharge collections to distribute between the CVCF and the SVF. Additionally, the department should make appropriate transfers from the SVF to the CVCF for the remaining uncorrected allocations made during the five years ended June 30, 2006, and the current fiscal year.

AUDITEE'S RESPONSE

In consultation with the Department of Public Safety, the department will determine the appropriate course of action related to Section 595.045, RSMo.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

CRIME VICTIMS' COMPENSATION PROGRAM
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Chapter 595, RSMo, authorizes the Crime Victims' Compensation Program (the Program) to assist victims who suffer actual bodily harm as a direct result of a crime. The Program, adopted in 1981, has been located within the Department of Labor and Industrial Relations, Division of Workers' Compensation and the Department of Public Safety. By Executive Order 07-07, the Program will be located entirely within the Department of Public Safety effective August 28, 2007. The agency rules are found in the Code of State Regulations at 8 CSR 50-6.010 and 11 CSR 30-5.010. The program consists of the Crime Victims' Compensation Fund (CVCF), the Services to Victims Fund (SVF), and the State Forensic Laboratory Fund (SFLF).

The Crime Victims' Compensation Fund was established to determine and award compensation to, or on behalf of, victims of crimes. Appropriations from this fund authorize payments directly to the provider of the services for medical or funeral expenses, or expenses for other services as allowed as a last resort for the victim. The fund will pay a crime victim's actual losses for medical bills, lost earnings or support, and other miscellaneous expenses up to a maximum of $25,000, which are not reimbursed by any other means. The primary purpose of the fund is to assist victims of violent crimes through a period of financial hardship, as a payor of last resort. The crime must have occurred in Missouri or the victim a resident of Missouri for the victim to be eligible for benefits. Specific expenses are subject to a maximum limit established by law. This includes funeral expenses for $5,000; counseling expenses for $2,500; and lost wages not to exceed $200 per week. Legal expenses are established at a rate of $100 per hour with the maximum reimbursement at 15 percent of the total award. Other appropriations from this fund pay expenses of the statewide crime victim notification system, court automation, and the Office for Victims of Crime within the Department of Public Safety.

The Services to Victims Fund was established to provide funding to local service providers, law enforcement agencies, prosecutors, and other public or private non-profit organizations to assist victims of crime through direct services, emergency services, crisis intervention counseling, and victim advocacy. Monies may also be spent to provide financial assistance to shelters for victims of domestic violence.

The State Forensic Laboratory Fund was established to provide financial assistance to defray expenses of crime laboratories. Appropriations from this fund authorize distributions to labs making analysis of a controlled substance or analysis of blood, breath, or urine for a court proceeding. Monies may only be used for equipment or capital improvements.

Funding for the Crime Victims' Compensation Program is from a $7.50 court fee on all criminal cases. Except for fees collected from municipal courts which are deposited 50 percent to the credit of the CVCF and 50 percent to the SVF, the Department of Revenue (DOR) shall distribute the collections as follows. First, the DOR shall deposit annually the amount of $250,000 to the SFLF. Second, the remaining funds shall be denoted to the payment of administrative and operational expenses of the Office for Victims of Crime and the expenses for the operation of the automated statewide crime victim notification system. Third, the remaining

funds are to be deposited 50 percent to the credit of the CVCF and 50 percent to the SVF. Additional funding for the program is provided from judgments assessed on criminal convictions determined by a graduated scale depending on the seriousness of the offense and from a $150 court fee in criminal cases for drug law violations where a crime laboratory makes analysis of a controlled substance. These judgments and fees are deposited to the CVCF and SFLF, respectively.

Currently, the Department of Labor and Industrial Relations has control over the majority of the CVCF, while the Department of Public Safety and the Office of the State Courts Administrator also have appropriation authority to expend monies from this fund. The Department of Public Safety has control over the SVF and the SFLF.

Appendix A-1

CRIME VICTIMS' COMPENSATION PROGRAM
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2006

	Crime Victims' Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memoradum Only)
RECEIPTS				
Court fees and costs	$ 6,839,228	4,125,860	455,096	11,420,184
Interest	260,014	0	0	260,014
Other	531,845	2,056	0	533,901
Total Receipts	7,631,087	4,127,916	455,096	12,214,099
DISBURSEMENTS				
Personal services	351,246	11,935	0	363,181
Expense and equipment	2,185,691	40,798	62,332	2,288,821
Employee fringe benefits	151,424	5,551	0	156,975
State Forensic Crime Labs	0	0	275,001	275,001
State Services to Victims	5,163,457	3,528,802	0	8,692,259
Total Disbursements	7,851,818	3,587,086	337,333	11,776,237
RECEIPTS OVER (UNDER) DISBURSEMENTS	(220,731)	540,830	117,763	437,862
CASH AND INVESTMENTS, JULY 1	7,006,695	5,769,475	132,337	12,908,507
CASH AND INVESTMENTS, JUNE 30	$ 6,785,964	6,310,305	250,100	13,346,369

Appendix A-2

CRIME VICTIMS' COMPENSATION PROGRAM
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2005

	Crime Victims' Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memoradum Only)
RECEIPTS				
Court fees and costs	$ 6,348,152	4,126,383	350,453	10,824,988
Interest	164,317	0	0	164,317
Other	653,297	93	0	653,390
Total Receipts	7,165,766	4,126,476	350,453	11,642,695
DISBURSEMENTS				
Personal services	332,684	0	0	332,684
Expense and equipment	1,951,166	45,178	62,821	2,059,165
Employee fringe benefits	144,891	0	0	144,891
State Forensic Crime Labs	0	0	196,110	196,110
State Services to Victims	5,494,036	2,766,429	0	8,260,465
Total Disbursements	7,922,777	2,811,607	258,931	10,993,315
RECEIPTS OVER (UNDER) DISBURSEMENTS	(757,011)	1,314,869	91,522	649,380
CASH AND INVESTMENTS, JULY 1	7,763,706	4,454,606	40,815	12,259,127
CASH AND INVESTMENTS, JUNE 30	$ 7,006,695	5,769,475	132,337	12,908,507

Appendix B-1

CRIME VICTIMS' COMPENSATION PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2006

	Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS' COMPENSATION FUND			
State Services to Victims -			
Department of Labor and Industrial Relations	$ 6,987,329	5,117,537	1,869,792
Department of Public Safety	50,000	45,919	4,081
Total State Services to Victims	7,037,329	5,163,456	1,873,873
Personal Service -			
Department of Labor and Industrial Relations	295,309	234,869	60,440
Department of Public Safety	146,240	116,377	29,863
Total Personal Service	441,549	351,246	90,303
Expense and Equipment -			
Department of Labor and Industrial Relations	124,947	53,023	71,924
Department of Public Safety	1,227,190	1,061,974	165,216
Office of the State Courts Administrator	887,200	887,200	0
Total Expense and Equipment	2,239,337	2,002,197	237,140
Total Crime Victims' Compensation Fund	9,718,215	7,516,899	2,201,316
SERVICES TO VICTIMS FUND			
State Services to Victims - Department of Public Safety	3,540,000	3,528,802	11,198
Personal Service - Department of Public Safety	22,000	11,935	10,065
Expense and Equipment - Department of Public Safety	4,250	1,834	2,416
Total Services to Victims Fund	3,566,250	3,542,571	23,679
STATE FORENSIC LABORATORY FUND			
Department of Public Safety - State Forensic Labs	425,000	275,002	149,998
Highway Patrol - crime labs expense and equipment	60,000	58,805	1,195
Total State Forensic Laboratory Fund	485,000	333,807	151,193
Total All Funds	$ 13,769,465	11,393,277	2,376,188

Appendix B-2

CRIME VICTIMS' COMPENSATION PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2005

	Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS' COMPENSATION FUND			
State Services to Victims -			
Department of Labor and Industrial Relations	$ 5,987,329	5,449,469	537,860
Department of Public Safety	50,000	44,567	5,433
Total State Services to Victims	6,037,329	5,494,036	543,293
Personal Service -			
Department of Labor and Industrial Relations	295,609	217,002	78,607
Department of Public Safety	136,240	115,682	20,558
Total Personal Service	431,849	332,684	99,165
Expense and Equipment -			
Department of Labor and Industrial Relations	101,583	77,788	23,795
Department of Public Safety	1,227,190	1,052,886	174,304
Office of the State Courts Administrator	632,000	632,000	0
Total Expense and Equipment	1,960,773	1,762,674	198,099
Total Crime Victims' Compensation Fund	8,429,951	7,589,394	840,557
SERVICES TO VICTIMS FUND			
State Services to Victims	3,500,000	2,766,429	733,571
STATE FORENSIC LABORATORY FUND			
Department of Public Safety - State Forensic Labs	266,000	196,110	69,890
Highway Patrol - crime labs expense and equipment	60,000	58,734	1,266
Total State Forensic Laboratory Fund	326,000	254,844	71,156
Total All Funds	$ 12,255,951	10,610,667	1,645,284

Appendix C

CRIME VICTIMS' COMPENSATION PROGRAM
SCHEDULE OF PROGRAM PAYMENTS

Fund/Agency	City	Year Ended June 30, 2006	2005	2004	2003	2002
CRIME VICTIMS' COMPENSATION FUND						
Douglas County	Ava	$ 0	0	822	21,831	24,930
Safe Passage Domestic Violence	Moberly	0	0	2,944	18,082	13,601
Citizens Against Domestic Violence	Camdenton	0	1,524	16,760	0	0
FAITH, Inc.	Clinton	0	1,854	29,218	0	0
Douglas Community Services	Hannibal	5,585	0	0	0	0
Christian Associates of Table Rock Lake	Kimberling City	2,195	24,148	0	0	0
Audrain County Crisis Intervention	Mexico	35,576	0	0	0	0
House of Refuge for Abused Women	Sikeston	2,563	17,041	0	0	0
Total Crime Victims' Compensation Fund		45,919	44,567	49,744	39,913	38,531
SERVICES TO VICTIMS FUND						
Douglas County	Ava	21,567	21,506	18,499	0	0
Women's Crisis Center of Taney County	Branson	18,045	17,009	12,325	8,967	10,103
Stone County	Branson West	16,297	15,995	17,925	19,262	24,879
Stone County Assistance Team	Branson West	12,985	13,781	10,662	18,810	19,068
Moniteau County	California	0	0	10,756	28,005	30,158
Citizens Against Domestic Violence	Camdenton	22,079	16,670	1,663	19,675	20,574
Kids Harbor, Inc.	Camdenton	40,457	0	0	0	0
Safe House for Women, Inc.	Cape Girardeau	32,447	13,707	14,869	24,122	20,060
Barry County	Cassville	0	12,812	25,661	26,653	26,272
County of St. Louis	Clayton	32,439	0	0	0	0
FAITH, Inc.	Clinton	35,199	31,927	2,105	40,382	44,738
Boone County	Columbia	34,763	23,719	31,683	32,465	29,361
Comprehensive Human Services, Inc.	Columbia	38,260	39,895	39,610	48,516	53,293
Midwest L.E.A.D Institute	Columbia	74,317	65,936	67,865	88,401	78,903
Susanna Wesley Family Learning Center	East Prairie	41,671	36,625	3,307	30,972	27,766
Whole Health Outreach	Ellington	36,733	35,971	34,853	41,949	49,595
Southeast Missouri Family Violence Council	Farmington	34,065	35,358	33,142	42,396	43,452
Community Treatment, Inc.	Festus	9,075	9,019	0	0	0
Card V/Coalition Against Rape	Fulton	24,610	17,560	18,117	23,683	23,683
City of Grain Valley	Grain Valley	4,115	2,402	0	0	0
Avenues	Hannibal	59,495	50,617	50,624	62,954	68,670
Hope Haven of Cass County	Harrisonville	37,730	25,648	20,393	26,825	26,825
Cass County	Harrisonville	20,594	18,741	0	0	1,323
Hope House, Inc.	Independence	92,823	86,613	87,427	103,283	118,598
Child Abuse Prevention Association	Independence	32,316	0	0	0	0
Jefferson City Rape & Abuse Crisis Center	Jefferson City	32,059	30,219	28,913	43,101	42,645
MOVA	Jefferson City	95,461	104,165	60,969	130,141	99,461
Missouri Coalition Against Domestic Violence	Jefferson City	20,596	23,534	37,000	33,216	33,267
Children's Center of SWMO	Joplin	27,457	24,293	30,495	36,444	37,849
Lafayette House	Joplin	52,052	62,946	58,066	71,551	75,765
Family Self Help Center	Joplin	7,103	0	0	0	0

Appendix C

CRIME VICTIMS' COMPENSATION PROGRAM
SCHEDULE OF PROGRAM PAYMENTS

Fund/Agency	City	Year Ended June 30, 2006	2005	2004	2003	2002
City of Kansas City	Kansas City	54,332	45,352	46,662	44,910	52,144
Jackson County	Kansas City	99,372	62,753	31,270	37,319	39,805
Metropolitan Organization to Counter Sexual Assault	Kansas City	48,026	48,887	41,123	66,259	67,370
NEWHOUSE	Kansas City	73,317	79,545	74,918	111,947	103,289
Rose Brooks Center	Kansas City	109,883	77,813	90,072	111,633	110,210
Synergy Services, Inc.	Kansas City	57,261	74,717	63,897	88,613	97,154
Kansas City Antiviolence Project	Kansas City	30,897	28,350	0	0	0
Legal Aid of Western MO	Kansas City	42,388	0	0	0	0
Christian Associates of Table Rock Lake	Kimberling City	26,822	2,134	24,183	34,557	34,731
Victim Support Service, Inc.	Kirksville	54,425	59,467	53,918	73,920	71,643
Cope	Lebanon	55,529	51,480	37,080	47,859	51,229
Parents of Murdered Children	Lee's Summit	3,260	3,226	3,874	4,060	4,445
House of Hope, Inc.	Lexington	71,678	71,152	49,381	80,177	68,055
House of Refuge for Abused Women	Lexington	21,911	0	0	0	0
County of Lafayette	Lexington	30,415	0	0	0	0
Center for Family Resources, Inc.	Malden	53,756	44,417	36,924	49,023	45,360
Lighthouse Shelter, Inc.	Marshall	66,406	45,630	30,100	42,097	41,036
County of Webster	Marshfield	26,440	0	0	0	0
Children's Center of NW MO	Maryville	35,572	15,009	0	0	0
Audrain County Crisis Intervention	Mexico	1,960	18,986	20,139	17,710	22,850
Safe Passage Domestic Violence	Moberly	21,219	16,743	13,211	0	0
County of Lawrence	Mt. Vernon	24,284	0	0	0	0
Council on Families in Crisis, Inc.	Nevada	42,956	39,174	41,825	51,766	46,390
Regional Family Crisis Center	Perryville	47,751	36,765	40,329	66,504	67,976
Platte County	Platte City	13,919	13,919	14,011	15,028	17,768
Haven House, Inc.	Poplar Bluff	37,136	33,110	30,151	40,266	39,077
County of Washington	Potosi	29,706	28,954	0	0	0
Care of Atchison County, Inc.	Rock Port	26,925	0	0	0	0
Phelps County Family Crisis Services, Inc.	Rolla	71,303	65,796	49,892	70,346	67,046
Phelps County	Rolla	26,428	23,442	25,968	35,836	33,466
Citizens Against Spouse Abuse, Inc.	Sedalia	50,316	38,236	43,216	54,492	59,250
Child Safe of Central MO, Inc.	Sedalia	27,342	0	0	0	0
Family Violence Center, Inc.	Springfield	52,983	59,173	55,715	61,198	74,614
Missouri Victim Center	Springfield	48,895	45,472	31,828	47,250	47,250
Bridgeway Counseling Services, Inc.	St. Charles	98,305	94,789	94,713	128,815	133,398
St. Charles County	St. Charles	42,376	41,522	42,361	53,029	52,068
Young Women's Christian Association	St. Joseph	28,232	26,836	25,590	31,132	37,873
County of Buchanan Treasurer	St. Joseph	17,280	17,280	0	0	0
Northwest Missouri Childrens	St. Joseph	18,526	0	0	0	0
Aid for Victims of Crime, Inc.	St. Louis	34,431	30,627	35,091	48,268	46,367
Family Resource Center	St. Louis	33,899	24,002	32,671	35,463	28,086
Fortress Outreach	St. Louis	1,507	15,192	15,540	21,000	21,084
Legal Advocates for Abused Women	St. Louis	29,635	15,807	14,895	15,180	17,080
Life Source Consultants	St. Louis	20,366	9,801	9,842	9,308	9,195

Appendix C

CRIME VICTIMS' COMPENSATION PROGRAM
SCHEDULE OF PROGRAM PAYMENTS

Fund/Agency	City	Year Ended June 30, 2006	2005	2004	2003	2002
Lydia's House, Inc.	St. Louis	72,890	41,048	17,923	15,513	21,000
St. Louis Circuit Attorney's Office	St. Louis	78,774	73,264	68,619	99,729	74,427
St. Martha's Hall	St. Louis	63,218	60,111	52,684	78,485	85,265
Women's Safe House	St. Louis	91,482	80,099	62,284	77,248	94,633
Women's Support & Community Services	St. Louis	47,118	22,321	18,118	22,144	28,928
YWCA of Metropolitan St. Louis	St. Louis	15,538	13,984	10,091	13,738	14,020
City of St. Louis	St. Louis	33,842	35,888	0	0	0
Redevelopment Opportunities	St. Louis	35,165	13,369	0	0	0
University of MO St. Louis	St. Louis	36,774	28,116	0	0	0
ALIVE	St. Louis	32,770	0	0	0	0
SAWERAA	St. Louis	1,377	0	0	0	0
South Asian Women Empowerment	St. Louis	4,298	0	0	0	0
Crawford County	Steelville	0	0	16,445	19,086	18,404
County of Cedar	Stockton	27,382	19,302	3,087	19,225	22,431
Franklin County	Union	15,521	15,823	14,421	16,487	17,722
University City Police Department	University City	0	0	231	14,044	14,632
Survival Adult Abuse, Inc.	Warrensburg	39,202	27,449	26,346	34,852	34,823
Warren County Council Against Domestic Violence	Warrenton	21,391	19,269	13,222	20,689	21,683
Genesis: A Place of New Beginnings	Waynesville	38,507	25,191	27,172	11,909	0
Pulaski County	Waynesville	12,531	14,657	14,914	20,629	22,068
Pulaski County Crisis Center	Waynesville	0	0	0	27,188	37,830
Christos House	West Plains	44,842	34,312	31,854	48,804	47,418
Total Services to Victims Fund		3,528,802	2,766,429	2,314,730	3,136,508	3,168,901
STATE FORENSIC LABORATORY FUND						
Southeast MO State University	Cape Girardeau	27,959	31,190	14,868	22,000	22,000
St. Louis County Police Department	Clayton	36,254	36,024	35,097	38,775	34,562
Independence Police Department	Independence	14,040	11,974	13,993	12,000	11,764
Missouri Southern State University	Joplin	35,540	23,749	22,309	23,857	21,980
Kansas City Police Department	Kansas City	36,941	36,978	39,055	53,209	22,871
Truman State University	Kirksville	15,757	15,202	10,856	12,000	12,000
St. Charles County Police Department	St. Charles	13,997	11,891	13,964	11,670	14,789
St. Louis Metropolitan Police Department	St. Louis	41,666	29,102	34,551	61,854	9,320
Total State Forensic Laboratory Fund		222,154	196,110	184,693	235,365	149,286
Total		$ 3,796,875	3,007,106	2,549,167	3,411,786	3,356,718

Appendix D

CRIME VICTIMS' COMPENSATION PROGRAM
SCHEDULE OF DEPARTMENT OF REVENUE COLLECTIONS

County/Other	Year Ended June 30, 2006 CVC fees/costs Counties	CVC fees Municipals	Total	Year Ended June 30, 2005 CVC fees/costs Counties	CVC fees Municipals	Total
Adair	$ 19,241	5,609	24,850	20,955	6,106	27,061
Andrew	13,357	0	13,357	12,284	0	12,284
Atchison	7,695	1,260	8,955	6,544	1,733	8,277
Audrain	19,264	6,770	26,034	18,686	7,893	26,579
Barry	28,334	16,260	44,594	20,808	14,692	35,500
Barton	9,096	3,993	13,089	8,546	4,335	12,881
Bates	29,286	7,779	37,065	21,939	7,343	29,282
Benton	19,416	1,775	21,191	17,831	1,412	19,243
Bollinger	6,374	150	6,524	5,044	364	5,408
Boone	137,554	75,217	212,771	118,316	84,833	203,149
Buchanan	78,582	105,531	184,113	56,612	111,206	167,818
Butler	29,005	21,475	50,480	30,280	21,330	51,610
Caldwell	10,438	3,049	13,487	6,195	3,394	9,589
Callaway	29,925	13,769	43,694	29,767	14,431	44,198
Camden	38,807	33,912	72,719	36,648	23,941	60,589
Cape Girardeau	51,447	64,219	115,666	33,116	54,542	87,658
Carroll	8,998	1,184	10,182	10,127	1,134	11,261
Carter	18,852	0	18,852	13,057	0	13,057
Cass	36,189	90,841	127,030	43,828	89,925	133,753
Cedar	11,358	4,592	15,950	8,732	4,322	13,054
Chariton	6,204	642	6,846	5,593	414	6,007
Christian	31,989	39,405	71,394	25,628	23,563	49,191
City of St. Louis	150,371	244,984	395,355	132,098	355,874	487,972
Clark	14,711	0	14,711	12,967	0	12,967
Clay	99,689	202,589	302,278	71,436	201,799	273,235
Clinton	22,006	17,952	39,958	27,724	18,342	46,066
Cole	42,689	62,982	105,671	42,510	59,641	102,151
Cooper	27,359	0	27,359	23,684	0	23,684
Crawford	33,224	19,118	52,342	25,032	18,901	43,933
Dade	8,101	0	8,101	6,663	0	6,663
Dallas	29,623	2,092	31,715	23,686	192	23,878
Daviess	22,273	626	22,899	16,667	138	16,805
DeKalb	12,350	325	12,675	9,267	591	9,858
Dent	14,354	0	14,354	12,433	0	12,433
Douglas	5,855	3,743	9,598	6,702	2,828	9,530
Dunklin	25,275	19,354	44,629	23,665	15,853	39,518
Fine Collection Center *	721,611	0	721,611	523,794	0	523,794
Franklin	82,910	48,212	131,122	75,761	43,351	119,112
Gasconade	15,677	7,380	23,057	14,057	8,748	22,805
Gentry	5,866	495	6,361	4,678	321	4,999
Greene	122,918	265,385	388,303	123,753	302,312	426,065
Grundy	9,114	3,126	12,240	9,448	2,579	12,027
Harrison	33,909	2,739	36,648	27,390	1,760	29,150
Henry	23,549	8,059	31,608	17,782	4,686	22,468
Hickory	8,210	0	8,210	5,701	0	5,701

Appendix D

CRIME VICTIMS' COMPENSATION PROGRAM
SCHEDULE OF DEPARTMENT OF REVENUE COLLECTIONS

	Year Ended June 30, 2006			Year Ended June 30, 2005		
County/Other	CVC fees/costs Counties	CVC fees Municipals	Total	CVC fees/costs Counties	CVC fees Municipals	Total
Holt	9,211	0	9,211	7,481	0	7,481
Howard	7,572	2,481	10,053	7,377	2,075	9,452
Howell	45,186	16,948	62,134	36,649	19,209	55,858
Iron	11,125	1,321	12,446	11,914	1,092	13,006
Jackson	266,317	1,884,828	2,151,145	204,402	1,926,971	2,131,373
Jasper	49,957	110,071	160,028	52,734	108,413	161,147
Jefferson	208,735	153,345	362,080	138,598	144,280	282,878
Johnson	42,002	25,525	67,527	44,401	26,683	71,084
Knox	3,733	21	3,754	4,573	29	4,602
Laclede	27,639	11,155	38,794	28,126	10,619	38,745
Lafayette	51,023	19,781	70,804	42,551	22,650	65,201
Lawrence	26,612	13,112	39,724	29,890	13,853	43,743
Lewis	8,105	2,542	10,647	12,073	2,503	14,576
Lincoln	56,448	53,639	110,087	49,839	34,174	84,013
Linn	12,369	3,458	15,827	8,441	3,128	11,569
Livingston	16,182	2,750	18,932	15,547	4,886	20,433
Macon	18,232	5,964	24,196	15,314	6,112	21,426
Madison	17,024	1,811	18,835	15,945	3,556	19,501
Maries	6,367	3,629	9,996	5,389	1,890	7,279
Marion	15,287	24,374	39,661	27,103	24,366	51,469
McDonald	19,467	26,473	45,940	19,068	25,125	44,193
Mercer	4,335	7	4,342	4,103	7	4,110
Miller	32,740	14,357	47,097	29,821	13,408	43,229
Mississippi	15,119	4,931	20,050	16,034	4,875	20,909
Moniteau	16,523	4,497	21,020	12,190	4,384	16,574
Monroe	12,451	570	13,021	12,490	820	13,310
Montgomery	20,154	3,551	23,705	16,637	4,706	21,343
Morgan	23,089	8,245	31,334	25,451	5,504	30,955
New Madrid	18,980	11,126	30,106	14,856	12,992	27,848
Newton	38,219	29,551	67,770	35,681	27,808	63,489
Nodaway	14,938	10,346	25,284	12,478	8,050	20,528
Oregon	6,134	2,217	8,351	6,940	2,631	9,571
Osage	11,251	0	11,251	9,977	0	9,977
Ozark	7,631	1,130	8,761	8,648	257	8,905
Pemiscot	56,611	6,310	62,921	45,706	5,586	51,292
Perry	20,545	6,355	26,900	18,622	5,982	24,604
Pettis	43,538	17,011	60,549	43,820	18,633	62,453
Phelps	40,835	17,267	58,102	29,814	19,344	49,158
Pike	12,057	17,753	29,810	10,253	19,755	30,008
Platte	79,148	52,629	131,777	62,720	47,617	110,337
Polk	34,023	13,758	47,781	21,918	11,888	33,806
Pulaski	30,150	18,780	48,930	28,524	27,734	56,258
Putnam	5,349	638	5,987	3,900	462	4,362
Ralls	12,236	0	12,236	10,296	0	10,296
Randolph	28,571	17,561	46,132	21,545	14,528	36,073

Appendix D

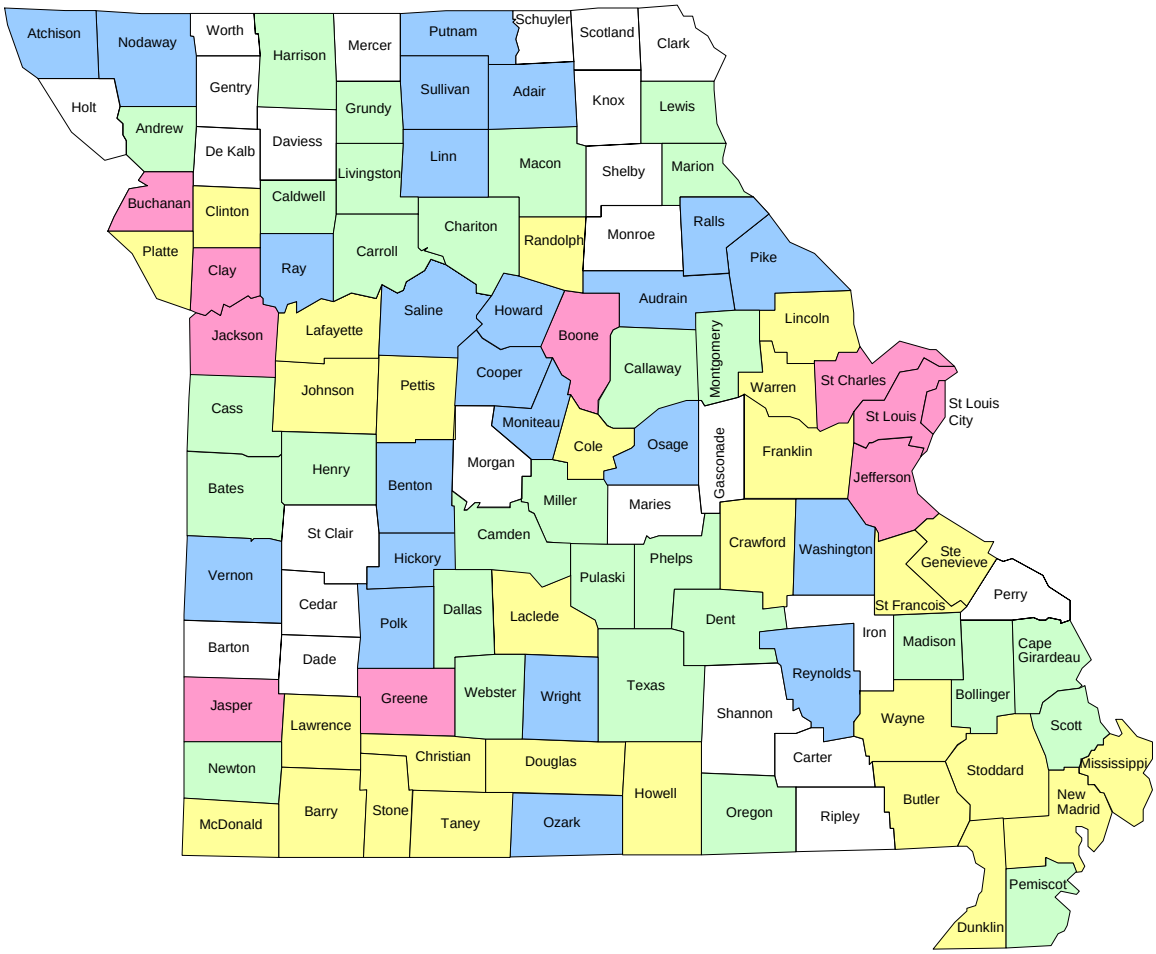
CRIME VICTIMS' COMPENSATION PROGRAM
SCHEDULE OF DEPARTMENT OF REVENUE COLLECTIONS

	Year Ended June 30, 2006			Year Ended June 30, 2005		
County/Other	CVC fees/costs Counties	CVC fees Municipals	Total	CVC fees/costs Counties	CVC fees Municipals	Total
Ray	20,723	21,474	42,197	19,710	20,513	40,223
Reynolds	11,993	1,059	13,052	7,690	981	8,671
Ripley	9,717	0	9,717	9,127	0	9,127
Saline	23,255	14,065	37,320	21,496	14,816	36,312
Schuyler	5,248	0	5,248	5,356	0	5,356
Scotland	7,611	0	7,611	5,335	0	5,335
Scott	36,729	32,797	69,526	38,511	28,766	67,277
Shannon	11,383	0	11,383	13,875	827	14,702
Shelby	8,511	1,561	10,072	8,314	1,903	10,217
St. Charles	148,713	318,111	466,824	137,744	332,662	470,406
St. Clair	17,465	0	17,465	14,817	0	14,817
St. Francois	48,518	57,300	105,818	45,773	55,486	101,259
St. Louis	610,339	1,904,609	2,514,948	530,970	1,934,271	2,465,241
Ste. Genevieve	19,056	3,926	22,982	18,461	5,147	23,608
Stoddard	25,509	11,009	36,518	18,196	11,879	30,075
Stone	19,605	14,041	33,646	15,171	11,459	26,630
Sullivan	7,610	611	8,221	6,761	780	7,541
Taney	29,227	20,190	49,417	27,513	22,678	50,191
Texas	21,768	11,909	33,677	23,009	11,450	34,459
Vernon	14,203	17,421	31,624	16,667	17,880	34,547
Warren	68,850	8,442	77,292	57,748	0	57,748
Washington	23,506	6,781	30,287	18,738	6,566	25,304
Wayne	17,622	1,691	19,313	14,734	1,501	16,235
Webster	24,795	11,905	36,700	19,070	9,097	28,167
Worth	1,248	50	1,298	1,040	0	1,040
Wright	16,665	7,762	24,427	12,076	7,472	19,548
Totals	$ 4,926,144	6,495,125	11,421,269	4,175,175	6,649,548	10,824,723

* The Fine Collection Center, handled through the Office of State Courts Administrator, collects the appropriate fees for counties belonging to the center and remits the fees directly to the Department of Revenue.

Appendix E-1

Crime Victims' Compensation Funds Awarded to Individuals by County in Fiscal Year 2006



No Funds

$1 - $4,999

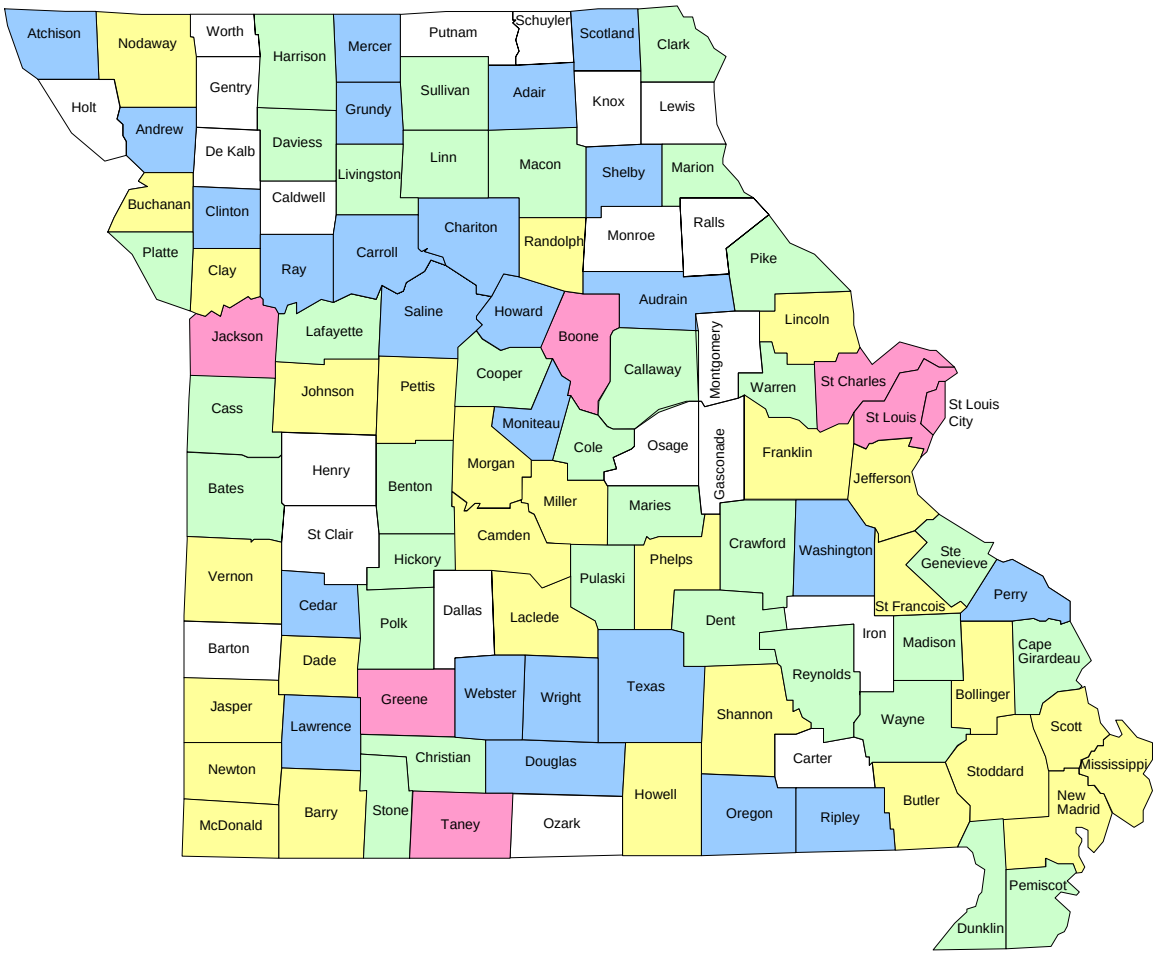
$5,000 - $24,999

$25,000 - $99,999

$100,000 and over Funds

Appendix E-2

Crime Victims' Compensation Funds Awarded to Individuals by County in Fiscal Year 2005



No Funds

$1 - $4,999

$5,000 - $24,999

$25,000 - $99,999

$100,000 and over Funds

Susan Montee, CPA
Missouri State Auditor

May 2007

Twenty-First Judicial Circuit

St. Louis County, Missouri Municipal Division

Report No. 2007-24

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

May 2007

YELLOW SHEET

The following findings were noted as a result of an audit conducted by our office of the Twenty-First Judicial Circuit, Municipal Division, St. Louis County, Missouri.

The court has not established procedures to follow-up on case dispositions to determine if any bonds listed need to be forfeited or refunded, or have a new court date assigned. At December 31, 2006, the bond open items listing totaled approximately $770,400. The balance in the Bond Fund exceeded the bond open items listing by approximately $18,000. Fourteen of the fifteen cases reviewed had bonds which needed to be forfeited. In addition, bond amounts transferred to the Bond Forfeiture Fund could not be identified with specific cases or individual bond owners. Also, the court transfers bond forfeitures to the county only once a year. As of December 31, 2006, there was approximately $61,450 in the Bond Forfeiture Fund awaiting transfer.

The Municipal Division has not developed procedures to routinely follow-up on old outstanding case balances. Only failure to appear notices and warrants are issued for non-payment. Recent legislation has increased the court's opportunities to collect amounts owed the court; however the Municipal Division does not participate in any of these options. A report of the amounts currently owed to the court could not be generated by its computer system. As a result, the total due to the court could not be determined.

Monies received are not deposited timely at the South and West division offices. In addition, all court employees in the division offices have access to the safe or locked drawer located in their respective office where the monies are kept until being deposited. The average deposit amount was $10,400, $2,800, and $5,100 for the South Division, the West Division, and the North Division, respectively. Also, supervisors at the North, South, and West division offices collect and receive checks and money orders without recording or documenting the amounts received. These monies are transmitted to other clerks for additional processing and recording into the accounting system. The number of employees who receive and handle monies should be limited to safeguard monies from theft, loss or misuse.

Also included in the report are recommendations related to ticket accountability, record retention, and the violations bureau.

All reports are available on our website: www.auditor.mo.gov

TWENTY-FIRST JUDICIAL CIRCUIT
ST. LOUIS COUNTY, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
and
Municipal Judges
Twenty First Judicial Circuit

We have audited certain operations of the St. Louis County Municipal Division of the Twenty-First Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the 2 years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.

2. Review compliance with certain legal provisions.

3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by February 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis County Municipal Division of the Twenty-First Judicial Circuit.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Monique Williams, CPA
Audit Staff:	Zeb Tharp

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Bond Procedures

A. Monthly listings of open items (liabilities) are not reconciled to the county's Bond Fund balance, nor is the listing adequately reviewed to ensure bonds are disposed of on a timely basis. Court personnel indicated a monthly open items report is printed and reviewed; however, the report is discarded after each review. At December 31, 2006, the bond open items listing totaled approximately $770,400. The balance in the Bond Fund exceeded the bond open items listing by approximately $18,000.

The open items listing shows the status for each case as "Pending" if the case has been continued to another court date; "Completed" if the case has been closed and no monies are due; or "Inactive" if the case has never been heard and a warrant has been issued. The court has not established procedures to follow-up on these dispositions to determine if any bonds listed need to be forfeited or refunded, or have a new court date assigned. Fourteen of the fifteen cases reviewed had bonds which needed to be forfeited and one which needed to be refunded. Also, for 3 of these, a second bond had been collected for an additional failure to appear, but a new court date had never been assigned to finish processing the case.

Monthly listings of open items should be prepared and reconciled to the county's Bond Fund to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, the open items listing should be reviewed to ensure that outstanding bonds are properly disposed of in a timely manner. An attempt should be made to determine the proper disposition of these excess monies. For those monies which remain unclaimed, Section 447.595, RSMo, requires funds remaining unclaimed for one year after disposition of the case to be turned over to the state's Unclaimed Property Section.

B. Bond amounts transferred to the Bond Forfeiture Fund could not be identified with specific cases or individual bond owners. In addition, bond forfeitures are not transferred to the county in a timely manner. Amounts are automatically transferred from the Bond Fund to the Bond Forfeiture Fund when bonds are coded to the system as forfeited. However, after this transfer, documentation is not maintained or provided by the system indicating which cases make up the amounts transferred. Without this information, the court cannot be assured that bonds have been correctly forfeited by the court and are disposed of properly. As of December 31, 2006, there was approximately $61,450 in the Bond Forfeiture

Fund waiting to be transferred to the county. The court transfers these monies once a year. Bond forfeitures represent accountable fees and should be transmitted monthly to the County Treasury in accordance with Section 50.360 RSMo. To allow a more timely transmittal, the court must know the bonds that are awaiting transfer to the County Treasurer.

C. Some defendants are released on their own recognizance (no financial bond is posted) without obtaining written authorization from the judge. The bond amount to be collected is established by the judge when the warrant is issued. The Justice Services Department collects the bond and releases the defendant. Of the 10 bonds reviewed, two of the defendants were released on recognizance bonds without written authorization from the judge. Justice Services personnel indicated they were authorized to make this decision by a blanket court order; however, this order could not be located. The only authorization currently on file is a written memo from the court administrator allowing defendants to be released on recognizance bonds if they have less than 2 failure to appear charges.

To ensure justice is administered in accordance with the court's orders and to ensure all defendants are treated fairly and equitably, the Justice Services Department should only take actions consistent with the municipal judge's orders. The judge should approve any action(s) taken contrary to the court's initial instructions, and documentation of that action(s) and approval should be filed with the court.

WE RECOMMEND the St. Louis County Municipal Division:

A. Reconcile the monthly open items listing to the amount held in the county's Bond Fund. In addition, the Municipal Division should determine the disposition of the remaining unidentified amounts held in the fund and review the listings to ensure bonds are disposed of in a timely manner.

B. Ensure forfeited bonds are transferred to the county on a timely basis and maintain documentation to support amounts transferred.

C. Ensure the Justice Service Department takes action consistent with the municipal judges orders. Any action(s) taken contrary to the court's initial decision should be approved by the judge and documentation filed with the court.

AUDITEE'S RESPONSE

The Court Administrator provided the following responses:

A. The court will begin reconciling the open items listing monthly, and are currently reviewing the list to ensure all old bonds are disposed of properly. A judge's order is required to forfeit a bond; however, the Court will develop more aggressive procedures to ensure the bonds which need to be forfeited are brought to the attention of the judge.

B. The court will work with the county to establish procedures to transfer these funds on a monthly basis. We are developing procedures which will treat bond forfeitures and refunds as cash transactions and a receipt will be issued. The case numbers will be indicated on these receipts. In addition, we are currently considering the purchase of a new computer system for the court and will ensure the new system adequately documents the cases being transferred to the Bond Forfeiture Fund. These recommendations will be implemented within 6 months.

C. The court will draft within 6 months a blanket court order for the judges' signature (to replace the one which could not be located) establishing when the Justice Services Department can release a defendant on his own recognizance.

2. Accrued Costs

A. The Municipal Division has not developed procedures to routinely follow-up on old outstanding case balances. A report of the amounts currently owed to the court could not be generated by its computer system. As a result, the total due to the court could not be determined.

A failure to appear notice and a warrant is issued for non-payment; however, the court does not utilize any other methods to collect amounts owed the court, such as a collection agency. The Court Administrator indicated they have not contracted with a public or private entity to collect delinquent court-ordered payments because it is not cost effective to incur additional programming costs to the current computer system plus the fees charged by a collection agency. Court personnel indicated a cost/benefit analysis was performed on these services; however, documentation of the analysis was not retained.

Although recent legislation has increased the court's opportunities to collect amounts owed the court, the Municipal Division does not participate in any of these options. Section 488.5030, RSMo, gives courts the prospect of contracting with a collection agency to pursue past-due court-ordered court costs. State law also allows any fees or cost associated with such collection efforts be added to the amount due, but such fees and costs shall not exceed twenty percent of the amount collected. The division could also consider reporting the unpaid debt to one of the three main credit reporting bureaus.

Inadequate collection procedures result in lost revenue for the county. A complete and accurate accrued cost listing would allow the court to more easily review the amounts owed to the court, and take the appropriate steps to ensure all amounts owed are collected on a timely basis.

B. Warrants were not issued for some cases. In three cases reviewed, warrants were recalled in error and never re-entered into the system, although the defendants owed monies to the court. In another case, the defendant did not pay timely but a warrant was never issued.

Proper and timely issuance of warrants for amounts due to the court helps to maximize court revenues along with providing equitable treatment for those citizens who are paying court costs and fines when due.

WE RECOMMEND the St. Louis County Municipal Division:

A. Ensure an accurate listing of accrued costs is prepared and establish procedures to monitor and pursue timely collection of accrued costs.

B. Ensure a warrant is issued on all cases where the amount due has not been paid by the due date.

AUDITEE'S RESPONSE

The Court Administrator provided the following responses:

A. The court will implement procedures, within one year, to allow accrued costs to be entered into the system and a report to be generated. Once a report is generated, we will review the cost of using a collection agency to pursue collection of the receivables.

B. The court will attempt to develop a report that lists all cases without activity for a specified amount of time and compare that listing to outstanding warrants. Any cases without warrants and without activity would then be investigated. We will implement this recommendation within 6 months.

3. Accounting Controls

A. Monies received are not deposited timely at the South and West division offices. Some monies were held as long as four days prior to deposit. In addition, all court employees in the division offices have access to the combination safe or locked drawer located in their respective office where the monies are kept until being deposited. The average deposit amount was $10,400, $2,800, and $5,100 for the South Division, the West Division, and the North Division, respectively. Approximately, twelve percent of the deposits were received in cash.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, court monies should be deposited daily. In addition, internal controls could be improved by limiting the number of employees who have access to the safe or keys to the cash drawer.

B. Supervisors at the North, South, and West division offices collect and receive checks and money orders without recording or documenting the amounts received. The Supervisors open the mail and sort it for processing, but do not record the monies received. These monies are transmitted to other clerks for additional processing and recording into the accounting system. To safeguard monies from theft, loss or misuse, the number of employees who receive and handle monies should be limited to the extent possible or require a mail log to be prepared and verified to amounts deposited.

WE RECOMMEND the St. Louis County Municipal Division:

A. Deposit court monies intact daily and limit the number of employees who have access to the safe or keys to the cash drawer.

B. Limit the number of employees who can receive or handle monies prior to recording and depositing funds or require a mail log be prepared and verified to deposits.

AUDITEE'S RESPONSE

The Court Administrator provided the following responses:

A. The court policy requires monies to be deposited daily. The court will begin reviewing the transmittal listings daily to ensure a deposit has been made by all appropriate employees and all employees must have access to the safe due to the rotating schedule for evening court. The court will review other alternatives to try to tighten controls over these monies. In addition, the county is currently investigating the possibility of developing a central cashier at each facility for all county transactions.

B. The court will implement this recommendation immediately.

4. Ticket Accountability

Neither the police department nor the Municipal Division have adequate procedures to account for the numerical sequence of tickets issued. The police department's computer system tracks the numerical sequence of the tickets issued and a report can be printed of missing tickets; however, this report has not been printed or reviewed since October 2005. Some tickets were not processed by the court because no one followed up on missing tickets.

To ensure proper disposition of tickets issued by the Police Department, the numerical sequence should be accounted for properly.

WE RECOMMEND the St. Louis County Municipal Division work with the police department to ensure that missing ticket reports are printed and reviewed on a monthly basis. In addition, proper follow-up should be made and documented for any ticket presumed to be missing.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

The court will request the police department to submit documentation to the court to show this is being done.

5. Record Retention

The bond open item listing, deposit slips, and a cost/benefit analysis regarding the usage of a collection agency were not retained by division personnel. In addition, two case files selected for review could not be located. Missouri Supreme Court Operating Rule 8 requires municipal divisions to retain all case file records and all financial records, including reports of the courts financial decision making. Retention of municipal records is essential to establishing accountability of municipal division activity and to demonstrate compliance with state law. Effective control of records requires all documents and records to be safeguarded against loss, be accessible to the appropriate municipal division employees, and upon reasonable request, be accessible to the public.

WE RECOMMEND the St. Louis County Municipal Division maintain case records and copies of all financial and related records in accordance with Missouri Supreme Court Operating Rule 8.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

The court will implement this recommendation immediately. We are currently reviewing the possibility of obtaining a scanner so documents can be stored electronically, also we are attempting to store more reports electronically.

6. Violations Bureau

A schedule of fines and court costs is not posted at the Violations Bureau (VB) offices or on the court's website. Section 479.050, RSMo, and Supreme Court Rule No. 37.49

require a schedule which designates the offenses within the authority of the VB clerk, and the amount of fines and costs to be imposed for each offense, be posted at the VB.

WE RECOMMEND the St. Louis County Municipal Division ensure the schedule of fines and court costs is posted at the Violations Bureau.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

This recommendation has been implemented. The court has drafted the list to be posted at each division and on the web page, now it is waiting for the judge's signature.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-FIRST JUDICIAL CIRCUIT
ST. LOUIS COUNTY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The St. Louis County Municipal Division is only one of the ninety-one municipal divisions within the Twenty-First Judicial which consists of St. Louis County. The Honorable Carolyn Whittington serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violations bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the county treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the St. Louis County government.

Organization

The St. Louis County Municipal Division was established in accordance with the St. Louis County Charter Ordinance No. 16152. The Municipal Division is divided into four subdivisions known as the Central Division, North Division, South Division, and West Division. Each of these divisions operate a violations bureau which serve the unincorporated areas of St. Louis County. The Violations Bureau (VB) collects fines and court costs for traffic tickets issued by the county police department and other county government entities that do not require a court appearance. The North Division has three court sessions each week, the South Division has four court sessions each week, the West Division has one court session each week, and the Central Division has two court sessions each week.

The Municipal Court Administrator serves as the administrative officer for the Municipal Division. The division's supervisors and administrative office personnel are responsible for collecting fines and court costs and depositing monies into the county bank account. The Department of Justice Services collects the municipal bond monies. Bond monies are deposited into a separate bank account and disbursed to the Municipal Division administrative office daily. The Municipal Division transmits bond monies to the county treasurer’s office for deposit into the county bank account.

Personnel

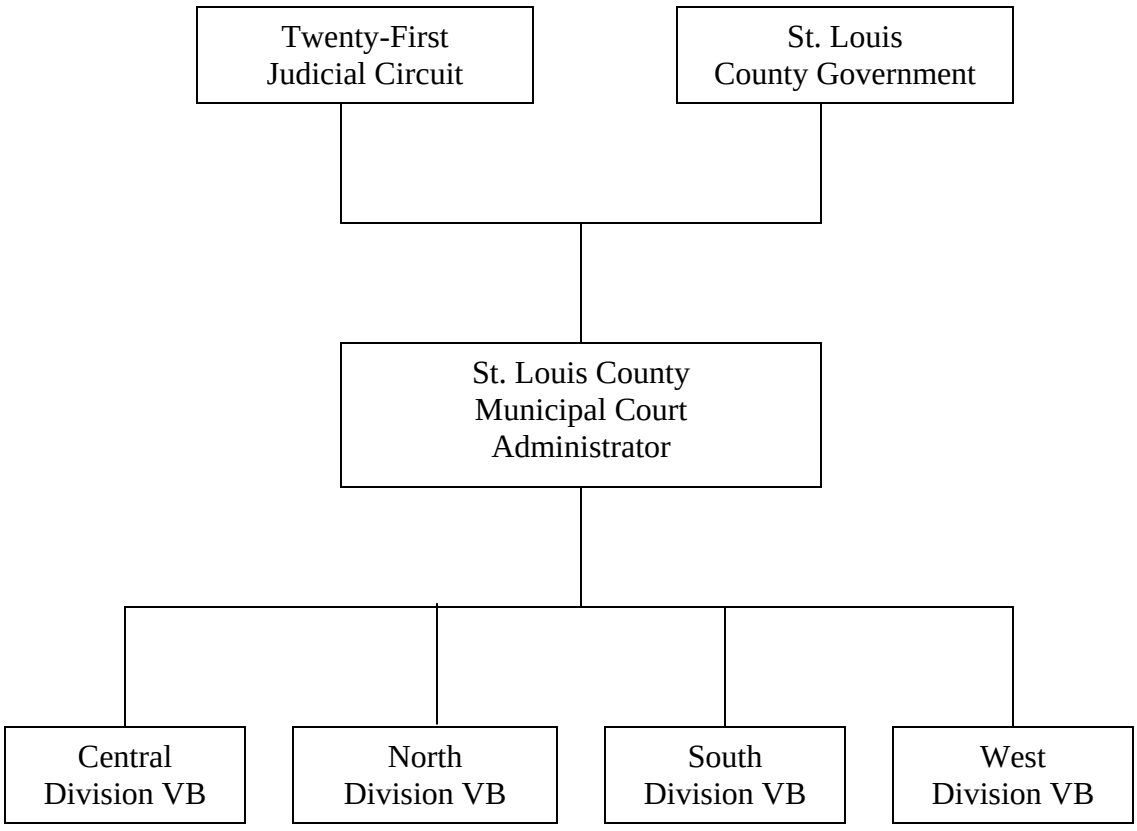
Municipal Judges	Renee Hardin-Tammons
	Celeste Endicott
	Robert Adler
	Jess Ullom
Court Administrator	Renee Hines-Tyce
Deputy Court Administrator	Maureen Brown
Central Division Supervisor	Richael LaKine
North Division Supervisor	Tiffany Davis (1)
South Division Supervisor	Jacqueline Brown
West Division Supervisor	Carol Brenner

(1) Elonda Goodwin served as the North Division Supervisor prior to July 1, 2006.

Financial and Caseload Information

	Year Ended December 31,	
	2006	2005
Receipts	$7,379,844	$7,157,218
Number of cases filed	62,319	59,952

TWENTY-FIRST JUDICIAL CIRCUIT
ST. LOUIS COUNTY
MUNICIPAL DIVISION
ORGANIZATION CHART
DECEMBER 31, 2006



Susan Montee, CPA
Missouri State Auditor

May 2007

REVENUE

State Lottery Commission

Three Years Ended June 30, 2006

Report No. 2007-23

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

May 2007

YELLOW SHEET

The following issues were noted in an audit conducted by our office of the Department of Revenue, State Lottery Commission.

The State Lottery Commission (SLC) was created June 11, 1985, following voter approval of a lottery amendment to the Missouri Constitution at the November 1984 general election. State law provides that money received from the sale of lottery tickets shall be divided with a minimum of 45 percent to be awarded as prizes; administration, advertising, promotion, and retailer compensation costs shall be paid as appropriated by the General Assembly; and the remainder shall be transferred to the Lottery Proceeds Fund to be appropriated solely for public institutions of elementary, secondary, and higher education.

Follow-up on a recommendation from a separate audit that reviewed the cost of promotional items of all state departments (Report No. 2004-55) found that the State Lottery Commission continues to sponsor various private organization events. Our office reviewed two payments to private organizations totaling $60,000 and seven purchases of promotional items totaling approximately $57,000 that were not approved by the lottery's promotional department. There were either no proposals on file or the proposals from the private organizations did not indicate the benefits the SLC would receive from the sponsorships. According to SLC management, all sponsorships are now processed by the promotional department, which requires a formal written proposal.

We had no new findings on the State Lottery Commission.

All reports are available on our website: www.auditor.state.mo.us

STATE LOTTERY COMMISSION

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
State Lottery Commission
and
Larry Jansen, Executive Director
State Lottery Commission
Jefferson City, MO 65102

The State Auditor is required under Section 313.315.1, RSMo, to audit the State Lottery Commission. The commission engaged Cochran, Head & Co., P.C., Certified Public Accountants (CPAs), to audit the commission's financial statements for the years ended June 30, 2006, 2005, and 2004. To satisfy our statutory obligation and minimize duplication of effort, the State Auditor has used the work of the CPA firm. We reviewed the reports and substantiating working papers of the CPA firm to satisfy ourselves as to the appropriateness of using the reports, and we accept them in partial fulfillment of our responsibility under Section 313.315.1, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2006, 2005, and 2004. The additional objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations.

4. Determine the extent to which the recommendation included in a related audit report was implemented.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the commission, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by March 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the commission's management and was not subjected to the procedures applied in the audit of the commission.

No findings resulted from our audit of the State Lottery Commission.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Ali Arabian
	Kimberly Reese
	Patrick Pullins

FOLLOW-UP ON PRIOR AUDIT FINDINGS

STATE LOTTERY COMMISSION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the State Lottery Commission on the finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2003.

Promotional Items

A separate audit was performed which reviewed the cost of promotional items of all state departments, including the State Lottery Commission (SLC). This separate report (report number 2004-55) was issued July 2, 2004. The report concluded the commission gave various promotional items to attendees at meetings/conferences to promote the lottery, paid to sponsor a golf hole at the Petroleum Marketers Association annual golf event, and gave retailers television sets and DVD players to enhance working relationships with them. The value received by the SLC from these expenditures was questioned in the audit report. Recommendations concerning the issue and the SLC responses were included in that report and were not repeated in our prior SLC audit report issued for the two years ended June 30, 2003.

Status:

Not implemented. The SLC is requested to sponsor various private organization events. If approved by the SLC, amounts are paid to the organizations directly or promotional items are purchased to be given to attendees of the events. Depending upon the nature of the private event, the sponsorships were either requested through the promotional department or another employee within the SLC. We reviewed two payments to private organizations totaling $60,000 and seven purchases of promotional items totaling approximately $57,000 which were not approved by the promotional department. There were either no proposals on file or the proposals from the private organizations did not indicate the benefits the SLC would receive from the sponsorships. According to SLC Management, beginning in early fiscal year 2007, all sponsorships of private organizations are now processed by the promotional department, which requires all private organizations to submit a formal proposal in writing including, but not limited to, the nature and scope of the event, various sponsorship levels and costs with all benefits and values assigned to each level, expected attendance, and audience demographics. However, SLC Management also stated they will continue to honor all commitments made for fiscal year 2007 prior to the change in policy. The SLC should ensure all future events of this type submit formal proposals as required by the current policy.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

STATE LOTTERY COMMISSION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The State Lottery Commission was created June 11, 1985, by Senate Bill No. 44, First Regular Session, 83rd General Assembly. That action followed voter approval of a lottery amendment to the Missouri Constitution at the November 1984 general election. The State Lottery Commission began selling instant game tickets on January 20, 1986.

Section 313.321, RSMo, provides that money received from the sale of lottery tickets shall be divided as follows: A minimum of 45 percent shall be awarded as prizes; administration, advertising, promotion, and retailer compensation costs shall be paid as appropriated by the General Assembly; and the remainder shall be transferred to the Lottery Proceeds Fund to be appropriated solely for public institutions of elementary, secondary, and higher education.

A five-member lottery commission is appointed by the governor with the advice and consent of the Senate. The commission must meet at least quarterly. The commission has the authority to promulgate rules as it deems necessary and desirable to fully implement the lottery as mandated by the people in Article III of the Missouri Constitution. It appoints a director to act as secretary of the commission and keep all books and records of the commission. The director of the lottery oversees the commission's operation and administration. At June 30, 2006, Larry Jansen served as the Executive Director. At June 30, 2006, the members of the commission were as follows:

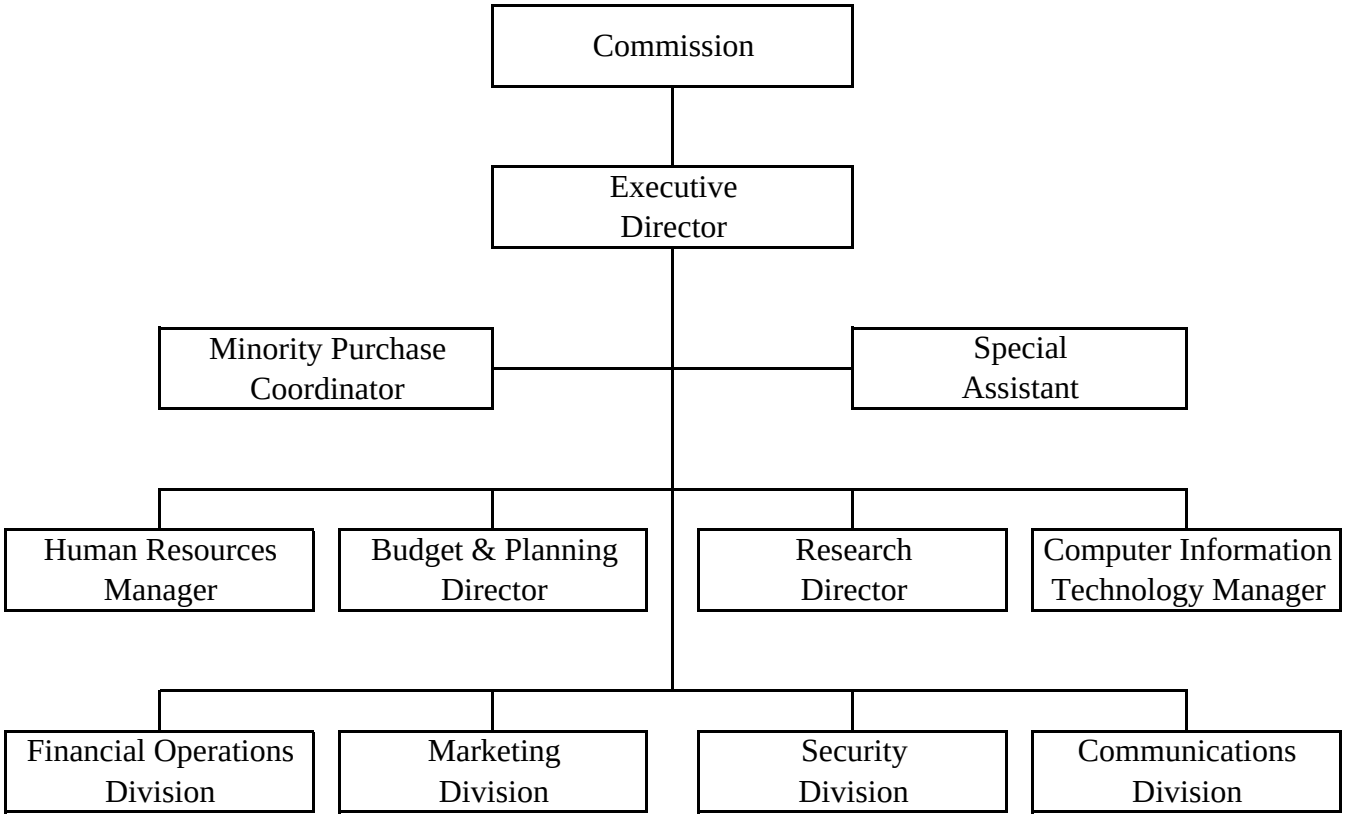
Commissioner	Term Expires
Barbara Pickering, Chair	September 9, 2008 (1)
Sherri Robins	September 7, 2006*
Celeste Witzel	September 7, 2007 (2)
Charles Larry Ray	September 7, 2008 (3)
Barbara Tiedt	September 9, 2007 (4)

* Commissioners continue to serve until a replacement is named.
(1) Barbara Pickering was nominated as chair on June 23, 2005.
(2) Celeste Witzel was appointed April 21, 2005, to replace Kenneth R. Hensley.
(3) Charles Larry Ray was appointed May 11, 2005, to replace Sue Carrol Terry.
(4) Barbara Tiedt was appointed April 26, 2006, to replace Mitchel Giesler.

The State Lottery Commission staff is organized into four divisions. Each division is headed by a director who coordinates activities to meet the commission's objectives. At June 30, 2006, the State Lottery Commission employed approximately 175 individuals.

An organization chart follows:

STATE LOTTERY COMMISSION
ORGANIZATION CHART
JUNE 30, 2006



Appendix A

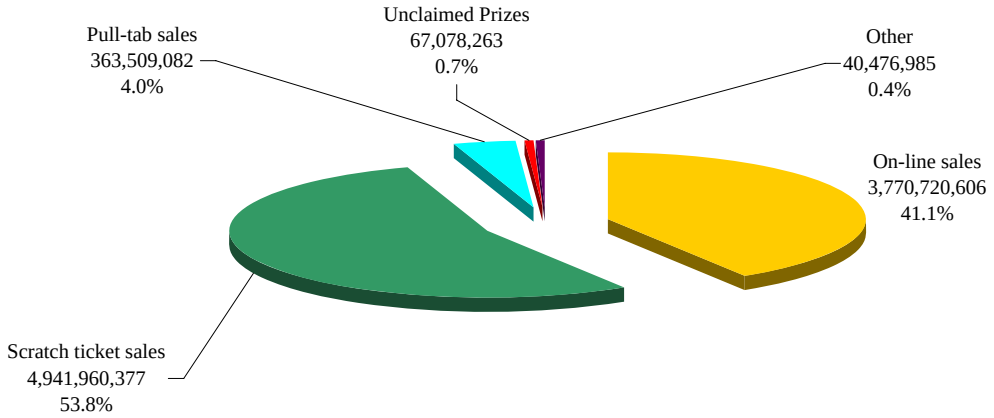
STATE LOTTERY COMMISSION
REVENUE AND EXPENDITURE DATA
FIVE YEARS ENDED JUNE 30, 2006

	Year Ended June 30,				
	2006	2005	2004	2003	2002
Revenues					
Scratch ticket sales	$ 550,961,109	467,326,093	434,791,673	393,981,254	316,397,488
On-line ticket sales	343,402,242	297,540,450	334,515,765	289,025,023	241,422,798
Pull-tab ticket sales	19,154,900	20,731,089	21,846,920	25,041,235	27,368,968
Unclaimed prizes	11,392,679	7,811,413	12,283,414	16,720,584	6,669,140
Other	1,642,526	931,882	1,094,868	984,989	1,478,410
Total	$ 926,553,456	794,340,927	804,532,640	725,753,085	593,336,804
Expenditures					
Transfers for Education	$ 260,668,735	218,642,710	229,427,183	203,466,261	160,038,467
Prizes	572,767,960	487,925,882	484,827,462	434,559,460	353,075,456
Administration	36,573,611	38,973,613	40,961,229	43,273,902	43,122,166
Retailer commissions and incentives	56,543,150	48,798,722	49,316,766	44,453,462	37,100,715
Total	$ 926,553,456	794,340,927	804,532,640	725,753,085	593,336,804

Appendix B

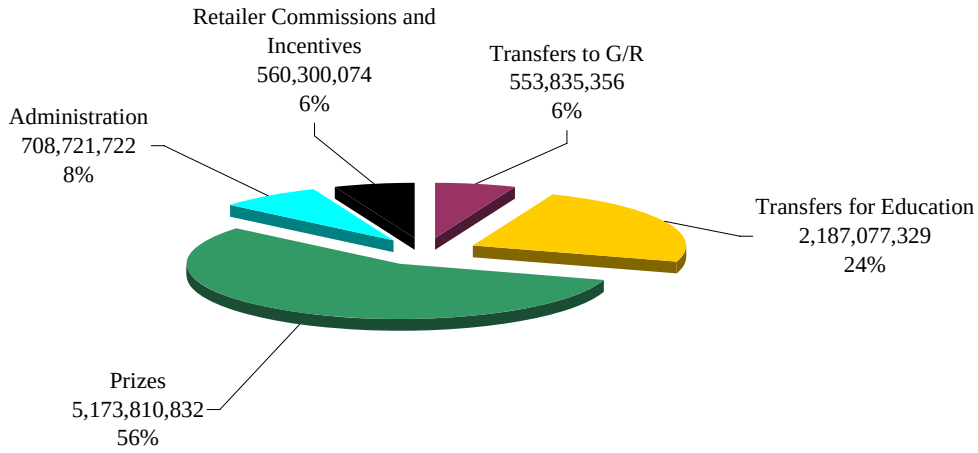
STATE LOTTERY COMMISSION
REVENUE AND EXPENDITURE CHARTS
JANUARY 20, 1986 THROUGH JUNE 30, 2006

Revenues



Total Revenues: $9,183,745,313

Expenditures

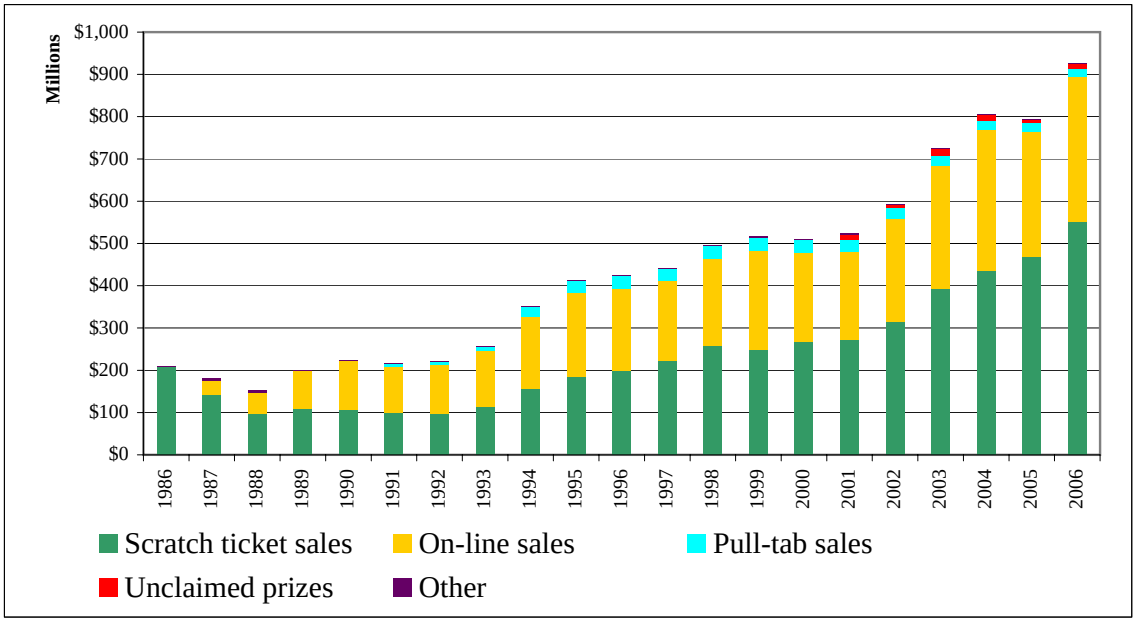


Total Expenditures: $9,183,745,313

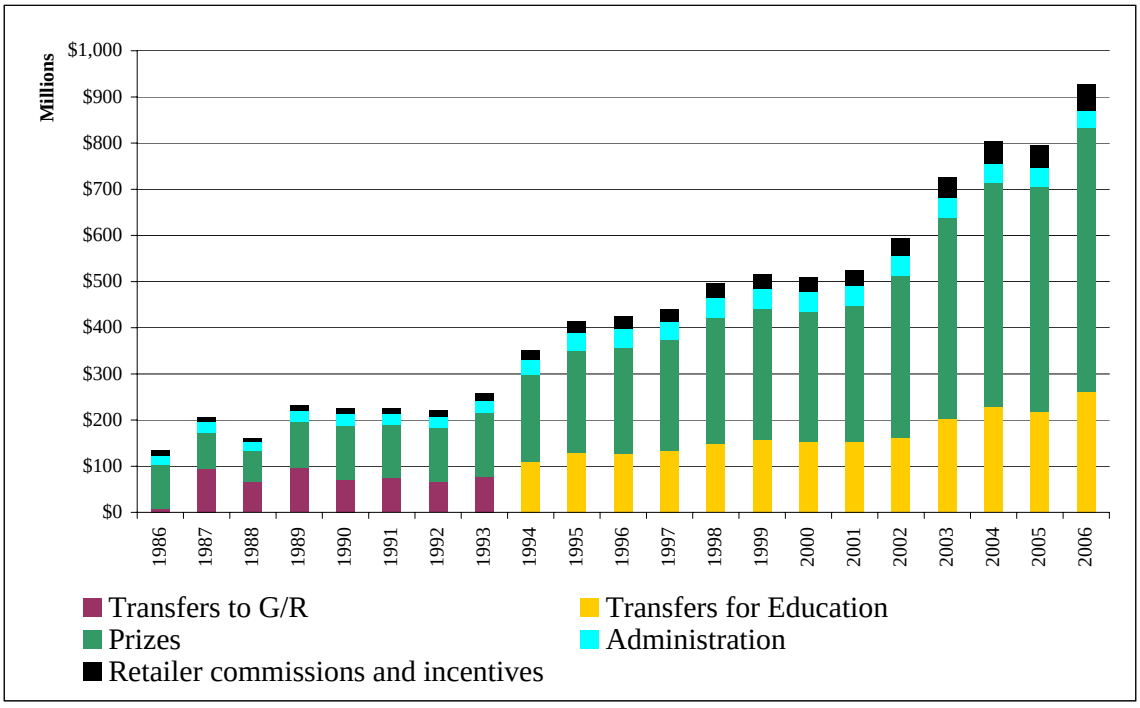
Appendix C

STATE LOTTERY COMMISSION
REVENUE AND EXPENDITURE CHARTS
JANUARY 20, 1986 THROUGH JUNE 30, 2006

Revenues



Expenditures



Susan Montee, CPA
Missouri State Auditor

May 2007

Iron County, Missouri

Years Ended
December 31, 2005 and 2004

Report No. 2007-22

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Susan Montee, CPA

May 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Iron, that do not have a county auditor. In addition to a financial audit of county funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $382,901 and $64,607 for the years ended December 31, 2005 and 2004, respectively.

The county's documentation regarding procurement decisions was not always sufficient or retained. Some expenditures did not appear to be allowable uses of restricted county funds. In addition, evidence of receipt of goods or services was not always required prior to approving expenditures.

The County Commission's procedures for holding and documenting closed meetings need improvement. Open session minutes did not always indicate that the meeting was being closed or provide the specific reason for closing the meeting. Votes or final actions taken by the commission during closed meetings were not always documented in the open meeting minutes. Finally, minutes were not available for all closed meetings.

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the tax books or maintain an adequate account book with the County Collector, and neither the County Clerk nor the County Commission adequately review the County Collector's annual settlements.

Errors were noted with the county's property tax rollback calculations for sales tax revenues. In addition, while the County Commission was aware of excess property tax collections when making the 2006 calculations, reasons for not further reducing the property tax levy were not documented. However, due to distribution errors made by the state, it is likely the county's rollback for 2006 was sufficient.

The county does not have adequate written policies and effective monitoring procedures regarding county vehicle usage. Also, county vehicles are used for commuting by several road and bridge employees and this benefit is not recorded on the employees' W-2 forms.

Budgets were not prepared for several county funds and financial information related to some projects was not presented in the county's overall budget document. Also, the

(over)

county's monitoring procedures did not prevent actual disbursements from exceeding budgeted amounts for several funds.

The County Collector does not perform month-end reconciliation procedures to ensure the bank account balances are in agreement with partial pay records and other identified liabilities. Partial pay ledgers and reconciliation procedures need improvement.

Circuit Court procedures to monitor and collect accrued costs due the court need improvement, and there may be costs that have not been properly billed to the state. Manual receipt slips are not properly accounted for and the court maintains old bank accounts containing unidentified or unclaimed monies.

Accounting duties are not adequately segregated in the Ex Officio Recorder of Deeds' office and no independent reviews of accounting records are performed.

Accounting duties are not adequately segregated in the Associate Circuit Court and no independent reviews of accounting records are performed. Manual receipt slips are not properly accounted for. In addition, information for some cases was not properly updated to reflect judicial orders.

In the Prosecuting Attorney's office some receipt records could not be located and month-end reconciliation procedures are not performed to ensure that the bank account balance is sufficient to cover the related liabilities.

Controls and procedures of the Sheriff's office need improvement. Receipt records do not contain adequate details and discrepancies were noted for several 2005 deposits. Proper month-end reconciliations and disbursements were not performed for March through September 2005. Bond forms are not adequately accounted for. In addition, records and procedures related to board of prisoner billings to other political subdivisions need improvement to ensure all outstanding amounts are received. Subsequent to September 2005, the Sheriff retained a bookkeeper and it appears that several key controls were implemented.

Health Center budgets presented some incorrect information. Also, the Health Center had no banking service agreements and collateral securities pledged were not sufficient.

Weaknesses with computer system controls, including passwords not being used and backup procedures not being performed, were identified in some county offices.

All reports are available on our Web site: www.auditor.mo.gov

IRON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Iron County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed more fully in Note 1, the county prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of December 31, 2005 and 2004, and the respective changes in financial position—cash basis thereof for the years then ended in conformity with the basis of accounting discussed in Note 1.

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As discussed more fully in Note 1, for the years ended December 31, 2005 and 2004, the county implemented applicable provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the county's financial report. The county also implemented the provisions of Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 1, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Missouri Local Government Employees Retirement System, and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Iron County has not presented the budgetary comparison information for the Hospital Construction Fund that is required to supplement, although not be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Iron County, Missouri, and was not subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

September 1, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Earlene Gladden
	Mark Golden
	Cara Hoff
	Anne Jenkins
	Ryan M. King
	James Samek

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Iron County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Iron County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Iron County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Iron County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 1, 2006 (fieldwork completion date)

Management's Discussion and Analysis

IRON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2005 AND 2004

This discussion and analysis of Iron County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2005 and 2004. The information below, prepared by the county's management, should be read in conjunction with the county's financial statements that immediately follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities—activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and

manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

The County as Trustee

The county is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the county's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The county's fiduciary assets are reported in a separate Statement of Fiduciary Net Assets. Fiduciary funds are excluded from the county's other financial statements because the county cannot use these assets to finance its operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Management's Discussion and Analysis, the Schedule of Funding Progress for Missouri Local Government Employees Retirement System, and the Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the History, Organization, and Statistical Information.

FINANCIAL HIGHLIGHTS

- The county's total governmental receipts exceeded total expenses by $383,113 in 2005, but the total expenses exceeded total governmental receipts by $88,734 in 2004.

- The county's governmental funds ended 2005 with a combined cash balance of $1,416,527 and 2004 with $1,033,414.

THE COUNTY AS A WHOLE

The following chart displays assets, receipts, and disbursements for 2005 and 2004.

	Year Ended December 31,		
	2005	2004	2003
Net Assets $	1,416,527	1,033,414	1,122,148
Program Receipts	1,445,121	1,441,290	*
General Receipts	3,439,106	1,592,011	*
Disbursements	4,501,114	3,122,035	*
Change in Net Assets	383,113	(88,734)	*

* A breakdown of receipts, disbursements, and change in net assets was not available for 2003.

For the two years disclosed in this audit, the change in Net Assets (cash balances) is primarily due to the receipt of a loan for the hospital construction fund in 2005 totaling $1,370,000 which was not fully disbursed as of December 31, 2005.

The drastic increase in General Receipts totaling $1,847,095 can be attributed to the receipt of a hospital construction loan, hospital construction grants, and the sale of county real estate. In addition, sales tax revenue increased $122,000 in 2005 over 2004; however, a significant portion of this increase was due to errors in the state's distribution of sales tax collections. To correct for these errors the state will redistribute these monies to the proper entity in 2007. The significant increase in disbursements totaling $1,379,079 can be attributed to the hospital construction, elevator construction, the purchase or lease of Road and Bridge vehicles and equipment, and the purchase of a new Road and Bridge shed.

THE COUNTY'S FUNDS

There were no significant changes in the County's normal operating budgets during 2006 and 2005; however, two construction projects significantly impacted the overall actual receipts and disbursements shown in the county's financial statements during 2004 and 2005.

The County Hospital Building planning and construction significantly impacted 2005 receipts and disbursements. Loan proceeds, sales tax revenues, and grants related to the project totaling approximately $1,600,000 were received by the county, and expenditures for planning and construction of the facility totaled approximately $1,000,000.

In 2001, the County was awarded a Community Development Block Grant for $215,860 with a county match of $60,000 from the General Revenue Fund to construct and install an elevator in the Courthouse to meet compliance with the Americans with Disabilities Act. The expenses for this project were incurred by the county in 2004 and 2005; however, the county received the grant reimbursement funds primarily in 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

Construction of a County Hospital Building began in November 2005 and was completed in December 2006. An agreement with United States Department of Agriculture Rural Development provided financing totaling $7,500,000 to be repaid by the county with revenues from the operations of the hospital over a twenty-five year period beginning in 2007 and ending in 2032. In addition, the citizens of Iron County approved a capital improvement sales tax of 1/2 cent in April of 2005 for the construction. The sales tax has a five year sunset and is expected to provide funds sufficient to repay an additional $1,370,000 borrowed for the hospital construction as stipulated by the agreement with the USDA Rural Development. The county began receiving sales tax receipts in the fourth quarter of 2005 which have funded quarterly loan payments of $71,489 beginning in 2006. In March of 2005, the County received a grant of $200,000 from the Ameren Community Development Company. No loan monies were received from the USDA until 2006.

On May 2, 2005, the County entered into a five year lease agreement for three Ford F350 work trucks, three Freightliner single axle dump trucks, and one New Holland mower tractor with annual payments of $89,871. The County has an option to purchase all pieces of equipment at the end of the lease term for the sum of $1.00 (One Dollar).

The purchase of a gravel plant for $25,000, an asphalt paving machine for $48,000, and a roller for $16,000, for the Road and Bridge Department occurred in 2005. These purchases appear as expenses on the financial statements as they were paid for with cash reserves.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The construction and opening of a new County Hospital will add greatly to both the physical and economic well being of the citizens of Iron County. The county sales taxes have increased in the past three years, and the addition of new businesses and houses should continue this trend.

The increased costs of fuel, materials, equipment, utilities, and operating expenditures continues to be a source of worry. Enhanced 9-1-1 and a new jail/justice center are two areas that must be addressed in the near future for Iron County to be successful. A sales tax to fund the construction and operation of both 9-1-1 and the jail/justice center will be presented to the voters of the County in the next two years. In addition, the County must be looking at the future of both the lead mining industry and tourism for determination of property and real-estate tax revenue in budgets ahead.

The agreement with the Missouri Department of Transportation to finally complete the restructuring of the Highway V corridor will allow much needed easy access by tourists and businesses alike to the County. This should encourage economic growth to both existing and future businesses.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Virginia Queen, Iron County Clerk, Iron County Courthouse, P.O. Box 42, Ironton, MO. 63650, (573)546-2912.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit A-1

IRON COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
ASSETS	
Cash	$ 1,416,527
Total Assets	1,416,527
NET ASSETS	
Restricted	1,256,162
Unrestricted	160,365
Total Net Assets	$ 1,416,527

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

IRON COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	Governmental Activities
ASSETS	
Cash	$ 1,033,414
Total Assets	1,033,414
NET ASSETS	
Restricted	944,219
Unrestricted	89,195
Total Net Assets	$ 1,033,414

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

IRON COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
DECEMBER 31, 2005

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
				Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	$ 1,168,434	277,178	467,306	(423,950)
Roads and bridges	1,124,168	0	403,137	(721,031)
Public safety	649,411	47,479	86,874	(515,058)
Health and welfare	1,559,101	47,073	116,074	(1,395,954)
Total Governmental Activities	4,501,114	371,730	1,073,391	(3,055,993)
Total Primary Government	$ 4,501,114	371,730	1,073,391	(3,055,993)
GENERAL RECEIPTS				
Taxes				
Property taxes				1,189,629
Sales taxes				442,118
Interest				27,820
Other				1,779,539
Total General Receipts				3,439,106
Change in Cash Balances				383,113
NET ASSETS, JANUARY 1				1,033,414
NET ASSETS, DECEMBER 31				$ 1,416,527

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

IRON COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
DECEMBER 31, 2004

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
				Primary Government
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	$ 1,054,713	262,431	284,327	(507,955)
Roads and bridges	949,757	0	575,296	(374,461)
Public safety	648,796	58,060	105,860	(484,876)
Health and welfare	468,769	33,983	121,333	(313,453)
Total Governmental Activities	3,122,035	354,474	1,086,816	(1,680,745)
Total Primary Government	$ 3,122,035	354,474	1,086,816	(1,680,745)
GENERAL RECEIPTS				
Taxes				
Property taxes				1,164,650
Sales taxes				320,042
Interest				28,352
Other				78,967
Total General Receipts				1,592,011
Change in Cash Balances				(88,734)
NET ASSETS, JANUARY 1				1,122,148
NET ASSETS, DECEMBER 31				$ 1,033,414

The accompanying Notes to the Financial Statements are an integral part of this statement.

Fund Financial Statements

Exhibit C-1

IRON COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2005

		General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Hospital Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash	$	160,366	205,661	170,199	142,780	575,822	161,699	1,416,527
Total Assets	$	160,366	205,661	170,199	142,780	575,822	161,699	1,416,527
FUND BALANCES								
Unreserved	$	160,366	0	0	0	0	0	160,366
Unreserved special revenue funds		0	205,661	170,199	142,780	575,822	0	1,094,462
Unreserved reported in nonmajor funds		0	0	0	0	0	161,699	161,699
Total Fund Balances	$	160,366	205,661	170,199	142,780	575,822	161,699	1,416,527

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

IRON COUNTY, MISSOURI
GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
DECEMBER 31, 2004

		General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	$	89,195	490,487	200,176	134,923	118,633	1,033,414
Total Assets	$	89,195	490,487	200,176	134,923	118,633	1,033,414
FUND BALANCES							
Unreserved	$	89,195	0	0	0	0	89,195
Unreserved special revenue funds		0	490,487	200,176	134,923	0	825,586
Unreserved reported in nonmajor funds		0	0	0	0	118,633	118,633
Total Fund Balances	$	89,195	490,487	200,176	134,923	118,633	1,033,414

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-1

IRON COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
DECEMBER 31, 2005

	General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Hospital Construction Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property taxes	$ 462,021	440,149	145,506	141,953	0	0	1,189,629
Sales taxes	413,200	0	0	0	0	28,918	442,118
Intergovernmental	223,420	403,137	116,074	0	0	330,760	1,073,391
Charges for services	252,209	0	47,073	0	0	72,448	371,730
Interest	5,467	11,219	3,470	3,500	2,128	2,036	27,820
Other	136,124	34,837	20,618	0	1,370,200	217,760	1,779,539
Total Receipts	1,492,441	889,342	332,741	145,453	1,372,328	651,922	4,884,227
DISBURSEMENTS							
General county government	795,487	0	0	0	0	372,947	1,168,434
Roads and bridges	0	1,124,168	0	0	0	0	1,124,168
Public safety	629,169	0	0	0	0	20,242	649,411
Health and welfare	254,381	0	362,718	137,596	796,506	7,900	1,559,101
Total Disbursements	1,679,037	1,124,168	362,718	137,596	796,506	401,089	4,501,114
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(186,596)	(234,826)	(29,977)	7,857	575,822	250,833	383,113
OTHER FINANCING SOURCES (USES)							
Transfers in	268,767	0	0	0	0	11,000	279,767
Transfers out	(11,000)	(50,000)	0	0	0	(218,767)	(279,767)
Total Other Financing Sources (Uses)	257,767	(50,000)	0	0	0	(207,767)	0
NET CHANGE IN CASH BALANCES	71,171	(284,826)	(29,977)	7,857	575,822	43,066	383,113
CASH BALANCES, JANUARY 1	89,195	490,487	200,176	134,923	0	118,633	1,033,414
CASH BALANCES, DECEMBER 31	$ 160,366	205,661	170,199	142,780	575,822	161,699	1,416,527

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-2

IRON COUNTY, MISSOURI
GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
DECEMBER 31, 2004

	General Fund	Special Road and Bridge Fund	Health Department Fund	Board for the Developmentally Disabled Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property taxes	$ 451,314	431,750	142,796	138,790	0	1,164,650
Sales taxes	320,042	0	0	0	0	320,042
Intergovernmental	223,804	575,296	121,333	0	166,383	1,086,816
Charges for services	238,022	0	33,983	0	82,469	354,474
Interest	9,966	10,100	3,387	2,301	2,598	28,352
Other	14,286	8,970	30,241	0	25,470	78,967
Total Receipts	1,257,434	1,026,116	331,740	141,091	276,920	3,033,301
DISBURSEMENTS						
General county government	840,372	0	0	0	214,341	1,054,713
Roads and bridges	0	949,757	0	0	0	949,757
Public safety	643,457	0	0	0	5,339	648,796
Health and welfare	0	0	327,913	140,856	0	468,769
Total Disbursements	1,483,829	949,757	327,913	140,856	219,680	3,122,035
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(226,395)	76,359	3,827	235	57,240	(88,734)
OTHER FINANCING SOURCES (USES)						
Transfers in	70,497	0	0	0	25,284	95,781
Transfers out	(25,284)	(35,000)	0	0	(35,497)	(95,781)
Total Other Financing Sources (Uses)	45,213	(35,000)	0	0	(10,213)	0
NET CHANGE IN CASH BALANCES	(181,182)	41,359	3,827	235	47,027	(88,734)
CASH BALANCES, JANUARY 1	270,377	449,128	196,349	134,688	71,606	1,122,148
CASH BALANCES, DECEMBER 31	$ 89,195	490,487	200,176	134,923	118,633	1,033,414

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-1

IRON COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2005

ASSETS		
Cash	$	1,399,923
Total Assets		1,399,923
NET ASSETS		
Restricted		1,399,923
Unrestricted		0
Total Net Assets	$	1,399,923

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-2

IRON COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2004

ASSETS		
Cash	$	1,577,378
Total Assets		1,577,378
NET ASSETS		
Restricted		1,577,378
Unrestricted		0
Total Net Assets	$	1,577,378

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

As Note 1.C. discusses further, the accompanying financial statements of Iron County, Missouri, are presented in conformity with the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

A. Reporting Entity

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Iron County consists of all funds, departments, offices, or organizations that are not legally separate from the county.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources, is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it, or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county.

Based on application of the above criteria, the county has no component units.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements display information about the county as a whole. These statements include the financial activities of the primary government, except for the activities of fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-like. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees

charged to external parties for goods or services. For the years ended December 31, 2005 and 2004, the county had only governmental activities.

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the county's governmental activities. Direct disbursements are specifically associated with and clearly identifiable to a particular function. The county does not allocate indirect costs to those functions. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts, including all taxes, are presented as general receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

2. Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10 percent of the corresponding element total for all funds of that type, and (c) any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into two categories of funds—governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund: The General Fund is the primary operating fund of the county, accounting for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Health Department Fund: This fund accounts for property taxes and other monies that are legally restricted to disbursements for public health and welfare purposes.

Board for the Developmentally Disabled Fund: This fund accounts for property taxes and other monies that are legally restricted to disbursements for establishing and maintaining a county sheltered workshop, residence facilities, or related services.

Hospital Construction Fund: This fund accounts for loan proceeds that are legally restricted to disbursements for construction and start up costs of a county hospital.

The county's nonmajor governmental funds are also special revenue funds.

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's fund which has a fiscal year ending February 28; therefore, financial information for its reporting periods is included in the accompanying Statement of Fiduciary Net Assets.

The agency funds also include the Public Administrator's fund. The financial information included for this fund in the Statement of Fiduciary Net Assets consists of estate assets (cash) held in trust by the Public Administrator as of December 31, 2005 and 2004.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet

collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

The accounting treatment for specific account balances and transaction types is as follows:

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

Inventories and capital assets: Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

Compensated absences: The county provides vacation and sick leave to its employees. Full-time county employees accrue vacation leave as follows:

First year ----------One week
Second year through fifth year----------Two weeks
Sixth through tenth year----------Three weeks
After eleventh year of service----------Four weeks

For the first and second years, vacation leave is earned on a monthly basis, after an introductory period, at a rate of one-half working day per month up to a maximum leave. Employees may accrue vacation leave to a maximum of 30 days. An employee leaving county employment is compensated for vacation credit unused to the date of termination.

Full-time county employees earn sick leave at a rate of one and one-quarter working days monthly and each part time employee earns sick leave at a rate of four hours per month. Full and part-time employees may accumulate sick leave with pay to a maximum of 60 days. An employee leaving county employment is not compensated for unused sick leave.

Paid leave is also allowed at the discretion of the county elected officials for court witness or jury duty. County policy also allows other types of uncompensated leave for military service, Family Medical Leave Act absences, maternity, occupational injury, and funerals.

The Health Department provides vacation and sick leave to it employees. Full-time employees accrue 10 hours of sick leave per month for 160 or more hours in active pay status per month, 7.5 hours for 120 to 159 hours in active pay status per month, and 5 hours for 80 to 119 hours in active pay status per month. Employees who have less than 80 hours per month in active pay status are not eligible to earn sick leave. Accumulated sick leave is not paid to the employee upon termination of employment.

Full-time health department employees (160 or more hours per month in active pay status) and part-time employees in positions with work schedules equivalent to 6 months or more of full-time employment in any twelve-month period are eligible to earn vacation leave. Full-time employees accrue 10 hours of vacation leave per month for 1 to 10 years of service, 12 hours per month for 10 to 15 years of service, and 14 hours per month for 15 or more years of service. Employees can carryover up to 80 hours of vacation leave at each year end. Part-time employees earn vacation leave on a sliding scale depending on their hours per month in active pay status and their years of service. Upon termination, accumulated vacation leave will be paid to the employee.

Vacation and sick leave amounts are reported as disbursements when they are paid. Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The county has not restricted any net assets or reserved any fund balance for these commitments.

Other postemployment benefits: The county does not provide postemployment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

Long-term debt: Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principal and interest are reported when disbursements are made.

D. Accounting Changes

For the years ended December 31, 2005 and 2004, the county implemented applicable provisions of the following GASB Statements:

Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*: The implementation of these Statements resulted in significant changes in the format and contents of the basic financial statements and other information in the county's financial report. As Note 1.B. discusses, the basic financial statements now include government-wide financial statements that report information for the county as a whole and fund financial statements that focus on major funds. However, as Note 1.C. discusses, because the basic financial statements are prepared on the cash basis of accounting, they exclude certain items and amounts that would be recorded under the bases of accounting prescribed by generally accepted accounting principles for state and local governments. Also, agency funds, a type of fund not reported in the county's prior-period financial statements, are now included in the Statement of Fiduciary Net Assets.

Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

2. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Iron County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County Treasurer's, Health Department Board's, and Developmentally Disabled Board's deposits at December 31, 2005 and 2004, and the County Collector's deposits at February 28, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance, by collateral securities held by the county's or board's custodial bank in the county's or board's name, or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2005 and 2004, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

3. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). Collections for other governments and remittances to those governments are accounted for in various County Treasurer's agency funds.

4. Defined Benefit Pension Plan

Plan Description

Iron County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments in Missouri. The LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. Created and governed by Sections 70.600 through 70.755, RSMo, the system is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly. The plan is qualified under Internal Revenue Code Section 401(a) and is tax-exempt. The LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from:

Missouri Local Government Employees Retirement System
P.O. Box 1665
Jefferson City, MO 65102

Funding Policy

Iron County's full-time employees contribute 4.0 percent of their gross pay to the pension plan after completing six months of credited service. The county is required to contribute at an actuarially determined rate; the current rate is 0.7 percent (general) and 1.0 percent (law enforcement) of annual covered payroll. The contribution requirements of plan members are determined by the County Commission. The contribution provisions of the county are established by statute.

Annual Pension Cost

For 2005 and 2004, the county's annual pension cost of $47,262 and $44,890, respectively, was equal to the county's required and actual contributions. The required contributions were determined, respectively, as part of the February 29, 2004, February 28, 2003, and/or February 28, 2002, actuarial valuations using the entry age actuarial cost method.

The actuarial assumptions included (a) an investment rate of return of 7.5 percent per year, compounded annually; (b) projected salary increases of 4 percent per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0 to 4.2 percent per year, depending on age, attributable to seniority or merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality Table; and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000, set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2005, was 15 years.

3-Year Trend Information

Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Obligation
06-30-05	$	47,262	100.0	%	$	0
06-30-04		44,890	100.0			0
06-30-03		43,478	100.0			0

5. Defined Benefit Pension Plan

Plan Description

Iron County contributes to the County Employees' Retirement System (CERS), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERS, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERS Board of Directors. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from:

County Employees' Retirement System
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Funding Policy

Before January 1, 2003, members, except for those who participated in LAGERS, were required to make contributions equal to 2 percent of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, members hired on or after February 25, 2002, must contribute 4 percent if they participate in the LAGERS and 6 percent if they do not participate. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee. The contribution rate is set by statute.

In addition, the CERS receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system.

The county's contributions to the CERS for the years ending December 31, 2005, 2004, and 2003, were $15,328, $15,666, and $11,482, respectively, equal to the required contributions for each year.

6. Defined Contribution and Deferred Compensation Plans

Plan Description

Iron County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. No contributions were made during the years ended December 31, 2005 and 2004. Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (1.5 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent for the LAGERS member's) compensation. Matching contributions for the years ended December 31, 2005 and 2004, were $2,102 and $1,171, respectively.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

7. Interfund Transfers

Interfund transfers, the flow of assets from one fund to another when repayment is not expected, are reported as transfers in and out. The county made the following interfund transfers:

	Year Ended December 31, 2005	
	Transfers In:	
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	$ 0	11,000
Special Road and Bridge Fund	50,000	0
Nonmajor Governmental Funds	218,767	0

	Year Ended December 31, 2004	
	Transfers In:	
	General Fund	Nonmajor Governmental Funds
Transfers Out:		
General Fund	$ 0	25,284
Special Road and Bridge Fund	35,000	0
Nonmajor Governmental Funds	35,497	0

Interfund transfers occurred primarily because they were statutorily required or allowed—for example, transfer of an administrative service fee to the General Fund from the Special Road and Bridge Fund or contribution of General Fund monies to the Assessment Fund to pay for assessment and equalization maintenance costs not met by other sources of receipts. The General Fund also expended monies on behalf of certain other funds and was reimbursed by those funds.

8. Prior Period Adjustments

The Health Department and Board for the Developmentally Disabled funds' cash balances of $196,349 and $134,688, respectively, at January 1, 2004, were not previously reported but have been added to the financial statements as major funds.

The cash balances of various funds at January 1, 2004, were not previously reported but have been added to the column for other governmental funds in the amounts shown below.

Fund	Balance at January 1, 2004
Circuit Court Interest	$ 13,737
Prosecuting Attorney Bad Check	11,794
Law Library	10,461
Associate Court Interest	1,911
Rural Health Survey Grant	1,780
Prosecuting Attorney Delinquent Tax	568
Special Election	93

9. Risk Management

The county carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life. During a portion of the two years ended December 31, 2005 and 2004, the county did not obtain a policy for employee errors and omissions. When it came to the county's attention that the insurance policy did not include coverage for errors and omissions, they immediately obtained a policy revision. Settlements have not exceeded coverage in the past 3 years.

The county is a participant in the Missouri Public Entity Risk Management Fund, a body corporate and politic created and governed by Sections 537.700 through 537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses. Should contributions not be sufficient to meet the fund's obligations, the fund's board can make special assessments. Participants are jointly and severally liable for all claims against the fund.

The county is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to $2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

10. Commitments and Contingencies

A. Contracts

The county entered into a lease agreement with the Iron County Hospital District in September 2005 for the operation of the Iron County Hospital. The county obtained financing totaling $7,500,000 through the United States Department of Agriculture Rural Development as described in the Management's Discussion and Analysis and completed the hospital construction in December 2006. The county will use the

lease payments received from the Iron County Hospital District to fund repayments of the loan beginning in 2007 and ending in 2032.

B. Litigation

As of December 31, 2005, the county's legal counsel indicated potential claims against the county. The instances involved allegations of unlawful arrest, unlawful CAFA seizure of personal property, and the protest of a tax sale conducted by the county. The potential liability to the county cannot be determined at this time.

C. Property Taxes

Through December 31, 2005, Iron County collected $38,021 in excess property taxes. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Iron County voters enacted a half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

The county was notified in February 2007, that the state Department of Revenue (DOR) had improperly distributed approximately $69,233 of ambulance district property tax monies to the county from February 2005 through June 2006. The distribution errors could impact the county’s liability.

Required Supplementary Information

Schedule 1

IRON COUNTY, MISSOURI
SCHEDULE OF FUNDING PROGRESS FOR
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b-a) or (Excess of Assets over AAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c] or (Excess as a Percentage of Covered Payroll) [(a-b)/c]
02/28/05	$ 2,311,559	$ 1,465,657	$ (845,902)	158 %	$ 1,010,856	84 %
02/29/04	2,259,377	1,397,184	(862,193)	162	917,239	94
02/28/03	2,117,693	1,098,918	(1,018,775)	193	877,251	116

See related Note 4 (Defined Benefit Pension Plan) to the financial statements.

Schedule 2

IRON COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable
	Original	Final	Cash Basis	(Unfavorable)	Original	Final	Cash Basis	(Unfavorable)
GENERAL REVENUE FUND								
RECEIPTS								
Property taxes	$ 472,900	472,900	462,021	(10,879)	459,000	459,000	451,314	(7,686)
Sales taxes	320,000	370,000	413,200	43,200	306,000	306,000	320,042	14,042
Intergovernmental	268,724	268,124	223,420	(44,704)	241,768	489,238	223,804	(265,434)
Charges for services	238,900	241,400	252,209	10,809	222,500	224,700	238,022	13,322
Interest	12,100	12,100	5,467	(6,633)	12,000	12,000	9,966	(2,034)
Other	250,743	116,604	136,124	19,520	286,170	36,500	14,286	(22,214)
Transfers in	64,500	256,739	268,767	12,028	47,000	47,000	70,497	23,497
Total Receipts	1,627,867	1,737,867	1,761,208	23,341	1,574,438	1,574,438	1,327,931	(246,507)
DISBURSEMENTS								
County Commission	78,189	93,084	92,604	480	87,179	87,179	85,318	1,861
County Clerk	86,095	69,569	66,931	2,638	88,999	88,999	89,464	(465)
Elections	3,445	3,445	5,991	(2,546)	22,740	22,740	21,217	1,523
Buildings and grounds	104,250	169,250	154,331	14,919	68,650	68,650	81,562	(12,912)
Employee fringe benefits	176,244	176,244	174,761	1,483	188,344	188,344	187,302	1,042
County Treasurer	30,975	32,606	32,590	16	30,345	30,345	30,150	195
County Collector	73,787	73,787	70,982	2,805	71,092	71,092	78,760	(7,668)
Circuit Clerk and Ex Officio Recorder of Deeds	25,771	25,771	31,258	(5,487)	25,271	25,271	27,711	(2,440)
Associate Circuit Court	5,725	5,725	3,210	2,515	5,625	5,625	4,438	1,187
Court administration	12,863	12,863	8,409	4,454	12,863	12,863	8,036	4,827
Public Administrator	43,140	43,140	47,672	(4,532)	40,599	40,599	42,415	(1,816)
Sheriff	367,893	372,893	374,436	(1,543)	455,616	455,616	438,658	16,958
Jail	71,375	77,375	87,746	(10,371)	58,975	58,975	77,166	(18,191)
Prosecuting Attorney	92,239	92,239	95,995	(3,756)	92,589	92,589	92,788	(199)
Juvenile Officer	28,202	28,202	28,202	0	23,117	23,117	23,377	(260)
County Coroner	12,800	12,800	13,032	(232)	11,876	11,876	11,469	407
Other	380,429	380,429	390,887	(10,458)	414,047	414,047	183,998	230,049
Transfers out	11,000	11,000	11,000	0	14,896	14,896	25,284	(10,388)
Emergency Fund	30,000	30,000	0	30,000	30,000	30,000	0	30,000
Total Disbursements	1,634,422	1,710,422	1,690,037	20,385	1,742,823	1,742,823	1,509,113	233,710
Net Change in Cash Balances	(6,555)	27,445	71,171	43,726	(168,385)	(168,385)	(181,182)	(12,797)
CASH BALANCE, JANUARY 1	89,194	89,194	89,194	0	270,377	270,377	270,377	0
CASH BALANCE, DECEMBER 31	$ 82,639	116,639	160,365	43,726	101,992	101,992	89,195	(12,797)

Schedule 2

IRON COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual Amounts Cash Basis	Variance with Final Budget-- Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts Cash Basis	Variance with Final Budget-- Favorable (Unfavorable)
	Original	Final			Original	Final		
SPECIAL ROAD AND BRIDGE FUND								
RECEIPTS								
Property taxes	$ 445,000	445,000	440,149	(4,851)	442,000	442,000	431,750	(10,250)
Intergovernmental	533,100	533,100	403,137	(129,963)	531,000	531,000	575,296	44,296
Interest	13,000	13,000	11,219	(1,781)	15,000	15,000	10,100	(4,900)
Other	9,000	9,000	34,837	25,837	10,000	10,000	8,970	(1,030)
Total Receipts	1,000,100	1,000,100	889,342	(110,758)	998,000	998,000	1,026,116	28,116
DISBURSEMENTS								
Salaries	369,000	369,000	323,048	45,952	319,000	319,000	310,564	8,436
Employee fringe benefits	108,622	108,622	98,512	10,110	105,400	105,400	108,854	(3,454)
Supplies	95,300	115,300	120,279	(4,979)	83,500	83,500	86,725	(3,225)
Insurance	30,000	30,000	28,711	1,289	34,000	34,000	22,940	11,060
Road and bridge materials	250,000	250,000	113,298	136,702	180,000	180,000	152,736	27,264
Equipment repairs	50,400	50,400	75,608	(25,208)	50,400	50,400	48,252	2,148
Rentals	5,000	5,000	219	4,781	6,000	6,000	1,411	4,589
Equipment purchases	164,000	164,000	270,082	(106,082)	169,200	169,200	163,569	5,631
Road and bridge construction	40,000	40,000	0	40,000	10,000	10,000	75	9,925
Other	108,287	108,287	94,411	13,876	50,635	50,635	54,631	(3,996)
Transfers out	50,000	50,000	50,000	0	35,000	35,000	35,000	0
Total Disbursements	1,270,609	1,290,609	1,174,168	116,441	1,043,135	1,043,135	984,757	58,378
Net Change in Cash Balances	(270,509)	(290,509)	(284,826)	5,683	(45,135)	(45,135)	41,359	86,494
CASH BALANCE, JANUARY 1	490,487	490,487	490,487	0	449,128	449,128	449,128	0
CASH BALANCE, DECEMBER 31	$ 219,978	199,978	205,661	5,683	403,993	403,993	490,487	86,494
HEALTH DEPARTMENT FUND								
RECEIPTS								
Property taxes	$ 141,256	141,256	145,506	4,250	140,601	140,601	142,796	2,195
Intergovernmental	119,861	119,861	116,074	(3,787)	111,620	111,620	121,333	9,713
Charges for services	33,400	33,400	47,073	13,673	35,425	35,425	33,983	(1,442)
Interest	3,250	3,250	3,470	220	4,000	4,000	3,387	(613)
Other	13,150	13,150	20,618	7,468	4,985	4,985	30,241	25,256
Total Receipts	310,917	310,917	332,741	21,824	296,631	296,631	331,740	35,109
DISBURSEMENTS								
Salaries and fringe benefits	250,264	250,264	255,453	(5,189)	258,084	258,084	246,252	11,832
Office expenses	19,500	19,500	19,006	494	22,500	22,500	16,786	5,714
Equipment	22,000	22,000	34,239	(12,239)	23,800	23,800	7,769	16,031
Travel expenses	12,000	12,000	8,268	3,732	12,182	12,182	11,793	389
Other	207,329	207,329	45,752	161,577	176,414	176,414	45,313	131,101
Total Disbursements	511,093	511,093	362,718	148,375	492,980	492,980	327,913	165,067
Net Change in Cash Balances	(200,176)	(200,176)	(29,977)	170,199	(196,349)	(196,349)	3,827	200,176
CASH BALANCE, JANUARY 1	200,176	200,176	200,176	0	196,349	196,349	196,349	0
CASH BALANCE, DECEMBER 31	$ 0	0	170,199	170,199	0	0	200,176	200,176

Schedule 2

IRON COUNTY, MISSOURI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable	Budgeted Amounts		Actual Amounts	Variance with Final Budget-- Favorable
	Original	Final	Cash Basis	(Unfavorable)	Original	Final	Cash Basis	(Unfavorable)
BOARD FOR THE DEVELOPMENTALLY DISABLED FUND								
RECEIPTS								
Property taxes	$ 140,000	140,000	141,953	1,953	140,000	140,000	138,790	(1,210)
Interest	2,500	2,500	3,500	1,000	2,500	2,500	2,301	(199)
Total Receipts	142,500	142,500	145,453	2,953	142,500	142,500	141,091	(1,409)
DISBURSEMENTS								
Health and welfare	161,236	161,236	137,596	23,640	152,123	152,123	140,856	11,267
Total Disbursements	161,236	161,236	137,596	23,640	152,123	152,123	140,856	11,267
Net Change in Cash Balances	(18,736)	(18,736)	7,857	26,593	(9,623)	(9,623)	235	9,858
CASH BALANCE, JANUARY 1	134,923	134,923	134,923	0	134,688	134,688	134,688	0
CASH BALANCE, DECEMBER 31	$ 116,187	116,187	142,780	26,593	125,065	125,065	134,923	9,858

The accompanying Note to the Required Supplementary Information is an integral part of this information.

IRON COUNTY, MISSOURI
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Hospital Construction Fund for the year ended December 31, 2005.

Other Supplementary Information

Schedule 3

IRON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct program:			
10.670	National Forest-Dependent Rural Communitie	02-DG-11244225-502	$ 0	11,359
		DG-11244225-350	0	225
		03-DG-11244225-467	13,000	1,000
	Program Total		13,000	12,584
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program	ERS045-6146	10,667	0
	for Women, Infants, and Childrei	ERS045-5146	29,820	12,993
		ERS045-4146	0	28,558
	Program Total		40,487	41,551
10.559	Summer Food Service Program for Childrei	ERS146-5146I	280	0
		ERS146-4146I	0	65
	Program Total		280	65
	Office of Administration -			
10.665	Schools and Roads - Grants to	N/A	22,877	27,396
	States	N/A	159,544	116,012
		N/A	0	91,852
	Program Total		182,421	235,260
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Economic Development -			
14.228	Community Development Block Grants/State' Program	2001-PF-24	176,242	39,617
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.710	Public Safety Partnership and Community Policing Grant	03LE1109050504B	1,400	1,800
	Passed through			
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcemen Assistance Discretionary Grants Progran	N/A	0	17,530
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Progran	N/A	0	954

Schedule 3

IRON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	2,493	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	352	9
	Office of Secretary of State -			
39.011	Election Reform Payments	N/A	0	720
		N/A	0	1,860
	Program Total		0	2,580
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	4,466	0
		N/A	132	0
	Program Total		4,598	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through			
	Southeast Missouri Area Agency on Aging, Incorporate			
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	N/A	1,285	1,285
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects -	ERS146-6146L	551	0
	State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-5146L	0	1,000
	Program Total		551	1,000
93.240	State Capacity Building	DH060019001	6,018	0
93.268	Immunization Grants	N/A	3,904	0
		N/A	0	1,156
		N/A	53,006	31,990
	Program Total		56,910	33,146
93.283	Centers for Disease Control and Prevention	DH050032079	3,500	0
	Investigations and Technical Assistance	DH040022060	0	7,239
	Program Total		3,500	7,239

Schedule 3

IRON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	0	60
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-6146C	1,380	0
		PGA067-5146C	1,505	395
		PGA067-5190C	950	0
		PGA067-4146C	0	2,875
		PGA067-4190C	0	380
		AOC06380221	160	0
		PGA067-5146S	645	260
		PGA067-4146S	0	320
	Program Total		4,640	4,230
93.945	Assistance Programs for Chronic Disease Prevention and Control	N/A	1,000	0
93.994	Maternal and Child Health Services Block Grant to the States	AOC0638-0221	4,832	0
		ERS146-5146M	14,248	4,749
		ERS146-4146M	0	11,579
	Program Total		19,080	16,328
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
83.544	Public Assistance Grants	FEMA 1412-DR-MO	0	3,402
83.562	State and Local All Hazards Emergency Operations Plannin	N/A	0	6,000
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0049	16,993	9,745
		N/A	14,909	0
	Program Total		31,902	9,745
	Total Expenditures of Federal Awards		$ 546,159	434,385

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedu

Notes to the Schedule of
Expenditures of Federal Awards

IRON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Iron County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2005 and 2004.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Iron County, Missouri

Compliance

We have audited the compliance of Iron County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Iron County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

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with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

Internal Control Over Compliance

The management of Iron County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Iron County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

September 1, 2006 (fieldwork completion date)

Schedule

IRON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2005 AND 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weakness identified?	_____ yes	__x__ no
• Reportable condition identified that is not considered to be material weakness?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.665	Schools and Roads – Grants to States
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Office of Administration
Federal CFDA Numbers:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity Identifying Number:	N/A
Award Years:	2005 and 2004
Questioned Costs:	N/A

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Numbers:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity Identifying Number:	2001-PF-24
Award Years:	2004 and 2003
Questioned Costs:	N/A

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $382,901 and $64,607 for the years ended December 31, 2005 and 2004, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's

Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2005 the County Clerk failed to include federal funds totaling $182,421 and $176,242 expended under the Schools and Roads – Grants to States and the Community Development Block Grant (CDBG) programs, respectively, and the Health Center Administrator failed to include federal funds totaling $56,910 expended under the Immunization Grants Program. These significant omissions along with several smaller grants being unreported or reported at improper amounts (award or receipt amounts rather than expenditure amounts) resulted in the large 2005 understatement discussed above. For 2004, several small federal grants were not included on the SEFA or were reported at improper amounts. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards so that all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission, County Clerk and Health Center work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission, County Clerk, and Health Center Administrator indicated they agree and will comply with this recommendation.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

IRON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

IRON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

IRON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements, and have issued our report thereon dated September 1, 2006. We also have audited the compliance of Iron County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 1, 2006.

This management advisory report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Iron County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Expenditures

County procedures and documentation regarding the procurement of major purchases are not always adequate. Some expenditures did not appear to be allowable uses of restricted county funds. In addition, evidence of receipt of goods or services was not always required prior to approving expenditures.

A. While a review of County Commission minutes and bid files indicated the county bids numerous items, the county's documentation regarding procurement decisions was not always sufficient or retained.

The county entered into lease-purchase agreements of $449,355 for the purchase of equipment and vehicles for the Road and Bridge Department in 2005 and $117,480 for the purchase of four patrol vehicles for the Sheriff's Department in 2006. The county performed a competitive procurement process for the equipment. While the County Commission indicated various financing sources, such as the bank and a lease financing company, were contacted, documentation of these considerations was not retained.

The county spent approximately $205,000 and $90,000 for fuel and asphalt products, respectively, from the Special Road and Bridge and General Revenue Funds during the two years ended December 31, 2005. Although bids were solicited for these products, the awarded bids did not result in a firm fixed price or a variable rate which was verifiable by the county. County Clerk's office personnel indicated that due to the fluctuating prices for these products, they continued to call various vendors periodically for price comparisons when purchasing fuel or asphalt products. However, documentation of these calls and prices obtained were not retained.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to support decisions made.

B. The County Commission and the Ex Officio Recorder of Deeds authorized disbursements from the Special Road and Bridge Fund and the Record Preservation Fund, respectively, which do not appear to be allowed by state law.

1. During 2005, the County Commission authorized the use of road and bridge personnel, equipment, and funds for the preparation of county owned property to be used in the construction of a new county critical access hospital. County records show that hospital construction related expenditures from the Special Road and Bridge Fund through July 2006 included salaries, benefits, equipment use, fuel, rock, and contract haulers totaling at least $67,644. In addition, during 2003, 2004, and 2005, the County Commission authorized the use of Special Road and Bridge Fund monies for work on a bridge located within city boundaries and for assisting a city with site preparation for the construction of a new cell phone tower. County records show that expenditures from the Special Road and Bridge Fund included salaries, benefits, and equipment use on these projects totaling approximately $5,120. The county had no documentation on why these were appropriate road and bridge expenditures.

   Section 137.555, RSMo, restricts the use of the Special Road and Bridge Fund to disbursements for road and bridge purposes only.

   The County Commission requested the Prosecuting Attorney provide a response to this audit issue. A letter was prepared in September 2006, which concluded that the use of county employees and equipment on a county building and maintenance project was allowable; however the letter did not specifically address the legal restrictions for disbursements made from road and bridge funds.

2. During 2004 and 2005, the Ex Officio Recorder of Deeds authorized disbursements for courtroom renovations from the Record Preservation Fund. These disbursements totaled approximately $13,018 for contractor fees, vertical blinds, tile, air conditioners, and miscellaneous construction supplies.

   Section 59.319, RSMo, restricts the use of Record Preservation Fund monies to disbursements for record storage, microfilming, and preservation. Expenditures incurred for courtroom renovations were not related to the allowable purposes, and consequently, Circuit Clerk Interest Fund and/or General Revenue Fund monies should be used to reimburse the Record Preservation Fund.

C. The county procedures for ensuring that vendor billings are accurate and the related goods and/or services were received are not sufficient. While the county's policy is for invoices to be signed by the county official or employee receiving the item or service, our review of expenditure documentation files identified several purchases such as construction supplies, computer and radio equipment, and installations and repairs for which the required acknowledgment of receipt was not available.

   Proper reviews of billings by officials or employees most knowledgeable of the transactions and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

WE RECOMMEND the County Commission:

A. Improve documentation of the competitive procurement selection process and criteria and ensure such documentation is retained to support decisions made.

B.1. Ensure future expenses of restricted funds comply with statutory provisions, reimburse the Special Road and Bridge Fund for hospital project costs, and determine if additional reimbursement is necessary.

2. And the Ex Officio Recorder of Deeds ensure future expenses comply with statutory provisions and reimburse the Record Preservation Fund from an appropriate funding source.

C. Ensure the county policy regarding documentation of invoice reviews and receipt of goods and services is followed.

AUDITEE'S RESPONSE

The County Commission indicated:

A. We do competitively procure all major purchases and will ensure that the process is better documented in the future.

B.1. The County Commission believes the authority to levy tax funding for county road and bridges comes from the Missouri Constitution Article X, Section 12(a), not Section 137.555 RSMo. In the Prosecuting Attorney's letter of September 2006 addressed to the Senior Auditor, the issue of legal restrictions for disbursements made from road and bridge funds was not addressed as it is also his opinion that Article X, Section 12(a) is the basis for the County's tax levy.

It is our belief that Section 137.555, RSMo provides the ability to raise additional taxes for special road and bridge activity. Iron County presently has no special road and bridge activity and has not been collecting any additional taxes under Section 137.555, RSMo. A request to Legal Counsel for the Missouri Association of Counties produced a legal opinion that states, "From the facts provided, it appears that Iron County has the correct interpretation of the noted statute." Furthermore, it states, "The general tax fund is another levy which can be used for any legal activity that the County desires, including but not limited to roads and bridges."

Expenditures made by road and bridge personnel and equipment on the County Hospital project were deemed appropriate by the County Commission as the fill and activity was necessary not only for the building, but also necessary for the construction of the three county roads that are located on the property. In addition, $60,000 was reimbursed to the road and bridge fund from the hospital construction when construction was completed in December, 2006.

Expenditures made by road and bridge funds for work on a bridge located within city boundaries and assisting a city with road preparation for construction of a new cell phone tower were also deemed appropriate by the County Commission for the following reasons: 1. The bridge is located between two adjoining cities with use by not only city citizens who pay county taxes for road and bridge funding, but also by county citizens traveling to the two cities as well as road and bridge equipment traveling to the county roads located nearby; and 2. The construction of the cell phone tower was essential in establishing cell phone service in an area of the county that did not allow service for the road and bridge personnel by cell phone, thereby increasing the efficiency in communication with said personnel during regular work hours and emergency situations.

C. We will comply with this recommendation.

The Presiding County Commissioner indicated:

B.2. This issue will be considered and addressed with the Ex Officio Recorder of Deeds upon her return to work.

2. County Commission Minutes

The County Commission's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions.

Open session minutes did not always indicate that the meeting was being closed or did not always provide the specific reason(s) for closing the meeting. In addition, votes or final actions, if any, taken by the commission during closed meetings were not always documented in the open meeting minutes. Finally, minutes were not available for all closed meetings.

Without minutes of closed meetings, proper documentation regarding closure of meetings, and subsequent documentation of actions taken in closed meetings, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements. Sufficiently detailed records are needed to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the County Commission ensure that minutes are maintained for all closed meetings and that sufficient details are provided in both open and closed meeting minutes to show compliance with statutory provisions and support important decisions made.

AUDITEE'S RESPONSE

The County Commission indicated they will abide by the letter of the law for conducting and documenting closed meetings.

3. Property Tax System

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the current and back tax books or properly maintain an adequate account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements. Additionally, password controls are not adequate and access to the property tax system is not restricted to only authorized users.

A. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector obtains tax rates from the County Clerk, enters the tax rates in the computer system, and extends and prints the current tax books. The County Collector also prepares and prints the back tax books. According to the County Collector, she randomly tests the accuracy of several tax statements, but does not document this procedure, nor is the County Clerk involved

in this procedure. Further, the County Clerk does not perform tests to verify the totals of the current and back tax books.

Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the County Clerk should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Neither the County Commission nor the County Clerk provide an adequate review of the activities of the County Collector. The County Clerk does not maintain an adequate account book with the County Collector and there is no comparison of independent information for collections, additions, and abatements to the financial data that the County Collector reports on the annual settlements.

During the audit period, the County Collector's monthly settlements were submitted to the County Clerk and collection, addition, and abatement amounts recorded on the County Clerk's account book were obtained from the settlement. The County Clerk did not use any independent sources to prepare or verify the account book. The collection and distribution information reported on the monthly settlements is not compared to the County Treasurer's receipt records of monies received from the County Collector. In addition, additions and abatements reported on the monthly settlements are not compared to the addition and abatement court orders approved by the County Commission. Because additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored, errors or irregularities could go undetected. As a result, County Collector's annual settlements are not being adequately reviewed.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. In addition, Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

An account book, prepared from independent sources when possible, or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County

Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

WE RECOMMEND:

A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

B.1. The County Clerk maintain records that summarize property tax system transactions and changes using independent sources when possible.

2. The County Clerk and County Commission monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

AUDITEE'S RESPONSE

A. The County Clerk indicated she will meet with the County Collector at the time tax books are prepared and perform testing procedures to ensure the accuracy of the tax books.

B.1 &2. The County Clerk and County Commission indicated a system will be established to track property tax activities and changes for the purpose of verifying the County Collector's settlement information on a quarterly and annual basis.

4. Property Tax Reduction Due to Sales Tax

Errors were noted with the county's property tax rollback calculations for sales tax revenues. For 2005, sales tax revenues were estimated based upon the first five calendar months rather than the first six calendar months as provided by law, and an incorrect tax rate ceiling was used. As a result, the general revenue property tax levy was not sufficiently reduced, resulting in excess property tax collections of approximately $38,021 at December 31, 2005. While the county's 2006 calculations properly identified the large amount of excess property tax collections from prior years, the county chose not to reduce its property tax levy further to reduce the excess at that time which allowed the excess to carryover to subsequent years. Reasons for this decision were not documented. Other minor errors were also noted in the 2006 calculation.

The county was notified in February 2007, that the state Department of Revenue (DOR) had improperly distributed approximately $69,233 of ambulance district property tax monies to the county from February 2005 through June 2006. Based on this information, it appears likely the county's rollback for 2006 was sufficient. However, details regarding the DOR errors will need to be obtained and considered for the 2007 rollback calculation.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Iron County voters enacted a one-half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected.

WE RECOMMEND the County Commission consider the DOR errors in the 2007 property tax rollback calculations and ensure worksheets with proper adjustments or reasons for not making adjustments are retained.

AUDITEE'S RESPONSE

The County Commission indicated they made protests to the state Department of Revenue regarding the large sales tax distribution amounts received during 2005 and 2006. The 2006 levy was not further reduced because they believed the distribution amounts were incorrect. In addition, efforts will be made to ensure future rollback calculations are proper and decisions adequately documented.

5. County Vehicle Use

The county does not have adequate written policies and effective monitoring procedures regarding vehicle usage. County vehicles are used for commuting by several road and bridge employees and this benefit is not recorded on the employees' W-2 forms.

Some vehicles are assigned to road and bridge employees, housed at their homes rather than a road and bridge shed, and used for commuting purposes. The County Commission indicated several reasons for assigning vehicles in this manner, including: 1) less response time is needed if emergencies arise, 2) less mileage is incurred due to location of homes as compared to work sites, and 3) decreased vandalism to the vehicles and less theft of fuel from the vehicles. However, the county has not documented an analysis to demonstrate that the commuting policy results in a financial benefit to the county, to determine the value of commuting benefits provided to employees (and reportable to the IRS), or to support their reasons for vehicle assignments to various employees.

The county's policy regarding use of county vehicles is not sufficient and states, "Employees who are assigned take-home vehicles from the county fleet are prohibited from using the vehicle for any use outside of county business except for insignificant personal use." The policy does not address information recommended in our prior audit and does not address issues related to commuting benefits as defined by the IRS. The county does not calculate commuting mileage and report the value on employees' W-2 forms as taxable benefits.
While vehicle maintenance logs are prepared, these logs do not adequately document destinations, odometer readings, and purpose of use. As a result, the logs do not clearly distinguish between business and commuting mileage. These logs should include trip information (i.e. employee, dates used, beginning and ending odometer readings, destination, and purpose) as well as operating costs information.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. IRS guidelines also require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits. An adequate county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

WE RECOMMEND the County Commission perform a cost/benefit analysis related to county vehicle assignments and use, develop a comprehensive county vehicle policy, require that vehicle logs provide sufficient information, and comply with IRS reporting requirements related to personal commuting mileage.

AUDITEE'S RESPONSE

The County Commission indicated their analysis and documentation related to use of county vehicles will be improved.

6. Budgetary Procedures

Budgets were not prepared for several county funds and financial information related to some projects was not presented in the county's overall budget document. Also, the county's monitoring procedures did not prevent actual disbursements from exceeding budgeted amounts for several funds.

A. Budgetary information related to several funds was not included in the county's comprehensive budget document for 2005 and 2004 as follows:

Fund		Years Ended December 31,		Approves Fund Expenditures:
Iron County Hospital Construction		2005		County Commission
Iron County Hospital Sales Tax		2005		County Commission
Ameren Hospital		2005		County Commission
Rural Health Survey Grant		2005 and 2004		County Commission
Community Development Block Grant		2005 and 2004		County Commission
Emergency Radio		2005 and 2004		County Commission
Special Election		2004		County Commission
Prosecuting Attorney Delinquent Tax		2005 and 2004		Prosecuting Attorney
Prosecuting Attorney Bad Check		2005 and 2004		Prosecuting Attorney
Law Library		2005 and 2004		Prosecuting Attorney
Circuit Clerk Interest		2005 and 2004		Circuit Court
Iron County Drug Court		2005		Circuit Court
Associate Circuit Interest		2005 and 2004		Associate Circuit Court
County Law Enforcement Restitution		2005		Sheriff
Sheriff's Revolving		2004		Sheriff
Sheriff's Special		2004		Sheriff

In 2005 receipts and disbursements totaling approximately $1,807,000 and $1,198,000, respectively, were not included in the county's overall budget, representing approximately 35 percent and 25 percent of the county's actual receipts and disbursements, respectively. The hospital funds, which were new in 2005, account for $1,601,000 and $997,000 of these receipts and disbursements. The County Commission indicated project budgets were prepared and approved for grant funding related to the hospital, Community Development Block Grant (CDBG) elevator, and emergency radio projects, however, they did not realize the inclusion of budget information in the overall county budget document submitted to the State Auditor's office was necessary.

The lack of budgetary information for the Iron County Hospital Construction fund, represents a significant omission from the county's Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis in this report's Required Supplementary Information.

Without budgets, the various county officials' ability to monitor overall county financial resources and make effective budgetary decisions is hindered.

Chapter 50, RSMo, requires that county budgets present a complete financial plan by providing financial information for all county funds, and describes required contents of the county's budget document. In addition, statutory provisions prohibit the expenditure of public funds without an approved budget that has been filed with the State Auditor's office.

B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31, 2005	2004
Law Enforcement Training Fund	$ 1,210	N/A
Marriage Fund	500	N/A
Record Preservation Fund	10,789	7,170
Sheriff Civil Fund	N/A	1,146
Tax Maintenance Fund	10,808	7,651
Audio Fund	N/A	828

While budget reports and fund balance information are provided to the various officials, it appears this procedure is not resulting in effective monitoring for some funds.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

WE RECOMMEND:

A. The County Commission and other county officials ensure budgets are prepared for all county funds and included in the county's overall budget document.

B. The County Commission and other county officials review financial reports carefully for their respective special revenue funds and refrain from approving disbursements which exceed budgeted amounts.

AUDITEE'S RESPONSE

The County Commission indicated:

A. Operating budgets were prepared for the hospital project, CDBG elevator project, and radio grant funds but were not included in the county's official budget document. Such expenditure information was required to be eligible for the associated funds. We will ensure that budgets for all special funds are included in the county's overall budget document in the future.

B. The county will improve efforts to monitor expenditures for all special revenue funds.

7. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification or destruction. Password and backup procedures are not adequate in some county offices.

A. Access to computer systems and data is not adequately restricted to only authorized users. Passwords are not used in the Prosecuting Attorney's, Public Administrator's, and Sheriff's office. Although the County Collector uses a password to obtain access to the computer system, the password is saved in the system and is automatically loaded into the sign on screen from which the collection data is accessed. As a result, any potential user does not need to know the password to log into the system. In addition, the password is changed infrequently. The County Collector indicated passwords are only changed about twice a year. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

   Passwords are an effective, simple control to provide protection against improper access to computer systems and data. To establish individual responsibility and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls such as passwords. Unauthorized access can result in the disclosure of confidential county information and the deletion or alteration of data files and programs. A unique password should be assigned to each user of a system and passwords should be kept confidential and changed periodically to help prevent unauthorized access to computer systems and data files.

B. The Prosecuting Attorney's office does not prepare backups of financial and other data to prevent loss of information and to ensure that all essential information and computer systems can be recovered following a disaster or computer failure. The Sheriff's office and the Public Administrator's office both prepare data backups; however, the backups are not periodically stored at an off site location. In addition, the antivirus software installed on the Prosecuting Attorney's computer systems is not properly updated with current virus information available from the antivirus software vendor and is not used regularly to perform system scans to ensure protection of the office's data.

   Backing up data files and systems is critical for system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes are performed and how important those changes are. The Prosecuting Attorney should determine what backup schedule is appropriate. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to restore data to its original condition prior to

the disruption. Storing backups offsite provides another level of assurance of access to data. The Prosecuting Attorney, Sheriff, and Public Administrator should determine how often backups should be stored offsite.

Maintaining adequate antivirus software is critical to system protection. Properly used antivirus software protects computer systems from most destructive viruses. The Prosecuting Attorney should ensure antivirus software is installed, properly updated, and regularly used to perform system scans.

WE RECOMMEND:

A. The County Collector, Prosecuting Attorney, Sheriff, and Public Administrator require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

B.1. The Prosecuting Attorney, Sheriff, and Public Administrator ensure data is backed up on a regular basis, ensure data is stored at a secure off-site location, and develop appropriate backup and restoration procedures.

2. The Prosecuting Attorney ensure the office's computer systems are protected by regularly updating antivirus software and performing system scans to detect destructive viruses.

AUDITEE'S RESPONSE

A. The County Collector indicated password procedures will be changed to satisfy this recommendation.

The Prosecuting Attorney indicated that entry of a password is now required to access the three workstations in the office.

The Sheriff indicated that an individual password system to prevent unauthorized access to the computer systems and data has been implemented. In addition, passwords will be changed frequently.

The Public Administrator indicated that she will implement the suggested password controls.

B.1. The Prosecuting Attorney indicated the office's computer network is not presently equipped with a magnetic tape backup. The Prosecuting Attorney's Office may be moving to a new location in the near future. In light of this situation, the Prosecuting Attorney's Office will look into a cost-effective method for backing up data at present and plan for long-term back up solutions in the future.

The Sheriff indicated that a regular backup routine and procedures for backup and restoration of data have been implemented. Backups are stored at a secure off-site location - the bank safety deposit box.

The Public Administrator indicated that she will begin storing a copy of the backup file offsite periodically.

B.2. The Prosecuting Attorney indicated antivirus software has been installed and system scans will be performed.

8. County Collector's Accounting Controls and Procedures

The County Collector does not perform month-end reconciliation procedures to ensure the bank account balances are in agreement with partial pay records and other identified liabilities. Partial pay records need improvement.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2006 and 2005, monies totaling approximately $7,043,000 and $6,722,000, respectively, were collected and distributed.

The County Collector accepts partial payments and maintains a manual ledger to track amounts received and amounts still due. However, this record does not contain clear and sufficient information to readily determine, at any given date, the total amount of balance due or cash being held related to the partial payments. As a result, month end summaries of partial pay balances are not prepared and partial pay information is not considered during month-end reconciliation procedures.

The County Collector does not prepare monthly listings of liabilities, but upon our request prepared a listing to compare to the reconciled bank account balances for June 30, 2006. The reconciled bank balance appeared to materially agree to identified liabilities.

Monthly reconciliations of the cash balance to liabilities and accounting records are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is less assurance that cash receipts and disbursements have been properly handled and recorded. In addition, clear and adequate records should be maintained to document, at any given date, the total amount of balance due or cash on hand related to partial payments.

WE RECOMMEND the County Collector prepare a monthly listing of liabilities, reconcile this listing to the reconciled bank balance, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted. In addition, the County

Collector should revise the partial pay record keeping system so that transactions and receivable balances can be more readily determined, monitored, and considered during month-end reconciliation procedures.

AUDITEE'S RESPONSE

The County Collector indicated that monthly reconciliations of liabilities are now prepared. Partial pay records will be improved to identify transactions and receivable balances, and provide information needed for incorporation into the monthly reconciliation process.

9. Circuit Clerk and Ex Officio Recorder of Deeds' Accounting Controls and Procedures

Circuit Court procedures related to accounts receivable and manual receipts need improvement. Old bank accounts need to be reviewed by the Circuit Clerk and any unidentified or unclaimed monies should be disposed of as provided by law. Accounting duties are not adequately segregated in the Ex Officio Recorder of Deeds' office.

The Circuit Court processed receipts totaling approximately $327,000 and $155,000 during the two years ended December 31, 2005, in civil and criminal case fees, fines, and bonds. The Ex Officio Recorder's office processed receipts totaling approximately $99,000 and $94,000 during the two years ended December 31, 2005, in recording fees and copy charges.

A. A listing of accrued costs owed to the court is maintained in the Circuit Clerk's computer system, the Justice Information System (JIS). As of June 2006, the balance was approximately $244,000. Two cases reviewed totaling $3,942 did not reflect current information such as billing for state criminal costs upon incarceration or write off of the account balance. Five cases reviewed totaling $5,474 had been assessed costs; however, the unpaid balances had not been appropriately monitored and followed up on by the court. For example, for two of the cases with amounts due totaling $1,113 and $1,419, the court had notified the defendants to make payment in full to the court by July 2003 and November 2004, respectively. Although, neither defendant had paid in full as of June 2006; the court had not documented any further collection attempts in these cases. A comparison of the records of prisoners transported to the state during 2006 and 2005 to criminal cost billings reimbursed to the county by the state indicated that there may be a significant number of cases which have not been billed to the state.

   The Circuit Clerk should periodically generate a list of accrued costs and review for accuracy and completeness. A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected. Establishing procedures to ensure cases are updated or removed from the accrued cost list would

help ensure the list is complete and accurate. Inadequate procedures for the collection of accrued court costs may result in lost revenues.

B. Manual receipt slips are not reconciled to the Justice Information System (JIS). Receipts are usually posted to the JIS as received. However, manual receipt slips may be issued when the computer system is not available. The manual receipt slips are filed in the corresponding case file after being entered in the JIS. There is no independent review to ensure manual receipt slips are properly entered into the JIS and subsequently deposited. In addition, the manual receipt slips issued were not official, pre-numbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify that the receipts have been recorded on the JIS and deposited. In addition, official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

C. As similarly discussed in prior audit reports, the Circuit Court maintains two bank accounts which contain old case monies and interest receipts. The Circuit Clerk indicated one account held unidentified case fees and accumulated interest receipts, and there is no documentation of the composition of the majority of the account's balance which was received from the prior Circuit Clerk. As of April 2006, the account balance exceeded $15,000. The Circuit Clerk indicated the second account balance resulted from unclaimed fees. As of June 2006, the account balance totaled $1,151. The Circuit Clerk should investigate activity in these accounts and attempt to identify reasons for monies held. Any unidentified or unclaimed amounts should be disposed of as authorized by various statutory provisions.

D. Cash custody and recordkeeping duties have not been adequately segregated in the Ex Officio Recorder of Deeds' office. The Deputy Recorder performs all collection, deposit, disbursement, billing, reconciliation, and reporting activities, with little or no supervisory review. While the Ex Officio Recorder of Deeds indicated bank reconciliations are reviewed every month, this review is not documented.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

A. Establish procedures to monitor and collect accrued costs, and update JIS information for case activity, such as billings and write offs. The Circuit Court should identify old cases that include costs which are billable to the state, ensure criminal cost billings are prepared for those cases, and establish a procedure to ensure that applicable criminal case costs are billed to the state in a timely manner.

B. Ensure manual receipt slips are recorded on the JIS and properly accounted for. In addition, official pre-numbered manual receipt slips should be obtained for use when necessary.

C. Further investigate old circuit court bank account balances. Any unclaimed monies and monies remaining unidentified should be disposed of in accordance with state law. Interest receipts should be deposited to the Circuit Clerk's Interest Fund.

D. Segregate Ex Officio Recorder of Deeds' duties to the extent possible, and ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Deputy Circuit Clerk indicated:

A. With regard to the failure to deal with closing out cases and billing for cases, a special projects request of the Office of the State Court Administrator has been approved for four deputy clerks from Wayne County to assist in closing out files and completing applicable case billings. Criminal cost billing procedures will be discussed with the Presiding Judge.

B. Prenumbered manual receipt slips are now being used and we will reconcile these with the receipts issued by the JIS.

C. One of the old bank accounts has been closed as suggested. Closure of the second bank account will be discussed with the Presiding Judge.

The Deputy Recorder of Deeds indicated:

D. The recommendation will be discussed with the Ex Officio Recorder of Deeds when she returns to work from an extended leave status. At this time it is not possible to segregate duties in this office.

10. Associate Circuit Court Accounting Controls and Procedures

Associate Circuit Court procedures related to accounting duties, manual receipt slips, and accounts receivable are in need of improvement. The Associate Circuit Court processes approximately $240,000 annually in civil, probate, and criminal case fees, fines, and bonds. Our review of the court's controls and procedures indicated the following areas where improvements are needed:

A. Cash custody and recordkeeping duties have not been adequately segregated in the Associate Circuit Court and supervisory reviews of accounting records are not performed. One court clerk performs all duties for criminal and civil cases including collecting monies, recording transactions, and preparing deposits. Another court clerk performs all duties for probate cases including collecting monies, recording

transactions, and preparing deposits and also prepares disbursements and performs month-end reconciliations for the Associate Circuit Court's bank account. There are no reviews performed by the Associate Circuit Judge of the accounting records.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Receipts are usually posted to the Justice Information System (JIS) as received. However, manual receipt slips may be issued when the computer system is not available. The corresponding JIS receipt number is recorded on the manual receipt after the information is entered in the JIS. There is no independent review to ensure all manual receipt slips are properly entered into the JIS and subsequently deposited. In addition, the manual receipt slips issued are not official, pre-numbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify that the receipts have been recorded on the JIS and deposited. Official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

C. A listing of accrued costs owed to the court is maintained in the Associate Circuit Court's JIS computer system. As of June 2006, the accrued cost balance was approximately $136,000. Three cases reviewed showed accrued costs totaling $6,718; however, because the judge had previously authorized these balances to be written off, these cases should have no longer been included on the listing. Apparently, the court clerk had failed to update the JIS accounts receivable information. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate, and improve the court's ability to effectively monitor case balances.

WE RECOMMEND the Associate Circuit Court:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Ensure manual receipt slips are recorded on the JIS and properly accounted for. In addition, official pre-numbered manual receipt slips should be obtained for use when necessary.

C. Establish procedures to ensure case balances are updated in accordance with judicial orders.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated:

A. *The respective clerk's accounting duties have been segregated as much as is possible. There are only two clerks in the office. Our obligation is to provide the most efficient service possible to the people using our court system. When one clerk is required to be in court, is out of the office on sick leave or vacation, or is at lunch, it is not feasible to expect our consumers to come back a second time in order to pay a fine or file a lawsuit. The consumers expect and deserve to be assisted by whichever clerk is maintaining the office, regardless of whether it is a civil, criminal or probate matter. We cannot further segregate accounting duties without additional personnel.*

   However, as the elected office-holder, I will begin quarterly reviews of receipts, accounting records, and deposits.

B. *Both clerks presently ensure that the manual receipt slips are recorded on the JIS and properly accounted for. The JIS receipt number is recorded on the manual receipt as soon as it is obtained from the JIS. The manual receipts are in a bound receipt book and any missing receipts would be obvious.*

C. *Although the clerks have always made the docket entries with regard to waived costs, they now use a receipt with a 8504 code (Judicial Order) which disposes of the costs. The clerks were not aware of this option previously, and the change has already been implemented.*

11. Prosecuting Attorney's Accounting Controls and Procedures

Some receipt records could not be located and month-end reconciliation procedures are not performed to ensure that the bank account balance is sufficient to cover the related liabilities.

A. Court ordered restitution receipt books for January 2004 through August 2005 could not be located. Although a record of restitution balances and payments is retained in each case file, the receipt slips provide information, such as method of payment, payor, etc., which is needed to thoroughly document the handling of transactions and the eventual disposition. Without these records there is less assurance that court ordered restitution transactions were accounted for properly.

   Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

B. Checks and money orders received by the Prosecuting Attorney's office for court ordered restitution, bad check restitution, and bad check fees are generally made payable to the victim or merchant and County Treasurer. However, when checks and

money orders are made payable to the Prosecuting Attorney or cash payments are received, these receipts are deposited into the trustee account.

As discussed in several prior reports, monthly listings of liabilities are not prepared for this account, and consequently, there is no verification that cash balances are sufficient to pay all liabilities. The prior report noted that as of June 2002 the trustee account balance exceeded identified liabilities by approximately $2,500. Although requested the Prosecuting Attorney did not prepare a current listing of liabilities. As of January 23, 2006, the trustee account balance was approximately $3,963. Monthly reconciliations of the cash balance to liabilities and accounting records are necessary to ensure the cash balance is sufficient to cover liabilities. Without such reconciliations, there is less assurance that cash receipts and disbursements have been properly handled and recorded. The Prosecuting Attorney should follow up on the old account balance and dispose of any unidentified monies in accordance with state law.

WE RECOMMEND the Prosecuting Attorney:

A. Retain financial records in a secure location to prevent misplacement or loss.

B. Prepare monthly listings of liabilities, reconcile this listing to the reconciled bank balance, and investigate any differences. In addition, after sufficient follow up efforts are completed, any unidentified funds should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

A. The receipt journals for 2004 and 2005 were located after the pre-exit interview. The receipts journal is now kept in a secure place in the office along with other records. The Prosecuting Attorney's Office is aware of the retention schedule for documents and consults with the Secretary of State's Office to keep abreast of document retention requirements.

B. On August 30, 2006, the Iron County Prosecuting Attorney's Office adopted a written policy that only money orders will be accepted for payment of restitution, payment on bad checks and bad check fees. These money orders are made payable to the victim, merchant, or Iron County. The Prosecuting Attorney's Office will balance, reconcile, and review the account. Since there is still a diversity of opinion concerning where the unidentifiable funds should be transferred, the Prosecuting Attorney's Office will maintain a quarterly review procedure until the funds can be transferred to the proper entity.

12. Sheriff's Accounting Controls and Procedures

Controls and procedures of the Sheriff's office were inadequate for much of the audit period. The Sheriff's department had no bookkeeper from March through September 2005 and recordkeeping duties were performed by various employees. Subsequent to September 2005, the Sheriff retained a bookkeeper and it appears that several key controls were implemented.

The Sheriff's department handles bond monies, paper service fees, gun permits, conceal and carry permits, drug screening fees, trailer inspections fees, and vending commissions. Overall receipts were approximately $168,000 for the two years ended December 31, 2005, with bond activity accounting for approximately $143,000 of this total.

A. Paper services fees and gun permits are deposited into the Sheriff's bank account. Our review of account activity determined that receipt and deposit records lacked proper details, some monies collected were not recorded or deposited timely, monies were not adequately secured prior to deposit, reconciliation procedures were not performed, and required disbursements were not made for several months

1) Receipts slips do not indicate method of payment and deposit slips did not indicate receipt slip numbers. Also, there is no indication in the receipt record to identify when deposits are made and what items are included. Receipts were not deposited intact and no reconciliation of receipts to deposits was performed. Our review of 2005 deposits indicated total deposits exceeded recorded receipts by approximately $873. Discrepancies were noted for 12 of 26 deposits made to the Sheriff's account during 2005. A closer review of 4 consecutive deposits in May and June 2005 showed receipts totaling $179 did not appear to be deposited and $340 included in the deposits did not appear to be receipted. As a result, there is less assurance that all monies received were appropriately recorded and accounted for.

2) Deposits were not made on a regular schedule, and were only made once or twice a month for 13 months during 2005 and 2004. Gun permit fees are generally received in cash, and checks and money orders are not restrictively endorsed until deposits are prepared.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts slips should indicate the method of payment (i.e., cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition and details should be reconciled to bank deposits. In addition, checks and money orders should be endorsed upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are received.

3) No bank reconciliations were prepared for March through September 2005. In addition, regular month-end disbursements were not made during this same time period. Monies received between March and September 2005 totaled approximately $3,900. Of this amount, $1,600 was disbursed to the County Treasurer in late September or early October, and $2,300, had not been distributed as of December 31, 2005. There was no summary report or information in the records to support the $1,600 disbursed to the County Treasurer and the amount could not be associated with specific receipt activity. The current bookkeeper began performing bank reconciliations and making disbursements again in October 2005. Her comparisons of bank account activity and the accounting records has determined that there are some unidentified monies in the account balance.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors timely. Also, Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. To ensure accountable fees are properly accounted for, the Sheriff should attempt to determine the source of undistributed monies still in the bank account. Any monies that remain unidentified should be disposed of as provided by state law.

B. Bond forms which serve as receipt slips for bond payments are not adequately accounted for. Bond forms are prenumbered; however, the Sheriff's department occasionally uses generic bond forms that do not have a sequential number on the form. In addition, the numeric sequence of the bond forms is not accounted for by the bookkeeper. The use of unnumbered bond forms decreases the ability to ensure bond receipts are adequately recorded and properly distributed to the appropriate court.

To adequately account for collections and reduce the risk of loss or misuse of funds, only prenumbered bond forms should be issued. In addition, the numeric sequence of the bond forms should be accounted for to prevent unauthorized use.

C. The Sheriff's department houses prisoners for other political subdivisions in the county jail and bills the various entities for these services. Payments are made directly to the County Treasurer. The Sheriff's office does not maintain a log or other record to track billings and payments received, and has not established formal policies for follow-up collection efforts for unpaid billings. The County Treasurer does not notify the Sheriff's department of payments received, and no reconciliation of the Sheriff's billing records and payments received by the County Treasurer is performed.

Billing statements for 2005 and 2004 located by the Sheriff's office bookkeeper totaled $10,119, while the County Treasurer's receipts records indicate other political

subdivisions paid a total of $7,534 for board of prisoner billings. A comparison of billing and receipt details (entity billed, dates of incarceration, prisoner name, etc.) showed that, of the $7,534 received, only $3,989 could be traced to the Sheriff's department billing records. As a result, there is less assurance that billings for housing prisoners and the resulting payments have been adequately monitored and properly remitted to the County Treasurer for deposit.

A comprehensive record of amounts billed to and collected from the various entities should be used to track amounts due and to ensure all outstanding amounts are received in a timely manner. Formal policies and procedures should be established for billing and collecting, and for follow-up on delinquent billings. Also, a comparison of recent billing records and payments received by the County Treasurer should be performed, and any unpaid amounts pursued.

WE RECOMMEND the Sheriff:

A.1. Ensure that sufficient details are provided in the receipts and deposit records, receipt slip numbers are accounted for, and composition of receipts is reconciled to bank deposits.

2. Ensure that checks and money orders are restrictively endorsed upon receipt, and all monies are deposited timely and intact.

3. Ensure that monthly bank reconciliations are prepared and that month-end disbursements are timely and agree to the accounting records.

B. Ensure prenumbered bond forms are used and the numeric sequence is accounted for.

C. Establish a comprehensive record and improve communication with the County Treasurer to track board of prisoner billings, and develop procedures to follow up on delinquent amounts. In addition, the Sheriff and the County Treasurer should perform a review of recent billing and payment records, and pursue any unpaid amounts.

AUDITEE'S RESPONSE

The Sheriff indicated:

A.1. In October 2005, we started using a register which includes date of deposit or check written, amount of deposit or check, check number, entity, notes as to breakdown of deposit amount or reason check written, and balance. A notation is also made in the receipt book as to the amount and date of deposits. Receipts for monies received are either copied along with service paper, or receipt number is noted on the check stub. Individual receipt numbers are written on deposit slips. Notation is made in the receipt book if money received is cash.

2. *Deposits are made 3 or 4 times a month, and more frequently if large amounts of monies are received or have accumulated, and checks and money orders are endorsed upon receipt. Gun permit money is in cash and is deposited regularly with service fees.*

3. *Monthly bank reconciliations are now being done. The secretary is continuing to attempt to determine the source of excess money in the account. It is possible a part of it could be undistributed interest earned, perhaps as much as $200 or more, but there is nothing to actually prove that. Also, it is possible there was a shortage in the fees paid out to the Treasurer during August and September 2005 in the approximate amount of $290.25. The secretary discussed options related to the unidentified account balance with auditors at the exit meeting.*

B. *We are now using prenumbered bond forms. The period of time we were using unnumbered forms was due to our supply of prenumbered forms being depleted, and waiting for our order to be processed. This happened during the time when the company was working on election items and that took priority. The secretary accounts for the numeric sequence of forms by keeping a copy of each bond form issued. At the moment, our chief deputy accounts for the numeric sequence of the actual books used.*

C. *The secretary is in the process of implementing a more accurate tracking system for prisoner board billings. At the moment, a copy of each board bill is retained and a copy is given to the Treasurer. The Treasurer informs the secretary when a check is received and that is noted on our copy of the bill. The secretary is now keeping a spreadsheet of the board bills out to track and follow up on them to avoid future delinquent bills. The secretary and Treasurer have also discussed this and will review payment and billings records frequently to keep things up to date.*

The County Treasurer indicated:

C. *The Sheriff's department secretary and I are working on developing a system to track and monitor current billings to ensure payments are received, and plan to follow up on prior billings.*

13. Health Center Accounting Controls and Procedures

Procedures related to budgets, collateralization of bank accounts, and computer information system controls are in need of improvement. The Health Center processes receipts and disbursements of approximately $330,000 annually.

A. Annual budget documents approved by the Health Center Board for 2005 and 2004 presented some incorrect information. Actual receipts and disbursements as reflected on the detailed budget documents were inaccurate for 2005 and did not agree to the cash reconciliation page. Approved budget and actual amounts were not carried forward accurately from prior budgets. In addition, some footing errors were

identified. While the accounting records were accurate, it appears the administrator made several posting and footing errors when compiling the budgets.

To improve the effectiveness of the budgets as a planning tool, the board should ensure that budgets are accurately prepared and reconciled to the accounting records prior to approval.

B. The Health Center does not maintain banking service agreements. In addition, the Health Center does not have any procedures for monitoring the sufficiency of collateral securities pledged by the Health Center's banks to protect cash deposits. As a result, collateral securities pledged were insufficient as of February 28, 2006 and 2005, by approximately $15,900 and $36,100, respectively.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the Health Center's funds unsecured and subject to loss in the event of bank failure. To ensure sufficient collateral securities are pledged, the Health Center should monitor the level of bank activity and notify the depositary banks when additional securities need to be pledged. In addition, the Health Center should ensure banking service agreements are obtained.

C. The Health Center financial data is not backed up on a periodic, predefined basis and data backups are not always stored at an off-site location. Although backups of financial data are performed once or twice a year, the backups are not performed frequently enough to provide recent transaction history for data recovery in the event of a disaster or computer failure. In addition, backup data for the financial system and for the state's vital records system are not stored off site.
Backing up data files and systems is critical for system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes are performed and how important those changes are. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to restore data to its original condition prior to the disruption. Storing backups offsite provides another level of assurance of access to data.

Important decisions to be addressed include how often backup procedures are performed and how often backups are stored off-site. A minimum level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at the secure off-site location at a sufficient distance to avoid any damage from a disaster at the main site. These procedures should allow the Health Center to maintain business operations or to recover rapidly from most disruptions to or failure of the office's computer systems.

WE RECOMMEND the Health Center Board:

A. Ensure budgets are accurately prepared and in agreement with the accounting records.

B. Develop procedures to ensure adequate collateral securities are pledged and enter into banking service agreements as appropriate.

C. Ensure data is backed up on a regular, predefined basis, ensure data is stored at a secure off-site location, and develop appropriate backup and restoration procedures.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

A They will ensure budgets are accurately prepared and in agreement with the accounting records.

B. They are obtaining banking service agreements and will develop a procedure to verify the adequacy of pledged collateral.

C. They will back up financial data monthly and will ensure a copy of the backups are stored off site periodically. They will develop a policy to address backup and restoration procedures.

Follow-Up on Prior Audit Findings

IRON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Iron County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Associate Commissioner Salaries

The Iron County Commission approved mid-term salary increases for the associate county commissioners totaling approximately $7,700 annually. The county salary commission did not consider these raises. A subsequent Missouri Supreme Court decision held these raises were unconstitutional.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments. In addition, county officials' compensation should only be authorized by the salary commission.

Status:

Partially implemented. The associate commissioners' salary changes were discussed several times in commission meetings; however, a decision was not made and no further action has been taken by the County Commission. All additional salary changes have been approved by the salary commission. Although not repeated in the current MAR, the county should continue to seek repayment of the salary overpayments.

2. County Vehicles

A. The county did not have a written policy on the use of county vehicles.

B. While vehicle maintenance logs were prepared, the logs did not adequately document destinations, beginning and ending odometer readings, and purpose of use. The logs did not clearly distinguish between business and commuting use.

Recommendation:

The County Commission establish a written policy regarding the appropriate use of county vehicles. The policy should include necessary definitions, address allowable and unallowable use of vehicles and the records required to account for such use, justification for assigning vehicles to individuals, and justification for commuting. In addition, the county should comply with IRS guidelines related to commuting use, as appropriate.

Status:

Not implemented. See MAR finding number 5.

3. Personnel Policies

The county had not adopted a written county-wide overtime and compensatory time policy.

Recommendation:

The County Commission establish written policies about employee overtime and compensatory time.

Status:

Implemented.

4. Budgetary Practices and Expenditures

A. Formal budgets were not prepared for some county funds and budgets had not been obtained from other county officials for some county funds held outside the county treasury.

B. The county transferred $16,000 and $14,000 in 2001 and 2000, respectively, from the Special Road and Bridge Fund to the Iron County Industrial Development Association (ICIDA) Fund as reimbursement for approximately 50 percent of salaries and benefits of the ICIDA Administrator who also performed duties for the county road and bridge department. There was not a clear relationship between hours worked on various road and bridge tasks and the transfer amounts from the county Road and Bridge Fund.

Recommendation:

The County Commission:

A. Ensure budgets are prepared or obtained for all county funds.

B. Re-evaluate what is expected for compensation paid to the ICIDA Administrator and ensure that funding provided from the Special Road and Bridge and ICIDA Funds is reasonable as compared to tasks performed and hours worked.

Status:

A. Not implemented. See MAR finding number 6.

B. The county no longer shares an employee with the ICIDA board and provides no other funding to the board for operational expenditures.

5. Sheriff's Commissions Fund

The Sheriff's office maintained a bank account outside the county treasury for the deposit of telephone and vending machine commissions. Deposits did not provide sufficient identifying information and some disbursements from this fund were questionable. A budget had not been prepared for the fund and the fund was not listed in the county's published financial statements. Additionally, the county could not provide a current signed contract for the telephone and vending machine commissions.

Recommendation:

The Sheriff turn over custody of the Sheriff's Commissions Fund to the County Treasurer and turn over all future revenues to the County Treasurer. In addition, the Sheriff and County Commission should enter into a formal written contract with the entities providing telephone and vending services.

Status:

Implemented.

6. Associate Circuit and Probate Divisions' Controls and Procedures

A. Bank reconciliations had not been prepared for the Banner Courts Case Management System account since the system was installed in April 2001.

B. As of June 30, 2002, a court bank account contained $16,000 of unidentified monies held on old criminal cases. The Division had not identified any of the items comprising this balance.

Recommendation:

The Associate Circuit Judge:

A. Ensure bank reconciliations are prepared on a monthly basis. Any differences should be investigated and resolved in a timely manner.

B. Require the Division employees attempt to identify the unidentified balance. Any monies remaining unidentified should be disposed of in accordance with state law.

Status:

A&B. Implemented.

7. Circuit Clerk's Controls and Procedures

A. Five checks and money orders totaling $795 had been on hand as long as one month but had not been recorded on any accounting record or deposited.

B. Three bank accounts contained balances on old unidentified cases totaling about $30,000. An additional bank account was maintained for the unclaimed balance on one case totaling about $12,000.

Recommendation:

The Circuit Clerk:

A. Ensure receipts are recorded properly and deposited promptly.

B. Attempt to identify the unidentified balances. Any monies remaining unidentified and unclaimed monies should be disposed of in accordance with state law.

Status:

A. Implemented

B. Not implemented. See MAR finding number 9.

8. Prosecuting Attorney's Trustee Account

Monthly listings of open items were not prepared for the Prosecuting Attorney's trustee account and, open items were not reconciled with cash balances. The trustee account balance exceeded identified open items on June 20, 2002, by about $2,500.

Recommendation:

The Prosecuting Attorney prepare monthly listings of open items and reconcile the listings to the cash balance and attempt to identify the unidentified balances. Any remaining unidentified monies should be disposed of in accordance with unclaimed property statutes.

Status:

Not implemented. See MAR finding number 11.

STATISTICAL SECTION

History, Organization, and
Statistical Information

IRON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1857, the county of Iron was named for the abundance of iron ore. Iron County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Ironton.

Iron County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 265 miles of county roads and 38 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 11,084 in 1980 and 10,697 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	2005	2004	2003	2002	1985*	1980**
			(in millions)			
Real estate	$ 97.9	93.1	94.0	97.8	114.1	46.7
Personal property	25.8	23.9	24.2	26.9	16.1	16.3
Railroad and utilities	25.8	24.7	22.8	23.0	5.8	4.3
Total	$ 149.5	141.7	141.0	147.7	136.0	67.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Iron County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2005	2004	2003	2002
General Revenue Fund	$ .3085	.3085	.3098	.3100
Special Road and Bridge Fund	.3015	.3017	.3017	.2854
Health Center Fund	.0999	.1000	.1000	.1000
Senate Bill 40 Board Fund	.0999	.1000	.1000	.1000

Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
State of Missouri	$ 48,025	46,049	45,820	47,592
General Revenue Fund	486,942	459,928	459,468	480,836
Special Road and Bridge Fund	460,915	438,124	434,036	433,189
Assessment Fund	85,606	81,432	63,304	65,549
Health Center Fund	152,010	144,695	143,763	150,874
Senate Bill 40 Board Fund	147,733	141,144	139,756	146,477
School districts	4,691,071	4,502,104	4,278,005	4,430,704
Library district	152,010	144,695	143,763	150,874
Ambulance district	228,050	217,078	215,669	226,321
Fire protection districts	278,829	264,417	173,699	188,680
Hospital district	99,929	85,299	84,802	86,933
Payments In Lieu of Tax	6,648	6,675	5,425	5,944
Tax Sale Surplus Fund	29,030	16,217	5,229	19,131
Collector Tax Maintenance Fund	10,437	9,383	10,127	4,905
Cities	32,022	35,266	35,503	34,888
County Clerk	1,276	1,155	1,084	1,116
County Employees' Retirement	37,040	36,523	38,127	31,544
Commissions and fees:				
General Revenue Fund	95,845	91,631	88,740	92,265
Total	$ 7,043,418	6,721,815	6,366,320	6,597,822

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	96	96	96	96	%
Personal property	92	92	92	92	
Railroad and utilities	99	100	100	100	

Iron County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
Iron County Hospital		.0050	2010	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	$				
Terry Nichols, Presiding Commissioner		26,609	26,609	26,609	
Ronald Murphy, Presiding Commissioner					26,609
Reggie Burns, Associate Commissioner		24,465	24,465	24,465	24,465
Dwayne Warncke, Associate Commissioner		24,465			
Guy Stevenson, Associate Commissioner			24,465	24,465	24,465
Norma Owens, County Clerk (1)		15,507			
Rodney Lashley, County Clerk (2)		15,507	27,912		
James Goggin, County Clerk (3)			9,304	37,216	37,216
Carl Strange, Prosecuting Attorney		43,659	43,659	43,659	
R. Scott Killen, Prosecuting Attorney					43,659
Allen Mathes, Sheriff		44,000	41,536	41,536	41,536
Jack Adams, County Treasurer		27,475	27,475	27,475	27,475
Anthony Cole, County Coroner		12,000	10,999	10,999	10,999
Sandra Trask, Public Administrator		40,000	37,731	37,686	37,635
Linda Kemp, County Collector, year ended February 28 (29),	37,252	37,252	37,252	37,252	
David Huff, County Assessor (4), year ended August 31,		38,436	38,513	38,648	38,226
Sidney Nickelson, County Surveyor (5)					

(1) County Clerk appointed August 1, 2005.
(2) County Clerk appointed April 1, 2004 and resigned May 31, 2005.
(3) County Clerk resigned March 31, 2004.
(4) Includes $688, $765, $900, and $900 annual compensation received from the state for year ended August 31, 2005, 2004, 2003, and 2002, respectively.
(5) Compensation on a fee basis.

State-Paid Officials:					
Brenda Turner, Circuit Clerk and Ex Officio Recorder of Deeds		48,500	47,900	47,300	47,300
Kelly Parker, Associate Circuit Judge		96,000	96,000	96,000	96,000

Susan Montee, CPA
Missouri State Auditor

May 2007

City of Lake Ozark, Missouri

Year Ended December 31, 2005

Report No. 2007-21

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

May 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Lake Ozark, Missouri.

Many of the findings in this audit are similar to those included in our previous audit of the City of Lake Ozark (Report No. 2000-115). The city has made very little progress to improve accountability over city resources.

From 2004 to 2005 the City of Lake Ozark's overall financial liability increased approximately 43 percent, and was used to refinance past debt and finance both expansion of the city's water and sewer system and the Osage National Neighborhood Improvement District (NID) project. The city also entered into a $5.6 million lease purchase agreement without soliciting proposals from various entities. In addition, the city issued revenue bonds in 2002 which require the establishment of several separate accounts and funding of these accounts with transfers from water operating revenues. However, the city does not have sufficient cash in the Water Funds to meet and fund these required accounts. Also, no formal plans were prepared by the city for the purchase and development of land for a city park or to fund the transportation enhancement (strip) project with costs of approximately $619,000 in engineering and construction.

The City of Lake Ozark has established five NIDs totaling approximately $2.8 million. Our review of these projects noted:

- The city did not have supporting documentation or an explanation of how assessments were calculated for property owners within the Osage National NID.
- Adequate records of assessments, collections and balances due by property owners are not maintained by the city.
- The city has not established separate funds and bank accounts for each NID or procedures to ensure NID activity is accurately reported.
- The city does not appear to be charging a sufficient amount of interest to cover the interest due on the bonds related to the Knox Point NID.

The city has not established procedures to ensure expenditures are properly allocated among the funds and to ensure restricted revenues are expended only for their intended purpose. For example, the city made transfers from the Transportation, Sewer, and Water Funds to the General fund to cover various administrative expenses, including salaries, but had no documentation to support these allocations.

Inadequate controls and oversight over the collection of various licenses and permits resulted in $1,265 of missing monies to go undetected. Amounts recorded on receipt slips and other documents did not agree to the amounts recorded on deposit summary reports

(over)

and deposit slips prepared by the accounting clerk. If these items had been reviewed by another person, these discrepancies may have been detected.

Significant weaknesses were identified concerning the city's handling of receipts including lack of receipt slips, untimely posting of receipts, and untimely deposits. The city has accumulated large balances in due to/from accounts, and wrote off some of these balances in 2004 without adequate supporting documentation.

Financial statements prepared and published by the city were incomplete and inaccurate, some financial statements were not published, and improvements are needed in preparation of the city's budgets.

The city's bidding procedures are in need of improvement. The city did not solicit proposals for some professional services, and entered into a long term contract for residential and commercial trash services without knowing the value of the contract.

Improvement is needed in city procedures for reviewing and approving invoices for payment. Some city expenditures did not appear to be a prudent use of public funds and some employees were paid bonuses. Inadequate recordkeeping allowed duplicate and untimely payments of some invoices to be made.

Many significant problems were identified in the control procedures used by the municipal court to account for court receipts including inadequate segregation of duties, improper accounting for bond forms and police department receipts, untimely collection of bond and police department monies, and untimely deposits. Most of these conditions have been addressed to the court numerous times, but the court has repeatedly failed to take any corrective action.

Also included in the report are recommendations related to cell phones and credit cards, official and employee benefits/vehicles and equipment, payroll, utility system controls and procedures, property tax procedures, closed meetings and ordinances, capital assets, and evidence and seized property controls.

All reports are available on our website: www.auditor.mo.gov

CITY OF LAKE OZARK, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Lake Ozark, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Lake Ozark. The city engaged Graves and Associates, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2005. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2005. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide

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reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by February 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and its audited financial report and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Lake Ozark.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:
Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Pamela Allison Tillery, CPA
In-Charge Auditor: Roberta Bledsoe

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF LAKE OZARK
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Obligations and Planning

The City of Lake Ozark's financial obligations have risen significantly over the last several years; however, the city does not have a debt policy. The city entered into a $5.6 million lease purchase agreement in June 2005 without soliciting proposals from various entities. The lease purchase was used to refinance sewer revenue bonds and to finance a utility expansion project. The city has not properly funded accounts as required by water revenue bond covenants, and it is questionable whether the city has sufficient cash in the Water Fund to meet and fund these required reserve accounts. No formal plans were prepared by the city for the purchase and development of land as a city park and for funding of the strip enhancement project.

A. The city does not have a debt policy; however, the city's financial obligations have risen significantly over the last several years. From 2004 to 2005 the overall financial liability of the city has increased approximately 43 percent from $7.7 million to $10.9 million. Most of this increase was used to refinance past debt and finance some expansion of the city's water and sewer system through the use of a lease purchase agreement and to finance the Osage National NID project through the use of a general obligation bond.

   The city should develop a debt policy which would help ensure the city is maintaining adequate financial stability and that the repayment method for any new debt is considered.

B. The city entered into a $5.6 million lease purchase agreement in June 2005 without soliciting proposals from various entities. The City Administrator and Mayor indicated the city was forced into making a quick decision because it was unable to pay its annual sewer bond payment, and therefore did not have time to properly solicit proposals. The lease purchase was used to retire two sewer revenue bonds outstanding in the principal amounts of $4,090,000 and $289,000 and to finance improvements in the north shore area utility expansion project. If the city follows the lease payment schedules, the city will pay approximately $2.1 million in interest and $644,122 in fees over the life of the 20 year lease.

   The Board of Aldermen should always seek proposals for professional services and document the basis for the selection to ensure the city is receiving quality service at a reasonable price.

C. The city issued revenue bonds in 2002 for water improvements. The revenue bond covenant requires the city to establish several separate accounts and to fund

these accounts with transfers from water operating revenues. As of December 31, 2005, the city had not properly funded the accounts as follows:

1. City ordinance creates a Debt Service Reserve Fund that will be funded in the amount of $100,000 from the proceeds of the bonds at the time of issuance to prevent any default in the payment of interest on or principal of the bonds. The city has not properly funded this account. At December 31, 2005 the balance of this account was only $1,408 resulting in a funding deficiency of $98,592.

2. Bond principal payments are due annually and interest payments are due semi-annually. The Bond Principal and Interest Account is required to be funded by monthly transfers of not less than 1/12 of the amount of principal and 1/6 of the amount of interest due on the next payment dates. The city is not funding this account on a monthly basis. At December 31, 2005, the balance required in this account was $82,278 while the actual balance was only $1,461 resulting in a funding deficiency of $80,817.

3. The Depreciation and Replacement Fund is required to be funded by monthly transfers of $1,500 beginning on April 1, 2005 up to an aggregate amount of $100,000. These monies are to be used, if no other funds are available, for paying the cost of emergency repairs and replacements to the system. At December 31, 2005, the balance required in this account was $13,500; however, the fund had not been established at December 31, 2005.

The city does not have sufficient cash in the Water Funds to meet and fund these required reserve accounts. At March 31, 2007, the city only had $155,083 in the Water Funds while these required reserve accounts total over $195,000. The city needs to properly fund these reserve accounts and record them as restricted cash on the city's financial statements, as required in the bond covenant. In addition, the Board of Aldermen should closely monitor the financial condition of the Water Fund, and develop a long-term plan to operate within its available resources by reducing or eliminating operating losses.

D. No formal plans were prepared by the city for the purchase and development of land as a city park. In 2000, the city obtained an appraisal of the land which valued the property at $630,000. In January 2001, the city purchased the land for $450,000 to be used as a city park; however, this land was not developed or used in this manner and remained vacant until 2005, when the city sold an easement and the land for $27,000 and $460,000, respectively. The original purchase agreement also required the city to provide the seller with an IRS Form 8283-Noncash Charitable Contribution (for the excess of market value over the sales price of the property or $180,000); however the city failed to retain a copy of this IRS form for their records.

The city again had the property appraised in 2005 and the property was valued at $461,000, or $169,000 less than the original appraisal. The city could provide no explanation for this decrease in the property value.

The city also incurred costs of over $71,500 for interest, early pay off penalties, settlement charges, appraisal fees, and Department of Natural Resources fines related to the park. As a result, the purchase and sale of the park has cost the city $34,500. In addition, the city is involved in a pending lawsuit, (an individual sustained injuries while at the park) which may result in further costs to the city.

Good business practices require that adequate planning be performed and public input be obtained prior to approving a significant capital expenditure such as this. In addition, to ensure transactions are properly represented by all parties involved, the city should retain all documents such as IRS forms related to the sale of real estate.

E. No formal plans were prepared by the city to fund the transportation enhancement project, which cost the city approximately $619,000 in engineering and construction. This project included the construction of sidewalks, crosswalks, and landscaping on Old Route 54 Highway from Ballinger Road to Bagnell Dam. The Board of Aldermen entered into a grant agreement for $333,472 with Missouri Department of Transportation (MoDOT) for funding of construction of this project in July 2005. The remaining funding $285,528 for this project was paid primarily from the General Fund.

The September 2005 board minutes indicate questions over whether the board wanted to continue with this project. In those minutes the mayor stated "we need to accept the low bid for construction totaling $537,785 or the city would have to pay $20,790 back to MoDOT." Board Members expressed concerns regarding how the city was going to fund the project because monies were not available in the Transportation Fund. The board subsequently approved the low bid of $537,785 for construction of this project through a tie vote broken by the mayor. However, as the mayor also owns property included in the project, it is questionable whether city ordinance 112.020 was violated. That ordinance states the Mayor or any member of the Board of Aldermen who has a substantial personal or private interest, as defined by State law, in any bill shall disclose on the records of the Board of Aldermen the nature of his interest and shall disqualify himself from voting on any matters relating to this interest. Citizen concern was voiced because of the appearance of a possible conflict.

Good business practices require that adequate planning be performed, funding sources considered, and public input be obtained prior to approving a significant capital expenditure such as this. In addition, documentation of the planning process further helps to avoid confusion or misunderstandings and to inform citizens. Further, city officials should avoid any type of involvement in city decisions that relate to themselves.

The city's increased debt, questionable planning, inadequate Neighborhood Improvement District (NID) records and procedures (See MAR No. 2), and improper uses of restricted monies (See MAR No. 3) have all contributed to a potentially serious financial situation for the city.

WE RECOMMEND the Board of Aldermen:

A. Develop a debt policy and monitor the overall financial obligations of the city.

B. Solicit and document proposals for professional services.

C. Take action to bring the restricted asset funds up to the balances required by the bond covenants, and closely monitor the financial condition of the Water Fund, and develop a long-term plan to operate within its available resources by reducing or eliminating operating losses.

D. Ensure future purchases of real property be made only upon the preparation of formal documented plans for its use. In addition, retain all documentation related to the sale of real estate.

E. Ensure plans for funding future construction projects are formally documented. In addition, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. The City agrees that it has not adopted a formalized debt policy, however, we have addressed our debt liability in Vision 20 and formally adopted strategies to correct the fiscal duress by (1) dedicating the required reserve funds (which has already been partially accomplished); (2) by promoting economic growth to combat the long slide of declining sales tax as a percentage of the budget (which we have made tremendous strides on, in particular the securing of a new four-lane parkway into town and the corresponding retail commercial development; (3) by limiting additional debt; (4) by budgetary discipline; and (5) by "working our way out of it" through the aforementioned methodology.

B. We have solicited Professional Engineering services and will continue to improve in this area on other affected professional services.

C. Addressed in A above, we have already deposited more than required in the principal and interest water bond account, and will be addressing the maintenance reserve fund requirements before this state audit is finalized.

D. We agree as to this being the procedure that will be used henceforth.

E. We agree.

2. Neighborhood Improvement Districts (NIDs)

Significant problems were identified in the control procedures used by the city related to five NIDs.

The City of Lake Ozark has established five NIDs totaling approximately $2.8 million, including: the Eagle Crest NID ($75,331), Roscoe NID ($58,044), Knox Point NID ($60,975), W-26 NID ($96,657), and the Osage National NID ($2.5 million), pursuant to petitions from the residents within the proposed districts.

The city has issued various general obligation bonds to fund the various projects' construction and is ultimately responsible for the repayment of the bonds; however, the primary source of revenues for bond repayment is the collection of special assessments on properties within the districts. Two payment options were developed by the city allowing property owners to either pay the assessment in one lump sum or allocate the special assessment and related interest costs over a twenty year payment schedule.

Our review of these NID Projects revealed the following concerns:

A. The city did not have supporting documentation or an explanation of how assessments were calculated for property owners within the Osage National NID. Most property owners were assessed $1,104 annually in 2006 and 2005 for their principal and interest payment. Additionally, the City Clerk failed to assess some property owners and collect NID payments during those years. Without changes, some property owners may be over assessed during the course of the next 20 years.

   Based upon information provided by both the city and the Osage National NID, each of the 195 parcels, units, and lots contained in the NID owed a total of $2.5 million and should have been assessed a principal balance of $12,821 ($2.5 million/195). This assessment of principal was to be repaid over 20 years with interest of 5.5 to 6 percent.

   The city should review these situations and properly calculate each property owner's assessment and ensure all property owners are properly assessed. Any overpayments should be applied to future balances due.

B. Adequate records of assessments, collections and balances due by property owners are not maintained by the city. For example:

   1. Currently, the city utilizes its electronic property tax system to record NID payments; however, the system does not generate collection reports summarizing NID collections. The city also maintains a manual listing of

property owners in each NID, and the City Collector makes notes of payments received; however, it is not complete or maintained in an organized manner. Adequate records and procedures should be established to monitor the collection of NID funds.

2. As a result of the lack of adequate records noted above, the city does not track balances due for each NID or adequately pursue collection of delinquent amounts. At our request, the city prepared a spreadsheet of initial assessments, amounts collected, and balances due for each NID. As of December 31, 2006, over $27,000 in special assessments charged to property owners were delinquent as follows:

Eagle Crest NID Tax Year		Assessment Charged	Amount Paid	Amount Delinquent	Delinquency Rate
2004	$	3,767	2,624	1,143	31%
2005		3,767	2,431	1,336	36%
2006		3,767	2,673	1,094	29%

Roscoe NID Tax Year		Assessment Charged	Amount Paid	Amount Delinquent	Delinquency Rate
2004	$	2,902	2,723	179	7%
2005		2,902	2,723	179	7%
2006		2,902	1,827	1,075	37%

Knox Point NID Tax Year		Assessment Charged	Amount Paid	Amount Delinquent	Delinquency Rate
2004	$	2,952	2,429	523	18%
2005		3,604	3,246	358	10%
2006		3,604	3,327	277	8%

W-26 NID Tax Year		Assessment Charged	Amount Paid	Amount Delinquent	Delinquency Rate
2001	**$**	6,444	5,953	491	8%
2002		6,444	5,651	793	13%
2003		6,444	4,849	1,595	25%
2004		6,444	4,746	1,698	27%
2005		6,444	5,534	910	15%
2006		6,444	5,626	818	13%

Osage National NID Tax Year		Assessment Charged	Amount Paid	Amount Delinquent	Delinquency Rate
2005	$	214,056	211,848	2,208	1%
2006		214,056	200,806	13,250	6%

Adequate records should be maintained to monitor delinquent special assessments, and procedures should be adopted to pursue collection of delinquent amounts.

Further, these delinquent special assessments may result in the city not generating enough revenue to pay the required bond payments. The Board of Aldermen have not formally prepared a plan for how future bond payments will be funded. A formal plan should be prepared and include a

description of the bond payments due, an estimate of the amount of special assessment monies to be collected, and an estimate of how much the city will be liable to pay in future bond payments. In addition, the plan should be reviewed and updated periodically.

A formal plan would serve as a useful management tool and provide greater input into the overall obligations of the city. Such a plan provides a means to more effectively monitor and evaluate the amount of special assessment funds collected and how they are handled.

C. The city maintains a separate chart of accounts for the NIDs within the general fund and maintains a separate fund and bank account for the Osage National NID. However, activity of the Osage National NID is not always recorded in the Osage National NID Fund and bank account, and separate funds or bank accounts are not maintained for the remaining four NIDs. In addition, due to the lack of records noted in part B., NID collections are not always properly recorded. We identified the following concerns during our review of the city's accounting records for these five NIDs:

- A W-26 NID bond payment made on September 30, 2006 totaling $7,203 was erroneously posted to the Knox Point NID accounting category.

- A Knox Point NID bond payment made on January 31, 2006 totaling $5,486 was erroneously posted to the Roscoe NID accounting category.

- Eagle Crest and Roscoe NID bond payments were commingled in the Roscoe NID accounting category.

- Osage National NID payments totaling $191,896 were posted to real estate tax accounting category in the city's general fund on February 14, 2006.

Adequate records and procedures should be established to monitor the NID funds, and all NID fund activity should be reviewed by the City Administrator and Board of Aldermen regularly.

D. The City Clerk calculated the assessment against each property for the Knox Point NID, which included an interest rate of only 5%; while the interest rate on the related $58,000 general obligation bond was 5.6%. The city does not appear to be charging a sufficient amount of interest to cover the interest due on the related bonds. To ensure the city will be able to properly fund the bonds, the city should review the costs of future bond payments and adjust the assessments accordingly.

WE RECOMMEND the Board of Aldermen:

A. Ensure that assessments are accurately calculated. Any overpayments should be applied to future balances due.

B.1. Establish adequate records and procedures to monitor the collection of NID funds.

In addition, records should be maintained to monitor delinquent special assessments, and procedures should be adopted to pursue collection of delinquent amounts.

2. Prepare a formal plan to effectively monitor and evaluate the amount of special assessment funds collected, and how future bond payments will be funded.

C. Establish adequate records and procedures to monitor the NID funds, and ensure NID bond payments are posted to the correct accounts. In addition, all NID fund activity should be reviewed by the City Administrator and Board of Aldermen regularly.

D. Ensure that assessments are sufficient to cover the cost of the related bond payments.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A-D. The City agrees that we have not been as professionally proficient or well trained as necessary in the past; however, the City Clerk has already taken corrective action. The City Clerk had relied upon the bond attorney to provide the necessary documentation and professional instruction of how to set rates, and administrate these separate districts; however, the professional documentation was lacking, and accompanied with little or no instruction. Subsequent research on the City Clerk's part, augmented by the City Administrator, has corrected the known problems in these accounts except as to deficiencies in the formation of the NIDs, in that they were not calculated to provide maintenance funds as allowable. The City acknowledges that it needs to formulate practices and procedures to collect delinquent payments on these districts, as well as pass ordinances to allow for that, and to correct any other deficiencies that exist.

The City and the City Administrator agree that these accounts should be budgeted separately. As far as the erroneous transactions, City administration has also noted these and instructions were given to correct them. It is stipulated that the City understands and agrees, it is essential that these collections, accounting, depositing and disbursement be tracked and made accurately.

The City further realizes that it has to organize better with respect to management of these funds, and be more knowledgeable and accurate in how to assess, limit its liability and budget these funds appropriately. The City agrees that it will correct the insufficiencies associated with these funds.

3. Restricted Revenues

The city has not established procedures to ensure expenditures are properly allocated among funds and that restricted revenues are expended only for their intended purpose. Law Enforcement Training fees are not properly accounted for separately or maintained in a separate fund, and sewer inspection and user fees are not always deposited into the proper fund.

A. The city made transfers from the Transportation, Sewer, and Water Funds to the General Fund to cover various administrative expenses (including salaries) incurred in the General Fund. Transfers to the General Fund from the three funds for the year ended December 31, 2005, totaled $122,000. In addition, as of December 19, 2006, the city had made administrative transfers from the Sewer and Water Funds to the General Fund for the year ended December 31, 2006 totaling $142,000. The city had no documentation to support these allocations.

In addition, the city pays the Public Works Supervisor's wages and fringe benefit expenses equally from the Transportation, Water, and Sewer Funds, and pays the Public Works Secretary only from the Water Fund. The City Administrator, City Clerk, City Collector, City Treasurer, accounting clerk, and receptionist are paid from the General Fund while some of their duties may involve other funds. Time sheets are prepared by all employees, indicating the total hours worked. However, no documentation is maintained to separately indicate the number of hours worked for transportation, sewer, and water or other activities.

Annual lease payments of $12,027 and payments for repairs to an excavator totaling $4,581 were paid from the Sewer and Water Funds, respectively. The Public Works Supervisor indicated the excavator was used by the sewer, water, and transportation departments. The city had no documentation to support the reason why this payment was made from these funds.

The city should properly allocate expenses to the various funds to ensure the water, sewer, and trash rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. The use of certain revenues, such as transportation sales taxes and state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

B. Police Officer Standards Training (POST) fees are not properly accounted for separately or maintained in a separate fund. During the year ended December 31, 2005, the city received approximately $2,600 in training fees and spent approximately $3,300 on police training, respectively. In addition, according to the city's independent audit report the city had $30,411 in restricted assets at December 31, 2005 that are also required to be spent on police training. The city

erroneously posted $1,378 of POST fees received in October 2006, to an equipment expense chart of accounts. Section 590.140, RSMo, requires POST fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate Police Officer's Training Fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

C. The city charges $30 for sewer inspections. In some instances these fees were received and deposited into the General Fund. In addition, the city bills the Lake Region Water and Sewer Company each month for sewer services provided; however, the monies received, (over $5,000 in 2006), are deposited into the water fund. The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting revenues in the proper fund is also necessary to accurately determine the results of operations of specific activities, thus, enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs.

WE RECOMMEND the Board of Aldermen:

A. Ensure all expenditures are properly allocated to the various funds and the allocations are supported by adequate documentation.

B. Establish a separate accounting for POST fees to ensure compliance with the Missouri Constitution and state law.

C. Ensure sewer inspection and user fees are received and deposited into the Sewer Fund.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. It has been discussed that the appropriate reimbursable expenditures exceed $250,000 per year. While it might be a better accounting practice to provide a paper trail on these transactions, typically in municipal operations, when the allowed transfer amounts greatly exceed the actual transfers, documentation is not done. The City agrees the public works secretary's salary should be proportional among the three effected funds, however, that proportion would be greater to the water department as she is also the water meter reader for greater than 25 per cent of her time and also handles water related matters as a course of her receptionist/secretary duties. As to documentation, the excavator is a dual use machine used by the two departments and was budgeted correctly.

B. The City agrees that your findings are correct and that we need to do much to correct the court's administration and accounting of funds, including, although not mentioned, in forwarding relevant fees to the state, as well as accurately accounting and depositing in City accounts.

C. If the money for sewer inspections has been deposited in water, it is due to the inaccuracies of the Accounting Clerk (and not caught by supervision). This will be corrected, the City was not aware of this failure. The City agrees as to the accuracy of your pronouncements in the body of the paragraph.

4. Missing Cash Receipts

Inadequate controls and oversight resulted in $1,265 of missing monies to go undetected.

The city collects fees of approximately $103,000 related to business licenses, contractor's licenses, liquor licenses, franchise taxes, building permits and other miscellaneous items. These fees are paid primarily by check. Our comparison of fees deposited during the tourist season (April 1 through September 30) showed only .87% of cash deposited in 2006 compared to 2.66% in 2005. Business and liquor licenses are due by July 1 of each year and represent a large portion of these types of fees.

The city's receptionist collects these fees and transmits them to the accounting clerk along with copies of the applicable document (business license, etc), the check received, or the receipt slip issued. The accounting clerk then prepares a deposit summary report and a deposit slip and attaches the copied documents. The city treasurer then deposits the monies into the general bank account. The following table shows, by each deposit summary, the amount of cash receipts that were not deposited:

Deposit date	Cash recorded on receipt slips and copies of documents (business licenses, etc).	Cash recorded on deposit slips and deposited	Unaccounted for cash
June 20, 2006	$ 173.00	$ 123.00	$ 50.00
June 23, 2006	500.00	0	500.00
June 27, 2006	125.00	0	125.00
July 11, 2006	570.00	45.00	525.00
July 18, 2006	67.00	2.00	65.00
Total	1,435.00	170.00	1,265.00

The amounts recorded on receipt slips and other documents did not agree to the amounts recorded on deposit summary reports and deposit slips prepared by the accounting clerk. Some cash recorded on receipt slips and other documents (business licenses, etc.) was not recorded on the deposit summary reports and deposit slips and was not deposited. In addition, a $50 personal check made payable to the accounting clerk was deposited on July 18, 2006. There was no explanation why such a check was included in a city deposit. Had anyone compared the receipt slips and copies of documents to the information recorded on the deposit summary, deposit slip, and applicable deposit, these discrepancies may have been detected.

These missing funds were not detected on a timely basis due to various internal control weaknesses including little or no review by someone independent of the Accounting Clerk.

WE RECOMMEND the Board of Aldermen take the necessary action to recover the missing funds and work with law enforcement officials regarding any criminal prosecution.

AUDITEE'S RESPONSE

The Board of Aldermen indicated that this has been turned over to the city's Prosecuting Attorney.

5.	**Accounting Controls**

Significant weaknesses were identified concerning the city's handling of receipts. The city has accumulated large balances in due to/from accounts, and wrote off some of these balances in 2004 without adequate supporting documentation. The city maintains twenty-one bank accounts, does not follow up on old outstanding checks, and does not always properly record and account for voided checks. Controls and procedures over the city's petty cash and change funds need improvement, and some officials and employees were not adequately bonded.

A. The city bills and collects various types of receipts, including business and contractor's licenses, building permits, and other miscellaneous charges such as sign permits, tax increment financing plan books, Planning and Zoning (P&Z) books, research, and copies. Procedures related to the handling of these fees need improvement. For example:

- There is no documentation to indicate that anyone reconciles business and contractor's licenses and building permits issued and collected, or miscellaneous charges to amounts deposited. To ensure fees for all licenses and permits and other miscellaneous charges are properly collected, recorded, and deposited, the licenses and permits issued should be periodically compared to amounts recorded and deposited.

- Although business licenses are prenumbered, licenses are not always issued in sequential order. To provide additional assurance all monies are properly collected, recorded, and deposited, the numerical sequence of business licenses should be accounted for properly.

- The city has not established written policies and procedures related to issuing building permits and performing building inspections. To ensure building applications are properly processed and approved and building inspections are properly performed, the board should establish an ordinance which defines the

procedures and requirements for handling and approving building permit applications, issuing building permits, and performing building inspections.

B. The following concerns were noted related to receipts:

- Receipt slips are only issued for cash received, are not specifically printed for the city, and are not consecutively numbered. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received immediately upon receipt.

- The method of payment (i.e., cash, check, or money order) is not always recorded on the receipt slips. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt slip and the composition of receipts should be reconciled to the composition of bank deposits.

- Receipt slips are not issued in numerical sequence for monies received by the city. For example, two receipt books were being used by the receptionist concurrently and were not issued in order. To adequately account for all receipts, receipt slips should be issued in numerical order for all monies received and the numerical sequence should be accounted for properly. In addition, some voided receipt slips were not retained. To ensure all receipt slips are properly accounted for, all voided receipt slips should be properly defaced and retained.

- The city could not locate receipt books which were used during the period May 20, 2005 through March 21, 2006. As a result, there is no assurance city receipts were handled properly during this time period. To properly account for all receipts, all receipt slips should be retained.

- Checks and money orders received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- Receipts are not posted to the city's accounting system until a deposit is prepared. For example, building permits, business licenses, COBRA insurance payments, and an excavation permit totaling $2,075 were received between September 27 and October 6, 2006, but were not posted to the city's accounting system until October 17, 2006. To ensure receipts are accounted for properly, all receipts should be posted to the city's accounting system when received.

- Receipts are not always deposited intact or in a timely manner. For example, $764 of business and contractor's license and other miscellaneous fees received between June 15 and 19 were withheld from the deposit made on June 20 and not deposited until June 23, 2006. To adequately safeguard

receipts and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis.

C. The city's monthly financial statements report large balances being accumulated in the due to/from account balances. The city's financial statement audit reported the following due to/from balances for the year ending December 31, 2005:

Fund		Due To	Due From
General	$	772,634	795,158
Transportation		205,517	247,507
Capital Projects		0	10,268
Sewer		548,830	494,996
Water		407,623	386,675
Total		1,934,604	1,934,604

In addition, the city's records reported due to/due from balances at October 31, 2006 as follows:

Fund		Due To	Due From
General	$	455,792	370,577
Transportation		44,717	95,174
Capital Projects			
Sewer		305,735	246,895
Water		238,986	332,584
Total		1,045,230	1,045,230

The city wrote off a due to balance in the water fund from the sewer fund totaling $618,989 in December 2004 without supporting documentation of what transactions represented this large due to/from balance. Prior to January 1, 2005, the city did not maintain supporting documentation of any due to/from amounts. The city's 2004 independent audit recommended tracking these due to/from balances, and as a result, the city started tracking these account balances during the year ending December 31, 2005.

Most of the balances in the due to/from accounts in 2006 and 2005 noted above result from the city not making transfers from its various bank accounts for the following reasons:

- Payroll and accounts payable expenses of other funds are paid from the General Fund checking account.

- Administrative transfers are paid from the Water, Sewer, and Transportation Funds to the General Fund.

- Water Fund revenues are deposited into the Sewer Fund bank account.

These transactions are recorded in the proper fund at the time of receipt/disbursement; however, the transfer from the appropriate bank account is not always made. Therefore, the due to/from accounts are used to track receivables/payables between the various funds, and essentially represent loans between the funds. The city only makes transfers occasionally as funds are needed in the general checking account or water account which has caused these due to and from balances to accumulate.

To properly account for all city funds and ensure restricted funds are used as intended, transfers of funds should be made in a timely manner to eliminate the large accumulation of balances in the due to/from accounts. In addition, it is essential that the city discontinue the write off of due to/from balances without supporting documentation. Allocation of expenses is necessary for the city to ensure the water, sewer, and trash rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services.

D. The city maintains twenty-one bank accounts. Except for separate accounts required by bond covenants, it appears that the remaining bank accounts could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled.

E. The city does not follow up on old outstanding checks. As of September 30, 2006, there were 12 outstanding checks over a year old totaling $2,993 in the general checking account. Some of these outstanding checks dated back to 2004, and some of these checks were to board members, employees, or vendors routinely used by the city.

These old outstanding checks create additional and unnecessary record keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time.

F. The city often voided numerous checks due to printing errors; however, these check numbers were not always properly accounted for. In addition, the city's accounting records and outstanding check list contained three checks that had been manually voided, but not voided in the city's accounting records. To properly account for all disbursements, the numerical sequence of checks issued and voided should be accounted for, and voided checks should be properly recorded in the city's accounting records.

G. The city maintains a petty cash fund, four change funds, and a drug buy fund. Improvements are needed over these funds as follows:

1. The city does not have a listing of approved petty cash and change funds and a written policy regarding these funds. The city was unaware that

some such funds even existed. Written policies should be established outlining the procedures for maintaining, using, and accounting for the petty cash and change funds. The city should also maintain a listing of all authorized petty cash and change funds and amounts as well as procedures for adding funds or changing fund amounts.

2. The $100 change fund maintained by the Utility and Property Tax Collector was not maintained at a set amount and the $100 petty cash fund maintained by the City Clerk was not maintained on an imprest basis. Minimal amounts of monies in excess of the set funds were on hand during our cash counts.

3. The city does not maintain a petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund. Petty cash expenditures totaling $217 were not supported by a vendor invoice. In addition, various purchases from the petty cash fund totaling $335 did not appear to be a prudent or necessary use of city funds. The city expended $2,214 from the petty cash fund during the year ending December 31, 2005.

To ensure all receipts are appropriately handled and recorded, and disbursements are proper, the city should maintain the petty cash funds on an imprest basis, where petty cash on hand plus the total of all paid invoices should always equal the predetermined balance of the petty cash fund. The petty cash fund should only be reimbursed by city checks equal to the amount of the paid invoices. The city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund. Additionally, any change funds should be maintained at a set amount.

H. City checks require two signatures, with the Mayor, City Treasurer, and City Administrator all authorized to sign checks. In addition, various police officers and dispatchers collect bonds, accident report and breathalyzer fees. During the period April through December 2006, the Mayor, City Treasurer, and police officers and dispatchers were not bonded. The board should ensure all employees or officials in positions of handling city monies are adequately bonded or consider a blanket bond to cover all employees and officials.

WE RECOMMEND the Board of Aldermen:

A. Reconcile licenses and permits issued and miscellaneous charges to amounts deposited, and ensure the numerical sequence of business licenses is accounted for properly. In addition, establish an ordinance which defines the procedures and requirements for handling and approving building permit applications, issuing building permits, and performing building inspections.

B. Issue official prenumbered receipt slips for all monies received. Ensure the method of payment is recorded on each receipt slip, and the composition of receipts is reconciled to the composition of deposits. Require receipt slips to be issued in numerical sequence, and ensure the numerical sequence of receipt slips is accounted for properly. In addition, voided receipts should be properly defaced and retained, and retain all copies of receipt slips issued. Also, restrictively endorse all checks immediately upon receipt, ensure receipts are posted to the city's accounting system when received, and deposit all monies intact and in a timely manner.

C. Ensure transfers of funds are made in a timely manner to avoid an accumulation of due to/from balances, and the balances in the accumulated due to/from accounts should be transferred, when funds become available to ensure restricted revenues are used appropriately. In addition, ensure due to/from balances are not written off without adequate supporting documentation.

D. Consider consolidating the city's twenty-one bank accounts.

E. Attempt to resolve the old outstanding checks, and establish routine procedures to investigate checks outstanding for a considerable time.

F. Account for the numerical sequence of checks issued and voided, and ensure all checks issued and voided are accurately recorded in the city's accounting records.

G. Establish written procedures governing the accounting for the petty cash and change funds. Also, the city should maintain a listing of each fund, the authorized balance of each fund, and establish procedures for adding funds or changing fund amounts. In addition, maintain the petty cash and change funds on an imprest basis and retain adequate documentation for all petty cash disbursements. The city should also ensure a petty cash ledger is maintained.

H. Ensure all applicable employees or officials in positions of handling city monies are properly bonded.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A,B & E-H. We agree.

C. We agree, although the City has made substantial compliance in the last 18 months.

D. The City will take this into consideration.

6. Financial Statements, Budgets, and Planning

Financial statements prepared and published by the city were incomplete and inaccurate, and some financial statements were not published. Improvements are needed in preparation of the city's budgets, and the city did not amend its 2005 budget until after the actual expenditures had been incurred. The city has also not developed a formal street maintenance plan.

A. The city's published semi-annual financial statements for the six months ended June 30, 2006 and June 30, 2005 were incomplete and inaccurate. In addition, semiannual financial statements were not published for the six month period ending December 31, 2005.

The published financial statements reported total revenues, expenditures, assets, liabilities, and ending fund balances for each of the city's five funds. However, there was no detail reporting of revenues and expenditures and the totals included bank receipts and disbursements. The City Treasurer indicated the assets, liabilities, and ending fund balances reported represented the aggregate total of such amounts for each of the six months. As a result of this and other errors, the city's published financial statements overstated assets, liabilities, revenues, expenditures, and the fund balance of the city by approximately $1.4 million, $6.8 million, $1.9 million, $1.4 million, and $16.1 million, respectively.

Further, the published financial statements did not include the indebtedness of the city. At December 31, 2005, the city had approximately $10.9 million in debt.

Section 79.160, RSMo, requires the board of aldermen to prepare and publish semiannually, a full and detailed account of the revenues, expenditures, and indebtedness of the city. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published. Complete and accurate financial statements are necessary to keep the citizens informed of the financial activity and condition of the city.

B. The city's budgets were not complete. The city's 2005 budget did not include the Capital Project Fund or complete activity of the five NIDs. The Capital Project Fund revenues and other financing sources totaled to $2,512,443, expenditures totaled to $2,556,897, and the beginning and ending fund balances were $76,699 and $32,245, respectively. In addition, the city's 2006 and 2005 budget did not include the city's indebtedness, and beginning available resources, or estimates of ending fund balances. The city's 2005 budget also did not include a budget message.

The Board of Aldermen approved a budget amendment to increase budgeted expenditures in the Water Fund by $122,000 on December 13, 2005, to reflect unbudgeted expenditures made during the year ending December 31, 2005.

However, prior to these amendments, expenditures had already exceeded the original budget. In addition, no other budget amendments were made prior to this date, and after this budget amendment was made the Water Fund still overspent its budget by $18,288.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. In addition, amendments made after expenditures have exceeded the budget do not allow for the budget to be used as an effective management tool, and the board should refrain from approving expenditures in excess of the budgeted amounts.

C. Formal maintenance plans for the city utility system and the city roads have not been prepared. Maintenance plans should be prepared in conjunction with the annual fiscal budget and include a description of the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

Formal improvement plans would serve as a useful management tool and provide greater input into the overall budgeting process. Plans provide a means to continually and more effectively monitor and evaluate the progress made in the repair, maintenance, and improvement of the utility system and the roads throughout the year.

WE RECOMMEND the Board of Aldermen:

A. Publish complete and accurate financial statements that provide the citizens an account of all of the financial activity and indebtedness of the city.

B. Ensure budgets are prepared for all funds including the Capital Projects Fund and each NID, and ensure budgets include the beginning and projected ending balances. In addition, approve budget amendments prior to incurring the actual expenditures, closely monitor budgeted and actual revenues and expenditures, and ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to incurring the expenditures.

C. Prepare and document maintenance plans at the beginning of the fiscal year and periodically update the plan throughout the fiscal year. In addition, the board

should review the progress made in the repair and maintenance of the utility system and the roads to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&C. We agree.

B. We agree, and the City will take under advisement.

7. Bidding Procedures

The city's bidding procedures are in need of improvement. In addition, the city has contracted for audit services for several years without conducting a selection process, and the city did not solicit proposals for engineering services related to the transportation enhancement and northshore water utility extension projects. Also, the city entered into a long term contract for residential and commercial trash services without knowing the value of the contract, and failed to enter into formal contract amendments when trash service rates were increased.

A. Although the city has an ordinance establishing a procurement policy which requires city officials to solicit bids for items or services costing more than $5,000, bids were not solicited or bid documentation was not retained in accordance with the policy in the following instances:

Item	Cost
Fuel (2006 and 2005)	$ 119,108
Grinder pumps	19,247
Grinder pump repairs	7,288

In addition to complying with city ordinances, competitive bidding helps ensure the city receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the city's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

B. The city has contracted for audit services for several years without conducting a selection process. The city paid $6,501 and $13,284 for audit services during the years ended December 31, 2006 and 2005, respectively.

Selection processes are necessary to ensure the city is receiving the best services and rates. The process should include advertising and soliciting proposals and evaluating these proposals for technical experience, capacity and capability of

performing the work, past record of performance, and the firm's proximity to and familiarity with the city. Information concerning the selection process should be documented and retained.

C. The city did not solicit proposals for engineering services related to the transportation enhancement and northshore water utility extension projects. The city paid a local engineer $55,257 during the two years ending December 31, 2006. Sections 8.285 to 8.291, RSMo, provide that when obtaining engineering services, at least three highly qualified firms should be considered. The firms should be evaluated based on specified criteria and qualifications for the type of service required. The best proposal should be selected based on experience, type of service to be provided, and any other relevant information.

D. After soliciting proposals, the city entered into a six and one-half year contract for residential and commercial trash service in August 2000. In addition, the original contract did not require the trash service company to report amounts collected for commercial and industrial customers to the city; therefore, the city was unaware of the total value of the contracted services. Also, although trash rate increases were approved in board minutes, formal contract amendments were not prepared.

The original contract provided for the trash service company to bill commercial and industrial customers directly and required the city to bill residential customers, and then pay the trash service company. In December 2005, the board of aldermen approved residential trash rate increases and verbally agreed with the trash service company to share the rate increases. The former City Administrator sent a letter to the trash company in December 2004 amending the original contract by extending it another three months. The city entered into a five year contract with another trash service vendor on December 12, 2006.

City officials should avoid long-term contracts that obligate the city to a single vendor. In addition, to ensure the city is aware of the value of services received, the trash service contract should require the trash service company to report collections from commercial and industrial customers to the city. Further, any changes to contract terms and amounts should be supported by written and signed contract amendments.

WE RECOMMEND the Board of Aldermen:

A. Ensure bids are solicited for all applicable purchases in accordance with city ordinances. In addition, documentation of the bidding process should be maintained including the reason for selecting other than the lowest bid as required by city ordinance.

B. Periodically solicit proposals for audit services.

C. Solicit proposals for engineering services.

D. Avoid long-term agreements that obligate the city to a single vendor, ensure provisions are included in any future contracts or amendments requiring the trash service company to report collections from commercial and industrial customers to the city, and ensure contract changes are documented in written contract amendments.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&B. We agree.

C. We agree, and the City is doing so.

D. We substantially concur and the city differs to the length of contract.

8. Expenditures

The city's procedures for reviewing and approving invoices for payment are in need of improvement, and the city had expenditures which did not appear to be a necessary or prudent use of public funds. Adequate supporting documentation was not always maintained for city purchases, invoices are typically not marked paid, receipt of goods or services is rarely indicated on the invoice, invoices were not always paid in a timely manner, and the city does not always code expenditures to the appropriate expenditure line item. Additionally, the city did not always enter into written contracts**.**

A. A reconciliation of the listing of bills reviewed and approved by the board, the approved invoices, and the actual checks written is not performed by the city. For example, the board reviews and approves a listing of expenditures each month; however, the listing is not complete. According to the accounting clerk, it does not include payroll expenditures or other routine monthly expenditures paid prior to the board meeting. In addition, 13 of 33 expenditures we reviewed (which were not payroll or other routine monthly expenditures) were not included on the listings approved by the board.

While city ordinance requires all expenditures greater than $1,000 to be authorized by the City Administrator, the current and former City Administrator failed to document their approval and review on most supporting documentation. As a result, 24 of 25 expenditures greater than $1,000 which we reviewed may not have been properly authorized by the City Administrators.

Good business practice requires all disbursements to be reviewed by the board or someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements

occurring. To adequately document the board's review and approval of all disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by board to denote their approval, and retained with the official minutes. In addition, the City Administrator should document his review of each invoice, and an independent reconciliation of the approved listing of bills; invoices; and actual checks written should be performed.

B. The following expenditures do not appear to be a prudent use of public funds:

- The city holds an annual Christmas party which all city officials and employees, their spouses, and children are invited to attend. The city pays all of the costs related to the parties which totaled approximately $4,800 for the three years ended December 31, 2006.

- The board approved a performance stipend of $50 for all full time city employees. These cash payments totaling $1,550 which appear to be bonuses were distributed to the city employees at the 2005 Christmas party. In addition, payroll taxes were not withheld nor were these bonuses reported on the employee's W-2 forms.

  In both December and July 2005 the board approved performance stipends of $500 each for ten city police officers totaling $10,000. Federal and state tax withholdings were not made from the stipends paid in December 2005.

  Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "…a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." Further, the Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes.

- The city made various donations and paid dues that may not be a prudent or necessary use of city funds. For example, the city made a donation of $5,000 to sponsor a holiday nativity scene at the "Holiday Magic Drive-thru Park" in November 2005, and made another donation of $2,500 in June 2006 to replenish the "Welcome Garden Fund".

  The city also paid $1,000 to the Lake of the Ozarks Regional Economic Development Council for dues in both July 2005 and November 2006; however, the city could provide no supporting documentation as to how they benefited from this membership.

- The city regularly purchases drinks, snacks, birthday cakes and cards for its employees and the board. During our review of 3 expenditures to local grocery stores, $250 of $366 purchased was for these types of items.

The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. Given the city's other obligations, the above expenses may not be a necessary and prudent use of public funds.

C. The city does not ensure that adequate supporting documentation is always maintained for goods purchased. We noted that for payments totaling $313 and $51 made to a local gas company and grocery store, the vendors sent monthly summary statements to the city summarizing purchases; however, the individual itemized invoices were not retained. Additional documentation concerns related to credit card purchases are noted in MAR No. 9. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds.

D. Invoices are typically not marked paid or otherwise cancelled. For example, only one invoice of 33 we selected for review was marked paid or otherwise cancelled. As a result of not marking invoices paid, the city was not aware a duplicate payment of $1,465 was made for canine insurance on both August 1 and September 14, 2005. (One check remained outstanding but no follow up was performed by the city). Another duplicate payment for bullet proof vests of $505 was made on both September 29, 2006 and January 10, 2007.

The acknowledgment of receipt of goods or services is rarely indicated on invoices prior to the expenditure being approved for payment. For example, receipt of goods or services was not indicated for 20 of 28 expenditures we selected for review.

Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

E. Invoices were not always paid in a timely manner. For example, health insurance for city employees was cancelled in August 2005 because the city failed to pay the $13,529 bill on time. Health insurance was subsequently reinstated upon payment of the bill. In addition, the city failed to pay an employee garnishment in October 2005 totaling $452. As a result, the Camden County Associate Court re-garnished the city employee in March 2006. Good business practices require timely payments of invoices. Failure to make timely payments could result in unnecessary penalties and interest.

F. The city does not always code expenditures to the appropriate expenditure line item. For example:

- The board approved an expenditure for bullet proof vests to be paid from the police vehicle expenditure line item. In addition, a second purchase of vests was coded to police vehicles and office supplies.

- The dinner for the 2005 Christmas party was coded as administrative office supplies. In addition, several credit card purchases for party door prizes were coded as office supplies and miscellaneous.

The city should ensure all expenditures are appropriately classified and amend the budget if necessary.

G. The city has no procedures in place to ensure Forms 1099 are always filed with the Internal Revenue Service (IRS) when required. For example, the city failed to send a 1099 to a construction company for payments of over $680,000.

Sections 6041 through 6051 of the Internal Revenue Code require payments of $600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

H. The city did not always enter into written contracts defining services to be provided and benefits to be received.

- The city entered into a verbal agreement with a city employee to provide contracted cleaning services for two public bathrooms. In addition, the city did not ensure that adequate invoices and supporting documentation were submitted by the employee and some payments appeared excessive. For example, this employee was paid $1,200 for these services in May 2005 in addition to her regular monthly salary which approximated this amount.

- The city has not entered into a new written agreement to provide police services to Lakeside since 2003. The city received $8,500 and $8,790 for these services during the years ending December 31, 2006 and 2005, respectively.

- The city provides sewer service to Lake Region Water and Sewer Company and has not updated its written agreement for a sewer rate increase that was approved by the board in February 2005.

- The city has not entered into a written agreement with the Bagnell Special Road District (SRD) to provide maintenance to roads contained in both the SRD and the city.

- In February 2006, the city entered into a verbal agreement with a local business owner to share the cost of constructing the business's only parking spaces totaling $4,535 related to the transportation enhancement project. In

addition, it is unclear why this business owner was charged for the construction of parking spaces when no other business owners involved in the strip enhancement project were charged.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Further, the Board of Aldermen should clearly document its reasons for treating some business owners differently than others.

I. The city has not periodically solicited proposals from various banking institutions for the deposit of city monies. A periodic evaluation of proposals from various banking institutions would provide the board with current opportunities for making sound banking decisions.

J. The city has incurred increased legal settlements and fees over the past two years, and city officials and employees could benefit from attending training on topics such as: discrimination, conflict management, and sexual harassment. Many of these lawsuits have resulted from the continued conflict between past and current board members, employees, and the public. The city's insurance company and the city paid $150,000 to settle a discrimination lawsuit and $12,400 to outside legal counsels during the year ending December 31, 2006, respectively. The city also has an attorney on retainer at a cost of $1,500 per month. The Board of Aldermen and city officials should consider attending training to enable them to properly handle future conflicts.

WE RECOMMEND the Board of Aldermen:

A. Ensure detailed and complete listings of bills are prepared, that the boards' approval is reflected on the listing, and that the listing is retained. In addition, either the board should review the invoices or assign someone independent of the check preparation and signing process to perform and document this review. Further, the City Administrator should document his review and approval of all purchases greater than $1,000 in accordance with city ordinance, and approved listings of bills should also be compared to checks written.

B. Ensure expenditures are a necessary and prudent use of city funds, and discontinue the practice of paying bonuses. In addition, ensure all compensation provided for or paid to city employees is properly reported and appropriate payroll taxes are withheld and paid. Further, the city should consider filing amended W-2 forms for the unreported employee compensation.

C. Require adequate supporting documentation for all expenditures.

D. Ensure all invoices are properly cancelled, by marking the invoice 'Paid' to reduce the possibility of duplicate payments. Also, require all invoices to be initialed or signed by a city employee to indicate acceptance of the goods or services.

E. Ensure invoices are paid in a timely manner.

F. Ensure all expenditures are charged to the correct line item and budget amendments are made, if necessary.

G. Ensure payments totaling greater than $600 to nonemployees and unincorporated businesses are properly reported to the Internal Revenue Service.

H. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received. In addition, the board should clearly document why some business owners are treated differently than others.

I. Solicit proposals from various banking institutions on a periodic basis.

J. Consider attending training and providing training to employees to enable them to properly handle future conflicts.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. The City agrees that it should amend its policies, although not precisely as the audit suggests.

B-G, I&J. We agree.

H. We agree, as it is the policy of the current administration.

9. Credit Cards and Cell Phone Procedures

Questionable transactions concerning the city's cellular phone reimbursement procedures were identified. The city does not have a formal policy regarding cellular phone usage or guidelines to determine whether some cellular phones are needed or beneficial to the city, and the city did not adequately monitor the phones in operation. Additionally, procedures for monitoring credit card purchases are inadequate, and the city does not have a formal credit card policy.

A. The city provides a cellular phone to the City Administrator, Police Chief, Public Works Director, a public works employee, Building Inspector, and the

Community Development Director. Cellular phone bills of employees being provided a cellular phone by the city are not reviewed for propriety. The city also provides phone service to ten other police department and public works department employees, with these employees receiving either a $10 or $20 monthly allowance for their cellular phone bills. The remaining cost of the related phone bills is withheld from each of their payroll checks. The city also provides cellular phone service to four other employees and the entire cost of their cellular phone bills is withheld from their payroll checks. One of these four employees is the Accounting Clerk who has two cellular phones. During 2006, the city paid $18,463 in cellular phone charges and $10,436 or 57% of this amount was for the employee's personal phone service.

The Accounting Clerk prepares a worksheet detailing each employee's personal cellular phone reimbursements to be withheld from each payroll check; however, the worksheet is not retained after the payroll deductions are made. Our review of the October 2006 phone reimbursement worksheet (obtained during the course of our audit) and subsequent payroll deductions identified discrepancies in the amount billed to the Accounting Clerk for her two phones and the amount she calculated to be reimbursed through her payroll deductions. The amounts charged on the Accounting Clerk's two cell phone bills totaled to $139 while her payroll deductions totaled to only $117, resulting in $22 not being reimbursed to the city. Had anyone compared the reimbursement worksheet to the monthly cell phone statement, these discrepancies may have been detected.

There was no basis for the amount the Accounting Clerk determined to be paid to the cellular phone company each month. Current charges were sometimes paid and at other times the total amount due was paid, which resulted in over and under payments of the monthly bills. At March 1, 2007, the city had overpaid the cellular phone company $346. These over/under payments went undetected as a result of an inadequate review of cellular phone bills and the related payments.

Cellular phone plans and other arrangements for the employee's phone service are made by the city's Accounting Clerk. The City Clerk indicated that the city's policy was to establish a cellular phone plan for each employee for 600 minutes. Some employee cellular phone plans with phone service paid entirely by the city did not appear to match their usage patterns. For example, the City Administrator's October 2006 phone bill included additional charges of $57 for exceeding the plan minutes by 354 minutes. In addition, a sewer employee's phone bill included additional charges of $132 for exceeding the plan minutes by 816 minutes. The Accounting Clerk also made arrangements for two employees to have plans that provided for minutes in excess of 600.

While cellular phones can help increase employee productivity, they are also costly. A policy is needed to ensure that cellular phones are used only for business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the board

authorizes the phone to be used for personal purposes. Given the administrative time involved in computing the volume of personal phone service being provided and the errors identified with determining reimbursements, the board should re-evaluate the cellular phone service for its employees.

Additionally, cellular phone usage patterns should be routinely monitored to ensure each user is enrolled in the most cost-effective plan. The city should review its current and historical levels of cellular phone use for business-related purposes along with the types of employee positions that require cellular phones and develop a standard for matching employees and their positions to cellular phone plans. Implementing such procedures should result in cost savings to the city.

B. Controls over the city's credit cards need improvement. The city has 3 discount store credit cards, 3 bank credit cards, 2 office supply credit cards, 2 home improvement store credit cards, and 2 farm and home credit cards. Credit card purchases totaled approximately $33,000 and $24,000 during the years ended December 31, 2006 and 2005, respectively.

- Individual credit card slips are not reconciled to the credit card statement each month. Adequate supporting documentation was not maintained for $487 of the $3,322 credit card purchases we reviewed. On several charges including police department equipment and office supplies, documentation was not adequate or retained.

  Further, the discount store statement had been altered to "mark out" the description of some items purchased. Upon further review of the statement, it was determined that $17 in cosmetics had been purchased on December 10, 2005. There was no documentation that the City Administrator reviewed or approved this statement or that these purchases were ever questioned.

- The city has not adopted formal policies and procedures for the use of these credit cards.

Given the lack of controls over these credit cards, the board and City Administrator should closely evaluate the need for each credit card. In addition, complete and detailed written credit card policies and procedures are necessary to provide guidance to employees, and help ensure credit cards are used only for city business. The city should develop policies which require all credit slips be submitted prior to payment of credit card invoices and compared to the credit card statements, and require purchases to be approved by someone other than the cardholder. The city needs to perform an adequate review of all credit card purchases to ensure expenses paid are necessary, reasonable, and adequately documented, and ensure any altered credit card statements are questioned.

WE RECOMMEND the Board of Aldermen:

A. Review the questionable transactions and take the appropriate action. In addition, develop a policy regarding the use of cellular phones, which includes procedures to monitor their use, periodically assess which employees need a cellular phone, and ensure the most cost-effective cellular phone plans for business-related purposes are selected based on actual business usage by city personnel. The board should also consider the necessity of providing personal cellular phone service to its employees, and establish effective procedures to review cellular phone bills for propriety.

B. Evaluate the need for each credit card and cancel any cards which are determined unnecessary. Formal policies and procedures should be adopted for credit card use, including policies which require all credit slips be submitted prior to payment of credit card invoices and require purchases to be approved by someone other than the cardholder.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&B. We agree.

10. Benefits Provided to Officials/Employees and Vehicles and Equipment

The city allowed the City Administrator, City Clerk, public works department employees, and police officers that live outside the city limits to take their city owned vehicles home daily, but did not report the value of personal automobile (commuting) use as compensation. In addition, fuel tickets are not reconciled to the monthly fuel bills, fuel and usage logs are not maintained for the administration and police department vehicles, and mileage and fuel usage logs maintained by the public works department are not reconciled to fuel purchases. Given the personal use of city owned vehicles and the lack of controls over vehicles and fuel, the city needs to review whether the number of vehicles owned by the city is necessary.

A. The city allowed the City Administrator, City Clerk, public works department employees, and police officers that live outside the city limits to take their city owned vehicles home daily in violation of their own personnel policy. The city's personnel policy states "vehicles will be used for only city purposes and assignments." Many of these city employees live 10-20 miles away (one way). Allowing city officials, public works employees, and police officers, living outside the city to take their vehicles home, results in additional and unnecessary costs to the city.

B. The city is not reporting the value of personal automobile (commuting) use in city vehicles as compensation, if applicable. Federal regulations require all employers to withhold payroll taxes and include the value of personal automobile (commuting) use in taxable income. The Internal Revenue Service (IRS) provides several methods to determine automobile commuting values. While certain vehicles, such as police cars and other emergency vehicles, are exempted from these requirements, it appears there may be tax consequences for other individuals.

The city should ensure that commuting use in city vehicles is properly reported as taxable income and payroll taxes withheld for the applicable employees.

C. The city owns 24 vehicles and various pieces of equipment. Three vehicles are assigned to administration (City Administrator, City Clerk, and Building Inspector/Planning and Zoning), nine are assigned to the police department, and twelve vehicles and various pieces of equipment are assigned to the public works department. During our review of city vehicles and equipment, we noted the following concerns:

1. Fuel tickets are not always submitted from employees, and as a result, fuel tickets are not reconciled with monthly fuel bills. The city purchases fuel from three local gas stations. During the years ended December 31, 2006 and 2005, the city spent approximately $62,000 and $57,000, respectively for fuel. The city should develop policies which require all fuel tickets to be submitted prior to payment of monthly fuel bills and reconcile fuel tickets to the monthly billing to ensure expenses paid are necessary, reasonable, and adequately documented.

2. Fuel and usage logs are not maintained for the administration and police department vehicles. As a result, fuel usage is not reconciled to fuel purchases. During the years ending December 31, 2006 and 2005, the city spent approximately $29,949 and $28,894 (included above in No. 1), respectively, for fuel for the administration and police departments.

   Fuel and usage logs are necessary to document the appropriate use of vehicles and to also support fuel charges. The logs should include the date, driver, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles.

3. Vehicle mileage and fuel usage logs maintained by the public works department are not reconciled to fuel purchases. Established procedures require each driver of a city vehicle to complete mileage and fuel usage logs indicating how much fuel was pumped.

   In addition, a fuel usage log is not maintained for a hundred gallon portable diesel tank maintained in the back of a city truck. This portable

tank is used to fuel the city's various pieces of public works equipment. Also, fuel usage logs are not maintained for the public work's department equipment.

The city has spent $31,668 and $28,597 (included above in No. 1) for fuel during years ending December 31, 2006 and 2005, respectively, for the public works department.

To ensure the reasonableness of fuel expenditures, the city should maintain records of fuel usage, and reconcile mileage, equipment, and fuel usage logs, and fuel tickets to fuel purchased. Failure to account for fuel purchases could result in loss, theft, and misuse.

4. The city needs to begin keeping mileage records to better determine the personal use of city owned vehicles. Additionally, after implementing better controls over vehicles and fuel, the city should evaluate whether the number of vehicles owned is necessary.

WE RECOMMEND the Board of Aldermen:

A. Review the policy of allowing city officials, public works employees, and police officers living outside the city limits to take city owned vehicles home.

B. Ensure that commuting use in city vehicles is reported as taxable income, and payroll taxes withheld for the applicable employees.

C.1. Require all fuel tickets to be submitted prior to payment of monthly fuel bills, and ensure a reconciliation of fuel tickets to the monthly billing is performed.

2. Ensure the administration and police departments maintain logs for vehicles which include the purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles. In addition, ensure the logs are periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for city business.

3. Ensure a documented periodic reconciliation of fuel purchased to amounts used by the public works department is performed, and investigate any significant discrepancies. In addition, ensure fuel usage logs are maintained for the portable diesel tank and equipment.

4. Evaluate the usage and necessity of all vehicles to ensure they are properly utilized.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. The City agrees to review the policy.

B&C. We agree.

11. Payroll

An adequate review of the city's payroll reports, employee timecards/sheets, and payroll checks was apparently not performed which allowed errors and inaccuracies to go undetected. In addition, the City Administrator does not prepare a timesheet, and timecards/sheets are not always signed by the employee or their supervisor. The city did not monitor the overtime paid to its police department employees, some of the hours claimed to have been worked appear unreasonable, and a temporary increase in the overtime rate was paid to some officers. The Public Works Director was allowed to accumulate a vacation leave balance in excess of the maximum allowed by the city's personnel policy, and the city terminated and subsequently paid its former City Administrator $7,454 in severance payments which do not appear to be a necessary use of city funds. The city's personnel policy needs to be updated.

A. An adequate review of the city's payroll reports, employee timecards/sheets, and payroll checks was apparently not performed by the City Clerk or the City Administrator which allowed errors and inaccuracies to go undetected. For example, the accounting clerk double paid a police officer $971 through direct deposits on January 25, 2006 and overpaid a former police officer $426 in June 2006. The double payment was subsequently withheld from the employee's payroll check; however, the overpayment has not been recovered. Numerous other errors in payroll records and amounts paid to employees were identified.

   In addition, duties are not adequately segregated to provide the necessary internal controls over the payroll function. The accounting clerk handles all payroll duties, including preparation, record keeping, disbursing payroll checks, distributing employee W-2s, and maintaining personnel files.

   A proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employees timesheets by an independent individual would provide another supervisory review to minimize the risk of loss, theft or misuse of funds.

B. Timecards/sheets and leave records are prepared by all city employees except for the City Administrator. Timecards/sheets were not signed by some employees

and were not always reviewed or signed by supervisors to ensure their accuracy. For example, while the City Clerk indicated that she attended to personal business in Camdenton on August 25, 2005, her timesheet indicated she worked 8 hours between 8 a.m. and 5 p.m. Numerous other errors and discrepancies were noted on various employees' timesheets and leave records during our review of payroll records. Further, leave requests of the City Administrator and City Clerk are not reviewed and approved.

Timecards/sheets and leave records are necessary for all employees and officials to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. In addition, timesheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month and to ensure the accuracy of time worked and leave taken. The city's personnel policies require all employees to sign and complete timesheets, submit them to their supervisor, and for department heads to review all timesheets. Leave requests of the City Administrator and City Clerk should be approved by the Mayor or Board of Aldermen.

C. The city did not monitor the overtime paid to its police department employees. Overtime was paid to three police officers to remodel the police department and some of the hours worked appear unreasonable. For example, two police officers worked on a holiday, claimed 20.5 hours and 16 hours, and were paid $622. None of the overtime was approved in writing by the board or any other city official prior to the overtime being worked. In addition, some other overtime hours appeared questionable and were sometimes recorded incorrectly.

Further, the police department received two grants totaling $1,698 to fund overtime used to enforce drinking and driving laws by providing sobriety checkpoints and saturation patrols. The grants provided for the employee's overtime rate and benefits to be reimbursed to the city upon receiving documentation of time worked and the numbers of violations sited during the effort. However, the Police Chief approved a temporary increase in the overtime rate paid to each of the officers involved to meet the approximate maximum amount reimbursed from each of the grants. As a result, the city incurred the additional costs of the fringe benefits related to the inflated overtime, which were not claimed for reimbursement through the grant, and the police officers received a temporary salary increase that was not approved by the Board of Aldermen.

To better control payroll costs, the city should establish a more detailed written policy regarding overtime compensation for city employees. This policy should require the approval of any overtime to be documented prior to the hours being worked and be in compliance with the Fair Labor Standards Act (FLSA). In addition, the city should ensure the cost of fringe benefits are requested for reimbursement on any future grants, and any salary increases be approved by the Board of Aldermen.

D. The Public Works Director was allowed to accumulate a vacation leave balance in excess of the maximum allowed by the city's personnel policy during the period January 2005 through July 2006. The Public Work Director's leave balance ranged from 208 hours to 290 hours during this time period, while the maximum leave balance allowed by the city's personnel policy is only 200 hours.

Strict compliance with leave policies and accurate records of leave are necessary to ensure employees are properly compensated for accumulated leave and are treated equitably.

E. While city ordinance Section 105.370 provides for the City Administrator to receive severance pay for two calendar months following the date of termination, severance payments do not appear to be a necessary use of city funds. The board terminated the former City Administrator in August 2005, and the city subsequently paid him $7,454 in severance payments for two months of salary. The city also paid $1,659 for Comprehensive Omnibus Budget Reconciliation Act (COBRA) health coverage for the former City Administrator after his termination. Severance and COBRA payments do not appear to be a necessary use of city funds, and the board should consider the necessity of including these types of payments in future employment contracts or city ordinances.

F. During our review of the city's written personnel policy and procedures, we noted the following concerns:

1. The city provides dental and vision insurance benefits of $19 each month to 15 of 31 full time employees. The Board of Aldermen has not approved providing this benefit nor is it provided for in the city's personnel policy. Additionally, since dental and vision insurance benefits are only provided to some full time employees, the benefit could be considered taxable for income purposes.

   To ensure equitable treatment of all employees, the board of aldermen should consider approving providing this benefit to all full time employees.

2. Currently, public works employees are compensated for 8 hours for being "on-call" (or carrying a pager) for 7 days irregardless of whether or not they are called out for an emergency. In addition, if the "on-call" employee is called out for an emergency (for less than a 2 hour period) they are compensated for a minimum of 2 hours. If the call exceeds 2 hours, they are compensated for actual time spent on the call. The city's personnel policy does not address "on-call" duties and the related compensation.

3. The city allows members of the Board of Aldermen and Mayor to purchase health insurance through the city and reimburse the city for the cost; however, the city's personnel policy does not provide for this benefit.

4. Employees and elected officials, who leave employment of the city, are eligible for COBRA health coverage; however, the city does not have personnel policies and procedures that address the timely collection and handling of COBRA payments. For example, a past employee failed to pay the city for three months of COBRA health coverage totaling $829 before the city terminated her coverage, and a past alderwoman did not always pay in a timely manner.

5. The city allowed a new employee to deduct city water and sewer deposits from their payroll check in partial payments; however, the city's personnel policy does not provide for this benefit.

A comprehensive and updated personnel policy manual would provide guidance and control for the effective and consistent management of the city's employees.

G. City employees sometimes used "white-out" on their timesheets. To provide adequate assurance that all timesheet entries are proper, "white-out" should not be used. If an error is made on the timesheet, the timesheet should be corrected and initialed by the employee and their supervisor.

WE RECOMMEND the Board of Aldermen:

A. Ensure to perform an adequate review of timecards/sheets, payroll reports, and paychecks for accuracy. In addition, adequately segregate the payroll function of recording, calculating and dispersing payroll. At a minimum, there should be a documented supervisory review of the reconciliation between timesheets and payroll records.

B. Ensure the City Administrator prepares a timesheet, and all timesheets and leave requests have been signed by both employee and the employee's supervisor.

C. Monitor any future overtime hours accrued by employees to ensure they are adequately supported, accurately calculated, and reasonable in nature. Update the written overtime policy to require the approval of any paid overtime to be documented prior to the hours being worked. In addition, ensure the cost of fringe benefits is requested for reimbursement on any future grants, and any salary increases are properly approved.

D. Ensure compliance with the city's leave policy, and review this situation and adjust records of leave as needed. In addition, a periodic review of the leave records should be performed to ensure their accuracy and that accumulated balances are not excessive.

E. Consider the necessity of including severance payments in future employment contracts and ordinances, and ensure all payments are a necessary use of city funds.

F. Review the providing of dental and health insurance benefits to all full time employees and establish formal guidelines for providing these benefits. In addition, update the personnel policy to provide documentation of the city's current policies and procedures.

G. Discontinue the practice of using "white-out" on timesheets.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A,C, D,F &G. We agree.

B. The City will take under advisement.

E. In order to attract and retain competent city administrators, the City adopted two months of severance pay by ordinance.

12. Utility System Controls and Procedures

Many significant problems were identified in the control procedures related to the utility system. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid. An independent approval of adjustments posted to the utility system is not performed, sewer and water service is not always shut-off in accordance with the city code when accounts are delinquent, controls over sewer and water deposits are in of need improvement, and there is minimal oversight or adequate segregation of duties related to the city's utility system. The city also does not monitor its water usage on a monthly basis and has failed to bill some customers for water and sewer usage. The city has not performed a formal review of the water, sewer, and trash rates for several years, and it is questionable whether the city should be providing water and sewer hookup services on private property and charging fees to city residents for material, equipment, and labor.

As a result of these weaknesses, there is less assurance that all utility monies have been accounted for properly, water usage has been properly monitored, and that utility user charges are set at the appropriate level to cover the cost of providing the related services.

The Utility Clerk is responsible for entering meter readings, billing, collecting, and posting utility payments to the city's accounting software as well as generating monthly

activity reports and preparing deposits. The Public Works Secretary is responsible for reading customer meters, and the Public Works Supervisor is responsible for reading meters at the city's two wells and monitoring the city's water usage.

A. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for utility services including water, sewer, and trash. The city utilizes a computerized system to record meter readings, prepare bills, and record payments of utility fees. The Utility Clerk generates and mails the monthly utility bills, generates billing reports, receives and deposits payments, records the payments on the system, and generates a delinquent listing. The utility system operating revenues were in excess of $1.6 million for the year ended December 31, 2005 according to the city's independent audit report.

   Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis.

B. There is no independent approval of adjustments posted to the utility system. The Utility Clerk has the ability and authority to post adjustments to the computer system without obtaining independent approval. The Utility Clerk made multiple adjustments (credit)/debit to 17 different utility accounts for the month of September 2006 netting to ($2,234). The Utility Clerk indicated that the primary reason for account adjustments was to correct errors.

   To ensure that all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained of such adjustments.

C. Sewer and water service is not always shut-off in accordance with the city code when accounts are delinquent. On April 25, 2006 the Board of Aldermen approved utility service to be disconnected if the customer's bill is not paid after 50 days. In addition, city code also states "any disconnected premise may not be re-connected until all past due bills for sewer and water services are paid in full and cutoff and reconnect fees are paid." We noted instances where sewer and water was not disconnected when customers accumulated significant delinquent balances. For example, at December 18, 2006, the Mayor and some board members had delinquent utility accounts that had not been paid within the required 50 days; however, service had not been disconnected. The Utility Clerk indicated because the Mayor made a $50 partial payment toward his delinquent accounts on December 19, 2006, and other board members made arrangements to withhold some amounts due from their payroll checks, no action was taken by the city.

   Allowing customers to receive service for long periods of time without paying reduces the incentive to make payments. In addition, the city's failure to

disconnect its elected officials in accordance with local code creates the appearance that these officials may have benefited improperly. The Mayor and Board of Aldermen serve the city in a fiduciary capacity. Their failure to pay their own utility accounts could harm public confidence and reduce their effectiveness. The city should ensure that sewer and water service is shut-off in accordance with city code.

D. Controls over sewer and water deposits should be improved. Sewer and water deposits are recorded on each customer's electronic account; however, a listing of deposits on hand can not be prepared from the electronic system. Therefore, the Utility Clerk maintains a manual listing of deposits for tracking purposes. However, the Utility Clerk does not reconcile the electronic records to the manual lists, and as a result, there is no assurance that the records are accurate or complete. In addition, the manual deposit listings are not reconciled with the balances maintained in the sewer and water deposit bank accounts.

Errors made in depositing utility deposits were not detected. For example, at September 29, 2006 the sewer and water deposit bank accounts contained $32,466 and $8,852 while the related deposit listings reported $16,984 and $24,906, resulting in overages/(shortages) of $15,482 and ($16,054) in each bank account, respectively, and an overall shortage of $572.

The city can improve controls over water deposits by maintaining a control ledger of sewer and water deposit receipts, disbursements, and balances and reconciling the balances to the total individual water deposits recorded in the electronic utility system and the sewer and water deposit bank accounts monthly. Any differences should be investigated and resolved.

E. There is minimal oversight or adequate segregation of duties related to the city's utility system. The Utility Clerk performs all functions related to the utility system as noted above. While the city has implemented procedures for another employee to review and sign off on utility deposits, this review was apparently not effective. We noted inconsistencies between the composition of deposits made and the method of payment recorded in the computerized utility system; however, there was no documentation that such differences were detected by the city's review.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, an adequate review of reconciliations between utility payments recorded and deposits should be performed and any differences investigated and documented.

F. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped on a monthly basis. The Utility Clerk prepares a monthly billing report showing the number of gallons billed, and the Public Works Supervisor records meter readings of the city's two water wells, so information is available to perform such reconciliations.

During September 2006 the gallons of water pumped exceeded the total gallons billed by 4,462,500, or 34 percent. The city's Public Works Supervisor indicated that he believed the loss was due to several leaks in water lines and the fire department's use.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

G. The city failed to bill some utility customers for water and sewer usage. For example, the city failed to bill a local bank $2,079 for water services provided from June 2004 until October 2006 and for sewer services provided from July 2001 until October 2006. The city also failed to bill the Chamber of Commerce for water usage during the months of July through September 2006 totaling $351. Billings for these amounts were subsequently sent to these customers in October and November 2006. Further, the city provides free water service for the restrooms located at the dam and to the Chamber of Commerce for the "Welcome Garden". If the city decides to provide free water service, it should formally document its reasons for departing from standard billing procedures. The city should review water and sewer usage and the related billings to ensure all usage is being billed.

H. The city has not performed a formal review of the water, sewer, and trash rates for several years. The city adopted a new sewer volumetric rate schedule in May 2006 and approved a trash rate increase in December 2005 (see MAR No. 7. part C.); however, formal rate studies were not documented to support the rate increases. Water, sewer, and trash fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs, and set rates to cover the total costs of operation.

I. In addition to the normal operations of the public works department, the city is providing water and sewer hookup services on private property and charging fees to city residents for material, equipment, and labor. The Public Works Director indicated these fees are charged based on the city's cost; however, the city has not established a statement of costs to adequately set rates for providing those services to the city customers. The Public Works Director indicated that the city

charges "cost" for materials, $75 an hour for equipment, and $17 an hour for labor. Further, it appears questionable whether the city should be providing these "privately contracted" services to city residents. The city should request that its attorney review these services and fees to determine whether they should be provided, and if so, establish a statement of costs to adequately set rates to be charged.

WE RECOMMEND the Board of Aldermen:

A. Ensure that monthly reconciliations of the amounts billed to amounts collected and delinquent accounts are performed. In addition, ensure adequate documentation to support reconciliations is retained.

B. Require someone independent of the utility system review and approve all adjustments and ensure adequate documentation is retained of such adjustments.

C. Ensure sewer and water service is shut-off in accordance with city code.

D. Maintain a control ledger of sewer and water deposit receipts, disbursements, and balances and reconcile the balances to the total individual sewer and water deposits recorded in the electronic utility system and the sewer and water deposit bank accounts monthly. Any differences should be investigated and resolved.

E. Segregate the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an adequate review of the reconciliations between utility payments deposited and recorded, and an independent review of and approval for adjustments and delinquent account follow-up.

F. Ensure the gallons of water pumped is compared to the gallons billed on a monthly basis and investigate any significant differences.

G. Review water and sewer usage and the related billings to ensure all usage is being billed.

H. Review water, sewer, and trash rates periodically to ensure revenues are sufficient to cover all costs of providing this service, but not set at a level which results in excessive fund balances.

I. The city should request that its attorney review these services and fees to determine whether they should be provided and if so, establish a statement of costs to adequately set rates to be charged.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A. We agree, to the extent that our software allows; present administration acknowledges that we do not have top notch software, but that is in part due to financial resources. We will do better as soon as we are able.

B&I. We agree, this is the first place that the present City Administrator has served which does not require this procedure or that provides this service.

C&
E-H. We agree.

D. We agree to the degree possible.

13. Property Tax Procedures

Significant problems were identified in the control procedures used by the city related to the property tax system. The former and current City Collector did not prepare monthly or annual reports of taxes collected, and the city has not adequately monitored or pursued collection of delinquent taxes. As a result of these weaknesses, there is less assurance that all property tax monies have been properly accounted for.

The City Collector is responsible for billing, collecting, and posting property tax payments to city records; and depositing property tax receipts. The city assesses property taxes on real estate only. Property taxes totaled approximately $355,000 during the tax year ended February 28, 2006.

A. The 2005 tax book was not retained by the City Collector. Tax books are prepared electronically by the City Collector from assessment data received from the county. In addition, as a result of not retaining the 2005 tax book no independent verification of the tax book information or totals appeared to have been performed by the City Clerk. At our request, the City Collector printed a 2005 tax book. The assessed valuations recorded on the city's tax books totaled $50,745,264 while the assessment data received from the county totaled $52,172,850.

Without the tax book, the city can not ensure the proper amount of taxes charged to the City Collector and billed to city residents is complete and accurate. Retention of original records is necessary to ensure the validity of transactions and help account for all monies received.

B. Tax statements for the 2006 and 2005 tax years were not prepared and mailed to city residents until December 18, 2006 and January 10, 2006, respectively. The

City Clerk indicated turnover of city personnel contributed to the untimely mailing of tax statements for the 2005 tax year. Timely mailing of tax statements might help improve the timely collection of property taxes and also provide more assurance that property taxes are being handled properly.

C. While the city's property tax system is capable of generating monthly and annual reports, none were prepared by the City Collector summarizing the amount of property taxes collected as well as those that remain delinquent. In addition, the City Clerk does not maintain an account book with the City Collector.

Sections 79.310, 94.320, and 94.330, RSMo, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of delinquent taxes. Monthly and annual reports which comply with state law and are classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

An account book would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. Without such an account book examined by the board, any errors or irregularities that might occur are likely to go undetected. In addition, Section 94.290, RSMo, requires the city clerk to prepare the tax books and charge the city collector with the full amount of taxes levied. Without this proper segregation of duties between the City Clerk and City Collector, the internal control over this process is weakened.

D. The City Collector makes all additions and abatements to the tax books without review or approval by the Board of Aldermen or City Clerk. Any changes to the tax books (additions or abatements) should be prepared by the City Clerk, approved by the Board of Aldermen, and charged to the City Collector.

E. The city does not adequately monitor or pursue collection of delinquent taxes. The city has not mailed delinquent tax statements for amounts due and has not conducted sales of real property to collect delinquent taxes on such property, as allowed by state law. We requested listings of delinquent taxes be prepared, and as of October 30, 2006, delinquent taxes totaled to $25,992. Some delinquent taxes dated back to 1999. Section 140.150 RSMo, provides that all land on which there are delinquent taxes may be offered for sale at public auction, and Section 140.160 RSMo, provides the sale shall not be valid unless initial proceedings are commenced within three years after the delinquency of such taxes.

F. The City Collector currently charges a one percent penalty per month for delinquent taxes paid, but has no documented support of why these charges are assessed and collected. Section 140.100.1, RSMo, currently provides a penalty of

two percent per month up to a maximum of eighteen percent per year for each delinquent tax bill.

G. Property tax receipts are not always deposited timely, and the City Collector indicated that she typically holds property tax receipts in a file in the storage room until she has collected a significant amount of taxes. For example, the former City Collector failed to deposit over $74,400 of property tax receipts received in December 2004 until January 2005. Some of these receipts were held until January 19 before being deposited. In addition, $941 of property tax receipts received during the time period September 19 through September 28, 2006 was not deposited until October 12, 2006.

In addition, property tax receipts are not posted to the computerized property tax system until a deposit is prepared. The City Collector can enter the date property tax receipts are posted to the property tax system rather than the system assigning the date posted. The ability to enter the date a receipt is posted provides no assurance that property tax receipts are properly posted.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. In addition, to reduce the risk of theft, loss or misuse of funds, receipts should be kept in a secure location until deposited. Also, to ensure property tax receipts are accounted for properly, all property tax receipts should be posted to the property tax system when received and the property tax system should assign the date property tax receipts are posted.

WE RECOMMEND the Board of Aldermen:

A. Require the City Clerk to prepare and retain the tax books, and document procedures performed to verify the accuracy of the tax book totals.

B. Ensure property tax statements are prepared and mailed timely.

C. Require the City Collector to prepare and maintain detailed monthly and annual reports of taxes collected and delinquent taxes. In addition, ensure the City Clerk maintains an account book that summarizes all taxes charged to the City Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. Further, the reports and account book should be reviewed and approved by the Board of Aldermen.

D. Ensure the City Clerk prepares and the board approves all tax book additions and abatements.

E. Adopt policies for the collection of delinquent taxes, including tax sales.

F. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.

G. Ensure property tax receipts are deposited in a timely manner, receipts are kept in a secure location until deposited, and property tax receipts are posted to the property tax system when received. In addition, ensure programming changes are made to the property tax system which would restrict the date receipts are posted.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&
C-G. We agree.

B. We agree. While 2006 could have been gotten out a couple of weeks earlier than it did, we were heavily involved with this audit and submissive to the audit staff demands, which contributed to the two week delay in getting them out.

14. Closed Meetings, Ordinances, and Resolutions

City procedures for conducting and documenting closed meetings are not always done in compliance with state law, and improvement is needed in the organization of the city's ordinances.

A. Improvement is needed in the handling of closed meetings. Numerous closed sessions were held by the board, but the various requirements in Chapter 610, RSMo (the Sunshine Law) regarding closed meetings were not always followed.

- The minutes of open meetings do not always document the reasons for closing the meeting or the related vote.

- Some issues discussed in closed meetings did not appear to be allowable per the Sunshine Law. These topics included bids for trash service, police department phones, personal use of city vehicles, approving employee vacation, and uniform wear and personal appearance of police officers.

- While minutes of closed meetings are now required by state law (effective August 28, 2004), the city failed to provide minutes of several closed meetings held by the board after that date.

- Decisions made in closed meetings were not always properly disclosed in open meetings, or due to the lack of closed session minutes, it is not known whether any decision was properly disclosed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

B. Improvement is needed in the organization of the city's ordinances. The city's ordinances have not been codified, thus hindering the city's ability to locate specific ordinances. There were several ordinances missing from the official ordinance books. In addition, during our review of ordinances, we noted the following:

1. City ordinances have not been updated for many resolutions passed by the board during the years ending December 31, 2006 and 2005. For example, resolutions were adopted for various items such as the formation of a tax increment finance commission, a lease purchase agreement with Missouri Association of Municipal Utilities (MAMU), final cost assessments for various NIDs, new sewer rates charged to Lake Region Water and Sewer district, and bond agreements. City officials indicated that these resolutions represent legally binding agreements.

2. The city has not adopted ordinances to adequately establish the compensation of the city's officials and employees. While the city has adopted general ordinances for appointed officials that state "compensation shall be fixed by the Board of Aldermen," the ordinances do not address the specific compensation to be paid. Ordinances also have not been adopted to establish the compensation of the Board of Aldermen, Mayor, and city employees.

3. Ordinances setting trash rates charged to city residents have not been adopted.

Since the ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

In addition, such items as compensation of city officials and employees and trash rates should be set forth in the ordinances to give taxpayers information on how the city is to be governed. Also, Sections 79.270 and 79.290, RSMo, requires the board of aldermen to fix the salaries of all city officials and employees by

ordinance. To avoid misunderstandings, the board should adopt ordinances which specify the compensation of all city officials and employees.

WE RECOMMEND the Board of Aldermen:

A. Ensure minutes document the vote to go into closed session, state the reasons for going into closed meetings and publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, minutes should be maintained to support all closed meetings and only allowable topics should be discussed in closed meetings.

B. Update the city's ordinances for any resolutions passed, ensure a complete set of ordinances is maintained, establish the compensation of all city officials and employees by ordinance as required by statute, and adopt ordinances to address trash rates charged to customers.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&B. We will consult with the City Attorney on this recommendation.

15. Capital Assets

The city does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make, and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. These property records should then be compared to the city's insurance coverage and to vehicle titles. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

Without such information, the city can not effectively safeguard its assets. We identified one city vehicle that was not insured from 2002 until October 23, 2006. Additionally, the city was not able to locate four vehicle titles.

Adequate general capital asset records are necessary to secure better internal controls and safeguard city assets which are susceptible to loss, theft, or misuse; to provide a basis for determining proper insurance coverage required on city property; and to ensure titles are maintained for all city vehicles.

WE RECOMMEND the Board of Aldermen ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost acquisition date, location, and subsequent disposition. These property records should be compared to the city's insurance coverage and vehicle titles on hand. The city should also properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

AUDITEE'S RESPONSE

The Board of Aldermen indicated they agreed with this recommendation.

16. Municipal Court

Many significant problems were identified in the control procedures used by the municipal court to account for court receipts, including the lack of proper segregation of duties or an independent review of accounting records. The Court Clerk did not document a review of the numerical sequence of bond forms or receipt slips upon receipt from the police department, and receipts were not always picked up/deposited intact on a timely basis. Monthly listings of open items (liabilities) were not always prepared for the bond and fine accounts, the Court Clerk has not established procedures to follow-up on old outstanding checks, and court costs were not always transferred/disbursed in a timely manner. Given the court and police department processes approximately $267,000 annually, overall controls need improvement.

A. The duties of receiving, recording, and depositing bond, fine, and court costs monies collected by the municipal court division are not adequately segregated. Currently, the Court Clerk performs all of these duties.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing municipal court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

B. The Court Clerk did not document a review of the numerical sequence of bond forms or receipt slips upon receipt from the police department. A bond log is maintained by the police department of all the bond forms issued by police personnel. When bond forms and receipts are picked up by the Court Clerk, there is no documentation that the numerical sequence of the bond forms is accounted for and reconciled with the bond monies received. In addition, the police department maintains three receipt books for miscellaneous fees, one receipt book for each type of receipt. The Court Clerk does not document a review of the numerical sequence of receipt slips issued for each type of miscellaneous fee

(accident reports, breathalyzer tests, and animal licensing fees) upon receipt of the related monies from the police department.

To ensure all bonds and miscellaneous fees are properly receipted and deposited into the bond bank account and transmitted to the city, the court clerk should ensure the numerical sequence of bond forms and receipt slips are accounted for properly and agreed to the monies collected from the police department. To document this reconciliation, the court clerk should sign for the bond forms, receipt slips, and monies received from the police department.

C. Bond receipts are not picked up for deposit by the municipal Court Clerk on a timely basis. For example, bond receipts of $600 and $2,000 collected on January 20, 2006 and June 14, 2005, were not picked up by the Court Clerk and deposited until January 31, 2006 and June 21, 2005, respectively. In addition, miscellaneous receipts were not always picked up for deposit intact by the Court Clerk. We noted instances where checks were picked up, but cash was left in a lock box at the police department. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact and in a timely manner.

D. Fines and court costs collected by the Court Clerk are not always deposited on a timely basis. For example, receipts of $2,229 and $7,628 collected on September 28 and 29, 2005, respectively were not deposited until October 4, 2005. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact and in a timely manner.

E. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the cash balance of the bond and fine accounts. The Court Clerk prepared an open-items listing, at the request of the city's independent auditor, as of December 31, 2005 for the bond account. The open items listing totaled to $21,197; however, the reconciled balance of the bond account was only $20,607, resulting in a shortage of $590.

The reconciled bank balance of the fine account at December 31, 2005 totaled to $19,393; however, a monthly listing of open items was not prepared.

To ensure that receipts and disbursements are properly handled and monies held in trust by the municipal court are sufficient to meet liabilities, open-items listings should be prepared monthly and reconciled to the cash balance. Any differences identified through the reconciliation process should be resolved in a timely manner. Unidentified or unclaimed monies remaining in the account should be disbursed in accordance with state law.

F. The December 31, 2005 open items listing included bond receipts totaling $17,117, which had been held in excess of one year. A review should be made of any bonds posted by persons who failed to make the required court appearance to

determine if the bonds should be forfeited and turned over to the city treasury, as provided by Section 479.210, RSMo. Bonds which cannot be forfeited and remain unclaimed should be turned over to the state's Unclaimed Property Section, as required by state law.

G. The Court Clerk has not established procedures to follow-up on old outstanding checks. At December 31, 2005, checks totaling $2,422 and $2,666 had been outstanding for over a year in the bond and fine bank accounts, respectively. Some of these check date back to 1992.

These old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be adopted to routinely follow-up on old outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these monies should be disposed of in accordance with state law.

H. Fines and court costs are not always transferred monthly to the city. For example, $14,837 collected in September 2005 was not transferred to the city until November 3, 2005. Section 479.080, RSMo, requires fines and court costs be transferred at least monthly to the city treasury.

I. Crime Victim's Compensation (CVC), Peace Officer Standards and Training Commission (POSTC), and Domestic Violence fees collected by the municipal court are transferred into the city treasury. However, the city does not always disburse court fees to the state and the domestic violence shelter in a timely manner. For example, fees collected in March 2006 and 2005 totaling $881 and $1,084, respectively were not disbursed to the state and domestic violence shelter until June 6, 2006.

Section 595.045.3, RSMo, requires 95 percent of the CVC fee to be paid monthly to the state. POSTC and Domestic Violence fees should also be disbursed monthly to the state and the domestic violence shelter.

J. The Municipal Judge allows defendants to pay fines and court costs over a period of time. A listing of amounts due is prepared by the Court Clerk; however, the Court Clerk does not compare the listing to the individual accounts receivable records to ensure it is accurate. The listing totaled to $26,369 at November 2, 2006. To facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections, listings of amounts due should be reconciled on a periodic basis to the individual accounts receivable records.

K. While the Municipal Judge signs the court docket after case dispositions are recorded for all cases heard in court, court dockets were not always signed when mail-in payments made by defendants pleading guilty were received. To ensure proper disposition of all cases has been entered in the municipal court records, the judge should sign the court dockets after reviewing to ensure their propriety.

L. The Court Clerk failed to issue warrants or an order to show cause for nonpayment or failure to appear. One case file indicated a warrant had been ordered and issued on January 19, 2006, but the warrant had not been recorded on the warrant system as of January 22, 2007. The Court Clerk indicated she had failed to send the warrant to the police department for processing. In addition, as of January 30, 2007, the Court Clerk had failed to issue a warrant to show cause for nonpayment for three bad checks written to the court in November 2005 totaling $390. She also failed to turn these checks over to the County Prosecuting Attorney for collection, and as a result of the length of time that has passed; the County Prosecuting Attorney has lost the authority to collect on these bad checks for the city in accordance with state law. Proper and timely issuance of warrants for amounts due to the court and for failure to appear helps to maximize court revenues along with providing equitable treatment for those citizens who are paying fines and court costs when due. In addition, bad checks should be turned over to the County Prosecuting Attorney in a timely manner.

M. The Court Clerk records the original record of receipt in a one-write receipt book. "White-out" was sometimes used on the one-write receipt book. To provide adequate assurance that all recorded receipts are proper, "white-out" should not be used on the one-write receipt book. If a receipt amount is written in error, the amount on the receipt book should be voided, rewritten, and initialed.

N. The Court Clerk did not retain copies of deposit slips during the year ended December 31, 2005. To ensure court receipts are properly handled, validated copies of deposit slips documenting the amount of cash and check contained in each deposit should be retained.

O. Employees of the police department that collect cash bonds and other miscellaneous fees are not bonded. In addition, receipts are not always kept in a secure location at the police department, and some receipt slips used by the police department were skipped and not properly voided. For example, a copy of a receipt slip and the related $10 in cash received on September 21, 2006 was not on hand at the time of our cash count on October 12, 2006. It was later located in the police officer's vehicle that collected the monies. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss. In addition, to adequately safeguard receipts and reduce the risk of loss or theft, and properly account for all receipts, monies received should be maintained in a secure location, and skipped receipt slips should be properly voided.

P. The municipal court and police department do not account for the numerical sequence of tickets issued. The police department tracks the ticket numbers assigned to each officer, but keeps no record of tickets issued. Records indicate that more than 4,000 tickets have been made available to the city from the Missouri State Highway Patrol.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured that all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

Conditions similar to parts A, B, D-G, J, K, O, and P. were noted in our prior report of the Twenty-Sixth Judicial Circuit Municipal Divisions issued in 2003. Many of these conditions have been addressed to the court numerous times.

WE RECOMMEND the Municipal Division:

A. Adequately segregate the duties between available employees and/or establish a documented periodic review of receipt records by an independent person.

B. Ensure the numerical sequence of bond forms and receipt slips is accounted for properly and agreed with the monies received from the police department.

C. Deposit bond and miscellaneous receipts intact and in a timely manner.

D. Deposit fine and court cost receipts in a timely manner.

E. Prepare monthly listings of open items and reconcile to the cash balance. Any differences should be investigated and resolved in a timely manner. Any remaining unidentified monies should be disbursed in accordance with state law.

F. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants with unclaimed bonds. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.

G. Develop procedures to routinely follow-up on old outstanding checks and reissue them if necessary, or dispose of these monies in accordance with state law.

H. Ensure fines and court costs are transferred to the city treasury on a monthly basis.

I. Disburse CVC, POSTC, and Domestic Violence fees in accordance with state law.

J. Prepare a periodic listing of accounts receivable and reconcile this information to the individual accounts receivable records. This listing should be provided to the Municipal Judge regularly for review.

K. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.

L. Ensure warrants are issued when necessary and that all warrants are properly recorded on the warrant system. In addition, establish procedures to adequately follow-up on bad checks received and file complaints with the County Prosecuting Attorney in a timely manner.

M. Discontinue the practice of using "white-out" on the original record of receipts (one-write receipt book).

N. Ensure copies of the deposit slips are retained.

O. Request the city to obtain bond coverage for all persons handling municipal division monies. In addition, ensure the police department maintains monies received in a secure location and skipped receipt slips are properly voided.

P. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

A. Currently, fine money is receipted for when received and checked and initialed by a second employee as are the deposits. The deposit slip is then attached to a spreadsheet given to the city accounting clerk. The court clerk requires the police department to receipt for bond money picked up by the clerk. The money is receipted; the deposit slips are written and checked by another employee. Those deposits are made the same day they are received. In addition, the Court Clerk is implementing a log of bond money received to be signed by the police department's records clerk.

B. The court will maintain a separate log of numerical sequence of bond forms and use the procedures described in responses to item A for verification of amounts collected.

C. Bond money will be picked up as soon as possible after the clerk is notified by the police department records clerk that is has been received and will be processed according to the responses to item A.

D. The Court Clerk attempts to deposit all fines and court costs in excess of $100 the day they are received. Their ability to do so is some what dependant upon the volume of the court docket for that particular time period. Every effort is being made to make the deposit as soon as they are received and the deposits are processed in accordance with the procedures outlined in response to item A.

E. The Court Clerk is in the process of reconciling both the bond and fine open items listing and when that process is complete, will turn over any unclaimed monies to the unclaimed property section as required by state law.

F. Following the reconciliation of the accounts referred to in item E., the court clerk will request the Prosecuting Attorney to file motions for bond forfeiture, return bond money to those who are entitled to it and any unclaimed funds will be forwarded to the unclaimed property section.

G. The court clerk is in the process of reviewing the checking account. Checks will be reissued to payees that can be located and unclaimed funds will be forwarded to the unclaimed property section.

H. The city has assigned more personnel to assist the court clerk in her duties and it is the present policy to transfer fine and court costs to the city within two days of month end closing by the court.

I. The addition of more staff will help alleviate the lack of timeliness of these payments, the present policy is to forward the funds monthly.

J. The court will perform a monthly reconciliation of fines due to individual files.

K. The municipal judge signs all individual docket entries for those persons appearing in court and reviews files on a periodic basis for those paying by mail.

L. Currently, warrants are being prepared after each court date. The warrants are signed periodically by the municipal judge. Notices of returned checks are being sent to defendants who are then ordered to appear in court. If they do not appear, warrants will be issued for their arrest. In addition, more staff will help to speed this process.

M. The use of white out will be discontinued.

N. Deposit slips for the year ending December 31, 2005 were maintained by the court clerk, but were not filed in a manner where they could be retrieved.

P. The police department currently produces a list of tickets written on a monthly basis. The list will be inspected and accounting of missing numbers will be done.

The Board of Aldermen provided the following response:

A-Q. We agree.

17. Evidence and Seized Property Controls and Procedures

The police department maintains records and custody of evidence and seized property. A complete control log of evidence and seized property is not maintained nor is an

inventory periodically conducted, and the police department is holding over $6,100 in seized money of which records could not be found to document the appropriate disposition.

A. The police department attaches tags to evidence and seized property, which identifies the item and documents the disposition of evidence and property seized, and maintains a computerized log of evidence and seized property; however, the log was not complete nor is an inventory periodically conducted.

   A complete log of evidence and seized property should be maintained to ensure these items are adequately safeguarded. Periodically, an inventory should be taken of all the evidence and seized property and reconciled to the log.

B. The police department is holding over $6,100 in seized money for various cases. Some of these monies date back to July 1999. No records could be found to document the appropriate disposition of these monies, and the municipal court had no record of these monies being on hand. The Police Chief should obtain written documentation from the court authorizing the disposition of these funds, and dispose of the monies in accordance with court orders.

WE RECOMMEND the Board of Aldermen:

A. Require a complete log of all seized property be maintained. In addition, a periodic inventory should be taken and reconciled to the log.

B. Obtain written authorization from the court to dispose of these seized monies, and dispose of the monies in accordance with court orders.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&B. We agree.

HISTORY ORGANIZATION AND
STATISTICAL INFORMATION

CITY OF LAKE OZARK, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Lake Ozark is located in Miller and Camden Counties. The city was incorporated in 1966 and is currently a fourth-class city. The population of the city in 2000 was 1,489.

The city government consists of a mayor and a six-member board of alderman. The members are elected for 2-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2005, are identified below. The Mayor and each member of the Board of Aldermen are paid $300 and $150 each month, respectively.

Elected Officials	Dates of Service During the Year Ended December 31, 2005
Paul Sale, Mayor (1)	April-December
Gary Weber, Mayor	January-April
Paul Garrison, Alderman (2)	January-December
Jim Elkin, Alderman (3)	January-December
Kerry Gray, Alderman (4)	April-December
Michael Luby, Alderman	January-April
Keeth Blankenship, Alderman (5)	April-December
Jill Wade, Alderwoman	January-April
Elbert Sutton, Alderman (6)	January-December
Steve Dalton, Alderman (7)	January-December

(1) Paul Sale served until Johnnie Franzeskos was elected in April, 2007.
(2) Paul Garrison served on the board until Jeff Van Donsel was elected in April, 2006.
(3) Jim Elkin served on the board until Johnnie Franzeskos was elected in April, 2006. This position has been vacant since April, 2007, when Johnnie Franzeskos was elected Mayor.
(4) Kerry Gray served on the board until Bill Bolin was elected in April, 2007.
(5) Keeth Blankenship served on the board until Robert Davis was elected in April, 2007.
(6) Elbert Sutton served on the board until Larry Senter was elected in April, 2007.
(7) Steve Dalton served on the board until Donald Langley was elected in April, 2006.

Other Principal Officials	Dates of Service During the Year Ended December 31, 2005	Compensation Paid for the Year Ended December 31, 2005
Charles Clark, City Administrator	October to December	$ 10,179
John Chadd, City Administrator	January to August	38,659
Rachel Kelley, City Clerk	January to December	39,341
Judy Noser, City Treasurer/Court Clerk	January to December	31,054
Delta Chapman, City Collector (1)	August to December	6,257
Carla Raley, City Collector	January to August	15,168
Rick Sturgeon, Public Works Supervisor	January to December	49,719
Bill Bolin, Building Inspector(2)	January to December	28,645
Jon Hasker, Chief of Police (3)	January to December	43,507
Brian Hey, City Attorney	January to December	19,500
Steven Rives, City Prosecutor	April to December	13,500
Roger Gibbons, City Prosecutor	January to April	6,000
Jon Kaltenbronn, Municipal Judge	April to December	8,900
Robert Seek, Municipal Judge	January to April	3,600

(1) Julie Deppe was appointed as City Collector in April 2006.

(2) Bill Bolin resigned in May, 2006. The position remained vacant until December 2006 when Scott Gigrich was appointed as Building Inspector.

(3) Jon Hasker resigned in August, 2006. Scott Patrick was appointed as Police Chief in August, 2006.

In addition to the officials identified above, the city employed 34 full-time employees on December 31, 2005.

Assessed valuations and tax rates for 2006 and 2005 were as follows:

ASSESSED VALUATIONS	2006	2005
Real estate	$ 51,218,929	49,214,339

TAX RATE(S) PER $100 ASSESSED VALUATION

	2006	2005
General Fund	$ .2524	.2524

TAX RATE(S) PER $1 OF RETAIL SALES

		Rate
General	$	.0100
Capital improvement		.0050
Transportation		.0050
Sewer		.0050

Susan Montee, CPA
Missouri State Auditor

April 2007

Ebenezer Fire Protection District

Year Ended December 31, 2005

Report No. 2007-20

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

April 2007

YELLOW SHEET

The following findings were included in our audit report on the Ebenezer Fire Protection District.

Ebenezer Fire Protection District funds have been misappropriated and misused. The Board of Directors have made questionable decisions and have not provided the guidance and controls necessary to properly account for all district funds.

A 10-year employment contract for the former Fire Chief was approved on April 11, 2002. This original contract included a retroactive salary payment dating back to January 1, 2002 for $9,600 that appears to violate the Missouri Constitution. Additionally, the check cleared the district's bank account two days prior to the Board's approval of the contract. Because of concerns of nepotism with the 2002 contract, the Board subsequently approved and signed another contract on June 24, 2003. However, one board member had not taken his oath of office, as a result, on August 5, 2003 the Board finally approved and signed the final 10-year contract. In March 2006 the Board terminated the employment contract with the former Fire Chief paying him $28,500.

The former Fire Chief's employment contract included unreasonable and excessive terms such as ten percent raises annually for the first five years, an unspecified gas allowance, and a 90 percent buyout clause if the contract was terminated for reasons other than those specified in the contract. Additionally, prior to terminating the contract in March 2006, the district paid the former Fire Chief $1,597 for two weeks vacation leave; however, leave records had not been maintained. The former Fire Chief also maintained living quarters in one of the fire stations. As a result, it appears some of the former Fire Chief's personal expenses were paid with district funds between January 2003 and February 2006 including satellite TV and extra receiver ($3,600), newspaper subscriptions ($440), and Internet service ($830).

The Capital One credit card issued to the former Fire Chief included numerous questionable charges totaling approximately $4,025 including: household and personal items ($1,135), a home theatre system ($515), and fireworks ($325). In addition, late fees ($180), finance charges ($87), and over limit fees ($58) were paid by the district. Itemized receipts were not available for charges totaling approximately $1,660.

Between January 2004 and February 2006 approximately $16,115 was charged to a discount store credit card account and paid by the district. Approximately $13,565 was charged to the card issued to the former Fire Chief, of which at least $8,300 appears to be questionable, according to district officials. Additionally, during this same time period, approximately $21,000 was charged to the district's home improvement store credit card, of which at least $5,400 appears to be for questionable purchases.

(over)

A $2,000 cash donation was received, but not deposited into the district's bank account, and there is no documentation to indicate the disposition of these funds. Additionally, four deposits into the district's account between January 2004 and December 2005 totaling approximately $3,000 were labeled as vending revenue on deposit slips; however, information from the district's bank indicates checks for donations and other revenue were actually deposited into the district's account. Because adequate records were not maintained of cash received from the vending machine and information recorded on deposit slips is unreliable, it is not clear how much revenue was received and should have been deposited into the district's bank account.

At least $6,988 in district funds appears to have been spent on repairs and tires for personal vehicles owned by the former Fire Chief and the former District Engineer, and on automotive parts that district personnel indicate would not fit any vehicle owned by the district.

Between January 2003 and February 2006, the district spent approximately $7,000, for cellular phone services. Our review of phone bills identified numerous calls that appear to be personal, as well as equipment charges ($800), plan overage charges ($260), and ring tone charges ($75). Although the district canceled all cellular phone contracts in March 2006, the equipment has not been returned to the district.

The District Engineer was paid a total of $57,800 between July 2003 and July 2005, when he terminated employment with the district. Numerous payroll transactions involving the former District Engineer appear questionable. Additionally, documentation was not maintained to support $18,000 paid to fire district personnel for attending training and responding to emergency calls, including $2,800 paid to some personnel in advance.

Between January 2004 and March 2006 the district paid more than $38,000 for fuel. The Board allowed officers to put up to $75 per month in fuel in their personal vehicles and charge it to the district. There is no evidence that Board Members monitored the amount of fuel put into the district-owned vehicles, or the amount of fuel put in the officers' personal vehicles. In March 2006 the district discontinued this practice and the average fuel costs paid by the district decreased from approximately $1,400 to approximately $600 per month.

The district does not have a formal bidding policy, and documentation of bids was not maintained for many of the district's larger purchases including, construction of a new fire station ($135,000), thermal imaging camera and a gas detector ($14,500), insurance ($21,800) and vehicle repairs ($2,900). Additionally, supporting documentation was not retained for some disbursements.

Accounting duties are not adequately segregated, check issuing controls need improvements, receipt slips are not issued for monies collected, deposits are not made frequently enough and bank reconciliations are not always performed. In addition, the board did not adequately monitor the district's financial condition and budgeting procedures were not in accordance with state law.

Also included in the report are recommendations related to district policies and procedures, board meeting minutes, and capital assets.

All reports are available on our website: www.auditor.mo.gov

EBENEZER PROTECTION DISTRICT

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Board of Directors
Ebenezer Fire Protection District
7918 N. Farm Road 145
Springfield, MO 65803

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Ebenezer Fire Protection District. The district engaged Mitchell, Roy & Wilson, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2004. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The district has provided written confirmation to the State Auditor's Office of their plans to obtain an audit for the two years ended December 31, 2006 in accordance with Section 321.690, RSMo. The scope of our audit of the district included, but was not necessarily limited to, the year ended December 31, 2005. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur.

   Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by December 2006.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in the audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Ebenezer Fire Protection District.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Jay Ross
Audit Staff:	Diane Smiley
	Candace Copley

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

EBENEZER FIRE PROTECTION DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Lack of Financial Oversight

Ebenezer Fire Protection District funds have been misappropriated and misused, and questionable decisions have been made by the Board of Directors. There is no evidence to indicate that Board Members have provided the guidance and controls necessary to ensure district funds are accounted for properly.

- The district paid $28,500 to the former Fire Chief to terminate a 10-year employment contract that may have resulted in nepotism when initially approved, and included a retroactive salary payment that appears to have violated the Missouri Constitution.

- The former Fire Chief maintained living quarters in one of the fire stations, and as a result, the district appears to have paid numerous personal living expenses such as satellite TV, newspaper delivery, and internet service. The personal expenses were not authorized in the former Fire Chief's contract and not reported in gross income on his W-2.

- Personal and questionable charges totaling at least $22,000 were made to district credit cards by the former Fire Chief and the former Assistant Fire Chief. These charges were paid for with district funds, and included household items, plants, and charges for fencing supplies and cherry hardwood flooring materials that do not appear to have been used on district property.

- A cash donation of $2,000 and an undetermined amount of vending machine cash receipts were not deposited into the district's bank account and are unaccounted for.

- Approximately $7,000 in district funds were paid for automotive repairs, parts, and tires, most of which were for the personal vehicles of the former Fire Chief and former District Engineer, including $1,367 paid for tires put on the District Engineer's personal vehicle 2 months after he terminated employment with the district.

- Payment for compensatory, holiday, and vacation time totaling $5,900 paid to the former District Engineer is questionable.

- Documentation was not maintained to support $18,000 paid to volunteer fire district personnel during 2004 and 2005 for responding to emergency calls, including $2,800 paid in advance of the call.

- The district paid at least $38,000 for fuel between January 2004 and March 2006, some of which was placed into the personal vehicles of district personnel. There is no evidence the Board monitored fuel purchases, and documentation to support fuel charges was inadequate.

Given all the concerns noted in this report it is apparent that no one adequately monitored district financial activity. By not providing adequate oversight, and making good management decisions, the Fire Protection District Board has placed district funds at risk, resulting in the misappropriation and misuse of district funds.

WE RECOMMEND the Fire Protection District Board of Directors provide the necessary oversight to ensure district funds are handled appropriately.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board of Directors has made many changes throughout the past year and has taken measures to ensure that district funds are being handled appropriately. The current Board of Directors now reviews all expenditures before they are paid and has developed written policies and procedures to better direct personnel. The Board is currently working with law enforcement officials regarding the misappropriation of district funds, and will seek any restitution that is due to the district for funds that were misappropriated or used for personal use.

2. Former Fire Chief's Employment Contract

The Fire Protection District Board paid $28,500 to the former Fire Chief to terminate an excessive and unreasonable 10-year employment contract. Additionally, the former Fire Chief resided at a fire station and, as a result, district funds were used to pay personal living expenses.

A. In March 2006 the Board terminated the employment contract with the former Fire Chief paying him $28,500, and signed an agreement indicating the district did not believe the former Fire Chief intentionally misused or misappropriated any funds of the district and any restitution claimed to be due or owed to the district had been resolved.

According to board meeting minutes, a 10-year employment contract for the former Fire Chief was approved on April 11, 2002 with a vote from the former Fire Chief's brother-in-law which may have violated state nepotism laws. Board meeting minutes indicate the Board President (father of the former Fire Chief) abstained from voting on the contract.

This original contract included a retroactive salary payment dating back to January 1, 2002 for $9,600 which appears to violate Article III, Section 39 of the

Missouri Constitution. Additionally, the $9,600 check paid to the former Fire Chief was dated April 8, 2002 and cleared the district's bank account on April 9, 2002, two days prior to the Board's approval of the contract. Subsequently on January 28, 2003 board meeting minutes indicated the $9,600 needed to be repaid to the district; however, no record of repayment from the former Fire Chief was found in district records.

Because nepotism may have occurred with the approval of the 2002 contract, the Board subsequently approved and signed another 10-year contract on June 24, 2003. One of the newly appointed board members that approved that contract did not take his oath of office until two days later on June 26, 2003, and as a result, on August 5, 2003 the Board finally approved and signed the final 10-year contract for the former Fire Chief.

The former Fire Chief's contract included unreasonable and excessive terms such as ten percent raises annually for the first five years, an unspecified gas allowance, and a 90 percent buyout clause if the contract was terminated for reasons other than those specified in the contract. The contract also indicated the former Fire Chief was allowed to have a second job, and was expected to work not less than 40 hours per week for the district; however, no time sheets were maintained to document compliance with those provisions. Additionally, prior to terminating the contract in March 2006, the district paid the former Fire Chief $1,597 for two weeks vacation leave; however, leave records had not been maintained to document the amount of leave earned, taken or that any leave balance existed.

According to board meeting minutes, the $28,500 payment was approved by the Board because the district had not paid the former Fire Chief's health insurance or contributed towards a retirement plan as specified in the contract. However, it is unclear what amounts were applied to these omissions, and considering the questionable transactions involving the former Fire Chief, it is unclear how the Board determined the settlement amount.

The former Fire Chief's lengthy employment contract and subsequent termination agreement proved costly to the district and is representative of management decisions made by the Board.

B. Although not specifically authorized in the employment contract, the former Fire Chief maintained living quarters in one of the fire stations. As a result, it appears some of the former Fire Chief's personal expenses (in addition to those noted in MAR 3 and 4) were paid with district funds between January 2003 and February 2006. For example, satellite TV including movie channels, Pay Per View, and an extra receiver ($3,600), newspaper subscription ($440), and internet service ($830) were paid by the district. Additionally, our review of the district's land line phone service identified some long distance calls which appear to be

personal. There is no evidence these added benefits were reported as compensation on the former Fire Chief's W-2.

There is no documentation in the former Fire Chief's employment contract or in the board meeting minutes to indicate the board approved paying these expenses. Electronic withdrawals were made from the district's bank account to pay for the internet service, and district checks were issued for the other services. After the former Fire Chief's employment was terminated, the district discontinued satellite TV, newspaper, and internet service.

The Board's lack of adequate management procedures allowed these personal expenses to be paid with district funds.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Ensure future employment contracts contain terms that are reasonable and comply with state law.

B. Adequately monitor district finances to prevent future payment of personal expenses with public funds.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

A. The district does not currently have any employment contracts in effect. The current Board of Directors acknowledges that the former Fire Chief's contract contained unreasonable terms and conditions, that is why the Board felt it imperative to get out from under the contract. The Board, and its legal counsel, undertook negotiations with the former Fire Chief and his attorney. With the significant exposure and the threat of litigation, the Board extensively reviewed the potential for an adverse outcome versus the cost of defending the threatened action. Without waiving attorney client privileged, the Board can make the following disclosures as to some of the issues that were considered in making its decision:

1. The expense of litigation which would likely meet or exceed $20,000 with attorney fees and costs to litigate the validity of the contract;

2. There was a potential that the contract could, at the very least, be enforced for the term of the Board who had continued to ratify it by payment under its terms at a cost of over $50,000 per year;

3. Money under the terms of the contract was owed for health and dental insurance which had not been paid even during the term of the contract when it would have been considered valid for the life of the original board term. The amount of the

health and dental insurance quote that had been obtained by the contracting Board was approximately $19,600 for the back amount owed under the contract.

4. *The Board also considered the cost of payment to the former Fire Chief while he was on suspension during the criminal investigation and prior to being convicted of a felony, which was estimated to be a term of two years or a little over $100,000.*

5. *The negotiating Board was not aware of the extent of criminal activity by the former Fire Chief. The Board did consider some of the soft costs expended by the former Fire Chief, such as purchases of dog food for the stray animals that were being kept at the station, and plants purchased to decorate the station. The former Fire Chief denied any intentional stealing or misappropriation of District funds during the negotiation process. Therefore, the amounts owed to the District because of criminal activities will be sought to be reimbursed as part of the criminal action restitution process.*

B. *The Board agrees that these services were used for personal purposes and were not approved by the former Board. The current Board now reviews and approves all expenditures. While the current Board is currently considering obtaining internet service again at Fire Station #1, the business purpose and approval will be documented in the Board Minutes.*

3. Credit Cards

Personal and questionable items totaling at least $22,000 were charged on district credit cards and paid for with district funds.

Three credit cards were held in the district's name, including a Capital One card, a discount store card, and a home improvement store card. There is no documentation to indicate the board approved payment of these credit card accounts, and we identified numerous personal and questionable charges, and inadequate supporting documentation for most credit card purchases.

A. The Capital One credit card issued to the former Fire Chief included numerous charges district officials indicate are personal and questionable in nature, totaling approximately $4,025 between January 2004 and February 2006 as follows:

Item	Amount
Household and personal items*	$ 1,135
Plants and supplies	1,070
Home theatre system	515
Pet supplies	395
Fireworks	325
Food	310
On-line purchases	275
Total	$ 4,025

* Includes clothing, medication, personal hygiene items, and other personal items.

In addition, late fees ($180), finance charges ($87), and over limit fees ($58) were paid by the district. A total of approximately $6,380 was charged to the Capital One card between January 2004 and February 2006, and of the remaining $2,030, itemized receipts were not available for charges totaling approximately $1,660.

B. Three district personnel appear to have been issued discount store credit cards, including the former Fire Chief, former Assistant Fire Chief, and current District Secretary. Between January 2004 and February 2006 approximately $16,115 was charged on this credit card account and paid by the district.

1. Approximately $13,565 was charged to the discount store credit card issued to the former Fire Chief, of which at least $8,300 district officials indicate appears to be personal or questionable in nature as follows:

Item	Amount
Household and personal items*	$ 3,830
Food	2,870
Plants and supplies	490
Clothing	390
Medication	360
Pet supplies	360
Total	$ 8,300

* Includes laundry supplies, outdoor furniture, clothing, personal hygiene items, small furniture items, VCR, utensils, pots and pans, and other miscellaneous personal items.

Of the remaining $5,265, approximately $1,100 was for beverage purchases which may have been used in the district's vending machine (see MAR 4), and itemized receipts were not available for charges totaling approximately $550.

2. The former Assistant Fire Chief charged approximately $2,425 to the discount store credit card including $2,075 that district officials indicate appears to be personal or questionable in nature for purchases of food

($1,425) and household and personal hygiene items ($650). Additionally, itemized receipts were not available for charges totaling $95.

Charges made by the current District Secretary totaled only approximately $125 and appeared to be for district related expenses.

C. Approximately $21,000 was charged to the district's home improvement store credit card between January 2004 and February 2006 of which at least $5,400 district officials indicate appears to be for questionable and personal purchases. Examples include charges for fencing supplies, cherry hardwood flooring materials, and plants and gardening supplies. It does not appear the fencing and cherry hardwood flooring materials were used on district property, and plants and gardening supplies do not appear to be a reasonable expense of the district. These charges appear to have been made by the former Fire Chief.

There is no evidence in district records that the personal charges to the district's credit card were reimbursed. Additionally, information provided by the Greene County Sheriff's Department indicates similar personal and questionable charges were made to these credit cards prior to 2004.

There is no documentation in the board meeting minutes or on the credit card statements to indicate the Board reviewed and approved payment of these credit card bills. Electronic payments withdrawn directly from the district's bank account without documented approval by the Board, and checks signed only by the Board President (see MAR 6) were used to pay most of these credit card purchases. Additionally, itemized receipts were not maintained on file by the district for many of these credit card purchases, but most were later obtained directly from the vendor. Further, the board did not have a credit card policy in place addressing appropriate use of district credit cards.

As noted in MAR 1 the Fire Protection District Board's lack of oversight has allowed the misappropriation of district funds through the inappropriate use of credit cards to go undetected. The Fire Protection District Board has taken steps to cancel all credit cards.

WE RECOMMEND the Fire Protection District Board of Directors continue working with law enforcement authorities regarding any criminal prosecution and obtaining full reimbursement of the misappropriated funds.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The Board will continue to work with law enforcement authorities regarding criminal prosecution and will make every effort to obtain full reimbursement of any misappropriated funds.

4. Questionable Transactions

A cash donation of $2,000 and an undetermined amount of vending machine cash receipts were not deposited into the district's bank account and are unaccounted for. Approximately $6,988 was paid for repairs and tires for the personal vehicles of the former Fire Chief and the former District Engineer, and for automotive parts that district personnel indicate would not fit any vehicle owned by the district. In addition, over $7,000 was paid for cellular phone service that included unreasonable charges and personal phone calls. District funds were also spent on other items that appear to be personal.

A. Some district receipts were not deposited and are unaccounted for as follows:

1. A receipt slip written on December 1, 2003 for a $2,000 cash donation was not deposited into the district's bank account. The receipt slip indicates the funds were a donation for "Jaws"; however, according to district personnel this type of equipment has not been purchased for the district since this donation was received. There is no documentation to indicate the disposition of these funds.

2. The district owns a vending machine which holds beverages and snacks. According to district personnel, items are purchased for the vending machines with district funds and the cash received from the machine is to be deposited into the district's bank account. Our review of deposits into the district's account between January 2004 and December 2005 identified four deposit slips totaling approximately $3,000 labeled as vending revenue; however, information obtained directly from the district's bank indicates checks for donations and other revenue were actually deposited into the district's account instead of vending machine revenue as the deposit slips appear to indicate.

   Because adequate records were not maintained of cash received from the vending machine and information recorded on deposit slips is unreliable, it is not clear how much revenue was received and should have been deposited into the district's bank account. However, our review of various district disbursements identified at least $1,100 in beverage purchases during 2004 and 2005 which may have been used to stock the vending machine. We were unable to determine the amount of snacks purchased for the machine.

   In September 2006 the district began maintaining records on the sale of vending machine items. This record indicates approximately $25 was removed from the machine in September 2006, and the district currently receives $25 to $50 per month in vending revenues.

Due to poor controls over district collections as discussed in MAR 6, the district was not aware these receipts were not accounted for.

B. At least $6,988 in district funds appears to have been spent on repairs and tires for personal vehicles owned by the former Fire Chief and the former District Engineer, and on automotive parts that district personnel indicate would not fit any vehicle owned by the district.

During 2004 and 2005 the district paid approximately $3,000 for repairs which detailed invoices indicate were made to the former Fire Chief's personal vehicle. Additionally, in September 2005 the district paid $2,588 to a tire vendor, which the memo line of the check indicates were for "Engine #2." However, documentation we obtained directly from the vendor indicates tires totaling $1,221 were installed on a truck licensed to the former Fire Chief, and tires totaling $1,367 were installed on a truck licensed to the former District Engineer. The former District Engineer terminated employment with the district in July 2005, two months before these tires were purchased for his personal vehicle. Further, there is no indication in the former Fire Chief's employment contract that the district would pay for repairs to his personal vehicle.

Also, our review of other automotive parts purchased by the district identified at least $1,400 in automotive parts purchased during 2003, 2004 and 2005 that district personnel indicate would not fit any vehicle owned by the district. According to invoices, most of these charges were made by the former Fire Chief.

There is no documentation in district records that these transactions were approved by the Board, as a result, the lack of proper oversight and independent review of disbursements have allowed improper and questionable transactions such as these to occur and go undetected. The Board should review the transactions and obtain reimbursement for amounts determined to be personal and unauthorized.

C. Between January 2003 and February 2006, the district spent approximately $7,000, for cellular phone services for the former Fire Chief, Department Engineer, and a volunteer fireman. There was no documentation in the minutes that the board discussed the need for district personnel to have cellular phones or approved the cellular phone contracts. Our review of phone bills identified numerous calls which appear to be personal in nature, as well as equipment charges ($800), plan overage charges ($260), and ring tone charges ($75). There was no indication the bills had been reviewed by the individual phone users (to identify personal calls) or reviewed and approved by the Board. As a result, it is questionable whether or not the costs represent legitimate district related expenses. The district canceled all cellular phone contracts in March 2006, however, the equipment has not been returned to the district.

To ensure all disbursements represent valid operating costs of the fire district, all contracts should be authorized by the Board, and all invoices should be reviewed and approved by the Board before payment is made. The Board should follow up and obtain reimbursement of personal costs related to the cellular phone usage and equipment.

D. Other disbursements made by the district that appear personal include $547 paid to a mail order gift store, and $94 paid for one month's satellite TV bill for the District Engineer's personal residence. The gift store invoice indicated most items were mailed to the attention of the District Engineer's wife.

The Board should ensure district funds are not used for personal expenses, and obtain reimbursement for these amounts.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Follow up on the disposition of cash donations and vending machine revenue.

B. Review district expenses for automotive repairs, parts, and tires and obtain reimbursement for amounts determined to be personal and unauthorized.

C. Approve all contractual agreements and invoices prior to payment, and follow up and obtain reimbursement of personal cellular phone related charges.

D. Obtain reimbursement of personal expenses paid with district funds.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board of Directors agrees that these questionable transactions should not have been allowed to occur. The current Board has implemented a policy regarding how funds are to be handled. Additionally, a ledger for vending machine monies is now maintained. The current Board has also implemented procedures to ensure reviews are performed of district financial records, district expenditures, and all contractual agreements. These reviews are documented. Again, the current Board of Directors will make every effort to obtain full reimbursement of the misappropriated funds.

5. Personnel and Fuel Procedures

Payroll transactions involving the former District Engineer appear questionable. Documentation was not maintained to support $18,000 paid to fire district personnel for attending training and responding to emergency calls, including $2,800 paid to some personnel in advance. Additionally, the Board did not monitor over $38,000 in fuel put

into vehicles owned by the district and owned personally by district officers between January 2004 and March 2006.

A. Payroll transactions involving the former District Engineer appear questionable as follows:

1. In July 2003 the Board approved hiring the District Engineer at $12 per hour, and in January 2004 the District Engineer's hourly rate was increased to $12.50 per hour. There is no documentation to indicate that this increase was approved by the Board.

2. In June 2005 the District Engineer was paid $5,400 for 240 hours of accumulated compensatory time, and 48 hours in accumulated holiday time. Although the July 2003 board meeting minutes indicate that no overtime was to be worked by the District Engineer unless the front line trucks were down and the overtime was approved by the Board, time cards periodically reflected an additional 10-hour day was worked during the week. There was no documentation to indicate that the payment of holiday and compensatory time was approved by the Board.

3. In July 2005 the District Engineer terminated employment and was paid $500 for one week of unused vacation time; however, there is no documentation in the board meeting minutes to indicate whether or not vacation time was to be earned by the District Engineer. Additionally, there are no leave records maintained to track vacation leave earned and used, and there is no documentation to indicate this payment was approved by the Board.

4. Time cards prepared by the District Engineer appeared questionable. While the district has an automated time clock to document the time in and out on the time cards, the time clock was rarely used. We only identified 12 days during 2004 when the time clock was used. Instead times in and out each day were routinely hand written and rarely varied from day to day. Additionally, the time cards were not signed by the District Engineer or the former Fire Chief, and there is no documentation to indicate they were reviewed and approved by the Board.

5. In 2004 the District Engineer was paid $1,549 in addition to his salary to attend training and respond to emergency fire calls. There is no documentation to indicate whether or not the training and the emergency calls occurred outside the working hours reported on the District Engineer's time cards. (See part B below.)

The District Engineer was paid a total of $57,800 between July 2003 and July 2005, when he terminated employment with the district. The Board's lack of adequate review procedures allowed these questionable transactions to occur and

not be detected. The Board should review payroll transactions of the former District Engineer to ensure all compensation was properly earned and authorized.

B. Documentation was not maintained to support $18,000 paid to fire district personnel during 2004 and 2005 for attending training, and responding to emergency calls, including $2,800 paid to some personnel in advance.

The district could not provide any documentation of the number of emergency calls, who responded, or the training attended by personnel. While the district spent approximately $600 in January 2005 to update software they owned to track emergency calls and personnel training, no documentation could be located concerning the calls. According to district officials, the amount paid to volunteers was determined based upon the number of emergency calls and the total amount budgeted by the board; however, without documentation it is unclear if payments to personnel were appropriate.

Additionally, district records indicate three individuals received a total of $2,800 in advance of responding to emergency calls. Adequate documentation was not maintained to determine whether or not the district accounted for these advances in subsequent payments, and there is no documentation in the minutes to indicate that the board approved paying these individuals in advance. In March 2006, the board discontinued paying fire district personnel for responding to emergency calls and attending training.

Further, while payments totaling over $600 annually were reported on form 1099-MISC, the district should contact the Internal Revenue Service to determine if it is more appropriate to handle these payments as wages subject to withholdings and taxes.

If the Board determines in the future it is necessary to compensate district personnel for responding to emergency calls and attending training, adequate documentation should be maintained to support the amounts paid, and the board should refrain from making payments in advance. Additionally, the Board should review past payments to ensure all compensation was properly earned and authorized.

C. Fuel purchases were not monitored by the Board, and documentation to support fuel purchases was not adequate. Between January 2004 and March 2006 the district paid more than $38,000 for fuel, or an average of approximately $1,400 per month.

Fuel was put into fire district vehicles and equipment and charged to the district. Also, the Board allowed officers to put up to $75 per month in fuel in their personal vehicles and charge it to the district. There is no evidence to indicate that Board Members monitored the amount of fuel put into the district-owned vehicles, or the amount of fuel put in the officers' personal vehicles.

Charge slips were not retained to support some fuel purchases, and many of the charge slips that were included in the district's files did not always include the type of fuel (gas or diesel), or a description of the vehicle receiving the fuel. However, our review of some of the charge slips that were retained identified several incidents where unleaded fuel was purchased, but the vehicle noted as receiving the fuel on the charge slip used diesel fuel. Additionally, mileage and maintenance logs are not maintained on district-owned vehicles for comparison to fuel purchases.

Board meeting minutes in March 2006 document concerns about officers receiving more than the $75 in fuel approved by the Board, and district financial records document at least one reimbursement of $75 from an officer for excess fuel. In March 2006 the district discontinued allowing officers to put fuel in their personal vehicles, and the average fuel costs paid by the district decreased to approximately $600 per month between April 2006 and December 2006.

If the Board determines it is necessary to reimburse personnel for the use of their personal vehicles, procedures should be developed for personnel to receive reimbursement based upon documentation provided of the number of miles driven. In addition, mileage and maintenance logs on district-owned vehicles are necessary to document the appropriate use of vehicles and to support fuel and other charges. Information on the logs should be periodically reconciled to applicable expenditure records to help identify and prevent inappropriate fuel purchases or other maintenance and operating charges.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Review payroll transactions of the former District Engineer to ensure all compensation was properly earned and authorized.

B. Review amounts paid to fire district personnel to ensure all amounts were properly earned and authorized. Additionally, in the future adequate documentation should be maintained to support amounts paid to fire district personnel, and the Board should refrain from making payments in advance.

C. Review amounts paid by the district for fuel placed in personal vehicles to ensure all amounts were properly authorized, and if determined necessary, future reimbursements should be based upon documented mileage. Additionally, the Board should require mileage and maintenance logs be maintained on district-owned vehicles.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

A. The current Board of Directors believes that law enforcement has reviewed the former District Engineer's payroll transactions and is aware of the inconsistencies and will take appropriate action. The Ebenezer Fire District currently has no employees, but in the case that there may be employees in the future, the Board will ensure that all wages paid are properly earned, documented and authorized.

B. The current Board believes that a computer hard drive obtained by the Greene County Sheriff's Office may have electronic files documenting how the distribution of run money was determined. We are waiting on a forensic report from the Greene County Sheriff's Office on the review of this hard drive.

C. The current Board is aware fuel abuse occurred, and will take the necessary actions to obtain reimbursement for unauthorized and improper fuel usage.

6. Accounting Controls and Procedures

Duties are not adequately segregated and numerous concerns were noted with signatures on checks issued by the district. Additionally, receipts slips are not issued for monies received, monthly bank reconciliations are not performed and documented, and deposits are not made timely.

A. Accounting duties are not adequately segregated. The District Secretary is responsible for all record keeping duties of the fire district. The duties include receiving and depositing monies, preparing and distributing checks, recording receipts and disbursements, signing checks, and reconciling bank accounts. Additionally, at times during 2004 and 2005 some of these duties were occasionally performed by the former Fire Chief. There is no documentation to indicate that personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the current or former District Secretary and the former Fire Chief.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and disbursing monies from that of reconciling accounting records to bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the bank reconciliations, a reconciliation of receipts and deposits, and a comparison of invoices and disbursements. Had such controls been in place, the misappropriations noted in MAR 3 and 4 might have been prevented.

B. Numerous concerns were identified during our review of checks written by the district.

1. Prior to December 2004 checks routinely contained two signatures; however, between December 2004 and February 2006 over 375 checks totaling more than $270,000 cleared the district's bank account with only one signature. While most of these checks were signed solely by the former Board President, approximately 30 of these checks totaling over $18,000 were signed by the former District Secretary who was relieved of her duties in August 2003.

2. The Board President's signature on some district checks issued during November and December 2005 appeared questionable. The signature on these checks did not appear to resemble the signature used on checks from previous months.

3. One check issued in December 2005 was signed by a board member who was not an authorized signor on the bank account.

4. District personnel indicated that checks were occasionally signed in advance by some authorized signors.

5. Voided checks were not properly defaced and retained.

To ensure all disbursement of district funds are appropriate, dual signatures should be required on all checks, only authorized signors should be permitted to sign checks, the practice of signing checks in advance should be prohibited, and voided checks should be properly defaced and retained.

C. Receipt slips are not issued for monies received, and a ledger listing amounts received by the district is not maintained. Money received is typically recorded on the deposit slip and the deposit amount is posted to the check register; however, deposit slips usually did not indicate individual receipt amounts deposited. As a result, there was no record of the individual receipts included in the total.

To help ensure collections are properly recorded and deposited, pre-numbered receipt slips should be issued for all monies received, the method of payment received should be recorded on the receipt slips, and the composition of receipt slips should be reconciled to the composition of deposits.

D. Monthly bank reconciliations are not always performed and documented, and the district's check register was not accurately maintained. We performed a reconciliation as of December 31, 2005 and identified two deposits totaling approximately $2,300, and 16 electronic fund transfers and one check totaling approximately $1,500 that were not recorded in the check register. In addition,

another deposit made during October 2005 was recorded as $1,499; however, the actual deposit was $2,013. As a result of inadequate monitoring, the district did not have accurate balances and actually issued a check which was returned for insufficient funds during 2005.

If bank reconciliations had been performed monthly, these errors and omissions could have been detected. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner.

E. Deposits are not always made timely. For example, receipts totaling approximately $2,500 were posted to the check register on October 17, 2005, but were not deposited until October 31, 2005.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be more frequent if significant amounts of cash are collected.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Adequately segregate the duties of receiving, recording, and depositing receipts. At a minimum, procedures for an adequate independent review of the record keeping functions should be established.

B. Require two signatures by authorized signors on all checks, prohibit the practice of signing checks in advance, and deface and retain voided checks.

C. Issue pre-numbered receipt slips for all monies received, indicated the method of payment on all receipt slips, and reconcile the composition of receipts to the composition of bank deposits.

D. Perform and document monthly bank reconciliations, and ensure the district's check register is accurately maintained.

E. Ensure deposits are made timely.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

A. The current Board reviews accounting work performed by the District Secretary, and signs and documents the review in the monthly board meetings.

B. The current Board has a check signing policy reflecting the requirement of two signatures and prohibiting the practice of signing checks in advance.

C. Receipt slips are not currently written for tax revenue, but we will now begin writing receipts for all monies received.

D. Monthly bank reconciliations are now being performed.

E. Money is now deposited timely.

7. Expenditures

The district does not have a bidding policy, and could not provide bid documentation for the district's new fire station costing approximately $135,000. Additionally, supporting documentation was not retained for some disbursements, district funds were used for items that appear unnecessary, and many invoices were not paid timely resulting in late fees and interest assessed to the district. Further, the district did not have a contract for construction management services, and did not issue Form 1099 Miscellaneous for these services.

A. The district does not have a formal bidding policy, and documentation of bids was not maintained for many of the district's larger purchases. For example, during 2003 and 2004 the district constructed a new fire station which capital asset records indicate cost the district approximately $135,000. There was no documentation in the district files or in board meeting minutes to indicate the board solicited bids for constructing this building.

Additionally, the district did not maintain documentation of bids for the purchase of a thermal imaging camera and a gas detector costing $14,500 that was purchased in 2004 with grant revenues. Other examples of items purchased during 2005 and 2006 without bid documentation include insurance ($21,800) and vehicle repairs ($2,900). Further, proposals were not solicited for legal ($9,100) and auditing services ($2,224).

Although not required by law, formal bidding policy requiring the routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business. Additionally, requiring the solicitation of proposals for professional services helps provide a range of possible choices and allows the district to make a better-informed decision to ensure services are obtained from the best qualified vendor at the lowest and best cost. Documentation of the various proposals received, and the district's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. Supporting documentation was not retained for 16 of the 37 disbursements we selected for testing, totaling approximately $30,000. Additionally, the board does

not document their approval of payment of disbursements and acknowledgment of receipt of goods or services is not documented on the invoices. For example, there was no supporting documentation or evidence of board approval for the purchase of light bars ($1,500), a water tank ($1,200), and emergency supplies ($750). Further, adequate documentation was not maintained for some credit card purchases, and there is no evidence to indicate credit card statements were reviewed and approved by the Board.

All disbursements should be supported by detailed invoices, paid receipts, or contracts to ensure the obligations were actually incurred and the disbursements represent an appropriate use of public funds. To adequately document the Board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, invoices should have acknowledgment of receipt of goods or services to ensure all disbursements represent valid operating costs of the fire district.

The lack of proper oversight or independent reviews over the disbursements have allowed the personal and questionable disbursements noted in MAR 2 and 3 to go undetected.

C. District funds were used for some disbursements that do not appear to be necessary operating expenses of the fire protection district. For example, the fire district used public monies to fund Christmas dinners for firefighters, board members and their families costing $280, and $337 in 2005 and 2004, respectively. Additionally, approximately $650 was paid for food and drinks for fire district personnel working at the fair. Further, the district spent approximately $6,000 on more than 980 t-shirts and sweatshirts for fire district personnel between January 2002 and July 2004. Only approximately 300 shirts are currently on hand or assigned to volunteers.

These expenditures do not appear to be a prudent use of public funds. The district's residents have placed a fiduciary trust in their public officials to spend tax revenues in a necessary and prudent manner. The Board should ensure fire district funds are spent only on items which are necessary and beneficial to the district.

D. Procedures have not been established to ensure the timely processing of invoices, and when invoices were paid timely the district did not take advantage of discounts offered for timely payment. There were numerous instances where the district incurred late fees and interest charges totaling at least $520 on the district's credit cards, and several other vendor invoices also had late fees assessed. Additionally, we identified one instance where an invoice was paid early; however, the district did not take advantage of a discount totaling $82.

Procedures should be developed to ensure all invoices are paid timely and that the district takes advantage of available discounts.

E. The district paid a local contractor $4,750 to provide management oversight during the construction of the new fire station. The district did not have a contract for these services, supporting documentation did not provide adequate details of the service provided, and Form 1099 Miscellaneous was not sent to this individual as required.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Sections 6041 and 6051 of the Internal Revenue Code require payments of at least $600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099. Further, adequate supporting documentation should be obtained for all disbursements.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Adopt a comprehensive bid policy which requires bidding and establishes bidding guidelines for various types of expenditures, including soliciting proposals for professional services.

B. Ensure supporting documentation is maintained for all disbursements. Additionally, all disbursements should be approved by the Board and acknowledgment of receipt of goods or services should be documented on invoices.

C. Ensure expenditures are a necessary and prudent use of fire district funds.

D. Develop procedures to ensure all invoices are paid timely and take advantage of available discounts.

E. Enter into written contracts outlining the service to be provided, ensure Form 1099 is issued in accordance with IRS regulations, and maintain adequate supporting documentation for all disbursements.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board has implemented several policies and procedures regarding the disbursement of district funds. A comprehensive bid policy is now in place, and twice per month the current Board reviews and pays all expenses. Supporting documentation for all expenses is reviewed and signed by the Board. These policies and procedures ensure district funds are spent

appropriately, and invoices are paid timely. Additionally, written contracts are initiated when appropriate, and reporting requirements will be complied with.

8. District Policies and Procedures

The district does not have written policies addressing various district operations, one Board Member was paid attendance fees in advance of attending the board meetings, and the district does not have a written agreement with its current depositary bank. Also, some district personnel are not adequately bonded.

A. The district does not have written policies in effect addressing various district operations such as purchasing and bidding procedures, revenue collection and financial reporting procedures, as well as duties and responsibilities of district officials. Various board meeting minutes indicate district personnel have been unable to locate district by-laws. To properly manage district operations and to provide guidance to officials and personnel, the Board should develop written policies and procedures addressing the various aspects of district operations.

B. One Board Member was paid attendance fees in advance of attending the board meetings. Section 321.190, RSMo, authorizes each member of the board to receive attendance fees not to exceed $100 per meeting for up to two meetings per month. A $200 payment made to one Board Member was labeled as an "advance payment" in district records. While this payment was deducted from future attendance fees paid to this Board Member, the district should refrain from paying attendance fees in advance. Additionally, attendance fees were not paid to the other two board members and there was no documentation to indicate why these statutory fees were not being paid.

C. The district does not have a written agreement with its current depositary bank, and in January 2006 district deposits were not sufficiently collateralized. Deposits were under collateralized by approximately $59,000 in January 2006 when the district received most of their property tax revenue. Additionally, district funds are deposited into non-interest bearing accounts, and balances ranged from $2,000 to $159,000 during 2005 and 2006.

A written depositary contract helps both the bank and the district understand and comply with the requirements of any banking arrangement. The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds. Additionally, the contract should specify the required number of signatures on checks, and procedures for authorizing electronic transfers from the district's accounts.

D. The District Secretary and Board Members were not adequately bonded. For example, the former board president was bonded for only $500, yet he was the sole signor on most fire districts checks from December 2004 through January 2006. The other two board members were bonded for $500 and $5,000 and the District Secretary (Board Treasurer) was only bonded for $15,000. In addition, the district did not obtain employee bond coverage for the former fire chief, who appears to have had access to district funds. As a result, it is not clear if district officials considered actual duties of personnel when determining the level of bond coverage.

As a means of safeguarding assets and reducing the fire district's risk in the event of a misappropriation of funds, all officials and employees handling monies should be adequately bonded. In July 2006 bond coverage for the District Secretary and Board Members were increased to varying amounts between $75,000 and $150,000.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Establish written policies and procedures addressing the various aspects of district operations.

B. Discontinue the practice of paying board members attendance fees in advance, and pay attendance fees to all board members in compliance with state law.

C. Enter into a depositary agreement with its depositary bank, ensure district funds are adequately secured, and maintain funds in interest bearing accounts when possible.

D. Maintain adequate bond coverage for board members and all employees and volunteers with access to monies.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

A. The current Board has approved and implemented several written policies and procedures addressing district operations.

B. All current Board Members are being paid in accordance with state statutes.

C. The current Board has recently approved, and is in the process of finalizing a bank depositary agreement.

D. Adequate bond coverage is now in effect.

9. Financial Reporting and Budgetary Procedures

The Board did not adequately monitor the financial condition of the district. Additionally, the district's annual budgets were not prepared and approved by the Board in a timely manner, and did not include all the necessary information as required by state law. The district also did not submit audit reports to the State Auditor's Office timely.

A. The Board did not adequately monitor the financial condition of the district. While the district contracted with an accountant to prepare monthly financial statements, there is no evidence that these statements were reviewed by the Board. Monthly board meeting minutes typically documented the balances of the district's bank accounts, and indicated the "Treasurer's Report" was read and approved; however, there is no report on file with the district or documentation to support the balances reported to the Board. According to the March 9, 2006 board meeting minutes, the bank account balances of $352,056 reported at the February 6, 2006 board meeting were incorrect and should have been only $158,817. District personnel indicated that financial records were not kept up to date during this time period causing this error.

Additionally, equipment costing $14,500 was purchased out of loan proceeds the district received to construct a new fire station, and grant revenues received to reimburse the district for the equipment were deposited into the district's general operating account rather than used to repay the loan. Further, one instance was noted where attendance fees totaling $200 were paid to a Board Member from these loan proceeds. There is no documentation to indicate the Board approved using construction loan proceeds for these purposes, or requested documentation such as bank statements to review activity in the various district accounts.

The Board's failure to adequately monitor the district's financial condition allowed the misappropriations noted in MAR 3 and 4 to go undetected. To ensure district funds are accounted for properly, the Board should review monthly financial statements, and ensure bank account balances are accurately reported.

B. According to board meeting minutes, the 2006 budget was not prepared and approved until May 2006, and the 2005 budget was apparently not prepared until it was requested by the district's auditor in June 2005. Additionally, the budgets approved by the board do not include all required and necessary information, such as a budget message, the beginning cash balance and projected ending cash balance for district funds, and a comparative statement of actual or estimated receipts and disbursements for the two previous years. Also, because the board did not periodically compare budgeted amounts to actual expenditures, and did not adequately budget funds for new equipment and the construction of a new fire station, the district approved expenditures in excess of the budgeted amount by $258,693 for the year ended December 31, 2004.

Section 67.010, RSMo, requires each political subdivision of the state to prepare an annual budget with specific information. Additionally, Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons, and Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. The failure to adhere to the expenditure limits imposed by the budget weakens the effectiveness of this process.

C. The district obtained an audit for the year ended December 31, 2004; however, the audit report was not submitted to the State Auditor's office until August 9, 2006.

Section 321.690, RSMo, requires all fire protection districts in Greene County with revenues in excess of $50,000 annually to cause an audit to be performed on a biennial basis, and copies of the audit report must be completed and submitted to the State Auditor's Office within six months after the close of the audit period.

WE RECOMMEND the Fire Protection District Board of Directors:

A. Review financial statements monthly, and ensure accurate bank account balances are reported to the Board.

B. Ensure budgets are prepared timely and in compliance with state law, and periodically compare actual revenues and expenditures with budgeted amounts to help ensure expenditures do not exceed the amounts approved in the budget. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.

C. Ensure audit reports and annual financial reports are completed and filed in accordance with state law.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

A. The current Board reviews financial statements and ensures bank balances are accurately reported and documented in the monthly board meeting minutes.

B. The current Board compares budgeted amounts to actual amounts at the monthly board meetings, and believes that the 2007 budget now complies with state law.

C. We will ensure audit reports are obtained and submitted timely in accordance with state law.

10. Board Meeting Minutes

The Fire District Board held several closed meetings, but did not always maintain minutes to document matters discussed in those meetings. In addition, minutes were not signed by the District Secretary or the Board President, and did not always include sufficient detail of matters discussed or actions taken by the Board.

A. The Board conducted several closed meetings; however, minutes of closed meetings were not always maintained. Furthermore, the Board does not always document the reason for and the vote to close a meeting. For example, on May 2, 2006 the minutes indicate the Board went into a closed meeting "for various reasons." There were five closed meetings from February through May 2006 where the board minutes failed to document a motion and/or vote to go into a closed session. Additionally, the minutes for February 2, 2006 indicated a closed meeting would be held to select a new Board President; however, there were no closed minutes of this meeting, and the district had nothing to support how this was an allowable topic under the law.

Section 610.020, RSMo, requires closed meeting minutes to document and record official board decisions and actions affecting the fire district. Additionally, Section 610.022(1) clearly states that the vote of each member of the public governmental body on the question of closing a public meeting or vote and the specific reason for closing that public meeting or vote by reference to a specific section shall be announced publicly at an open meeting of the governmental body and entered into the minutes. Furthermore, Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The Board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

B. Board minutes are prepared by the District Secretary; however, the minutes are not signed by the District Secretary or the Board President. While most board meeting minutes indicate that minutes from the previous meeting were read and approved, some minutes do not document the approval of the minutes. The board minutes should be signed by the District Secretary as preparer and the Board President to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

C. Minutes prepared to document open board meetings were not always accurate or did not contain sufficient details of matters discussed and actions taken at board meetings. Board minutes did not always include how each board member voted

on a motion, or the members present and absent. For example, on August 25, 2005, a decision was made to set the tax rate with no documentation of a motion, but only indicated the Board President voted to set the levy at 0.2783. In addition, the December 1, 2005, minutes indicated two board members approved allowing officers to charge fuel up to $75 per month; however, the minutes do not document a discussion, a motion by the board, or the board's vote of approval.

Minutes serve as the only official permanent record of decisions made by the board. Therefore, it is necessary for the minutes to be accurate and complete to clearly document all business conducted and include the date, time, place, members present, members absent, and a record of votes taken as required by RSMo 610.020

WE RECOMMEND the Fire Protection District Board of Directors:

A. Maintain minutes of all closed meetings, and ensure only allowable, specified subjects are discussed in closed session as required by state law. Furthermore, the board should ensure to document the reason, as allowed by law, for going into and coming out of a closed meeting along with a motion and the vote to do so.

B. Ensure board minutes are signed by the Board Secretary as preparer, and by the Board President to attest to their completeness and accuracy.

C. Ensure all significant information, discussions, actions taken, and a record of votes taken, as required by state law, are included in the minutes.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

A. The current Board has taken steps to ensure closed meetings comply with state law, and are adequately documented in minutes as required by law.

B. Board meeting minutes are now signed by the Board Secretary and the Board President.

C. Adequate detail of all significant information is now included in board meeting minutes as required by state law.

11. Capital Assets

The fire district has not prepared and maintained a permanent detailed record of property owned by the district. Instead, the fire district's accountant compiled a list of assets for the year ending December 31, 2004. The fire district does not tag or otherwise identify assets as property of the district and has not performed a physical inventory of district

property. According to the district's 2004 audit report, assets, net of depreciation, totaled $432,848 ($134,814 for vehicles and equipment, $298,034 for land and buildings).

Property records for capital assets are necessary to secure better internal control over fire district property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with fire district monies are being utilized by the fire district. Physical inventories are necessary to ensure the property records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Pre-numbered tags, when affixed to property items, allow for identification of property in the records and may deter the potential for personal use of fire district assets.

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WE RECOMMEND the Fire Protection District Board of Directors maintain property records to account for all capital assets. Physical inventories should be performed and assets should be tagged to identify them as district assets.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board has implemented a policy to ensure that property records are maintained which account for all capital assets, and that assets are tagged to identify them as district assets. In addition, the Board will ensure that periodic physical inventories are performed.

HISTORY ORGANIZATION AND STATISTICAL INFORMATION

EBENEZER FIRE PROTECTION DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Ebenezer Fire Protection District is located in Greene County. The district was organized in 1991 pursuant to Chapter 321, RSMo, and is a volunteer district. The district covers approximately 97 square miles, and has two fire stations.

An elected board acts as the policy-making body for the district's operations. The board's three members serve 6-year terms with compensation. During the year ended December 31, 2005 only one board member accepted compensation. Members of the board during the year ended December 31, 2005, were:

Fire District Board	Dates of Service During the Year Ended December 31, 2005	Compensation Paid for the Year Ended December 31, 2005
Roscoe Edwards, President (1)	January-December	$ 0
Robert Jacobs, Board Member	January-December	0
Tim Butler, Board Member (2)	January-December	1,300

(1) Roscoe Edwards resigned in January 2006 and Robert Heydenreich was appointed by the Board. Leonard Smith was elected to the board in April 2006.

(2) Tim Butler resigned in March 2006 and Nelson Prewitt was appointed by the Greene County Circuit Court.

Other Principal Officials	Dates of Service During the Year Ended December 31, 2005	Compensation Paid for the Year Ended December 31, 2005
Vincent Edwards, Fire Chief (1)	January-December	$ 39,567
Connie Murphy, Asst Fire Chief (2)	January-December	0
Mike Stoke, District Engineer	January-July (3)	19,900
Teri Arnott, District Secretary	January-December	0

(1) Vincent Edward's employment was terminated in March 2006, and Board Member Robert Heydenreich became acting fire chief without compensation. In April 2006 Board Member Leonard Smith became acting fire chief without compensation.

(2) Connie Murphy terminated this position in March 2006, and the position is currently open.
(3) The Fire Protection District has not employed a District Engineer since July 2005.

The district's assistant fire chief and part-time secretary are volunteer positions. At December 31, 2005, the district had approximately 20 volunteer firefighters.

Assessed valuations and tax rates for 2005 and 2004 were as follows:

ASSESSED VALUATIONS	2005	2004
Real estate	$ 71,438,185	$ 62,958,750
Personal property	19,183,963	16,977,138
Total	90,622,148	79,935,888
TAX RATE PER $100 ASSESSED VALUATION:		
General Fund	$ 0.2783	$ 0.2933

In December 2003 the District entered into a line of credit loan, with a maximum credit line of $200,000, at a fixed rate of 6 percent for the construction of a new fire station. The district has renewed the loan annually, and the balance on July 1, 2006 was $128,000.

Susan Montee, CPA
Missouri State Auditor

April 2007

LABOR AND INDUSTRIAL RELATIONS

Second Injury Fund

Report no. 2007-19

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

Fund Likely To Become Insolvent Unless Corrective Action Taken

The Department of Labor and Industrial Relations (DOLIR) paid approximately $68 million during 2006 on Second Injury Fund (fund) claims by injured employees and for administrative costs. The department has responsibility for the fund, which supplements workers' compensation benefits paid to injured workers. On January 16, 2007, the Governor requested the State Auditor's Office (SAO) conduct an audit of the fund. We focused audit objectives on determining (1) whether fund expenditures had been properly disbursed, (2) the fiscal soundness of the fund, (3) the impact of 2005 legislative changes on the fund, (4) the potential impact of a recent Missouri Supreme Court decision on fund solvency, and (5) whether DOLIR projections of future fund performance have been accurate.

Fund insolvency likely in 2008	Based on our review of DOLIR fund projection data, and discussions with officials at the Department of Insurance, Financial Institutions and Professional Registration, DOLIR, the Division of Workers' Compensation, and the Attorney General's Office, the fund will likely become insolvent during 2008. (See page 9)
Legislative changes limit fund revenue and should reduce expenditures	The 2005 legislative change to the workers' compensation law capping the fund surcharge rate at 3 percent limits DOLIR's ability to generate revenues sufficient to cover fund expenditures. Based on our estimates, expenditures are projected to outpace revenues by approximately $57.5 million from 2007 through 2009, an average of $19.2 million per year. The legislative changes have also resulted in a reduced number of fund claims. However, it will take several years for the reduced number of claims to result in reduced fund expenditures. (See page 10)
Impact of Supreme Court decision not known	In addition to legislative changes, the fund may also be impacted by a January 2007 Missouri Supreme Court decision. The decision stated permanent total disability benefits are to be paid to an employee's dependent(s) in the event the employee subsequently dies from causes not related to the work-related injury. However, the division does not obtain information regarding the existence of dependents for its case files. Without information on dependents, the potential financial impact of the decision cannot be determined at this time. (See page 12)
No contingency plan exists in the event of insolvency	State statutes do not contain provisions allowing DOLIR to generate additional funds in the event of insolvency. If the fund becomes insolvent, benefits would be in danger of not being paid because state statutes do not guarantee payment of these benefits through any other means. (See page 12)
Pending legislation will not address short-term solvency concerns	Several pieces of pending legislation propose to make changes to control costs of the fund. However, none of the bills currently pending make changes to address the short-term solvency of the fund, therefore additional funding sources are needed to address this short-term insolvency of the Second Injury Fund. (See page 13)

Fund projections could be improved

DOLIR personnel have not always obtained all available information relevant to the future performance of the fund when making fund projections used to set the annual surcharge rate. As a result, fund projections have been inaccurate, leading to high fund balances in the past. (See page 14)

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Abbreviations

DOLIR	Department of Labor and Industrial Relations
DIFP	Missouri Department of Insurance, Financial Institutions and Professional Registration
NA	Not Applicable
PPD	Permanent Partial Disability
PTD	Permanent Total Disability
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office

SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Rod Chapel, Director
Department of Labor and Industrial Relations
Jefferson City, MO 65102

The Department of Labor and Industrial Relations (DOLIR) paid approximately $68 million during 2006 for Second Injury Fund (fund) claims by injured employees and for administrative costs. The department has responsibility for the fund which supplements workers' compensation benefits paid to injured workers. On January 16, 2007, the Governor requested the State Auditor's Office (SAO) conduct an audit of the fund. The Governor also expressed concerns regarding the financial condition of the fund and the impact a recent Missouri Supreme Court decision will have on the fund. We focused our objectives on determining (1) whether fund expenditures had been properly disbursed, (2) the fiscal soundness of the fund, (3) the impact of 2005 legislative changes on the fund, (4) the potential impact of a recent Missouri Supreme Court decision on fund solvency, and (5) whether DOLIR projections of future fund performance have been accurate.

We found fund disbursements have been made properly. However, we also found the fund will likely become insolvent during 2008 because changes in Missouri's workers' compensation law capped the employer surcharge rate at 3 percent. Therefore, DOLIR's ability to assess a fund surcharge rate sufficient to generate enough revenue to cover fund expenditures has been eliminated. Changes to the law should also result in fund expenditure reductions; however, it may take several years to realize the reductions. In addition, a January 2007 Missouri Supreme Court decision will result in additional future fund liabilities; however, the potential financial impact of the decision cannot be determined at this time. We found state law does not provide a sufficient contingency plan to address any potential fund insolvency, and as a result, benefits to injured workers may be in jeopardy unless the department or the General Assembly acts to resolve the fund's pending insolvency. None of the bills currently pending in the General Assembly make changes to address the short-term solvency of the fund. We also found DOLIR personnel responsible for formulating fund projections have not always obtained all available information relevant to the future performance of the fund. Instead, DOLIR has relied on past performance trends. As a result, projected fund expenditures have been overstated while the premium base projections, and therefore revenues, have been understated.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel and key contributors to this report included Robert Spence, Bobby Showers, and Nicki Russell.

Susan Montee, CPA
State Auditor

Introduction

The General Assembly created the Second Injury Fund (fund) in 1943 to benefit the physically handicapped and individuals with previous work-related disabilities. The legislature established the fund to encourage the employment of previously injured or disabled individuals without exposing employers to liability for previous disabilities. The basis for this legislation rests in the belief that an employer will not hire a job applicant for dangerous work involving the extremities if that applicant has previously become disabled in an extremity.[1] The fund, with 2006[2] expenditures of $68 million, supplemented workers' compensation benefits paid to injured workers. Workers' compensation benefit payments totaled approximately $716 million in 2005.[3]

When an employee sustains a compensable work injury and the combined effect of the work-related injury and the previous injury or disability results in permanent total disability (PTD), or increased permanent partial disability (PPD), the employer at the time of the current injury is only liable for the compensation resulting from that injury. The additional compensation due to the employee over and above the current injury is paid from the fund. The fund also pays benefits in several other instances described below.

Fund revenues are generated by an employer surcharge which is based on each employer's workers' compensation insurance premium. The surcharge is paid by both insured employers and self-insured employers.[4] The surcharge rate is set annually by DOLIR's Division of Workers' Compensation (division) using a formula which is set in statute.[5] The formula requires the division to project fund expenditures for the coming year and, in combination with the beginning fund balance, the surcharge rate is set to provide enough revenue to pay expenses for the coming year plus a 10 percent cushion. The General Assembly changed the law in 2005 to cap the surcharge rate at 3 percent. The surcharge rate and the effect of the 3 percent cap are discussed in greater detail on pages 9 and 10.

[1] Slusher, *The Second Injury Fund*, 26 Mo. L. Rev. 328 (1961).

[2] Unless otherwise identified, all years are expressed as calendar years.

[3] Figure represents benefits paid from private insurance, self-insured companies, and self-insured trusts in 2005. The benefit payment data for 2006 was not available, as of February 28, 2007.

[4] An insured employer includes the fund surcharge, along with an insurance payment, to its insurance company. The insurance company remits the surcharge payment to the state. The division bills self-insured employers for the surcharge and those employers remit payments to the state.

[5] Section 287.715(2), RSMo.

Benefit Types

Pursuant to state statutes, the fund pays benefits to injured employees in the following instances:

- PTD – If the current injury, in combination with an eligible prior injury or disability, results in a PTD, the fund is liable for the lifetime benefits to that employee. The employer would be liable for the compensation payable for the current injury as if no prior injury existed. The fund has paid PTD benefits since its inception in 1943.

- PPD – In order for an injured employee to be eligible for PPD benefits the employee's prior injury must exceed a 12.5 percent total body disability or 15 percent disability of a major extremity. The fund only pays the portion of the combined injury which exceeds the disability of the most recent injury and the prior injury. The employer would be liable for the compensation resulting from the current injury alone. The fund has paid PPD benefits since 1955.

- Death Benefits – In the event an employee dies while working for an uninsured employer the fund compensates the employee's family for burial expenses and provides death benefits for the employee's dependents. The fund has paid death benefits since 1982.

- Rehabilitation Benefits – In the event an employee is seriously injured, the fund can be used to return the employee to a condition of self-support and self-maintenance. Conditions that may qualify an employee for rehabilitation benefits include: quadriplegia, paraplegia, amputations, and back injuries not responsive only to medical treatments. The fund has paid rehabilitation benefits since 1951.

- Indemnity Benefits – In the event an employee is injured on one job and is therefore unable to work at a second job, the fund compensates the employee for the lost wages of the second job. The fund has paid indemnity benefits since 1993.[6]

- Uninsured Employer Benefits – The fund is liable for the medical bills of employees injured while working for an uninsured employer. By law, the fund is entitled to reimbursement from the uninsured employer. The fund has paid uninsured employer medical benefits since 1980.

[6] Except during a 2-year period in the 1990's when the statutory provision for this benefit expired.

Attorney General's role and fund expenditures

The Missouri Attorney General defends the fund against claims made against it. Worker filed claims averaged 12,274 per year from 1997 through 2006, and the Attorney General's Office dismissed an average of 7,507 (61 percent) claims for those years. See Appendix III for additional information on claims and dismissals. In 2006, a total of 10,591 claims were filed against the fund. As of January 30, 2007, the Attorney General's Office maintained a backlog of 32,069 fund cases. In addition to payment of the benefits described above, administrative expenses, consisting primarily of Attorney General Office personnel costs, are also paid from the fund.

Table 1.1 depicts itemized fund expenditures and a breakdown of cases filed by type for 2006. Table 1.1 also contains a breakdown of the Attorney General's case backlog as of January 30, 2007.

Table 1.1: Fund Expenditures and Cases Served by Type - 2006

Benefit Type	Amount	Percent of Total	Cases Served[1] 2006	Percent of Total	Cases Backlogged[3]	Percent of Total
PTD	$44,424,189	65.0	1,456	25.7	6,216	19.4
PPD	18,036,166	26.4	3,724	66.0	24,521	76.5
Uninsured Employer	898,828	1.3	45	0.8	642	2.0
Indemnity	195,697	0.3	95	1.7	684	2.1
Death	170,483	0.2	9	0.2	6	<0.1
Rehabilitation	151,743	0.2	314	5.6	0	0.0
Administration and Other	4,517,227	6.6	NA[4]	NA	NA	NA
Total	$68,394,333	100.0	5,643[2]	100.0	32,069	100.0

[1] A "served" case is defined as any fund case receiving either an ongoing or settlement payment in a given year.
[2] Total does not agree to the total number of cases served presented in Appendix III because a case can receive more than one type of benefit.
[3] Includes cases that will be dismissed as well as cases that will be served. Information is not available on dismissed cases by type for 2006.
[4] Not Applicable.

Source: Division of Workers' Compensation and Attorney General's Office data.

For historical information on fund revenues, expenditures, and changes in fund balance, see Appendix I and II.

The fund has experienced an increase in the number of cases settled by lump-sum in recent years. According to an Attorney General's Office official this increase has occurred because the maximum settlement that can be offered to a claimant increased from $40,000 to $60,000 in 2001. According to the official, the state increased the amount to encourage fewer claimants to pursue claims in court. Settling claims has resulted in increasing efficiency in handling cases and reducing the fund's potential exposure to long-term liabilities compared to paying benefits over a claimant's lifetime, according to an Attorney General's Office official.

Comparison to other states is difficult

Comparisons of state workers' compensation systems are difficult because of variations in state laws, according to an official at the Workers Compensation Research Institute. Thirty-five states, including Missouri, maintain a second injury fund. While all 35 states pay PTD benefits, Missouri and 17 other states pay PPD benefits. Two of the 17 pay PPD benefits in very limited situations. As shown in Table 1.1, Missouri paid $18 million in PPD payments in 2006, which represented about 26 percent of total expenditures. However, as shown above, PPD cases account for 66 percent of the cases served in 2006.

Recent Law Changes

Missouri's workers' compensation laws[7] underwent significant changes, effective August 2005. Changes included (1) more narrowly defining the definition of an "accident", (2) tightening the definition of what constituted a work-related injury, and (3) strengthening penalties for workers' compensation fraud committed by employers and employees. The law changes also included a cap to the fund surcharge rate of 3 percent. See page 10 for additional discussion of the impact of these law changes on fund solvency.

Court case will impact the fund

In addition to the changes discussed above, the fund will be impacted by a January 2007 Missouri Supreme Court decision[8] which stated PTD benefits are to be paid to an employee's dependent(s) in the event the employee subsequently dies from causes not related to the work-related injury. The benefits are only due to dependents that were dependents at the time of the work-related injury, however, the Supreme Court did not define dependent, according to division officials. See page 12 for additional information on this issue.

Scope and Methodology

In conducting our review of the fund, we interviewed officials at the Department of Labor and Industrial Relations (DOLIR), the division, the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP), and the Attorney General's Office.

To determine whether fund disbursements have been properly made, we relied on audit work performed during SAO's annual statewide financial statement audit work done at the division. The work performed included assessments of internal controls over revenues and expenditures of the fund, and a test of benefit payments which determined payments from the fund had been properly distributed by DOLIR.

[7] Workers' compensation laws are found in Chapter 287, RSMo.

[8] *Schoemehl v. Treasurer of the State of Missouri.*

In addition, as part of our review of disbursements, we assessed Attorney General's Office procedures used in determining whether to recommend a case go to trial or be offered a lump-sum settlement. We reviewed case files which included financial and actuarial information used by the Attorney General's Office in making determinations. We consider procedures used to be adequate. Therefore, we did not perform any additional audit work in this area.

To determine the fiscal soundness of the fund, we reviewed the validity and accuracy of DOLIR's solvency projections of the fund. We also reviewed the underlying assumptions behind those projections and validated those assumptions by reviewing the fund's past performance as well as reviewing other relevant information. We reviewed information pertaining to insurance premiums at DIFP as well as information related to fund expenditures at the Attorney General's Office in formulating our projection of fund solvency. Our projection, presented on page 10, represents the average of two DOLIR projection scenarios, the first of which assumes a 5 percent increase in claim payments and a 5 percent reduction in premium base. Both the increase in expenditures and reduction in premium base change at a declining rate versus a flat rate. The other scenario assumes a 5 percent increase in claim payments and no reduction in premium base. Both of these projections assume expenditures increase at a declining rate starting in 2006 and ending in 2010.

To determine the impact of the 2005 legislative changes on the fund, we conducted interviews with officials at DOLIR, DIFP and the Attorney General's Office. DOLIR officials provided information regarding the projections of revenues and expenditures used to calculate the surcharge rate. DIFP officials provided information regarding the impact of the 2005 legislative changes on the insurance premiums charged to employers. We consulted an official at the Attorney General's Office regarding the impact of the 2005 legislation on the number of second injury fund claims and expenditure projections.

To determine the impact of the Missouri Supreme Court case, we requested information from the division regarding the number of cases which fell into the same benefit classification as the *Schoemehl* case, and the dollar value of the benefits paid on those cases.

To determine the accuracy of DOLIR's projections of fund performance, we compared projected revenues and expenditures used in calculating the fund's surcharge rate to actual fund revenues and expenditures. The variances in actual and projected figures were analyzed for trends.

We requested comments on a draft of our report from the Director of DOLIR. We conducted our review of the fund during January and February 2007.

Fund Likely To Become Insolvent Unless Corrective Action Taken

The Second Injury Fund (fund) will likely become insolvent during 2008. This situation has occurred because changes in Missouri's workers' compensation law have limited the division's ability to assess a fund surcharge rate sufficient to cover fund expenditures and expected reductions in fund expenditures may take several years to occur. In addition, a January 2007 Missouri Supreme Court decision will result in additional future fund liabilities. State law has not provided a sufficient contingency plan to deal with fund insolvency, and as a result, benefits to injured workers may be in jeopardy unless DOLIR and the General Assembly act to resolve the fund's pending insolvency.

In addition, DOLIR's projections of fund revenues and expenditures have not always resulted in accurate predictions of fund performance. This situation has occurred because the department has not always obtained all relevant information that has been available from the Attorney General's Office and DIFP. As a result, DOLIR has overestimated expenditures and underestimated revenues in recent years.

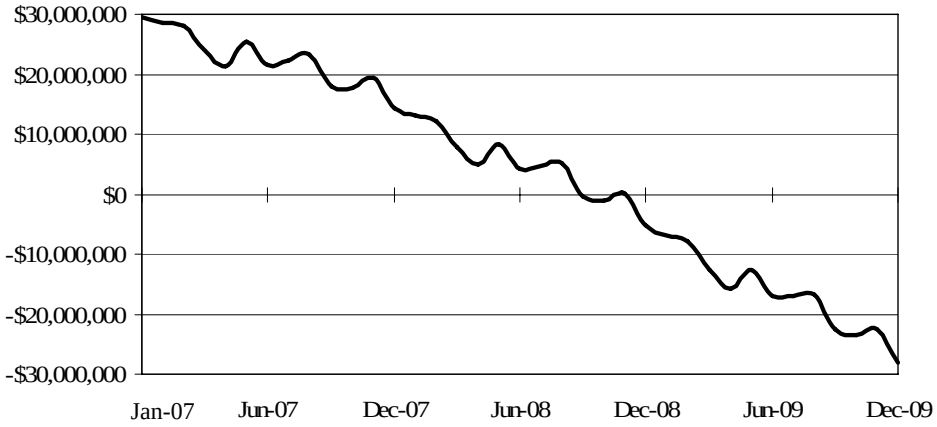
Fund Insolvency Likely In 2008

DOLIR projects the fund will become insolvent during calendar year 2008. According to a DOLIR official, the exact timing of the insolvency is difficult to predict due to the uncertainty of several factors, including the effect of the 2005 workers' compensation law changes on the workers' compensation insurance premium base, and the level of expenditures from the fund. However, DOLIR financial management personnel have generated projections for numerous fund performance scenarios based on various levels of premium base (revenue) and expenditure growth. Based on those scenarios, department officials have used a range of June to December 2008, as estimated dates the fund will become insolvent.

Based on our review of DOLIR data, and discussions with officials at the DIFP, DOLIR, the division, and Attorney General's Office, Figure 2.1 represents our projection[9] of the fund's solvency.

[9] See discussion of the assumptions used on page 7.

Figure 2.1: Fund Balance Projection - January 2007 through December 2009



Source: SAO projections based on DOLIR data

The above fund balance projection shows a fund balance of approximately $14 million at the end of 2007, negative $5 million at the end of 2008, and a negative $28 million at the end of 2009. DOLIR and division officials stated our projection represented a fair assessment of future fund performance.

Legislative changes limit fund revenue and should reduce future expenditures

Legislative changes to the workers' compensation law[10] capping the fund surcharge rate at 3 percent limits DOLIR's ability to generate revenues sufficient to cover fund expenditures. Based on our estimates, expenditures are projected to outpace revenues by approximately $57.5 million from 2007 through 2009, an average of $19.2 million per year and may continue to outpace revenue in future years. This result is consistent with information presented in the fiscal note for Senate Bill 1 which stated "capping the rate at 3.0 percent would reduce receipts by $27,871,046 in calendar year 2006, $46,451,744 in calendar year 2007 and $65,032,441 in calendar year 2008."

The surcharge rate calculation is defined by statute. Prior to the legislative changes capping the surcharge rate at 3 percent, the formula ensured a surcharge rate which would result in sufficient revenues, in combination with the starting fund balance, to cover projected expenditures plus a 10 percent cushion. Historically, the surcharge rate has exceeded 3 percent in 3 of the previous 11 years, with a high of 4 percent in 2003 and 2004.

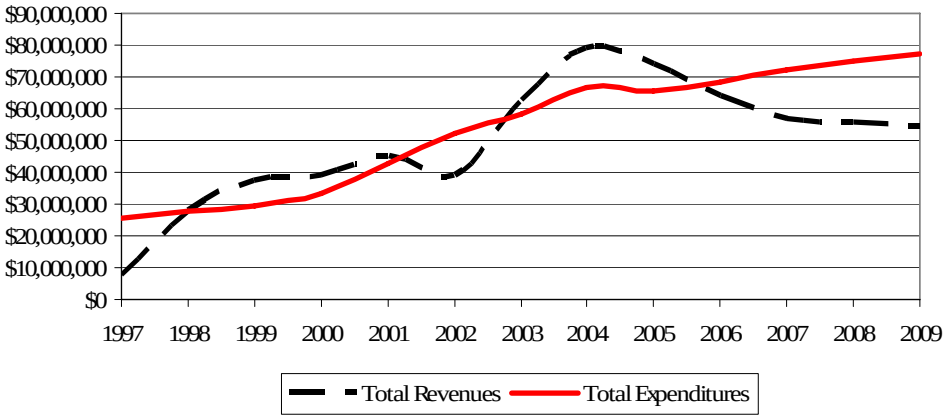
In addition, changes to the law are expected to reduce workers' compensation claims, which should result in a reduction in commercial insurers' premiums charged to employers. Reducing the premium base,

[10] See Senate Bill 1 and 130 from 2005.

combined with capping the surcharge rate, will result in reduced revenue for the fund.

Figure 2.2 depicts actual revenues and expenditures from 1997 to 2006, and our estimate of projected fund revenues and expenditures from 2007 through 2009.

Figure 2.2: Fund Revenues and Expenditures - 1997 through 2009



Source: SAO projections based on DOLIR data.

Using our expenditure projections, the surcharge formula results in a rate for 2008 of 3.5 percent, however the current statutes cap the rate at 3 percent. The 3.5 percent rate would increase employer fund payments, and generate sufficient revenue to maintain fund solvency through 2008. The following example illustrates the impact of this rate on an individual employer. Assuming an employer paid a workers' compensation insurance premium of $1,000 in 2008, the employer would pay a $30 fund payment[11] at the statutorily capped rate of 3 percent. Using the estimated rate of 3.5 percent for 2008, this same employer's fund payment would increase $5, from $30 to $35.[12]

Law changes should result in reduced future fund expenditures

Changes to the 2005 workers' compensation law have resulted in reduced fund claims, according to a DOLIR official. The number of fund claims declined by 21 percent from 2005 to 2006 compared to about 6 percent from 2003 to 2005, according to division data. See Appendix III for historical claims filed. However, according to an Attorney General's Office official, it will take several years for the reduced number of claims to result in reduced fund expenditures. According to the official, it takes a fund claim

[11] Amount represents the $1,000 workers' compensation insurance premium times 3 percent.

[12] Amount represents the $1,000 workers' compensation insurance premium times 3.5 percent.

approximately 2 to 3 years to be completed because of the nature of employee injuries involved. As of January 30, 2007, the Attorney General's Office had 32,069 open fund cases. Therefore, based on our analysis of future fund revenue and expenditures, although future fund expenditures are expected to decline, expenditures will exceed revenue through 2009.[13]

The information presented above is consistent with the initial fiscal note for Senate Bill 1 which also shows reductions in fund benefit payments will be minimal for fiscal years 2006 to 2008. The final fiscal note states the fiscal impact of Senate Bill 1 on fund expenditures is unknown.

Impact of *Schoemehl* decision not known

The *Schoemehl* case involves a PTD case in which the division awarded a weekly judgment of benefits to an injured worker. The Missouri Supreme Court's decision stated weekly PTD benefits are to carry forward to dependents of a deceased employee. However, the division does not obtain information regarding the existence of dependents for its case files. Without information on dependents, the potential financial impact of the decision cannot be determined at this time, according to DOLIR officials. As of January 30, 2007, the division had 745 similar PTD cases where weekly lifetime payments were being made, and the division paid $17.8 million on those cases in 2006, for an average of approximately $23,900 per case. According to information provided by the division, an average of 13 PTD lifetime payment recipients died per year from 2001 though 2006. Division personnel did not know how many of these claimants, if any, had dependents at the time of their injury. The *Schoemehl* decision will result in benefits continuing to be paid in those PTD cases where a recipient dies leaving a dependent, but does not result in new benefit cases.

An official at the Attorney General's Office stated the defense of future PTD claims would need to take into account the existence of dependents at the time of the injury.

No contingency plan exists in the event of insolvency

State statutes do not contain any provisions allowing the division to generate additional funds in the event of insolvency. One state statute[14] does contain a provision to allow the division to use workers' compensation administrative funds to supplement the fund, if needed. The fiscal note for Senate Bill 1 also mentioned using workers' compensation administrative funds as a possible solution in the event of insolvency. However, the administrative fund does not have sufficient funds to avoid the insolvency of

[13] Because the impact of the 2005 legislative changes on expenditures past 2009 is not fully known, an accurate projection of future expenditures is not available.
[14] Section 287.715(2), RSMo.

the Second Injury Fund, according to a division official. According to division officials, there is no contingency plan in place in the event of insolvency and the division does not know what would happen with benefit payments. According to division legal counsel, benefits would be in danger of not being paid because state statutes do not guarantee payment of these benefits through any other means.

Pending legislation will not address short-term solvency concerns

Several pieces of pending legislation[15] propose to make changes to control costs of the fund. However, none of the bills currently pending make changes to address the short-term solvency of the fund.

One proposed change eliminates the fund starting January 1, 2008. While this change would eliminate the insolvency problem of the fund in the long-term, funding would still be necessary to pay benefits to pending claims in 2008 and future years. Such a change would also require legislative changes to address workers with prior injuries and the extent to which their injuries are compensable under the regular workers compensation process. The cost of compensating workers for these types of injuries would not be eliminated, but would need to be covered by the employer or the employer's private insurance policy. Increasing private insurance coverage would likely result in increases to insurance premiums to employers.

Another proposed change is the elimination of PPD benefits on future claims. Elimination of PPD benefits would reduce expenditures, however, due to the 2- to 3-year time lag cases must go through before benefits are paid out, the effects of the reduction in benefits would not be felt immediately. The fund would still face insolvency for 2008 and 2009, PPD benefits for 2006 totaled $18 million. In comparison, expenditures are projected to exceed revenues by $19.5 million in 2008, and $22.8 million in 2009.

Several proposals are intended to reverse the effects of the Supreme Court's *Schoemehl* decision. The language in the bills to remove the effects of the *Schoemehl* decision will impact the long-term liabilities of the fund by limiting dependents of PTD claimants from receiving benefits once the claimant passes away. However, based on information available, the decision is not expected to have an impact on the short-term solvency of the fund.

[15] Workers' Compensation bills pending in the General Assembly as of April 4, 2007 include: Senate Bills 277, 606, 665, and 668, and House Bills 629, 685, 1147, and 1278.

Fund Projections Could Be Improved

DOLIR's financial management section provides fund projections used to set the annual surcharge rate and monitor fund solvency. However, section personnel have not always obtained all available information relevant to the future performance of the fund. Instead, recent expenditure and revenue projections have been primarily based on past performance trends, according to a DOLIR official. For example, DOLIR has not been aware information on future fund expenditures has been available from the Attorney General's Office, according to the official. The Attorney General's Office has specific knowledge of the number of cases expected to be finalized in the coming year and has information regarding trends in the settlements reached in past years and how they will affect future expenditures, according to an Attorney General's Office official. Based on current history, DOLIR's current projection of a 5 percent increase in fund expenditures may be overstated, according to the official.

More timely revenue information is available

In order to project fund revenues, DOLIR projects the workers' compensation premium base, which the surcharge rate will be charged against. However, DOLIR officials have not obtained the most current information available from DIFP regarding workers' compensation insurance rates. For example, insurance company rate change information is available on an ongoing basis from DIFP. Insurance officials provided us with the 2006 rate reduction which reflected a 2.2 percent reduction for the market as a whole. However, DOLIR officials did not know this information has been available and DIFP has not shared the information with the department, according to a DOLIR official. Instead, DOLIR normally uses a DIFP report that includes 10-month old premium base information.[16]

Inaccurate projections resulted in high fund balances

Inaccurate projections resulted in the fund experiencing its highest year end fund balances in a decade in 2005 and 2006. (See Appendix I for historical information.) For these years, we found projected expenditures were overstated, while the premium base projections, and therefore revenues, were understated. These two factors combined to result in an accumulating fund balance the past two years. The high fund balances have resulted in the division calculating a 3 percent surcharge and the fund remaining solvent for 2006 and 2007. Therefore, the statutory cap rate did not become a factor when setting the 2006 and 2007 rates.

Actuarial reports not useful

State statute[17] requires the division to contract for an actuarial study "to determine the solvency of the fund, appropriate funding level of the fund,

[16] The timing of the premium base report and DOLIR's surcharge rate calculation are set by statute. Therefore, the premium base information used is the most current available.
[17] Section 287.220(6), RSMo.

and forecasted expenditures from the fund." However, our review of the two latest reports[18] disclosed the actuarial projections contained inaccuracies. The reports' projected expenditures have been understated by as much as 32 percent in 2004 and overstated by as much as 28 percent in 2006. Projections of the premium base, and therefore revenue, have also been consistently understated. Division officials stated because of these inaccuracies and because the information becomes outdated quickly, the actuarial reports have been of little to no use in helping project future fund activity. The division spent approximately $27,000 on its most recent actuarial report in 2005. Proposed legislation[19] would require the completion of actuarial reports on an annual basis.

Conclusions

Legislative changes implementing the 3 percent surcharge cap have eliminated the division's ability to assess an employer surcharge rate sufficient to cover fund expenditures. As a result, the fund will become insolvent during 2008 unless corrective action is taken. Prior to the legislative changes in 2005, the surcharge rate formula, in place since 1993, was a self-adjusting fund mechanism which used a variable surcharge rate to ensure revenues were sufficient to cover expenses. While the 2005 changes are expected to result in fund expenditure reductions, the changes will also impact the premium base, and therefore, the revenue side of the surcharge equation. In the event the premium base drops, a 3 percent surcharge rate will result in less revenue than it did in prior periods. The lack of a variable surcharge rate does not allow the fund to collect adequate funds to remain solvent.

A January 2007 Missouri Supreme Court decision will result in additional future fund liabilities. The short-term impact, through 2009, of the *Schoemehl* decision on fund solvency is likely to be minimal based on the relatively few lifetime PTD recipients who have passed away in recent years. Because there are only 745 active claims being paid that this decision could potentially impact, an additional liability would only be incurred if any of those 745 claimants passes away and had a dependent to claim the benefits. Information on potential dependents of the 745 active lifetime PTD recipients would need to be obtained to accurately project the potential impact of the *Schoemehl* decision. Determining a more specific impact of the *Schoemehl* decision would assist the General Assembly in determining the extent of action to be taken to cover expected shortfalls in funding.

[18] The two latest reports are dated October 2001 and March 2005 and included projections for calendar years 2002 through 2004 and 2005 through 2007, respectively.
[19] Senate Bills 665 and 668, and House Bill 1147.

Action is needed because state statutes provide no contingency plan or funding available to cover the expected shortfall. In addition, pending legislation does not address the short-term solvency concerns of the fund, therefore additional funding sources are needed to address this short-term insolvency of the Second Injury Fund.

Much of the information used by DOLIR to project future fund performance has not been timely and the department has not taken advantage of information available from the Attorney General's Office and DIFP. Using information from those two agencies would assist DOLIR in making more accurate projections of fund performance.

The department has found contracted actuarial studies have not been useful in developing funding forecasts. Current legislation proposing annual actuarial reports does not appear necessary. Therefore, the department should evaluate the appropriateness of contracting for this service and advise the General Assembly of its findings.

Recommendations

We recommend the General Assembly:

1. Take action to ensure fund solvency in 2008 and in the future.

We recommend the Department of Labor and Industrial Relations:

2. Determine how many of the 745 current PTD lifetime recipients had dependents at the time of their injuries. With this information, determine the long-term impact of the *Schoemehl* decision on the fund and inform policy makers.

3. In conjunction with the General Assembly, develop a contingency plan to address potential fund shortfalls.

4. When developing fund projections, ensure all available information relevant to the fund is obtained, including input from DIFP and the Attorney General's Office.

5. Evaluate the usefulness of contracted actuarial studies and report findings to the General Assembly.

Agency Comments

DOLIR Comments

1. It is the Department's understanding that Audit Recommendation 1 is directed to the General Assembly. Action required to ensure Fund solvency in 2008 and in the future will be discussed in the Department's

response to Audit Recommendation 3. The Department agrees that to ensure Fund solvency in 2008 and in the future, immediate action is required.

2. *In order to accomplish this recommendation, the Division will need statutory or court ordered authority to obtain information regarding the existence of dependents in cases impacted by the Schoemehl decision. The Department and the Division concur that the long-term impact of the Missouri Supreme Court's decision in Schoemehl must be determined.*

   On March 20, 2007, the Missouri Supreme Court denied a motion for rehearing in Schoemehl, which requested that the Supreme Court reconsider and at the very least clarify its holding in Schoemehl. Based upon how the Labor and Industrial Relations Commission and the Attorney General's Office determine who has been granted benefit rights under Schoemehl, a projection of the costs of those benefits will need to be made through an actuarial study. To project the costs of those benefits, as noted on page 12 of the draft copy of the April audit report, the Division would need to "obtain information regarding the existence of dependents for its case files." The Division does not have this information, because prior to the Supreme Court's decision in Schoemehl the Division had neither a reason nor statutory authority to capture that information in permanent total disability cases.

   In his January 16, 2007 letter to the State Auditor, Governor Blunt specifically noted that the Missouri Supreme Court's decision in Schoemehl is a potentially complicating issue facing the Fund. The April draft audit report simply echoes that concern, stating at page 9 that the Supreme Court's "decision may result in additional future fund liabilities." The April draft audit report at page 12 states, without explanation or citation to authority, that the Schoemehl decision "does not result in new benefit cases." The April draft audit report does not consider the potential impact if the Schoemehl decision is applied retrospectively or if it is applied to any of the 32,069 pending Second Injury Fund cases identified by the Attorney General's Office and referenced on page 5 of the April draft audit report.

   Despite references to data on page 12 showing average lifetime permanent total disability payments in 2006 of $23,900 and an average of 13 PTD lifetime recipient deaths per year, the April draft audit report provides no analysis of that available information in terms of Schoemehl's impact on the Fund's solvency. Nothing in the draft audit report indicates that the potential impact of the Schoemehl decision is

reflected in the State Auditor's projections of Fund expenditures from 2007 through 2009 referenced on pages 10, 11 and 13 of the April draft audit report. Although it is noted at page 12 of the April draft audit report that the Attorney General's office advised that "the defense of future PTD claims would need to take into account the existence of dependents at the time of the injury." That potential impact of Schoemehl on the settlement value of Fund claims and defense costs was not explored in terms of its effect on Fund solvency. Rather, at page 13 of the April draft audit report the State Auditor states summarily that "based on information available, the [Schoemehl] decision is not expected to have an impact on the short-term solvency of the fund." This implies that the auditor expects no awards or settlements will be made based on the Schoemehl decision in 2007, 2008, or 2009.

SAO Comments

Based on information shown on page 12 of the report, if all of the PTD claimants who died in 2007 and 2008 had dependents, the maximum estimated impact of the *Schoemehl* decision would be approximately $300,000 per year. Our projections of fund solvency did not reflect the potential impact of the *Schoemehl* decision. However, any additional expense to the fund as a result of the *Schoemehl* case would be minimal to the fund as a whole.

The Senate has passed Senate Bill 668 which is intended to address the *Schoemehl* decision and this bill is now in the House. In the fiscal note to this bill the Office of Administration indicates that the *Schoemehl* decision would have minimal impact for the state. The methodology used by the Office of Administration in this fiscal note confirms our estimated projections showing minimal impact on the Second Injury Fund as a result of the Schoemehl decision.

3. *As noted above, in Audit Recommendation 1, "Take action to ensure fund solvency in 2008 and in the future," the Department and the Division will work to provide information in conjunction with the General Assembly to develop a Second Injury Fund solvency contingency plan to address the projected pending shortfalls in the Fund. If requested, the Division will be available to provide information to the members of the General Assembly and those responsible for the Fund's solvency.*

   On page 10 of the April draft audit report, the auditor projects a negative $5 million Fund balance at the end of 2008. According to the April draft audit report at page 11, using the auditor's "expenditure

projections, the surcharge formula results in a rate for 2008 of 3.5 percent…." According to the auditor: "The 3.5 percent rate would increase employer fund payments, and generate sufficient revenue to maintain fund solvency through 2008." Using the anticipated premium base, a one-half percent increase in the surcharge rate is currently expected to generate $9 to $9.5 million. Using the auditor's projections, a surcharge rate increase from 3.0 percent to 3.5 percent in 2008 would result in a Fund balance of $4 to $4.5 million at the end of 2008. However, in order for the Division to require a 3.5 percent surcharge rate, rather than the current statutory maximum 3.0 percent surcharge rate, an immediate statutory change would be necessary as the Division is required by law to calculate the 2008 Fund surcharge rate by October 31, 2007, and to notify all insurance companies and self-insured employers.

Continuing with the auditor's projections, at page 10 of the April draft audit report the auditor projects a negative $28 million Fund balance by the end of 2009. If a 3.5 percent surcharge rate in 2008 will result in a Fund balance of $4 to $4.5 million at the end of 2008, an additional $23.5 to $24 million will be needed to avoid the negative Fund balance at the end of 2009 as projected by the auditor. To generate that additional $23.5 to $24 million using the anticipated premium base will require raising the 2009 annual Second Injury Fund surcharge rate to 4.5 percent.

As noted on page 10 of the April draft audit report, the auditor estimates that "expenditures are projected to outpace revenues by approximately $57.5 million from 2007 through 2009, an average of $19.2 million per year and may continue to outpace revenues in future years." Thus, the annual surcharge rate projected to be 4.5 percent in 2009 would need to be increased by a minimum of one percent in each of the successive years. This highlights that solvency of the Second Injury Fund is not solely a revenue issue. Raising the surcharge rate imposed on Missouri businesses, as suggested in the April audit report is not a solution, but only a short-term approach to the problem. A long-term solution to Second Injury Fund solvency must include controlling expenditures.

The Department and the Division are always willing to provide assistance, when requested, to the General Assembly in formulating policy and drafting legislation. The contingency plan for Second Injury Fund solvency may have various components to provide funding based on the severity of the cash shortage, including, but not limited to, a short-term cash flow loan, an emergency surcharge, statutory changes

to the funding formula, or substantive changes to the Fund. It is unfortunate that the April draft audit report was not issued in time for the legislature to consider all options prior to the March 1 and April 1 deadlines for filing proposed legislation during the current session. With less than four weeks remaining in the 2007 regular legislative session, to affect the funding issues of 2008, the General Assembly is left with three options: (1) attaching a Second Injury Fund solvency proposal to pending legislation, (2) addressing Second Injury Fund solvency in a special legislative session, or (3) addressing Second Injury Fund solvency in the 2008 regular legislative session with an emergency clause.

It should be noted that due to the existing funding formula and statutory timelines in section 287.715, RSMo, any legislative changes directed toward revenues and enacted during the 2008 legislative session will have no impact on Second Injury Fund revenues until April 2009, well beyond the projected insolvency of the Fund.

The April draft audit report focuses only on the revenue side of the Second Injury Fund equation and makes no assessment regarding the reasons why expenditures from the Fund have increased dramatically since 1993, when the last major legislative changes to the Second Injury Fund went into effect. Those legislative changes included adding a category of benefits for second job wage loss, establishing thresholds to qualify for Second Injury Fund permanent partial disability benefits, requiring the attorney general to use assistant attorneys general to provide legal services, and replacing the flat Second Injury Fund and Workers' Compensation Administrative Fund rates with a complicated formula that requires the Division to set surcharge and tax rates based on projections of revenues, balances, and expenditures.

Also not discussed in the April draft audit report is any contingency plan that would need to address controlling expenditures. Control of Second Injury Fund expenditures is not within the statutory authority currently available to the Division. It is the statutory responsibility of the State Treasurer as custodian of the Fund, who "shall be named as a party, and shall be entitled to defend against the claim," as well as the Attorney General, "to provide legal services as may be required in all claims made for recovery against the fund." Section 287.220.2, RSMo. The Division will be available, when requested, to provide information and data to the General Assembly and all interested stakeholders. The Division has begun research and outreach efforts on possible solutions that might be used as part of a Second Injury Fund solvency contingency plan.

SAO Comments

As stated in our report, it takes several years for a Second Injury Fund claim to result in an expenditure from the fund. For this reason, when we were considering potential issues impacting the short-term solvency of the fund, expenditure side changes would have little impact on short-term solvency. While we obviously agree that controlling expenditures would have an impact on fund solvency in the long-term, it will not have an impact on the solvency of the fund in the short-term.

This audit report does not recommend that the surcharge rate be raised. The report does provide an example of the impact of raising the surcharge formula rate from 3 to 3.5 percent.

The audit report states the law does not provide an adequate contingency plan. In the fiscal note to Senate Bill 1, the department provided information indicating the proposed changes would significantly reduce revenue to the Second Injury Fund and suggested the Administrative Fund could be used in the event of insolvency. Since the department has oversight and primary management responsibility for the fund, it should take the lead in providing the General Assembly the information necessary to address the solvency of the Second Injury Fund. However, in the two years since the passage of Senate Bill 1 the department has not developed any plans to address the impending solvency problem and the Administrative Fund does not contain adequate funds to address the insolvency.

The Governor requested the SAO to audit the Second Injury Fund in a letter dated January 16, 2007. This audit report is being released approximately 100 days after this request which is very timely considering the complexity of the issues addressed in this report. The General Assembly has several bills in process to which amendments could be added to address the problems noted in this audit report. Any bills passed by the General Assembly during this session would be in sufficient time to correct the 2008 insolvency problems.

4. *The Department has consulted with the predecessor of DIFP in the past when developing Fund projections and been told that DIFP does not make projections. The Department and the Division will be happy to seek input from both DIFP and the Attorney General in making the projections necessary to set the Fund surcharge rate for 2008. Under Section 287.715, RSMo, the surcharge rate for the following year must be calculated by October 31 of the current year. The Division must use information current and available on October 31 to make the necessary projections and calculations. It is the Division's understanding that the*

most current and available insurance premium base data certified by DIFP is used to calculate the annual Fund surcharge rate.

The Department and the Division have consistently provided the Attorney General's Office with statistical information maintained by the Division. The Attorney General's Office has not shared with the Department or the Division statistical data or projections referenced on page 14 of the April draft audit report showing that the Attorney General's Office has "specific knowledge of the number of cases expected to be finalized in the coming year" or that the Attorney General's Office "has information regarding trends in the settlements reached in the past years and how they will affect future expenditures."

The Division has, by letter dated March 19, 2007, requested from the Attorney General's Office information from that office's statistical database and a trend line. That information referenced on page 14 of the April draft audit report will be immediately necessary to provide assistance in the next four weeks to the General Assembly and interested stakeholders in developing a contingency plan in order to ensure Fund solvency in 2008 and in the future. The Department and the Division look forward to a response to the Division's March 19, 2007 letter requesting information from the Attorney General's Office.

5. *The Department recognizes the value of an actuarial study that is accurate and based on reliable data. If an outside actuarial is used, writing a multi-year contract to use the services of a single actuarial firm to conduct successive actuarial reviews would provide consistency in understanding the complex issues facing the Fund.*

   The Department may need to explore the possibility of having the services of a full-time, independent actuary on retainer who would be familiar with all the details of the Fund program and who could immediately explore options and evaluate opportunities as the premium base shifts. Other options include having a Certified Public Accountant manage the future solvency issues of the Fund. It should be noted that solvency of the Fund is impacted to a considerable degree by payouts that are tied to the defense of the Fund that are statutorily placed upon the State Treasurer, as custodian of the Fund, and the Attorney General's Office. Both receive appropriations from the Fund to accomplish their statutory responsibilities. For example, FY2007 appropriations for the State Treasurer's Office total $60,348.26 from the Fund for personal service, equipment and expense, and fringe benefits. FY2007 appropriations for the Attorney General's Office total $3,768,449.74 from the Fund for personal services, equipment and

expense, leasing, STOB transfer, and fringe benefits. Currently, there are no appropriations from the Fund to the Division for staff or actuarial studies. Missouri employers currently pay for those expenses through the Workers' Compensation Administrative Fund.

Historical Financial Information and Surcharge Rates

Table I.1 depicts revenue and expenditures by categories, and balances and surcharge rates for calendar years 2000 through 2006.

Table I.1: Revenue and Expenditure Detail - 2000 through 2006

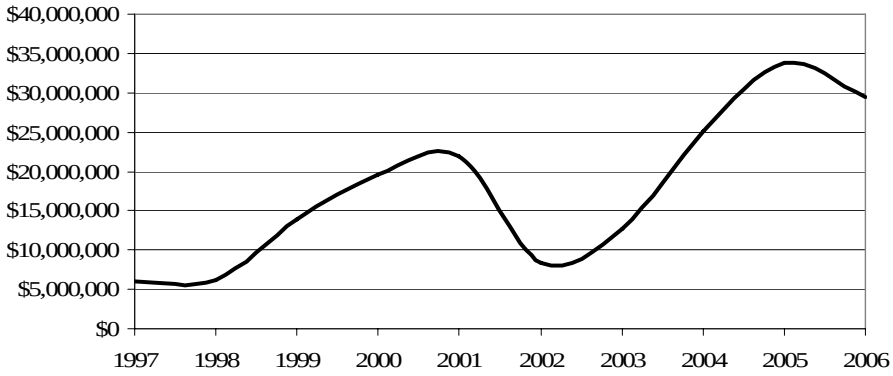
	2000	2001	2002	2003	2004	2005	2006
Beginning Balance	$13,964,003	19,641,860	21,925,158	8,344,756	12,706,108	25,187,451	33,885,991
Revenue							
Surcharge Collections	$37,745,013	43,825,511	38,194,218	62,387,227	78,514,651	72,990,094	62,150,266
Interest	899,089	1,258,552	498,251	179,643	337,144	895,870	1,515,608
Other	213,041	149,794	159,536	211,883	130,453	197,051	278,478
Total Revenue	$38,857,143	45,233,857	38,852,005	62,778,753	78,982,248	74,083,015	63,944,352
Expenditures							
Benefits	$29,913,151	39,336,963	48,722,946	53,962,702	62,431,668	60,995,159	63,877,106
Personal Service	1,389,429	1,586,330	1,581,857	1,581,679	1,655,821	1,733,724	1,768,410
Administration	1,875,706	2,028,266	2,127,604	2,873,020	2,413,416	2,655,592	2,748,817
Total Expenditures	$33,178,286	42,951,559	52,432,407	58,417,401	66,500,905	65,384,475	68,394,333
Ending Balance	$19,642,860	21,925,158	8,344,756	12,706,108	25,187,451	33,885,991	29,436,010
Surcharge Rate	3.0%	2.5%	2.5%	4.0%	4.0%	3.5%	3.0%

Source: Division of Workers' Compensation records.

Historical Fund Balance

Figure II.1 depicts the historical fund balance of the fund.

Figure II.1: Fund Balance - 1997 through 2006



Source: Division of Workers' Compensation records.

Historical Claims Filed and Dismissed, and Cases Served

Table III.1 contains information on the number of Second Injury Fund claims filed and dismissed, and the number of cases served from 1997 through 2006.

Table III.1: Claims Filed and Dismissed, and Cases Served – 1997 through 2006

Year	Claims Filed	Claims Dismissed	Cases Served[1]
1997	9,740	7,147	3,431
1998	10,382	6,605	3,998
1999	11,110	7,022	4,487
2000	12,060	6,859	3,970
2001	13,255	7,273	4,626
2002	14,199	7,765	5,177
2003	14,157	7,435	5,218
2004	13,882	7,912	5,642
2005	13,363	8,225	5,616
2006	10,591	8,824	5,621

[1] Cases served is defined as the number of cases which received a payment of any kind during the year.

Source: Division of Workers' Compensation data.

Governor's Letter Requesting Second Injury Fund Audit

OFFICE OF THE GOVERNOR
STATE OF MISSOURI
JEFFERSON CITY
65101

MATT BLUNT
GOVERNOR

STATE CAPITOL
ROOM 216
(573) 751-3222

January 16, 2007

The Honorable Susan Montee
Missouri State Auditor
State Capitol Building
Jefferson City, Missouri 65101

Dear Ms. Montee:

It has come to my attention that Missouri's Second Injury Fund ("the fund") soon may be depleted of resources. Potentially complicating the issue is the Missouri Supreme Court's recent decision in *Schoemehl v. Treasurer of the State of Missouri* to extend benefits paid from the fund to dependents for the duration of their lives following the death of the covered worker. The fund plays a vital role in compensating injured employees when a current work-related injury combines with a prior disability to create a more serious condition for which the employee is to be compensated. In light of these recent events and in the public interest in this issue, I am exercising my authority under section 26.060, RSMo, and requesting you to audit Missouri's Second Injury Fund to determine if the resources of the fund are being disbursed properly.

If you have any questions, please contact my general counsel, Henry Herschel, or myself at (573) 751-5218.

Sincerely,

Matt Blunt

Matt Blunt

Susan Montee, CPA
Missouri State Auditor

April 2007

AGRICULTURE

State Milk Board

Two Years Ended June 30, 2006

Report No. 2007-18

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

April 2007

The following report is our audit of the Department of Agriculture, State Milk Board.

The Missouri State Milk Board was created in 1972 and was transferred to the Department of Agriculture in accordance with the Omnibus State Reorganization Act of 1974. The State Milk Board consists of twelve members, ten of whom are appointed by the governor. The two remaining members of the board are the director of the Department of Health and Senior Services and the director of the Department of Agriculture, or their designated representatives. An executive secretary serves as the administrative officer of the board, which administers the inspection of milk supplies.

We had no findings on the Department of Agriculture, State Milk Board.

All reports are available on our website: www.auditor.mo.gov

YELLOW SHEET

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Matt Blunt, Governor
and
Matt Boatright, Interim Director
Department of Agriculture
and
Terry S. Long, Executive Secretary
State Milk Board
Jefferson City, MO 65102

We have audited the accompanying Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments of the Milk Inspection Fees Fund; Comparative Statement of Receipts of the General Revenue Fund; and Comparative Statement of Appropriations and Expenditures of the various funds of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Milk Inspection Fees Fund; the receipts of the General Revenue Fund; and the appropriations and expenditures of the various funds of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2006 and 2005, on the bases of accounting discussed in Note 1.

In accordance with *Government Auditing Standards,* we also have issued our report dated March 9, 2007, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the bases of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

March 9, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Keri Wright

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

Honorable Matt Blunt, Governor
and
Matt Boatright, Interim Director
Department of Agriculture
and
Terry S. Long, Executive Secretary
State Milk Board
Jefferson City, MO 65102

We have audited the financial statements of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated March 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Department of Agriculture, State Milk Board, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Department of Agriculture, State Milk Board are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Department of Agriculture, State Milk Board and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

March 9, 2007

Financial Statements

Exhibit A

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS - MILK INSPECTION FEES FUND

	Year Ended June 30,	
	2006	2005
RECEIPTS:		
Milk inspection fees	$ 1,196,831	1,379,489
DISBURSEMENTS:		
Personal service	236,260	210,088
Employee fringe benefits	98,023	82,182
Cost allocation plan	18,313	18,903
Expense and equipment	108,515	100,273
Inspection contract costs	877,294	641,081
Building lease	1,800	10,928
Total Disbursements	1,340,205	1,063,455
RECEIPTS OVER (UNDER) DISBURSMENTS	(143,374)	316,034
CASH AND INVESTMENTS, JULY 1	751,052	435,018
CASH AND INVESTMENTS, JUNE 30	$ 607,678	751,052

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF RECEIPTS
GENERAL REVENUE FUND

	Year Ended June 30,	
	2006	2005
RECEIPTS:		
Other Inspection Fees	$ 14,504	17,545
Total	$ 14,504	17,545

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2006			2005		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Personal Service and Expense and Equipment	$					
for contractual services with local health agencies	0	0	0	459	0	459
Personal Service	98,603	80,990	17,613	112,080	108,677	3,403
Expense and Equipment	19,597	14,910	4,687	21,362	17,145	4,217
Total General Revenue Fund	118,200	95,900	22,300	133,901	125,822	8,079
MILK INSPECTION FEES FUND						
Personal Service	245,974	234,928	11,046	238,497	210,088	28,409
Expense and Equipment	209,184	103,701	105,483	223,029	100,273	122,756
Personal Service and Expense and Equipment for contractual services with local health agencies	984,887	877,294	107,593	1,306,970	641,081	665,889
Payment of real property leases, related services, utilities and systems furniture and structural modification for new FTE - Expense and Equipment	215	0	215	11,586	10,928	658
Missouri Department of Agriculture - Director's Office Personal Service	0	0	0	1,342	0	1,342
Missouri Department of Agriculture - Director's Office Expense and Equipment	0	0	0	989	0	989
Overtime	50	0	50	0	0	0
Missouri Department of Agriculture - IT Consolidation Personal Service	1,342	1,332	10	0	0	0
Missouri Department of Agriculture - IT Consolidation Expense and Equipment	9,343	4,814	4,529	0	0	0
Total Milk Inspection Fees Fund	1,450,995	1,222,069	228,926	1,782,413	962,370	820,043
DAIRY PLANT INSPECTION AND GRADING FUND						
Dairy Plant Inspections	7,341	0	7,341	8,000	0	8,000
Missouri Department of Agriculture - IT Consolidation Expense and Equipment	659	0	659	0	0	0
Total Dairy Plant Inspection and Grading Fund	8,000	0	8,000	8,000	0	8,000
Total All Funds	$ 1,577,195	1,317,969	259,226	1,924,314	1,088,192	836,122

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

Type of General Capital Assets	Balance June 30, 2004	Adjustment	Additions	Dispositions	Balance June 30, 2005	Additions	Dispositions	Balance June 30, 2006
GENERAL REVENUE FUND								
Office furniture and equipment	$ 22,903	4,761	3,659	13,391	17,932	576	9,546	8,962
Automobiles	25,500	0	0	0	25,500	0	14,000	11,500
Total General Revenue Fund	48,403	4,761	3,659	13,391	43,432	576	23,546	20,462
MILK INSPECTION FEES FUND								
Office furniture and equipment	152,540	(17,543)	3,660	1,801	136,856	4,594	16,679	124,771
Automobiles	25,700	14,000	0	0	39,700	8,300	20,500	27,500
Total Milk Inspection Fees Fund	178,240	(3,543)	3,660	1,801	176,556	12,894	37,179	152,271
Total General Capital Assets	$ 226,643	1,218	7,319	15,192	219,988	13,470	60,725	172,733

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund of the Department of Agriculture, State Milk Board.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Milk Inspection Fees Fund. Appropriations from this fund are expended by or for the board for restricted purposes.

Receipts are presented in Exhibit B for the state's General Revenue Fund. Receipts include monies the board collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and fund balances or net assets of the related funds but are used only to account for and control the board's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting. Expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations.
However, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the 2-year period

are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The cash basis of accounting and the budgetary basis of accounting differ from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The board administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Milk Inspection Fees Fund: This fund is authorized by Section 196.947, RSMo, to receive all monies paid to the state for milk inspection. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the costs of the state milk inspection program, which may include payments to other agencies for services provided related to the program. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund.

Dairy Plant Inspection and Grading Fund: This fund is authorized by Section 196.614, RSMo, to receive all monies paid to the state from the United States Department of Agriculture for contracted manufacturing dairy plant inspection or grading. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the cost of the contracted manufacturing milk inspection and grading program. Any unexpected balances in this fund are perpetually maintained for the purposes of the fund.

General Revenue Fund: The board receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the board, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, and deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a state contribution for each employee who

participates in the deferred compensation plan and has been employed by the state for at least 1 year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; employee and retiree health care premiums; and the deferred compensation incentive amount.

Employee fringe benefits in the financial statement at Exhibit A are the transfers from the Milk Inspection Fees Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

2. Cash and Investments

The balance of the Milk Inspection Fees Fund is pooled with other state funds and invested by the state treasurer. There was no balance in the Dairy Plant Inspection and Grading Fund at June 30, 2005 and 2006.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Milk Inspection Fees Fund disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

	Year Ended June 30,	
	2006	2005
DISBURSEMENTS PER EXHIBIT A	$ 1,340,205	1,063,455
Employee fringe benefits	(98,023)	(82,182)
Cost allocation plan transfer	(18,313)	(18,903)
Building Lease	(1,800)	0
EXPENDITURES PER EXHIBIT C	$ 1,222,069	962,370

4. Inspection Contract Costs

During the two years ended June 30, 2006, the State Milk Board contracted with the county of St. Louis and the city of Springfield to inspect Grade A milk supplies. This expenditure category represents the cost associated with these contracts paid from the Milk Inspection Fees Fund.

Note to the Supplementary Data:

5. General Capital Assets

General capital assets are recorded at cost in the general capital assets account. General capital assets are depreciated on straight-line basis using a five year useful life classification and a salvage value of zero. Accumulated depreciation on general capital assets at June 30, 2006 and 2005, was as follows:

	Year Ended June 30,	
	2006	2005
Milk Inspection Fees Fund	$ 125,270	145,617
General Revenue Fund	14,825	35,036
Total	$ 140,095	180,653

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri State Milk Board was created in 1972 when the General Assembly adopted and the Governor signed into law House Bill No. 1280. In accordance with the Omnibus State Reorganization Act of 1974, the State Milk Board was transferred to the Department of Agriculture under a Type III transfer. Under a Type III transfer, the Director of the Department of Agriculture does not maintain supervision over substantive matters relating to policies and regulative functions of the State Milk Board.

Pursuant to Executive Order No. 82-9, effective August 13, 1982, ". . . All powers, duties, and functions vested in the Division of Animal Health and the Director of the Department of Agriculture with respect to administering and enforcing the provisions of Sections 196.520 through 196.610 RSMo 2000, (relating to The Missouri Manufacturing Milk and Dairy Market Testing Law) . . ." were transferred to the State Milk Board.

The State Milk Board consists of twelve members, ten of whom are appointed by the governor. The two remaining members of the board are the director of the Department of Health and Senior Services and the director of the Department of Agriculture or their designated representatives. An executive secretary serves as the administrative officer of the board, which administers the inspection of milk supplies.

The Fluid Milk Inspection Program is funded from milk inspection fees. To help cover inspection costs, the General Assembly appropriated $459 from the state's General Revenue Fund during the year ended June 30, 2005. Section 196.945, RSMo, limits milk inspection fees to five cents per one hundred pounds of fluid milk. The inspection fee is set by the board after holding a public hearing giving thirty days public notice. The inspection fee for the two fiscal years ended June 30, 2006, was five cents per one hundred pounds of milk produced in Missouri and four cents and three cents per one hundred pounds of milk produced in other states and imported into Missouri for the years ended June 30, 2005 and 2006, respectively. Imported milk is charged a lesser rate because the originating state inspects its producers.

During the two years ended June 30, 2006, the State Milk Board contracted with the county of St. Louis and the city of Springfield to perform inspections in those areas. The State Milk Board has management responsibility for the Kansas City area. The board's enforcement of statutes and regulations ensures that fluid milk and milk products are uniformly inspected, regulated, and graded throughout the state. The board's operation of the Fluid Milk Inspection Program is funded by the difference between the inspection fee collected and the contract payments to the other governmental units.

The Manufacturing Milk and Dairy Market Testing Law Program is funded by appropriations from the state's General Revenue Fund. The State Milk Board is responsible for the enforcement of laws relating to the sanitation and quality standards of milk used for manufacturing dairy products and to market test all milk at first point of sale. Milk producers, manufacturing plants,

field superintendents, testers, graders, samplers, and milk truck operators are also licensed under this program.

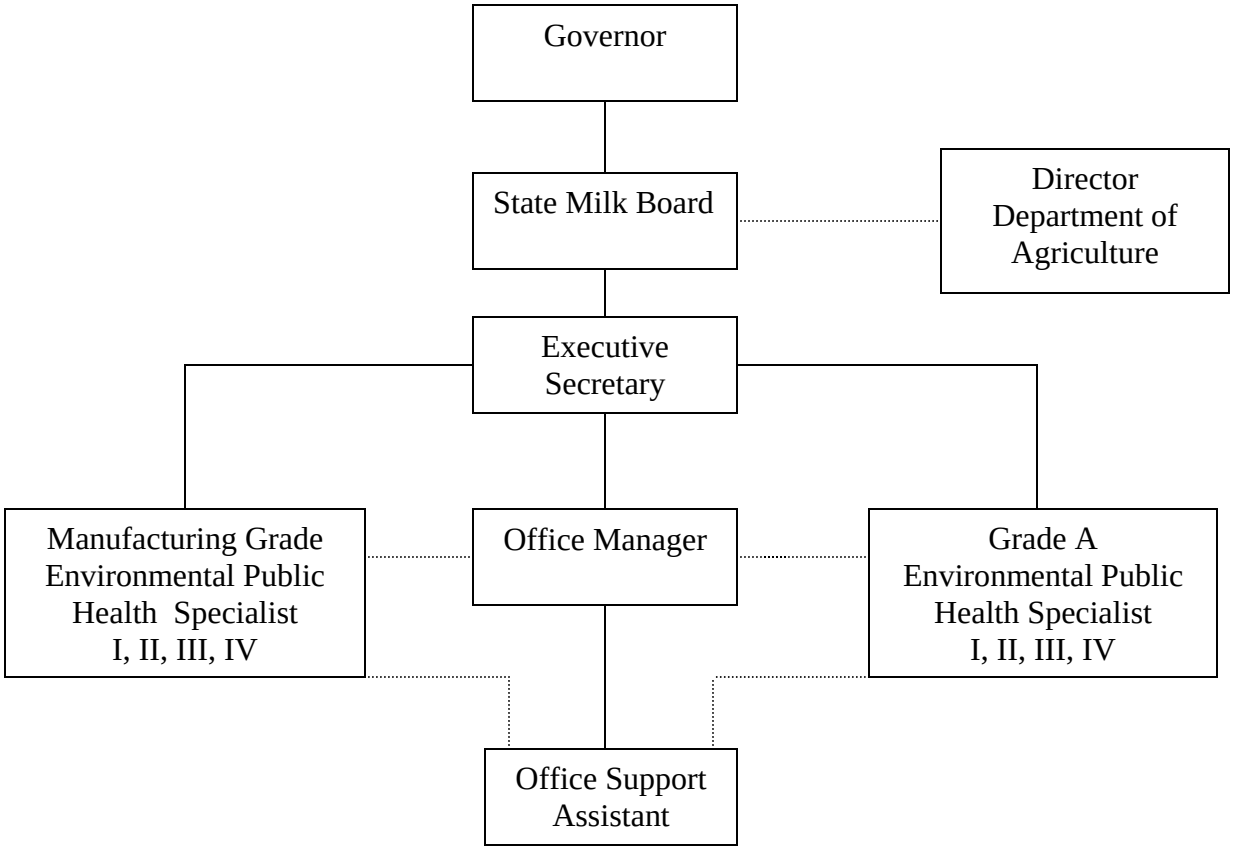
At June 30, 2006, State Milk Board members were as follows:

Name	Organization	Term Expires
Kate Geppert	Holstein Association	September 28, 2006
Ron Boyer	Springfield/Greene County Health Department	September 28, 2007
Robert W. Cary	Prairie Farms Dairy	September 28, 2006
Vacant	St. Louis County Health Department [1]	N/A
Randy Mooney	MFA	September 28, 2007
Barry J. Drucker	St. Charles County Health Department	September 28, 2005 [2]
Gale Hackman	Processing Plants	September 28, 2009
Erwin P. Gadd	Consumer-At-Large	April 11, 2006 [3]
Dr. Chuck Massengill, DVM	Department of Agriculture	Ex Officio
Dr. Lyn C. Konstant	Department of Health and Senior Services	Ex Officio
William B. Siebenborn	Milk Producers Organization – Farm Bureau	September 28, 2009
Patricia M. Mahoney	St. Louis City Health Department	September 28, 2002 [3]

[1] This position has been vacant since November 2004.
[2] Served until his resignation in October 2006.
[3] Continues to serve until a replacement is appointed.

Terry S. Long serves as the Executive Secretary of the board. At June 30, 2006, the State Milk Board had nine employees. An organization chart follows.

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
ORGANIZATION CHART
JUNE 30, 2006



Susan Montee, CPA
Missouri State Auditor

April 2007

Office of the State Treasurer

Year Ended June 30, 2006

Report No. 2007-17

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

April 2007

YELLOW SHEET

The following report is our audit of the Office of the State Treasurer.

The Office of State Treasurer (STO) is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

We had no findings on the Office of State Treasurer.

All reports are available on our website: www.auditor.mo.gov

OFFICE OF STATE TREASURER

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OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor's Reports

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Sarah Steelman, State Treasurer
Jefferson City, MO 65102

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of governmental activities, the business-type activities, and each major fund of the State of Missouri that is attributable to the transactions of the Office of the State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2006 and 2005, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal years ended June 30, 2006 and 2005, and those reports were prepared in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the financial statements present fairly, in all material respects, the financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2006 and 2005, and the changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 11, 2007, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

January 11, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Heather Stiles
	Carrie Rasmussen

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

Honorable Sarah Steelman, State Treasurer
Jefferson City, MO 65102

We have audited the financial statements of the Office of State Treasurer as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated January 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Office of State Treasurer, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

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statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Office of State Treasurer and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

January 11, 2007

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2006.

HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by $1,007,800. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets increased by $663,395. This increase is primarily attributable to the creation of the Treasurer's General Operations Fund in Senate Bill 270 and the receipts deposited to the fund to offset the costs of administering Chapter 30 of the Missouri Revised Statutes.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of $927,880, an increase of $691,249 in comparison with the prior year. The total amount is available for spending as of July 1, 2006, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, specifically special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Treasurer's Information Fund and the Treasurer's General Operations Fund.

Proprietary Funds. Proprietary Funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual

basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2006, the Treasurer's Office governmental funds reported combined ending fund balances of $927,880, an increase of $691,249 over fiscal year 2005. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Unreserved	$917,920	$9,960	$927,880

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2006. At the end of fiscal year 2006, the Treasurer's General Operations Fund reported a total fund balance of $917,920. The net increase in fund balance during fiscal year 2006 was $702,418. Revenues of the Treasurer's General Operations Fund totaled $2,789,214, and expenditures of the Treasurer's General Operations Fund totaled $2,086,341. Contributing factors follow:

- Senate Bill 270 created the Treasurer's General Operations Fund in Section 30.605 RSMo, and primary funding for the office's cost of administering Chapter 30 of the Missouri Revised Statutes was moved from the State General Revenue Fund and the Treasurer's Information Fund to the Treasurer's General Operations Fund in the state's fiscal year 2006 appropriations budget.

- Pursuant to Senate Bill 270, the Treasurer's Office began depositing a portion of the state's interest earnings to the Treasurer's General Operations Fund to offset the costs of administering Chapter 30 of the Missouri Revised Statutes.

The Treasurer's Information Fund was the secondary operating fund for the Treasurer's Office in fiscal year 2006. At the end of fiscal year 2006, the Treasurer's Information Fund reported a total fund balance of $9,960. The net decrease in fund balance during fiscal year 2006 was $11,169. Revenues of the Treasurer's Information Fund totaled $29,757, and transfers in from other funds resulting from the state's cost allocation plan totaled $131,516. Expenditures of the Treasurer's Information Fund totaled $172,442 in fiscal year 2006. Contributing factors follow:

- The Treasurer's Information Fund ceased being a recipient of the state's cost allocation plan after transfers to the fund in fiscal year 2006 provided sufficient funding for the office's remaining appropriations from the fund. This plan is calculated by the Office of Administration and used to allocate the costs of services provided by certain agencies to the funds of the state. Costs are allocated based on how the funds create work for the agencies in the pool. The costs of the State Treasurer's Office were allocated based on receipts into the fund.

- By the end of fiscal year 2006, the Treasurer's Information Fund returned to its original function of receiving funds for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office.

Proprietary Funds:

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net assets decreased by $27,854. This is primarily due to an increase in personal service expenditures.

The Treasurer's Office investment in capital assets as of June 30, 2006, was $3,492 (net of accumulated depreciation). This investment in capital assets represents equipment owned solely by the Central Check Mailing Service Revolving Fund.

NEXT YEAR'S BUDGET

The Treasurer's Office budget for fiscal year 2007 continued the same appropriation levels as the fiscal year 2006 budget with two exceptions. The first was a 4% increase in salaries and related increases to the associated fringe benefits pursuant to the Governor's recommendations in the state budget. The second was a decrease in funding from the supplemental appropriations request in 2006 to fund the expanded linked deposit program.

Events taking place after the fiscal year end include:

- The contract for the state's General Disbursement Services was awarded to UMB Bank for the period March 1, 2007 though February 28, 2009. The contract contains two, one-year renewal options.

Fund Financial Statements

OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S GENERAL OPERATIONS
FUND 0164

		June 30, 2006	June 30, 2005
ASSETS			
Cash and Cash Equivalents	$	340,674	86,851
Investments		667,741	214,141
Total Assets	$	1,008,415	300,992
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$	11,292	3,252
Accrued Payroll		56,686	58,440
Due to Other Funds		22,517	23,798
Total Liabilities		90,495	85,490
Fund Balances:			
Unreserved		917,920	215,502
Total Fund Balances		917,920	215,502
Total Liabilities and Fund Balances	$	1,008,415	300,992

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S GENERAL OPERATIONS
FUND 0164

	Year Ended June 30,	
	2006	2005
Revenues:		
Value of Investments	$ (2,995)	(697)
Interest	2,651,728	301,689
Contributions and intergovernmental	140,417	0
Cost Reimbursement/Miscellaneous	64	0
Total Revenues	2,789,214	300,992
Expenditures:		
Current:		
General Government	2,086,341	85,490
Total Expenditures	2,086,341	85,490
Excess Revenues (Expenditures)	702,873	215,502
Other Financing Sources (Uses):		
Transfers Out	(455)	0
Total Other Financing Sources (Uses)	(455)	0
Excess Expenditures and Net Change in Fund Balances	702,418	215,502
Fund Balances - Beginning	215,502	0
Fund Balances - Ending	$ 917,920	215,502

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S INFORMATION
FUND 0255

		June 30, 2006	June 30, 2005
Assets			
Cash and Cash Equivalents	$	3,773	6,118
Investments		7,395	15,084
Total Assets	$	11,168	21,202
Liabilities And Fund Balances			
Liabilities:			
Accounts Payable	$	1,208	10
Accrued Payroll		0	21
Due to Other Funds		0	42
Total Liabilities		1,208	73
Unreserved		9,960	21,129
Total Fund Balances		9,960	21,129
Total Liabilities and Fund Balances	$	11,168	21,202

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
TREASURER'S INFORMATION
FUND 0255

	Year Ended June 30,	
	2006	2005
Revenues:		
Sales	$ 0	311
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	8	(30)
Contributions and Intergovernmental	28,084	300,000
Cost Reimbursement/Miscellaneous	1,665	1,493
Total Revenues	29,757	301,774
Expenditures:		
Current:		
General Government	172,442	560,043
Total Expenditures	172,442	560,043
Excess Revenues (Expenditures)	(142,685)	(258,269)
Other Financing Sources (Uses):		
Transfers In	132,742	273,046
Transfers Out	(1,226)	(680)
Total Other Financing Sources (Uses)	131,516	272,366
Net Change in Fund Balances	(11,169)	14,097
Fund Balances - Beginning	21,129	7,032
Fund Balances - Ending	$ 9,960	21,129

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 14,777	16,694
Investments	28,965	41,161
Accounts Receivable, Net	1,397	4,946
Due from Other Funds	36,007	39,350
Noncurrent Assets:		
Restricted Assets:		
Equipment	38,054	38,054
Less Accumulated Depreciation	(34,562)	(30,411)
Total Capital Assets (Net of Accumulated Depreciation)	3,492	7,643
Total Assets	84,638	109,794
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,010	6
Accrued Payroll	830	831
Due to Other Funds	496	448
Noncurrent Liabilities:		
Compensated Absences	381	735
Total Liabilities	4,717	2,020
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,492	7,643
Unrestricted	76,428	100,131
Total Net Assets	$ 79,920	107,774

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

	Year Ended June 30,	
	2006	2005
Operating Revenues		
Charges for Services	$ 138,200	147,796
Cost Reimbursement/Miscellaneous	0	450
Total Operating Revenues	138,200	148,246
Operating Expenses		
Personal Service	32,368	2,013
Operations	127,002	119,128
Inventories	878	778
Depreciation	4,151	4,598
Total Operating Expenses	164,399	126,517
Operating Income (Loss)	(26,199)	21,729
Non-Operating Revenues (Expenses)		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	(26)	(134)
Total Non-Operating Revenues (Expenses)	(26)	(134)
Income (Loss) Before Transfers	(26,225)	21,595
Transfers Out	(1,629)	0
Change in Net Assets	(27,854)	21,595
Total Net Assets - Beginning	107,774	86,179
Total Net Assets - Ending	$ 79,920	107,774

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CASH FLOWS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

		June 30, 2006	June 30, 2005
Cash Flows from Operating Activities			
Receipts from Customers and Users	$	141,749	144,632
Payments to Suppliers		(123,998)	(127,247)
Payments to Employees		(33,552)	(447)
Other Receipts (Payments)		0	450
Net Cash Provided (Used) by Operating Activities		(15,801)	17,388
Cash Flows from Noncapital Operating Activities			
Due to/ Due from Other Funds		3,343	176
Transfers to (from) Other Funds		(1,629)	0
Net Cash Provided (Used) by Noncapital Operating Activities		1,714	176
Cash Flows from Investing Activities			
Purchase of Investments		12,170	(12,518)
Net Cash Provided (Used) by Investing Activities		12,170	(12,518)
Net Increase (Decrease) in Cash		(1,917)	5,046
Cash and Cash Equivalents, Beginning of Year		16,694	11,648
Cash and Cash Equivalents, End of Year		14,777	16,694
Reconciliation of Operating Income of Net Cash Provided (Used) by Operating Activities			
Operating Income		(26,199)	23,511
Depreciation Expense		4,151	4,598
Changes in Assets and Liabilities:			
Accounts Receivable		3,549	(4,946)
Accounts Payable		3,004	(7,341)
Compensated Absences Payable		(354)	735
Due to Other Funds		48	831
Net Cash Provided (Used) by Operating Activities	$	(15,801)	17,388

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

		June 30, 2006	June 30, (Restated) 2005
ASSETS			
Cash and Cash Equivalents	$	14,595,344	5,706,648
Investments at Fair Value		28,607,690	14,070,397
Inventory		1,591	0
Capital Assets:			
Equipment		18,344	23,895
Less: Accumulated Depreciation		(11,049)	(17,623)
Total Capital Assets, Net		7,295	6,272
Total Assets		43,211,920	19,783,317
LIABILITIES			
Accounts Payable		20,404	23,770
Due to Other Funds		8,040	12,047
Total Liabilities		28,444	35,817
NET ASSETS			
Net Assets Held in Trust for Other Purposes	$	43,183,476	19,747,500

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

	Year Ended June 30,	
	2006	(Restated) 2005
Additions		
Increase/Decrease in Appreciation of Assets	$ (112,392)	(30,342)
Total Investment Earnings	(112,392)	(30,342)
Unclaimed Property	25,871,100	15,221,923
Total Additions	25,758,708	15,191,581
Deductions		
Administrative Expenses	2,320,078	1,209,432
Depreciation	2,874	2,167
Total Deductions	2,322,952	1,211,599
Change in Net Assets	23,435,756	13,979,982
Net Assets - Beginning	19,747,500	5,767,518
Net Assets - Ending	$ 43,183,256	19,747,500

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State Treasurer's Office has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, and the changes in financial position and where applicable, cash flows, of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2006, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2006, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. All major sources of revenue, including taxes, licenses, fees, permits, and governmental contributions are susceptible to accrual when available within 60 days. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets.

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

1) Governmental Funds include the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer’s General Operations Fund and the Treasurer’s Information Fund are governmental funds.

2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.

3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Central Check Mailing Service Revolving Fund Statement of Cash Flows are also reported under this definition. Cash balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, Treasurer's Information Fund, and Treasurer's General Operations Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statements of Net Assets. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Assets.

G. Capital Assets

Capital assets, which include equipment, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is $1,000.

Equipment is depreciated using the straight-line method of depreciation over a useful life of 5 years.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents", "Investments", "Restricted Assets - Cash and Cash Equivalents", and "Restricted Assets - Investments" as reported at June 30, 2006.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2006.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by

maintaining an effective duration of less than 1.5 years, and holding at least 40 percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The state minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5 percent of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15 percent of the total portfolio invested in repurchase agreements. During fiscal year 2006, the State did not have more than 5% of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments.

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit, however the State Treasurer's Office does not have any deposits or investments in foreign currency.

C. Securities Lending Program

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5 RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75 percent of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

3. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Governmental Activities:				
Equipment, Governmental Funds	$ 1,699	$ 46,734	$ 0	$ 48,433
Equipment, Proprietary Funds	38,054	0	0	38,054
Total Equipment	39,753	46,734	0	86,487
Less Accumulated Depreciation for:				
Equipment, Governmental Funds	(632)	(6,246)	0	(6,878)
Equipment, Proprietary Funds	(30,411)	(4,151)		(34,562)
Total Accumulated Depreciation	(31,043)	(10,397)	0	(41,440)
Governmental Activities Capital Assets, Net	$ 8,710	$ 36,337	$ 0	$ 45,047

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 127,719	$ 161,312	$ 155,298	$ 133,733	$ 133,733
Total Governmental Activities	$ 127,719	$ 161,312	$ 155,298	$ 133,733	$ 133,733

5. Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2006, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2006
Accounts Payable:			
Vendors	$ 12,500	$ 3,010	$ 15,510
Employees	56,686	830	57,516
Total Accounts Payable	$ 69,186	$ 3,840	$ 73,026
Accounts Receivable:			
Customers	$ 0	$ 1,397	$ 1,397
Total Accounts Receivable	$ 0	$ 1,397	$ 1,397

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2006, is shown below :

Due To/From Other Funds

	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
Fringe Benefits	$ 22,517	$ 496	$ 23,013
Totals	$ 22,517	$ 496	$ 23,013
Due From Other Funds:			
General Government	$ 0	$ 36,007	$ 36,007
Totals	$ 0	$ 36,007	$ 36,007

Interfund assets do not equal interfund liabilities because only funds related to the State Treasurer’s Office are being presented, not all state funds.

7. Restatement

During fiscal year 2006, additional information became available which required the restatement of Net Asset amounts in the Abandoned Fund Account Fund from $10,262,604 to $19,747,500 as of June 30, 2005. The restatement was a decrease in advance to other funds of $61,606,645, a decrease to escheat/unclaimed property liability of $71,091,694, and an increase in depreciation expense of $153 due to a change in accounting principle. Transfers In and Transfers Out of the Abandoned Fund Account Fund have been netted with Unclaimed Property Additions and the net amount has been presented.

8. Subsequent Event

The contract for the state's General Disbursement Services was awarded to UMB Bank for the period March 1, 2007 though February 28, 2009. The contract contains two, one-year renewal options.

Required Supplementary Information

OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 301,689	$ 301,689	$ 301,689	$ 0	$ 21,251	$ 21,251	$ 21,251	$ 0
Resources (Inflows):								
Interest	2,300,000	2,300,000	2,637,750	337,750	0	0	0	0
Cost Reimbursement	0	0	0	0	1,400	1,400	15,707	14,307
Intergovernmental	0	0	154,458	154,458	0	0	14,042	14,042
Transfers In	0	0	0	0	139,620	139,620	132,742	(6,878)
Total Resources (Inflows)	2,300,000	2,300,000	2,792,208	492,208	141,020	141,020	162,491	21,471
Amount Available for Appopriation	2,601,689	2,601,689	3,093,897	492,208	162,271	162,271	183,742	21,471
Charges to Appropriations (Outflows):								
General Government	1,529,855	1,580,091	1,574,013	6,078	114,691	114,691	91,776	22,915
Transfers Out	688,460	688,460	507,778	180,682	88,167	88,167	80,758	7,409
Total Charges to Appropriations	2,218,315	2,268,551	2,081,791	186,760	202,858	202,858	172,534	30,324
Ending Budgetary Fund Balance	$ 383,374	$ 333,138	$ 1,012,106	$ 678,968	$ (40,587)	$ (40,587)	$ 11,208	$ 51,795
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(671,432)				(7,435)	
Investments at Fair Value			667,741				7,395	
Accounts Payable			(11,292)				(1,208)	
Accrued Payroll			(56,686)				0	
Due to Other Funds			(22,517)				0	
Fund Balance - GAAP Basis			$ 917,920				$ 9,960	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	State Treasurer's General Operations				State Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 0	$ 0	$ 0	$ 0	$ 7,119	$ 7,119	$ 7,119	$ 0
Resources (Inflows):								
Interest	0	0	301,689	301,689				
Cost Reimbursement	0	0	0	0	1,400	1,400	1,493	93
Intergovernmental	0	0	0	0	300,000	300,000	300,000	0
Transfers In	0	0	0	0	272,680	272,680	273,357	677
Total Resources (Inflows)	0	0	301,689	301,689	574,080	574,080	574,850	770
Amount Available for Appopriation	0	0	301,689	301,689	581,199	581,199	581,969	770
Charges to Appropriations (Outflows):								
General Government	0	0	0	0	504,135	504,135	411,319	92,816
Transfers Out	0	0	0	0	94,041	172,601	149,399	23,202
Total Charges to Appropriations	0	0	0	0	598,176	676,736	560,718	116,018
Ending Budgetary Fund Balance	$ 0	$ 0	$ 301,689	$ 301,689	$ (16,977)	$ (95,537)	$ 21,251	$ 116,788
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(214,838)				(15,133)	
Investments at Fair Value			214,141				15,084	
Accounts Payable			(3,252)				(10)	
Accrued Payroll			(58,440)				(21)	
Due to Other Funds			(23,798)				(42)	
Fund Balance - GAAP Basis			$ 215,502				$ 21,129	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2006, has been presented at the bottom of the Budgetary Comparison Schedule shown on the previous page of RSI and includes data presented, on this basis, for the fiscal year, and for adjustments made in the one-month lapse period, July 1 through July 31.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Supplementary Information

Schedule 1

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2006			2005		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	$ 1,000,000	936,628	63,372	2,875,000	2,859,264	15,736
Lease and utility expense	0	0	0	2,867	345	2,522
Personal service	0	0	0	1,439,812	1,439,106	706
Expense and equipment	0	0	0	289,505	289,092	413
Refunds of excess interest from the linked deposit program	3,000	0	3,000	3,000	38	2,962
Total General Revenue Fund	1,003,000	936,628	66,372	4,610,184	4,587,845	22,339
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,337,950	1,334,149	3,801	0	0	0
Expense and equipment	238,641	236,364	2,277	0	0	0
Overtime	3,500	3,500	0	0	0	0
Total Treasurer's General Operations Fund	1,580,091	1,574,013	6,078	0	0	0
TREASURER'S INFORMATION FUND						
Personal service	89,691	89,660	31	479,135	409,919	69,216
Expense and equipment	25,000	2,116	22,884	25,000	1,400	23,600
Total Treasurer's Information Fund	114,691	91,776	22,915	504,135	411,319	92,816
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	20,826	20,826	0	0	0	0
Expense and equipment	225,000	125,126	99,874	225,000	118,915	106,085
Total Central Check Mailing Service Revolving Fund	245,826	145,952	99,874	225,000	118,915	106,085
SECOND INJURY FUND						
Personal service	37,875	37,875	0	37,875	37,874	1
Expense and equipment	3,280	3,280	0	3,280	3,280	0
Total Second Injury Fund	41,155	41,155	0	41,155	41,154	1
ABANDONED FUND ACCOUNT FUND						
Personal service	455,480	445,527	9,953	0	0	0
Expense and equipment	98,600	95,051	3,549	580,000	579,461	539
Overtime	14,000	13,907	93	0	0	0
Advertising and auctions	513,001	508,412	4,589	0	0	0
Payment of claims for abandoned property	20,000,000	19,462,594	537,406	19,750,000	19,432,004	317,996
Total Abandoned Fund Account Fund	21,081,081	20,525,491	555,590	20,330,000	20,011,465	318,535
Total All Funds	$ 24,065,844	23,315,015	750,829	25,710,474	25,170,698	539,776

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2006	2005
Personal service	$ 1,945,444	1,886,899
Travel	7,639	6,371
Expense and equipment	255,730	206,507
Communications expense	39,322	38,120
Professional services	504,580	584,516
Equipment repairs and maintenance	86,335	64,943
Equipment and software purchases	76,743	92,036
Abandoned fund claim payments	19,462,594	19,432,004
Replacement of outlawed checks	936,628	2,859,264
Refunds of excess interest from the linked deposit program	0	38
Total Expenditures	$ 23,315,015	25,170,698

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
YEAR ENDED JUNE 30, 2006

	Furniture and Equipment	Motor Vehicles	Total General Fixed Assets
Balance, June 30, 2005	$ 853,565	16,582	870,147
Additions	49,996	0	49,996
Dispositions	(162,433)	0	(162,433)
Balance, June 30, 2006	$ 741,128	16,582	757,710

Fund of Acquisition		Balance June 30, 2006
General Revenue Fund-State	$	650,786
Treasurer's General Operations Fund		46,734
Central Check Mailing Service Revolving Fund		38,054
Second Injury Fund		2,093
Abandoned Fund Account Fund		18,344
Treasurer's Information Fund		1,699
Total All Funds	$	757,710

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2006	2005	2004	2003	2002
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	$ 200,000	372,704	12,247,705	(5,845,909)	2,576,463
Central Bank	(124,548,876)	(130,664,664)	(58,532,570)	(133,946,937)	(138,593,954)
Premier Bank	26,350	70,273	58,705	17,025	43,795
Commerce Bank	330,495	0	0	0	0
Collection bank accounts	4,417,807	5,570,434	3,953,086	3,640,880	4,938,377
Bank of New York Midwest	27,739	(153,823)	0	0	0
Total Demand Deposits	(119,546,485)	(124,805,076)	(42,273,074)	(136,134,941)	(131,035,319)
Pooled Investments:					
Time deposits	550,500,850	410,099,652	373,397,355	326,995,334	367,178,643
U.S. government securities	1,332,339,487	1,517,146,443	1,678,892,718	1,701,713,339	1,447,407,896
Commercial paper and banker acceptances	927,024,030	511,579,780	516,179,983	516,971,919	694,144,369
Repurchase agreements	306,261,001	256,490,000	356,298,000	361,795,000	527,329,300
Total Pooled Investments	3,116,125,368	2,695,315,875	2,924,768,056	2,907,475,592	3,036,060,208
Total Demand Deposits and Pooled Investments	2,996,578,883	2,570,510,799	2,882,494,982	2,771,340,651	2,905,024,889
Special Fund Dedicated Investments:					
U.S. government securities	23,582,012	22,490,817	22,307,523	19,513,106	17,611,544
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	23,587,142	22,495,947	22,312,653	19,518,236	17,616,674
Total Appropriated Funds	3,020,166,025	2,593,006,746	2,904,807,635	2,790,858,887	2,922,641,563
NONAPPROPRIATED FUNDS					
Demand deposits	3,880	12,690,878	12,326,160	36,701	184,828
Repurchase agreements	2,911,106	5,694,294	8,329,000	19,406,000	96,338,000
US government securities	0	0	15,105,450	64,522,948	65,418,122
Total Nonappropriated Funds	2,914,986	18,385,172	35,760,610	83,965,649	161,940,950
Total Cash and Investments	$ 3,023,081,011	2,611,391,918	2,940,568,245	2,874,824,536	3,084,582,513

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

	Year Ended June 30,				
	2006	2005	2004	2003	2002
INTEREST RECEIPTS					
General and special funds	$ 97,587,051	38,422,115	31,319,021	42,302,336	63,208,154
Debt retirement funds	12,820,914	1,828,999	1,684,923	2,320,783	4,176,019
Total Appropriated Funds	110,407,965	40,251,114	33,003,944	44,623,119	67,384,173
Trust funds	187,649	273,652	754,646	2,290,124	4,444,474
Total Interest Receipts	$ 110,595,614	40,524,766	33,758,590	46,913,243	71,828,647

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Notes to the Supplementary Information

OFFICE OF STATE TREASURER
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is $1,000.

Equipment is depreciated using the straight-line method of depreciation over a useful life of 5 years. Accumulated depreciation on general capital assets at June 30, 2006, was $635,728.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than five years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper, issued by domestic corporations, which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than ninety days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 941 bank accounts throughout the state. These accounts include time deposits, collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2006, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2006, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

		Reported Amount	Fair Value
Repurchase agreements	$	306,261,000	306,261,000
U.S. government securities		1,332,339,487	1,324,841,156
Commercial paper		929,930,189	929,652,387
Other investments		23,587,142	23,701,285
Total Investments	$	2,592,117,818	2,584,455,828

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of two central demand accounts at June 30, 2006, four at June 30, 2005, twenty-three at June 30, 2004, and twenty-two at June 30, 2003 and 2002. The demand deposits with Central Bank consist of thirty-four central demand accounts at June 30, 2006, thirty-three at June 30, 2005, fourteen at June 30, 2004, thirteen at June 30, 2003, and fourteen at June 30, 2002. The demand deposits with Premier Bank consist of two central demand accounts at June 30, 2006, 2005, 2004, 2003, and 2002. The demand deposits with Bank of New York Midwest consist of eight central

demand accounts at June 30, 2006, and two at June 30, 2005. The demand deposits with Commerce Bank consist of five central demand accounts at June 30, 2006. Demand deposit bank balances were $200,000, $418,917, $20,388,987, $11,072,902, and $15,131,904 at June 30, 2006, 2005, 2004, 2003, and 2002 for US Bank and $16,490,088, $11,720,611, $77,114,881, $85,274,839, and $73,227,111 at June 30, 2006, 2005, 2004, 2003, and 2002 for Central Bank, and $26,347, $71,568, $58,800, $17,018, and $43,463 at June 30, 2006, 2005, 2004, 2003, and 2002 for Premier Bank and $0 at June 30, 2006 and 2005 for Bank of New York Midwest, and $408,003 at June 30, 2006 for Commerce Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts at various banks throughout the state. The General Concentration and Conservation Concentration Accounts were at Central Bank at June 30, 2006, 2005, 2004, 2003, and 2002. The Lottery Concentration Account was at Central Bank at June 30, 2006, and 2005 and at US Bank at June 30, 2004, 2003, and 2002. Collection account bank balances were approximately $4,448,114, $6,038,641, $4,889,141, $4,420,803, and $4,818,162 at June 30, 2006, 2005, 2004, 2003, and 2002.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

5. Special Fund Dedicated Investments

Due to a change in the state's accounting system, as of July 1, 1999, the State Treasurer was assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, and distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.

Prior to July 1, 1999, the investments of the Pansey Johnson-Travis Memorial State Gardens were recorded as a cash asset in the state's accounting system. Prior to July 1, 1999, the investments of the Public School Fund were not recorded in the state's accounting system.

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

OFFICE OF STATE TREASURER
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of the State Treasurer on the finding in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 2005.

Inadequate Reconciliations

The Office of State Treasurer-Internal Audit Section did not perform adequate reconciliations of the unclaimed property receipts and disbursements recorded in the Wagers system and the Statewide Advantage System for Missouri (SAM II). Because differences were not investigated by the STO, errors were not detected and amounts calculated for the state's Comprehensive Annual Financial Report (CAFR) were not correct.

Recommendation:

The STO establish procedures to ensure the Internal Audit Section investigates and resolves discrepancies noted in the reconciliations they perform. In addition, someone independent of the Internal Audit Section should review the reconciliations to ensure an adequate follow-up was performed and documented.

Status:

Partially implemented. The State Treasurer’s Office began performing an independent review of monthly reconciliations between the WAGERS system and the SAM II. The State Treasurer's Office is able to reconcile current receipts and disbursements, but not historical data. The State Treasurer’s Office and WAGERS system representatives should continue to improve the reconciliation. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U. S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

The accounting and banking services area: 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds; 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances; 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state; 4) reconciles bank activity to receipt and disbursement activity reflected on the state books; 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) provides storage and retrieval of state checks; and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

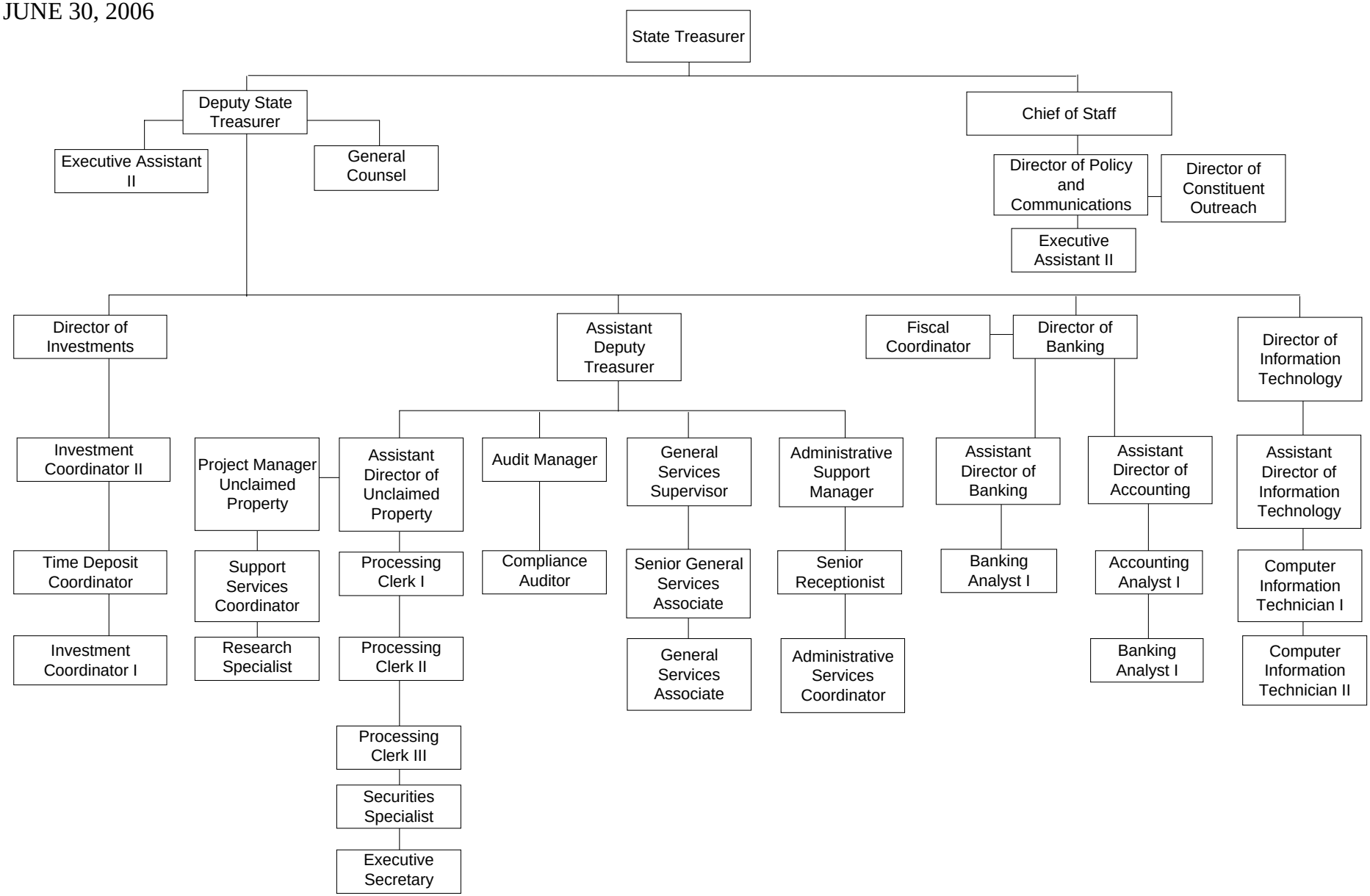
The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for: 1) ensuring unclaimed property is reported; 2) receiving and recording reports of unclaimed property; 3) depositing unclaimed funds to the Abandoned Fund Account Fund; 4) maintaining custody and safekeeping of abandoned or unclaimed physical property; and 5) processing owner claims for abandoned funds or physical property.

Sarah Steelman became Missouri's forty-fourth State Treasurer when she took the oath of office on January 10, 2005. Her term will expire in January 2009.

As of June 30, 2006, the office had forty-three full-time positions and six part-time positions to assist in the accomplishment of its mission. An organization chart follows.

OFFICE OF STATE TREASURER
ORGANIZATION CHART
JUNE 30, 2006



Susan Montee, CPA
Missouri State Auditor

April 2007

HIGHER EDUCATION

STATE STUDENT FINANCIAL ASSISTANCE

Report no. 2007-16

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

State Funding of Student Financial Assistance Falls Short

Missouri's state funded student financial assistance ranks low while tuition ranks high when compared to six surrounding states (Arkansas, Illinois, Kansas, Kentucky, Nebraska, and Oklahoma). Most students meeting eligibility requirements for the state's largest need-based student financial assistance programs did not receive assistance due to funding shortfalls. In addition, the amount of individual student awards for the state's two largest student financial assistance programs (Gallagher and Bright Flight) has not been increased in 20 years.

Missouri's methodology to distribute assistance from its largest need-based program (Gallagher) favors students attending private institutions, with students attending private institutions being eight times more likely to receive assistance. Also, as reported in a prior SAO report, DHE continued to rely on institutions to determine student eligibility without verification. As a result, DHE could not assure the accuracy and or reliability of eligibility determinations for award recipients.

Missouri's student financial assistance ranks low while tuition ranks high	For the seven state's reviewed, Missouri's student financial assistance (grants) ranked fourth in terms of assistance provided per student and only fifth in terms of percentage of students assisted. While student financial assistance ranked low, our August 2006 report showed Missouri's tuition level ranked highest in a comparison among seven Big 12 states and second only to Illinois among contiguous states, in fiscal year 2005. (See page 7)
Method of distributing assistance from the largest need-based program provides advantage to students attending private institutions	Only 2 percent of students attending public institutions received student financial assistance through the Gallagher Program compared to over 16 percent of students attending private institutions. Proposed changes to the method used to determine need and address the eligibility inequity will require legislative approval. The audit also found the majority of students meeting eligibility requirements for need-based scholarships did not receive awards due to state funding shortfalls. (See page 8)
Improvements still needed in oversight of student financial assistance programs	Although DHE implemented a new database system in April 2005 to better manage the state's student financial assistance programs, it still relies on institutions to determine recipient eligibility. As a result, DHE cannot assure the accuracy and/or reliability of eligibility determinations for award recipients. (See page 10)

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Abbreviations

ACT	American College Test
DHE	Department of Higher Education
FAFSA	Free Application for Federal Student Aid
FAMOUS	Financial Assistance for Missouri Undergraduate Students
FTE	Full-time equivalent
ITSD	Information Technology Services Division
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SAT	Scholastic Achievement Test

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Dr. Robert Stein, Commissioner
Department of Higher Education
Jefferson City, MO 65109

The Department of Higher Education (DHE) administered approximately $41 million in state funded student financial assistance programs in fiscal year 2006. Because of the importance of student assistance programs, we focused audit objectives on determining (1) trends and factors affecting state funded student financial assistance levels and how Missouri's student financial assistance programs compare to surrounding states, (2) whether the state's methodology for determining eligibility for need-based assistance favors students that attend private institutions, and (3) whether the department had implemented our prior recommendation to improve monitoring of student eligibility determinations made by colleges and universities for participation in state funded student financial assistance programs.

We found state funded student financial assistance ranked low when compared to six surrounding states while average tuition to attend a Missouri 4-year public institution (school) ranked high. We also found most students meeting eligibility requirements for the state's largest need-based assistance program did not receive funding, and the maximum annual student award has not increased in 20 years for this program or the state's largest merit based program. In addition, we found the current method to distribute assistance from the state's largest need-based program provides an advantage to students attending private institutions. DHE has proposed changes to the methodology; however, the proposal will require legislative changes to be implemented. We also determined DHE had not implemented our prior recommendation to improve monitoring of student eligibility by colleges and universities for participation in state funded student financial assistance programs. Instead DHE continued to rely on institutions to monitor award recipient activity with no supporting documentation and/or independent DHE verification or monitoring. As a result, DHE cannot assure the accuracy and or reliability of eligibility determinations for award recipients.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception for impairment of access to student financial assistance records which limited our ability to conduct our work. This report was prepared under the direction of John Blattel. Key contributors to this report were John Luetkemeyer, Ben Douglas, Jeffrey Slinkard, and Michael Price.

Susan Montee, CPA
State Auditor

Introduction

The Department of Higher Education (DHE), headed by a coordinating board, has administrative oversight of seven state funded student financial assistance programs.[1] The General Assembly established each program and provided state funding. Standards and criteria contained within Chapter 173, RSMo provide the framework for the student financial assistance program requirements. The Code of State Regulations (6 CSR 10-2) further defines the student financial assistance programs and prescribes DHE oversight responsibilities.

The state funded student financial assistance programs are available to students based on scholastic merit and/or financial need. There are numerous other financial aid, loan, and grant programs available to students through the federal government, institutions, other state agencies, and other organizations which are not administered by DHE. During state fiscal year 2006, DHE reported distributing about $41.4 million in state student financial assistance to 25,411 students attending approved Missouri postsecondary institutions. Table 1.1 shows student financial assistance programs DHE administered by state appropriation.

Table 1.1: Appropriations for DHE Administered State Funded Student Financial Assistance Programs

	Fiscal Year				
Program	**2002**	**2003**	**2004**	**2005**	**2006**
Charles Gallagher	$17,453,436	16,628,436	16,628,436	16,628,436	16,628,436
Academic Scholarship (Bright Flight)	15,787,000	15,787,000	15,787,000	15,787,000	15,987,000
Missouri Guarantee	6,425,000	7,250,000	8,175,000	8,175,000	8,175,000
Advantage Missouri	2,185,000	1,060,000	629,000	164,825	105,000
Marguerite Ross Barnett	550,000	500,000	425,000	425,000	425,000
Public Safety Officer	45,000	45,000	60,710	60,710	60,710
Vietnam Veterans' Survivor Grant	15,000	12,000	33,570	83,570	50,000
Totals	$42,460,436	41,282,436	41,738,716	41,324,541	41,431,146

Source: Department of Higher Education

Each student financial assistance program has specific criteria which must be met and sustained to maintain eligibility. See Appendix I for eligibility criteria.

Students apply for need-based state aid by completing and submitting the Free Application for Federal Student Aid (FAFSA). DHE processes merit scholarship applications based on student test scores on the American

[1] The administration of student financial assistance programs includes processing applications, sending notifications to students, transmitting student eligibility information to Missouri institutions, and disbursing program funds to institutions for eligible students.

College Test (ACT) or the Scholastic Achievement Test (SAT). Annually, DHE is responsible for awarding assistance to qualifying students. Because student financial assistance awards are limited by the amount of state appropriations, DHE uses a scoring system to rank applicants. This scoring system ranks student awards based on financial need, and/or the date of application, depending on the program. Once the awards are issued, DHE places reliance upon each institution to monitor the recipients' progress to ensure they maintain required qualifications and report as appropriate. If a recipient fails to maintain the necessary award qualifications the institution is responsible for notifying DHE and returning the funds.

In April 2005 DHE took steps to streamline, simplify, and consolidate the student financial assistance process by releasing its new comprehensive database, Financial Assistance for Missouri Undergraduate Students (FAMOUS). The database integrated five of the seven individual databases (each originally designed to support one of the assistance programs), for the 2005-2006 academic year, into one comprehensive database to enhance management of student financial assistance programs.

Previous SAO Audit Information

The SAO has recently issued three reports relating to tuition and higher education. In September 2002 we reported[2] DHE did not perform monitoring to verify the validity of data colleges and universities provided to support student eligibility to receive state funded student financial assistance. This occurred because DHE relied on colleges and universities to verify student eligibility from listings provided to them. As a result, DHE could not assure the accuracy and or reliability of the institutions' student eligibility determinations. We recommended DHE perform monitoring and sampling at institutions to verify eligibility determinations. Officials agreed with our findings, noting that DHE had performed limited reviews of eligibility determinations at some institutions in 1999 and 2000. However, they also noted that budget reductions had limited resources to perform thorough and consistent reviews. Officials said DHE would implement a more comprehensive compliance review process for the programs based on available resources. However at the time of our review in December 2006, DHE officials informed us that DHE was unable to implement the compliance review process due to further budget reductions.

In May 2006 we reported[3] DHE and the Office of Administration, Information Technology Services Division (ITSD) had not taken all the necessary measures to fully protect confidentiality of student records

[2] *Department of Higher Education* (SAO Report No. 2002-87, September 2002)
[3] *FAMOUS System Data Confidentiality and Security* (SAO Report No. 2006-30, May 2006)

maintained in the FAMOUS system. We recommended DHE and ITSD officials (1) perform a risk assessment of the FAMOUS system to ensure appropriate security controls are in place to mitigate risks, (2) implement or develop security software for FAMOUS that will allow officials to customize and enhance security configurations, (3) discontinue maintaining a centralized list of passwords, and (4) document policies and procedures for several security controls. DHE and ITSD officials agreed with our recommendations and indicated they would take corrective action.

In August 2006 we reported[4] Missouri's public institutions had some of the highest tuition levels in the Midwest. We also reported that while tuition levels continued to increase at rates above inflation and personal income levels, state funded student financial assistance decreased. We also found although institutions had taken a variety of actions to reduce costs, some institutions still may not have been operating as efficiently as possible because comprehensive on-going efficiency evaluations had not been performed and DHE had no formal centralized clearinghouse to identify, explore, and implement best practices. In addition, we reported that DHE lacked authority to arbitrate disputes related to consortia and collaborative agreements between public institutions.

We recommended DHE continue requesting necessary funding for the department to conduct mission reviews required by state law. And if funding was not provided, DHE should require state funded institutions to conduct periodic efficiency evaluations using pre-defined evaluation criteria and DHE oversight. In addition, we recommended DHE coordinate with institutional officials to develop a clearinghouse to identify cost-effective best practices. We also recommended the General Assembly provide DHE statutory authority to arbitrate disputes between public institutions arising from consortia and collaborative agreements among institutions.

Scope and Methodology

To determine trends in state student financial assistance we analyzed DHE expenditures for student financial assistance from state appropriations between fiscal years 2002 through 2006.

To determine how Missouri's state funded student financial assistance grant programs compared to surrounding states, we contacted six surrounding states—Arkansas, Illinois, Kansas, Kentucky, Nebraska, and Oklahoma. To obtain institution officials' perspective on the management of state student financial assistance programs we met with or contacted six higher education institutions that receive funding for state student financial assistance

[4] *Tuition Levels Follow-up* (SAO Report No. 2006-52, August 2006)

programs. We met with or contacted three public (Missouri State University in Springfield, Missouri Western State University in St. Joseph, and the University of Missouri – Kansas City) and three private (Central Methodist University in Fayette, Fontbonne University in St. Louis, and Rockhurst University in Kansas City) institutions.

To determine whether the state's methodology for need-based assistance favored students attending private institutions, we analyzed assistance award data, interviewed officials at various public and private institutions, and compared Missouri's methodology to other states.

To determine whether the DHE had established adequate control and monitoring processes to ensure recipients qualify for assistance, we interviewed appropriate personnel and reviewed materials documenting policies and procedures. However, because DHE did not allow access to confidential student financial assistance records, based on its interpretation of federal privacy laws, we could not evaluate the accuracy of student financial assistance eligibility determinations provided to DHE by institutions.

To determine whether the recommendation in our prior report, issued in 2002, had been implemented, we met with DHE officials and obtained information regarding the recommendation's status.

We performed data reliability tests on financial assistance data obtained from DHE and the contiguous states contacted. We determined this information was sufficiently reliable for the purposes of this report.

We requested comments on a draft of our report from the Commissioner of the Department of Higher Education. We conducted our work between September 2005 and December 2006.

Student Financial Assistance Funding Analysis and Program Management

Missouri's state funded student financial assistance ranks low while tuition ranks high when compared to six surrounding states. Most students meeting eligibility requirements for the state's largest need-based student financial assistance programs did not receive funding due to funding shortfalls. In addition, the amount of individual student awards for the state's two largest student financial assistance programs (Gallagher and Bright Flight) has not been increased in 20 years.

Missouri's methodology to distribute assistance from its largest need-based assistance program (Gallagher) favors students attending private institutions, with students attending private institutions being eight times more likely to receive assistance. Also, as reported in a prior SAO report, DHE continued to rely on institutions to determine student eligibility without verification. As a result, DHE could not assure the accuracy and or reliability of eligibility determinations for award recipients.

Missouri's Student Financial Assistance Ranks Low While Tuition Ranks High

State funded grant student financial assistance ranked low when compared to contiguous states. Missouri's student financial assistance in the form of grants ranked fourth in terms of assistance provided per student and only fifth in terms of percentage of students assisted among the seven states represented. Table 2.1 shows a four-year (fiscal 2002-2005) comparison of the percentage of students assisted and the average amount per assisted student.

Table 2.1: Total Student Financial Assistance Provided by State Fiscal Year

	2002		2003		2004		2005	
State	Percentage of Students Assisted	Amount Per Assisted Student	Percentage of Students Assisted	Amount Per Assisted Student	Percentage of Students Assisted	Amount Per Assisted Student	Percentage of Students Assisted	Amount Per Assisted Student
Arkansas	14	$3,010	9	$3,147	10	$2,611	7	$2,855
Illinois	42	2,224	38	2,125	41	1,914	43	1,796
Kansas	8	1,484	9	1,308	8	1,491	8	1,638
Kentucky	66	1,024	69	1,110	71	1,284	75	1,334
Missouri	14	1,632	12	1,622	11	1,617	11	1,612
Nebraska	17	583	14	599	16	668	15	686
Oklahoma	22	1,150	20	1,233	19	1,338	22	1,412

Source: Prepared by the SAO using student financial assistance data from the Missouri Department of Higher Education and other noted states. We obtained full-time equivalent (FTE) student data from the National Association of State Grant & Aid Programs. Data for the states of Iowa and Tennessee, and the Big 12 states of Colorado and Texas were not available.

While student financial assistance ranked low, our August 2006 report showed for the 3-year period ending in fiscal year 2006, tuition to attend a Missouri 4-year public institution increased at rates faster than inflation and personal income while state provided assistance grants actually decreased from fiscal year 2002 levels. The report also noted Missouri's tuition level ranked highest in a comparison among seven Big 12 states and second only to Illinois among contiguous states, in fiscal year 2005.

The majority of students eligible for need-based scholarships did not receive funding

State funding falls short of meeting the amounts necessary to fund student financial assistance for students meeting the eligibility criteria requirements for Missouri's two largest need-based programs. According to information compiled by DHE, the percentage of eligible applicants receiving funding declined from 27 and 25 percent in fiscal year 2002 to 19 and 20 percent in fiscal year 2006 for the Gallagher and Missouri Guarantee assistance programs, respectively.

Amount of individual student assistance awards not increased in 20 years

In addition, maximum program assistance amounts students are eligible to receive from the state's largest need-based and largest merit-based student financial assistance programs have not increased in the past 20 years. Maximum annual program amounts of $1,500 per student for the need-based Gallagher program and $2,000 per student for the merit-based Bright Flight program (the two largest state funded programs) have not changed since 1979 and 1987, respectively.

State's Methodology for Largest Need-based Program Results in Advantage for Students Attending Private Institutions

Officials at five of the six institutions contacted told us the current methodology used to determine need for the state's largest need-based assistance program, the Gallagher program, provides an advantage to students attending private institutions over students attending public institutions. According to one institution official, the need determination for the Gallagher program "provides students attending private schools a significant advantage over students attending public schools. Since private schools charge higher tuition, and tuition is included in the determination of need, students at private schools with higher EFC (expected family contributions) can qualify for DHE need-based programs while those same students would not qualify if they chose to attend a public school." An official from another institution said "since Gallagher grant funding is tied to institutional cost of attendance, there is a significant advantage to students attending private or higher cost institutions. Funding should be tied to the need of the student."

Table 2.2 shows the number of students provided assistance and the amount of assistance provided from the Charles Gallagher program for fiscal years 2003 through 2005.

Table 2.2: Charles Gallagher Program Awards by State Fiscal Year

Type of Institution	2003		2004		2005	
	# Awards	Amount	# Awards	Amount	# Awards	Amount
Public 4-year[1]	2,491	$3,077,976	2,031	$2,532,176	1,739	$2,177,309
Private 4-year[1]	9,379	$12,756,735	9,687	$13,089,160	9,758	$13,173,301

[1] The assistance amounts shown includes amounts distributed to public and private non-profit 4-year institutions does not include amounts provided to other public and private institutions.

Source: Department of Higher Education

Private students eight times more likely to receive state student financial assistance

Based on the above information, in fiscal year 2005, students attending private non-profit 4-year institutions received 85.8 percent of the total Gallagher funding compared to only 14.2 percent for students attending 4-year public institutions. In comparison, for fiscal year 2005, 86,129 FTE potentially eligible undergraduate students attended 4-year public institutions while 59,030 potentially eligible undergraduate FTE students attended 4-year non-profit private institutions. As a result, only 2 percent[5] of students attending public institutions received student financial assistance through the Gallagher Program compared to over 16 percent[6] of students attending private institutions.

We contacted officials in six contiguous states to compare the features of their need-based programs to Missouri's need-based programs. All of these states provided need-based student financial assistance to both public and private institution students. According to state officials in four states (Arkansas, Kentucky, Nebraska, and Oklahoma) the methods used to determine need for primarily need-based grant programs did not provide an eligibility advantage to private institution students. However, officials in two states (Illinois and Kansas) said the method they use to determine need could provide some advantage to private institution students, because of the higher costs of attendance at private institutions. In addition, officials in Kansas, Kentucky and Oklahoma said they also have smaller need-based programs that provide assistance to only private institution students.

[5] 1,739 divided by 86,129

[6] 9,758 divided by 59,030

Proposed changes to DHE methodology requires legislative action

In December 2006, DHE's coordinating board approved changes proposed by its appointed student financial aid committee. These proposed changes to the method used to determine need for need-based assistance programs would eliminate institution cost as a component of determining eligibility. Student eligibility would be based on the ability to pay, as determined by the federally calculated expected family contribution. If a student's expected family contribution is below the cutoff point, the student would be eligible for an award regardless of the type of institution attended although the maximum award amount varies by institution type (4-year public, 2-year public, or private/independent institution). While the proposed changes may address the eligibility inequity involving public versus private students, the proposal will require legislative changes to be implemented.

Improvements Still Needed in Oversight of Student Financial Assistance Programs

As we reported in September 2002, DHE continues to rely on institutions to determine recipient eligibility without verifying supporting documentation. In addition, student financial assistance officials at six institutions contacted cited a need to improve student financial assistance management. For example, most of the officials were not aware of DHE's student financial assistance return policy for funds distributed to institutions for ineligible recipients. Also, while DHE has improved management of the state funded student financial assistance programs through implementation of the FAMOUS system, additional program management improvements are needed.

Student financial assistance eligibility verification still inadequate

Although DHE implemented its FAMOUS database system in April 2005 to better manage the state's student financial assistance programs, it still relies on institutions to determine recipient eligibility. As a result DHE cannot assure the accuracy and/or reliability of eligibility determinations for award recipients. DHE officials stated the agency had not developed and implemented a more comprehensive compliance review process as agreed in its response to our September 2002 audit report because of staffing and resource limitations. According to officials, DHE's state aid program administrative budget had been reduced from five FTE staff and $348,198 in state fiscal year 2003 to two FTE and $119,416 in state fiscal year 2006.

According to DHE officials, various institution officials had discussed, but decided against the idea of including additional eligibility information such as grade point average when designing the FAMOUS system. According to DHE officials, the FAMOUS system is set up to handle the addition of this information, and agreed it is an issue that could be revisited in the future.

Institution officials' comments regarding improvements needed

Officials from three of the six institutions contacted supported DHE requiring more information such as student grade point average and student course load, in the FAMOUS system to improve eligibility verification,

especially since DHE does not have the resources to implement an ongoing monitoring process. However, they also said that any changes should be easily implemented because anything that added time to the certification process was problematic.

Eligibility verification cut-off policy guidance needed

Officials at four of the six institutions we contacted agreed DHE should have policy guidance specifying a definite cut-off date for institutions to certify recipient eligibility to participate in state funded student financial assistance programs. In addition, officials at these same four institutions discussed the need for DHE to develop a better method of evaluating available program assistance funds and make estimated need cut-offs more realistic.

DHE lacks student financial assistance refund policy for two programs

Officials at five of the six institutions we contacted said DHE should have policy guidance specifying a return policy for funds distributed to institutions for ineligible recipients. For example, officials at one institution said federal funds are returned based on federal regulations but in the case of state funds, since there is no state refund policy, no funds are returned to DHE. However, DHE has established refund policies for most state student financial assistance programs, but has not established refund policies for the Missouri Guarantee and Gallagher programs.

Improvements needed to make the FAMOUS system more efficient and user friendly

Officials at all six institutions we contacted discussed the need for improvements to the FAMOUS system to make it more efficient and user friendly. According to a DHE official, DHE conducted a survey of institution officials regarding the FAMOUS system and DHE has proposed a number of changes that would accommodate as many of the institutions' requests as possible. Scheduled implementation for these changes is for the 2007 spring semester.

Conclusions

Tuition to attend a Missouri 4-year public institution increased at rates faster than inflation and personal income while state provided student financial assistance actually decreased over the 4 fiscal years 2002 through 2005. Due to funding shortfalls the majority of students eligible for need-based scholarships have not received student financial assistance. In addition, the methodology to award student financial assistance for the state's largest need-based program provides an eligibility advantage to students attending private institutions. A DHE student financial assistance task force has proposed changes to this methodology, but the proposal will require legislative changes to be implemented.

DHE continues to rely on institutions to determine recipient eligibility without verifying supporting documentation. As a result, DHE cannot assure the accuracy and or reliability of eligibility determinations for award

recipients. DHE also has not established refund policies for two student financial assistance programs. In addition, since institution officials are not aware of existing policies, DHE needs to increase communication and monitoring efforts to ensure ineligible funds are returned to DHE for re-distribution on behalf of other eligible students.

While DHE has improved management of the state funded student financial assistance programs through implementation of its automated database, the FAMOUS system which was implemented in April 2005; improvements planned by DHE, if implemented, should further improve management of student assistance programs.

Recommendations

We recommend the Commissioner of the Department of Higher Education:

2.1 Seek legislation to revise the current methodology to determine need for the Gallagher program so that students attending either private or public institutions are treated equitably.

2.2 Implement procedures to verify student eligibility determinations. Examples of improved procedures could include on-site verification of individual student records, desk audits of student information sent in by institutions, and/or working with internal auditors at the institutions.

2.3 Review and improve policies and procedures governing cut-off dates for determining eligibility, estimating available funding and need-based limits, and returning funding for ineligible recipients.

2.4 Ensure planned improvements to the FAMOUS system are implemented as scheduled.

Agency Comments

2.1 The DHE worked with a statewide task force for more than 18 months in designing a single state need-based financial assistance program to replace Missouri's two major need-based programs (Gallagher and Guarantee). The new program, which was approved by the Coordinating Board for Higher Education in October 2006, has been introduced as part of Senate Bill 389. If passed, financial need for the new program will be determined by one criterion - expected family contribution. With this new methodology and additional funds recommended for its support, it is anticipated that the state's investment in student financial assistance will be more equitably distributed between independent and public sector institutions, contingent upon utilization factors.

2.2 The DHE continues to face challenges associated with verification of student eligibility determinations, beyond reliance on institutional self reports, due to current staff assignment. Independent verification, either through staff reviews and/or desk audits on a sample from each school, is a priority of the DHE but would require additional resources. In the interim, we will explore with institutions utilization of internal auditors to help with this task.

2.3 An April 1 cut-off date for student application has been DHE policy and was reinforced for the 2007-2008 academic year payment cycle in training materials for school and public information documents for students, families, and school counselors. In addition, for this year, July 31st was established as a priority cut-off date for the amendment of FAFSA data by students. Any revisions of the application before that date will be reflected in each student's final eligibility determination.

With regard to a cut-off date for institutions to certify recipients' eligibility, current department policy is that fall eligibility cannot be updated after January 31. Spring eligibility can be updated through the last date the Office of Administration will accept payment documentation, usually a few days before June 30. This policy is designed to ensure the greatest number of eligible students receive awards by providing time for institutions to monitor student eligibility, correct errors in the certification of students, and request funds later in the award process. Based on the audit report, the department will conduct a comprehensive survey of participating institutions to determine if this policy should be revised.

Procedures and reports are now established for estimating available funding and need-based limits. However, because the FAMOUS system has only been in use for one full academic year and these procedures and reports are relatively new, staff is working to improve their accuracy.

The policy of the DHE that funds for ineligible students must be returned to the DHE has been communicated to each participating school. Each of the six schools interviewed for the report have returned funds for both the 2005-2006 and 2006-2007 academic years for the Gallagher program. In order to further strengthen processes in this area, the DHE will use the administrative rule process to promulgate such requirements for both Gallagher and Guarantee if both of these programs are still operative in fiscal year 2008. Should these programs be replaced with the new single need-based program

as defined in Senate Bill 389, the proposed legislation explicitly defines conditions and processes to use for return of funds for ineligible students.

2.4 The DHE continues to work to implement improvement to the FAMOUS system as quickly as possible. Records show that updates to the FAMOUS system have been released as scheduled. With the anticipation of a single new state need-based financial aid program, department priority has been assigned to design of a fast-track implementation program so the new program can be implemented beginning fall 2007, should legislation be passed. Consequently, with the exception of emergency changes, enhancements to the FAMOUS system will be discontinued during fast-track implementation but will resume once that project is complete.

DHE State Funded Student Financial Assistance Program Eligibility Criteria

- The Charles Gallagher Student Financial Assistance Program established in 1972, is a need-based grant program, with a maximum annual award amount of $1,500. The recipient must demonstrate a financial need based on "the cost of attendance less expected family contribution and estimated Federal Pell Grant award. The recipient must be a full-time undergraduate student working toward a first baccalaureate degree at an approved Missouri postsecondary school. The recipient must be a Missouri resident and a United States citizen or eligible non-citizen. In addition, the recipient must not be pursuing a degree or certification in theology or divinity. The FAFSA must be received by April 1.

- The Higher Education Academic Scholarship Program or Bright Flight is a merit-based scholarship program established in 1987 with a maximum annual award amount of $2,000. The recipient must have a composite score on the ACT or the SAT in the top 3 percent of all Missouri students taking the tests. The recipient must be a graduating high school senior who enrolls as a first-time, full-time student at an approved Missouri postsecondary school. The recipient must be a Missouri resident and a United States citizen or eligible non-citizen. The recipient must not be pursuing a degree or certification in theology or divinity. The scholarship is renewable annually for up to ten semesters.

- The Missouri College Guarantee Program established in 1999, is a need-based grant program based on demonstrated financial need, as well as high school and college academic achievement. The maximum annual award shall not exceed the average cost of attendance at the campus of the University of Missouri with the largest total enrollment and a book allowance established by DHE. The recipient must have a high school grade-point average of 2.5 or higher on a 4.0 scale and score 20 or higher on the ACT or 950 or higher on the SAT. The recipient must have participated in high school extracurricular activities, and must be enrolled full-time at a participating Missouri postsecondary school. The recipient must maintain satisfactory academic progress as defined by the school. The recipient must be a Missouri resident and a United States citizen or eligible non-citizen. The recipient must not be pursuing a degree or certification in theology or divinity. The FAFSA must be received by April 1.

- The Marguerite Ross Barnett Competitiveness Scholarship Program is a need-based scholarship program established in 1988. The recipient must be 18 years of age, enrolled at least half-time, but less than full-time at an approved public or private institution and

maintain satisfactory academic progress as defined by the school. The recipient must demonstrate financial need. The recipient must be employed and compensated for at least 20 hours per week. The recipient must also be a Missouri resident and a United States citizen or eligible non-citizen and not be pursuing a degree or certificate in theology or divinity.

- The Advantage Missouri Program established in 1999, is a loan and loan forgiveness program. Eligibility requires full-time enrollment in an eligible institution, unless approved for less than full-time, and meets the following requirements: a high school diploma, general educational development certificate (GED), or its equivalent; satisfactory academic progress; not confined in a federal or state correctional facility or jail; has not defaulted on a prior higher education loan; and submits a board provided application for program participation. Eligible students may participate in the program up to ten semesters, whether consecutive or not, and may be awarded loans up to $2,500 per academic year, not to exceed $10,000. Eligible students may qualify for loan forgiveness for loans received through the program if they agree to employment in a high demand occupational area in the state of Missouri, as determined by the board, with employment beginning within one calendar year of graduation. Loan forgiveness is approved on a year-for-year basis, with each year of approved employment qualifying the student for forgiveness of one year's loans. Students electing not to comply with employment requirements, or students failing to meet requirements, will be required to repay loans received, with interest.

- The Public Safety Officer or Employee Survivor Grant Program established in 1987, provides tuition grants to dependent children and spouses of public safety officers or Missouri Department of Transportation employees engaged in the construction or maintenance of the state's highways, roads, and bridges who were killed or permanently and totally disabled in the line of duty. The recipient must be enrolled (or accepted for enrollment) as a full-time undergraduate student at a participating Missouri postsecondary school. Children recipients must be less than 24 years of age. The recipient can receive the lesser of actual tuition charged at the school where he/she is enrolled full-time, or the amount of tuition charged for the same academic major at the University of Missouri – Columbia. The recipient must also be a Missouri resident and a United States citizen or eligible non-citizen and not be pursuing a degree or certificate in theology or divinity.

- The Vietnam Veterans' Survivors Grant Program established in 1991, is available to children and spouses of Vietnam veterans whose death was attributed to or caused by exposure to toxic chemicals during the Vietnam conflict. The recipient must be enrolled (or accepted for enrollment) as a full-time undergraduate student at a participating Missouri postsecondary school, maintain satisfactory academic progress as defined by the school, must be a Missouri resident and a United States citizen or eligible non-citizen, and must not be pursuing a degree or certification in theology or divinity. The recipient must also provide a qualified medical certification by a Department of Veterans Affairs medical authority to verify that toxic chemical exposure contributed to or was the cause of the veteran's death. Grants may be renewed annually until a student has obtained a baccalaureate degree or has completed 15 semester credit hours, whichever comes first. Grant awards are not available during summer terms. The maximum annual grant is the least of the actual tuition charged at the school in which the student is enrolled full-time or average amount of tuition charged to a Missouri undergraduate resident enrolled full- time in the same class level and in the same academic major at the Missouri public 4-year regional institutions.

We obtained descriptions of Missouri's student financial assistance programs from DHE's web site (dhe.mo.gov) and/or Chapter 173, RSMo.

Susan Montee, CPA
Missouri State Auditor

April 2007

REVENUE

Sales and Use Tax

Report No. 2007-15

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

April 2007

YELLOW SHEET

The following issues were noted in an audit conducted by our office of the Department of Revenue, sales and use tax collections.

- According to Department of Revenue (DOR) records, as of June 30, 2006, sales and use tax refund requests of approximately $269 million had been submitted to the department for validation. Of this amount, approximately $210 million was related to the tax exemption addressed in the Missouri Supreme Court opinion handed down on December 20, 2005, in the case of *Southwestern Bell Telephone Company, v. Director of Revenue*. Interest, which could be substantial, continues to accrue on these claims. In a February 5, 2007, letter to the State Auditor, the Director of Revenue indicated that refund claims filed citing a connection to the abovementioned case had risen to approximately $300 million. However, the Director would not provide us with any detailed or other supporting documentation to allow us to verify her statement.

  Given the potential fiscal impact of these liabilities on state and local funds, it is essential that this issue be addressed, including the development of a plan to validate the use tax refund requests by the DOR and a funding plan by the General Assembly for the payment of amounts (including interest) determined to be valid and due.

- The Department of Revenue still does not track cost information regarding 117 sales and use tax exemptions currently provided by state law and, as a result, cannot determine the effects on state revenue related to each of the exemptions. This concern was noted in the prior report.

All reports are available on our website: www.auditor.state.mo.us

DEPARTMENT OF REVENUE
SALES AND USE TAX

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Trish Vincent, Director
Department of Revenue
Jefferson City, MO 65102

We have audited the Department of Revenue, sales and use tax collections. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2006 and 2005. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Review certain revenues and distributions.

4. Evaluate the economy and efficiency of certain management practices and operations.

5. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the agency; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of

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noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by December 2006.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the procedures applied in the audit of the agency.

The accompanying Management Advisory Report presents our finding arising from our audit of the Department of Revenue, sales and use tax collections.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Kimberly Reese
	Jessica Luebbering

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Sales and Use Tax Refund Liabilities

The Department of Revenue (DOR) records reflect sales and use tax refund requests filed as of June 30, 2006, totaling approximately $210 million, which are related to one issue and have not been validated.

A taxpayer has three years from the date of overpayment to file a sales and use tax refund claim with the DOR. Once a taxpayer requests a refund, the DOR must review the refund claim to determine the validity of the claim and whether a refund (including interest, if applicable) is due. The interest rate has fluctuated over the years, ranging from 14 percent during 1983 to a low of 1.7 percent during the last quarter of 2004 and the first two quarters of 2005. State law currently provides for the State Treasurer to calculate an annual rate of interest to be applied by the DOR to all applicable situations.

The total sales and use tax refund amount is paid by the state's General Revenue Fund (GRF). The proportionate share of principal for other state and local funds and interest for other state funds is recouped from those funds. Section 144.200, RSMo, charges the General Assembly with the responsibility of appropriating funds to be used by the DOR to issue refunds.

According to DOR records, as of June 30, 2006, sales and use tax refund requests of approximately $269 million had been submitted to the department for validation. Of this amount, approximately $210 million, or 79 percent, was related to the tax exemption addressed in an opinion handed down on December 20, 2005, by the Missouri Supreme Court in the case of *Southwestern Bell Telephone Company, v. Director of Revenue*. Interest, which could be substantial, continues to accrue on these claims. In a February 5, 2007, letter to the State Auditor, the Director of Revenue indicated that refund claims filed citing a connection to the abovementioned case had risen to approximately $300 million. However, the Director would not provide us with any detailed or other supporting documentation to allow us to verify her statement. Documentation was previously provided to support the amount of claims filed as of June 30, 2006, and had been provided to us, when requested, to support pending refund amounts related to several preceding periods.

The court case referred to above was the result of Southwestern Bell Telephone Company (SWB) seeking a refund of use taxes paid, totaling approximately $598,950, on machinery and equipment used to produce basic and vertical telephone services pursuant to the exemption provided by Sections 144.030.2(4) and (5), RSMo. The Director of Revenue initially denied the refund claim. After several administrative reviews, appeals of decisions provided by these reviews, and court decisions, on June 14, 2006, SWB and

the DOR agreed to reduce the ordered refund to $595,866, plus applicable interest. A refund in excess of $1.2 million, including interest, was issued on June 15, 2006. According to DOR management, as of January 2007, no other refunds affected by the outcome of this case have been issued.

The Governor's Fiscal Year 2008 Budget Summary recommends a change to state tax law addressing the exemption cited in the Supreme Court case.

Given the potential fiscal impact of these liabilities on state and local funds, it is essential that this issue be addressed, including the development of a plan to validate the use tax refund requests by the DOR and a funding plan by the General Assembly for the payment of amounts (including interest) determined to be valid and due.

WE RECOMMEND the DOR, along with the General Assembly, determine the most feasible course of action and develop a plan to address in a timely manner the refund claims and related liabilities noted above.

AUDITEE'S RESPONSE

The DOR Director indicated that in consultation with taxpayers, local governments, the General Assembly, and the Office of Administration, the DOR has been addressing the refund claims since the Supreme Court's decision, and well before this recommendation was made.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

DEPARTMENT OF REVENUE
SALES AND USE TAX
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Revenue on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2004. Although the unimplemented recommendations are not repeated, the agency should consider implementing those recommendations.

1. Sales and Use Tax Exemptions

The Department of Revenue (DOR) did not track information regarding the 117 sales and use tax exemptions and, as a result, could not determine the effects on state revenue related to each or all of the exemptions.

Recommendation:

The Department of Revenue develop a comprehensive system to compile and maintain exemption information so that the reductions of state revenue related to each exemption can be determined.

Status:

Not implemented. Department management indicated that currently no method exists to efficiently or reliably capture exemption data and that implementing this recommendation would result in a significant and undue burden on the taxpayers. In addition, the department indicated it would incur significant costs related to forms, personnel, and mainframe system programming. Although not repeated in the current MAR, we continue to recommend the department investigate ways to efficiently and cost effectively implement our recommendation as stated above.

2. Sales and Use Tax Refunds

A. State law did not require vendors to return sales and use tax refunds and related interest to the original purchaser when applicable, resulting in a windfall for the vendor.

B. The state's General Revenue Fund (GRF) did not receive reimbursement from local funds for their proportionate share of interest paid on refunds of sales and use taxes.

Recommendation:

The Department of Revenue:

A. Support legislation that would require sales and use tax refunds and related interest to be returned to the original purchaser.

B. Investigate methods of reimbursing the GRF for local funds' proportionate share of interest paid on sales and use tax refunds.

Status:

A. Implemented. Department management indicated they have continually supported legislation introduced in the Missouri General Assembly; however, such legislation has not been successful. Most recently, Senate Bill 717 was introduced during the 2006 legislative session but no action was taken. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. The DOR has not yet determined an equitable method of allocating interest for local funds' proportionate share of interest paid on sales and use tax refunds. Although not repeated in the current MAR, our recommendation remains as stated above.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF REVENUE
SALES AND USE TAX
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Department of Revenue was created, by Article IV, Section 12, of the 1945 Missouri Constitution. The department serves as the central collection agency for all state revenues. The Director is appointed by the Governor with the advice and consent of the Senate.

Customer Services Division

The Customer Services Division is the customer service arm of the department. Motor Vehicle, Driver License, Customer Assistance, and Taxation are the four bureaus within the Customer Services Division. The two bureaus impacted by the sales and use tax audit are briefly discussed below.

- **Taxation**

  The Taxation Bureau (Tax) is responsible for collecting Missouri's taxes and administering the state's tax laws. The following business taxes are collected: sales/use financial institutions, insurance premiums, franchise, excise, cigarette and other tobacco products, motor fuel, corporate income and withholding. Taxation also administers and collects personal taxes, including individual income, partnerships, fiduciary and estate taxes, as well as property and Homestead tax credits. Taxation operates tax assistance centers around the state.

- **Motor Vehicle Bureau**

  The Motor Vehicle Bureau (MV) is responsible for the titling and registration of motor vehicles, all-terrain vehicles, trailers, manufactured homes, and marine craft in the state and issuing disabled placards and temporary permits. MV is also responsible for licensing and regulating motor vehicle and marine craft dealers and manufacturers, salvage businesses, and lease rental companies.

Fiscal Services Division

The Fiscal Services Division focuses on internal auditing, external auditing, and financial services, including budgeting, leasing, and planning. Financial and General Services, Field Compliance, and Internal Compliance are the three bureaus within the Fiscal Services Division.

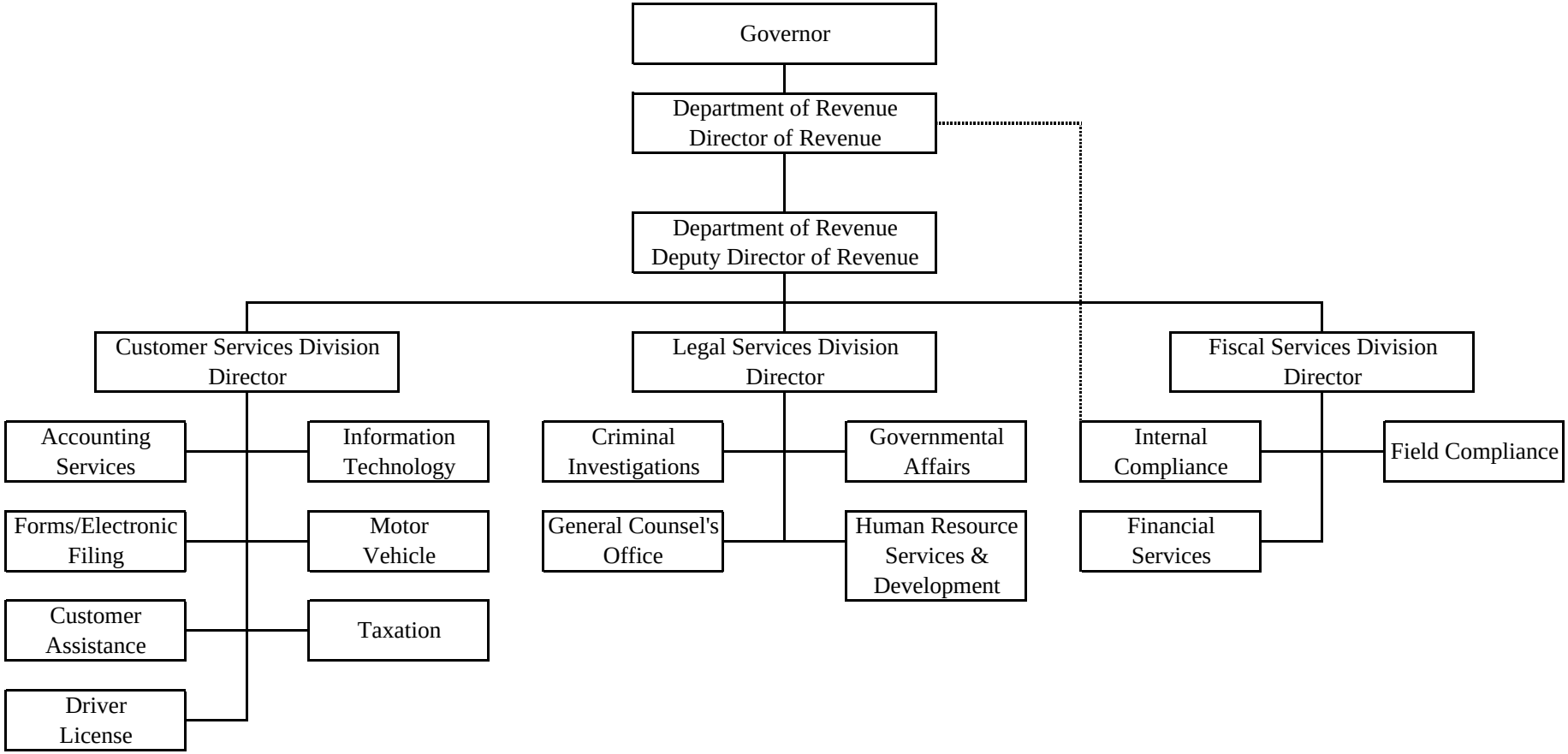
- **Financial and General Services Bureau**

  The Financial and General Services Bureau provides financial and general services to the department, including financial reporting, purchasing, contract office collection accounting and distribution, budget preparation, vehicle maintenance, mail processing,

and depositing, investment and collateralization of nonstate funds under the department's control.

An organization chart follows:

DEPARTMENT OF REVENUE
SALES AND USE TAX
ORGANIZATION CHART
JUNE 30, 2006



Appendix A-1

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS AND DISTRIBUTIONS - STATE FUNDS
YEAR ENDED JUNE 30, 2006

	General Revenue Fund	Aviation Trust Fund	Conservation Commission Fund	Department of Revenue Information Fund	Highway Department Fund	Parks Sales Tax Fund	School District Fund	Soil and Water Sales Tax Fund	State Road Bond Fund	State Road Fund	State Transportation Fund	Total (Memorandum Only)
RECEIPTS												
Highway use tax	$ 0	0	1,400,335	0	34,585,018	560,265	0	560,265	0	8,398,444	0	45,504,327
Marine and ATV sales and use tax	7,008,857	0	288,638	0	0	115,453	2,308,499	115,454	0	0	0	9,836,901
Motor vehicle sales tax	73,944,788	0	7,982,313	0	0	3,194,514	31,935,167	3,194,514	23,951,374	93,399,408	2,558,889	240,160,967
Sales and use tax	1,910,465,678	5,229,255	89,397,932	34,467	0	35,758,662	712,320,241	35,758,662	2,144,424	8,348,186	228,160	2,799,685,667
Total receipts	1,991,419,323	5,229,255	99,069,218	34,467	34,585,018	39,628,894	746,563,907	39,628,895	26,095,798	110,146,038	2,787,049	3,095,187,862
DISTRIBUTIONS												
Transmitted to State Treasurer	1,991,419,323	5,229,255	99,069,218	34,467	34,585,018	39,628,894	746,563,907	39,628,895	26,095,798	110,146,038	2,787,049	3,095,187,862
Total Distributions	1,991,419,323	5,229,255	99,069,218	34,467	34,585,018	39,628,894	746,563,907	39,628,895	26,095,798	110,146,038	2,787,049	3,095,187,862
RECEIPTS OVER (UNDER) DISTRIBUTIONS	$ 0	0	0	0	0	0	0	0	0	0	0	0

Appendix A-2

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS AND DISTRIBUTIONS - STATE FUNDS
YEAR ENDED JUNE 30, 2005

	General Revenue Fund	Aviation Trust Fund	Conservation Commission Fund	Department of Revenue Information Fund	Highway Department Fund	Parks Sales Tax Fund	School District Fund	Soil and Water Sales Tax Fund	State Road Fund	State Transportation Fund	Total (Memorandum Only)
RECEIPTS											
Highway use tax	$ 0	0	1,784,508	0	43,789,719	713,804	0	713,805	10,700,465	0	57,702,301
Marine and ATV sales and use tax	8,998,792	0	371,846	0	0	148,738	2,974,531	148,739	0	0	12,642,646
Motor vehicle sales tax	116,847,468	0	9,536,049	0	0	3,813,888	38,138,273	3,813,890	112,889,288	1,525,530	286,564,386
Sales and use tax	1,829,071,916	5,909,241	84,832,256	41,138	0	33,932,494	675,963,234	33,932,494	7,983,090	107,879	2,671,773,742
Total receipts	1,954,918,176	5,909,241	96,524,659	41,138	43,789,719	38,608,924	717,076,038	38,608,928	131,572,843	1,633,409	3,028,683,075
DISTRIBUTIONS											
Transmitted to State Treasurer	1,954,918,176	5,909,241	96,524,659	41,138	43,789,719	38,608,924	717,076,038	38,608,928	131,572,843	1,633,409	3,028,683,075
Total Distributions	1,954,918,176	5,909,241	96,524,659	41,138	43,789,719	38,608,924	717,076,038	38,608,928	131,572,843	1,633,409	3,028,683,075
RECEIPTS OVER (UNDER) DISTRIBUTIONS	$ 0	0	0	0	0	0	0	0	0	0	0

Appendix B-1

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS, DISTRIBUTIONS, AND CHANGES IN CASH AND INVESTMENTS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

	Local Fuel Tax Trust Fund [1]	Local Fuel Tax and Bond Trust Fund [1]	Local Sales Tax Trust Fund [2]	Local Use Tax Trust Fund [3]	Local Option Use Tax Trust Fund	Total (Memorandum Only)
RECEIPTS						
Motor vehicle sales tax, use tax, and fees	$ 54,418,228	45,713,531	0	0	0	100,131,759
Sales tax	2,169,878	0	1,791,802,229	0	0	1,793,972,107
Use tax	0	0	0	1	87,941,646	87,941,647
Motor fuel bond	0	178,057	0	0	0	178,057
Motor fuel pool bond	0	131,027	0	0	0	131,027
Interest income	281,459	203,045	4,072,417	5,802	147,114	4,709,837
Transfers in	160,790,642	6,541,189	207,121,424	0	14,494	374,467,749
Total Receipts	217,660,207	52,766,849	2,002,996,070	5,803	88,103,254	2,361,532,183
DISTRIBUTIONS						
Political Subdivisions	218,487,342	44,379,116	1,960,376,649	0	86,668,649	2,309,911,756
General Revenue Fund	0	0	19,801,661	0	875,442	20,677,103
Refunds to taxpayers	0	179	0	0	0	179
Transfers out to Local Fuel Tax and Bond Trust Fund	6,541,189	0	0	0	0	6,541,189
Total Distributions	225,028,531	44,379,295	1,980,178,310	0	87,544,091	2,337,130,227
RECEIPTS OVER (UNDER) DISTRIBUTIONS	(7,368,324)	8,387,554	22,817,760	5,803	559,163	24,401,956
CASH AND INVESTMENTS, JULY 1	7,368,324	0	164,168,190	154,591	5,087,374	176,778,479
CASH AND INVESTMENTS, JUNE 30	$ 0	8,387,554	186,985,950	160,394	5,646,537	201,180,435

[1] Effective May 1, 2006, all Local Fuel Tax accounts were combined for financial statement presentation purposes. The Local Fuel Tax Trust Fund amounts represent receipts and distributions for July 1, 2005 through April 30, 2006. The combined ending cash balances of all Local Fuel Tax accounts, including $6,541,189 from the Local Fuel Tax Fund, were transferred to the newly created Local Fuel Tax and Bond Trust Fund. The Local Fuel Tax and Bond Trust Fund amounts represent those ending cash balance transfers and receipts and distributions for May and June, 2006. Receipts previously classified as sales tax and transfers in for the Local Fuel Tax Trust Fund are classified as motor vehicle sales tax, use tax, and fees in the Local Fuel Tax and Bond Trust Fund.

[2] Receipts and the ending cash balance of the Local Sales Tax Trust Fund have been adjusted by $1,353,396 for a June 2006 deposit in transit.

[3] The Local Use Tax Trust Fund cash and investments balance at July 1 was adjusted by $208 from the prior year's June 30 cash and investments balance. The adjustment represents monies added back into the Fund for several long outstanding checks and other small adjustments.

Appendix B-2

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS, DISTRIBUTIONS, AND CHANGES IN CASH AND INVESTMENTS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

	Local Fuel Tax Trust Fund	Local Sales Tax Trust Fund	Local Use Tax Trust Fund	Local Option Use Tax Trust Fund	Total (Memorandum Only)
RECEIPTS					
Motor vehicle sales tax, use tax, and fees	$ 70,754,841	0	0	0	70,754,841
Sales tax	0	1,668,154,509	0	0	1,668,154,509
Use tax	0	0	1,117	78,547,857	78,548,974
Interest income	136,442	1,612,410	2,535	56,630	1,808,017
Transfers in	197,333,798	203,563,797	0	8,627	400,906,222
Total Receipts	268,225,081	1,873,330,716	3,652	78,613,114	2,220,172,563
DISTRIBUTIONS					
Political Subdivisions	267,173,921	1,841,432,859	0	77,331,978	2,185,938,758
General Revenue Fund	0	18,600,178	0	781,131	19,381,309
Total Distributions	267,173,921	1,860,033,037	0	78,113,109	2,205,320,067
RECEIPTS OVER (UNDER) DISTRIBUTIONS	1,051,160	13,297,679	3,652	500,005	14,852,496
CASH AND INVESTMENTS, JULY 1	6,317,164	150,870,511	150,731	4,587,369	161,925,775
CASH AND INVESTMENTS, JUNE 30	$ 7,368,324	164,168,190	154,383	5,087,374	176,778,271

Appendix C-1

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS - CUSTODIAL ACCOUNTS
YEAR ENDED JUNE 30, 2006

	Cabaret Sales Tax Account (2)	Compliance Clearing Account (2)	Motor Vehicle Clearing Account (2)	Motor Vehicle Protest Account (2)	Protested Sales Tax General Revenue Account (1)	Protested Sales Tax Miscellaneous Account (2)	Sales Tax Bond Account (1)	Sales Tax Electronic Filing Holding Account (2)	St. Louis Special Escrow Account (2)	Suspense Holding (Sales Tax) Account (2)	Total (Memorandum Only)
ADDITIONS											
Miscellaneous tax collections	$ 38,798	20,773,089	831,838,502	0	0	0	0	1,873,003,008	306	1,524,173,890	4,249,827,593
Protested tax collections	0	0	0	0	154,942	397,582	0	0	0	0	552,524
Bond collections	0	0	0	0	0	0	6,407,862	0	0	0	6,407,862
Interest	79	214,045	975,713	401	304,090	228,856	0	430,622	3,778	399,869	2,557,453
Total Additions	38,877	20,987,134	832,814,215	401	459,032	626,438	6,407,862	1,873,433,630	4,084	1,524,573,759	4,259,345,432
DEDUCTIONS											
Miscellaneous taxes and interest	37,956	21,465,024	785,410,644	0	0	0	0	1,870,528,309	0	1,524,469,196	4,201,911,129
Protested taxes and interest	0	0	0	0	461,210	440,793	0	0	0	0	902,003
Bonds and interest	0	0	0	0	0	0	4,751,910	0	0	196,708	4,948,618
Total Deductions	37,956	21,465,024	785,410,644	0	461,210	440,793	4,751,910	1,870,528,309	0	1,524,665,904	4,207,761,750
ADDITIONS OVER (UNDER) DEDUCTIONS	921	(477,890)	47,403,571	401	(2,178)	185,645	1,655,952	2,905,321	4,084	(92,145)	51,583,682
CASH AND INVESTMENTS, JULY 1	2,735	6,584,144	8,420,471	13,827	8,610,188	5,657,778	39,812,711	2,741,783	102,446	4,832,543	76,778,626
CASH AND INVESTMENTS, JUNE 30	$ 3,656	6,106,254	55,824,042	14,228	8,608,010	5,843,423	41,468,663	5,647,104	106,530	4,740,398	128,362,308

FOOTNOTES:
(1) Held by the state treasurer in trust.
(2) Held by the department in trust.

Appendix C-2

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS - CUSTODIAL ACCOUNTS
YEAR ENDED JUNE 30, 2005

	Cabaret Sales Tax Account (2)	Compliance Clearing Account (2)	Motor Vehicle Clearing Account (2)	Motor Vehicle Protest Account (2)	Protested Sales Tax General Revenue Account (1)	Protested Sales Tax Miscellaneous Account (2)	Sales Tax Bond Account (1)	Sales Tax Electronic Filing Holding Account (2)	St. Louis Special Escrow Account (2)	Suspense Holding (Sales Tax) Account (2)	Total (Memorandum Only)
ADDITIONS											
Miscellaneous tax collections	$ 37,362	20,183,601	842,203,822	0	0	0	0	1,666,013,372	98	1,312,658,527	3,841,096,782
Protested tax collections	0	0	0	4,429	925,453	982,737	0	0	0	0	1,912,619
Bond collections	0	0	0	0	0	0	7,185,159	0	0	0	7,185,159
Interest	37	76,770	122,130	161	179,163	94,559	0	144,908	1,652	79,812	699,192
Total Additions	37,399	20,260,371	842,325,952	4,590	1,104,616	1,077,296	7,185,159	1,666,158,280	1,750	1,312,738,339	3,850,893,752
DEDUCTIONS											
Miscellaneous taxes and interest	38,257	17,414,921	841,591,722	0	0	0	0	1,666,556,139	0	1,309,274,445	3,834,875,484
Protested taxes and interest	0	0	0	1,228	637,511	772,594	0	0	0	0	1,411,333
Bonds and interest	0	0	0	0	0	0	4,623,049	0	0	0	4,623,049
Total Deductions	38,257	17,414,921	841,591,722	1,228	637,511	772,594	4,623,049	1,666,556,139	0	1,309,274,445	3,840,909,866
ADDITIONS OVER (UNDER) DEDUCTIONS	(858)	2,845,450	734,230	3,362	467,105	304,702	2,562,110	(397,859)	1,750	3,463,894	9,983,886
CASH AND INVESTMENTS, JULY 1	3,593	3,738,694	7,686,241	10,465	8,143,083	5,353,076	37,250,601	3,139,642	100,696	1,368,649	66,794,740
CASH AND INVESTMENTS, JUNE 30	$ 2,735	6,584,144	8,420,471	13,827	8,610,188	5,657,778	39,812,711	2,741,783	102,446	4,832,543	76,778,626

FOOTNOTES:
(1) Held by the state treasurer in trust.
(2) Held by the department in trust.

Appendix D-1

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Adrian	$ 157,335	102,242	54,829	0	0	0	0	0	314,406
Advance	150,269	146,032	0	18,432	0	0	0	0	314,733
Airport Drive	192,633	93,155	0	0	0	0	0	0	285,788
Alba	13,912	0	0	0	0	0	0	0	13,912
Albany	136,336	136,180	0	0	0	0	0	0	272,516
Alexandria	13,280	0	0	0	0	0	0	0	13,280
Allendale	4,646	0	0	0	0	0	0	0	4,646
Alton	102,844	99,230	0	0	0	0	0	0	202,074
Amsterdam	12,154	0	0	0	0	0	0	0	12,154
Anderson	190,534	0	90,257	0	0	0	0	0	280,791
Annapolis	21,077	10,539	10,539	0	0	0	0	0	42,155
Appleton City	162,529	43,335	0	0	0	0	0	0	205,864
Arbyrd	27,396	0	0	0	0	0	0	0	27,396
Arcadia	68,160	8,573	0	0	0	0	0	0	76,733
Archie	50,858	0	10,640	0	0	0	0	0	61,498
Argyle	8,909	0	0	0	0	0	0	0	8,909
Arnold	4,350,976	1,053,170	0	0	0	0	0	0	5,404,146
Arrow Rock	13,827	3,457	0	0	0	0	0	0	17,284
Asbury	15,843	0	0	0	0	0	0	0	15,843
Ash Grove	132,481	60,154	0	9,637	0	0	0	0	202,272
Ashland	277,180	128,831	0	0	0	0	0	0	406,011
Atlanta	27,587	0	0	0	0	0	0	0	27,587
Augusta	48,251	24,124	0	0	0	0	0	0	72,375
Aurora	897,697	430,552	419,154	0	0	0	0	0	1,747,403
Auxvasse	69,259	0	31,564	0	0	0	0	0	100,823
Ava	330,870	661,384	0	44,856	0	0	0	0	1,037,110
Avondale	13,789	0	0	0	0	0	0	0	13,789
Bagnell	10,622	0	0	0	0	0	0	0	10,622
Bakersfield	13,503	0	0	0	0	0	0	0	13,503
Ballwin	0	3,131,493	0	0	0	0	0	0	3,131,493
Bates City	98,194	48,870	0	16,320	0	0	0	0	163,384
Battlefield	62,780	0	46,134	0	0	0	0	0	108,914
Bell City	14,341	2,078	0	0	0	0	0	0	16,419
Bella Villa	0	38,783	0	5,065	0	0	0	0	43,848

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Belle	125,332	62,662	56,168	0	0	0	0	0	244,162
Bellefontaine Neighbors	0	625,944	0	0	0	0	0	0	625,944
Bellerive	0	13,164	0	0	0	0	0	0	13,164
Bellflower	12,767	5,139	5,139	0	0	0	0	0	23,045
Bel-Nor	0	90,211	0	11,782	0	0	0	0	101,993
Bel-Ridge	0	394,960	0	0	0	0	0	0	394,960
Belton	2,623,362	2,622,302	1,311,681	0	0	0	0	0	6,557,345
Benton	46,254	0	0	0	0	0	0	0	46,254
Berger	4,698	0	0	0	0	0	0	0	4,698
Berkeley	0	1,112,378	0	0	0	0	0	0	1,112,378
Bernie	101,835	50,918	0	0	0	0	0	0	152,753
Bethany	646,722	0	0	0	0	0	0	0	646,722
Beverly Hills	0	56,442	0	0	0	0	0	0	56,442
Bevier	54,588	0	21,358	0	0	0	0	0	75,946
Billings	61,008	0	0	0	0	0	0	0	61,008
Birch Tree	49,313	23,259	23,261	0	0	0	0	0	95,833
Birmingham	9,307	0	0	0	0	0	0	0	9,307
Bismarck	98,260	0	43,666	0	0	0	0	0	141,926
Blackburn	6,819	0	0	0	0	0	0	0	6,819
Black Jack	0	383,425	0	50,076	0	0	0	0	433,501
Blackwater	9,583	4,791	0	0	0	0	0	0	14,374
Blairstown	6,579	0	0	0	0	0	0	0	6,579
Bland	30,775	28,303	0	0	0	0	0	0	59,078
Bloomfield	111,780	14,360	0	14,776	0	0	0	0	140,916
Bloomsdale	82,339	0	0	0	0	0	0	0	82,339
Blue Springs	6,393,595	0	2,996,481	0	0	0	0	0	9,390,076
Bolivar	1,716,225	893,636	822,645	0	0	0	0	0	3,432,506
Bonne Terre	404,124	189,237	189,301	0	0	0	0	0	782,662
Boonville	954,161	450,487	0	0	0	0	0	0	1,404,648
Bourbon	169,311	0	81,511	0	0	0	0	0	250,822
Bowling Green	472,432	109,684	219,411	0	0	0	0	0	801,527
Branson	8,208,837	0	4,072,774	0	0	0	0	0	12,281,611
Branson West	810,920	405,460	405,069	0	0	0	0	0	1,621,449
Brashear	9,081	0	0	0	0	0	0	0	9,081

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Braymer	53,805	0	0	0	0	0	0	0	53,805
Breckenridge	10,401	0	0	0	0	0	0	0	10,401
Breckenridge Hills	0	146,170	0	35,515	0	0	0	0	181,685
Brentwood	0	5,772,188	0	0	0	0	0	0	5,772,188
Bridgeton	0	3,498,192	0	0	0	0	0	0	3,498,192
Brookfield	710,253	176,885	333,427	80,226	0	0	0	0	1,300,791
Brookline Station	15,033	0	0	0	0	0	0	0	15,033
Browning	7,939	0	0	1,098	0	0	0	0	9,037
Brumley	7,276	0	0	0	0	0	0	0	7,276
Brunswick	125,278	0	610	0	0	0	0	0	125,888
Bucklin	34,501	0	0	2	0	0	0	0	34,503
Buckner	174,616	87,252	0	21,529	0	0	0	0	283,397
Buffalo	694,296	0	325,294	0	0	0	0	0	1,019,590
Bull Creek Village	7,601	0	0	0	0	0	0	0	7,601
Bunker	38,699	0	0	0	0	0	0	0	38,699
Butler	586,529	292,880	293,264	0	0	0	0	0	1,172,673
Byrnes Mill	128,280	0	0	0	0	0	0	0	128,280
Cabool	333,824	51,109	0	0	0	0	0	0	384,933
Caledonia	14,742	0	0	0	0	0	0	0	14,742
Calhoun	15,162	6,224	0	0	0	0	0	0	21,386
California	462,658	0	0	0	0	0	0	0	462,658
Callao	8,166	0	0	0	0	0	0	0	8,166
Calverton Park	0	74,630	0	0	0	0	0	0	74,630
Camdenton	1,369,933	684,960	674,073	0	0	0	0	0	2,728,966
Cameron	1,228,904	614,452	0	0	0	0	0	0	1,843,356
Campbell	118,565	0	0	0	0	0	0	0	118,565
Canton	204,293	76,610	0	0	0	0	0	0	280,903
Cape Girardeau	8,359,201	6,207,637	4,053,574	0	0	0	0	0	18,620,412
Cardwell	14,458	0	0	0	0	0	0	0	14,458
Carl Junction	253,142	0	100,065	0	0	0	0	0	353,207
Carrollton	395,280	0	197,615	0	0	0	0	0	592,895
Carterville	63,871	31,936	25,117	9,195	0	0	0	0	130,119
Carthage	1,818,579	1,165,397	847,629	0	0	0	0	0	3,831,605
Caruthersville	494,001	246,985	0	0	0	0	0	0	740,986

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YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Cassville	654,218	653,955	0	0	0	0	0	0	1,308,173
Center	48,967	0	0	0	0	0	0	0	48,967
Centertown	29,099	0	0	0	0	0	0	0	29,099
Centerville	11,798	0	0	0	0	0	0	0	11,798
Centralia	337,921	168,439	168,944	0	0	0	0	0	675,304
Chaffee	164,049	82,025	0	0	0	0	0	0	246,074
Chamois	25,457	0	0	0	0	0	0	0	25,457
Charlack	0	80,783	0	0	0	0	0	0	80,783
Charleston	444,854	0	207,800	0	0	0	0	0	652,654
Chesterfield	0	11,193,243	0	0	0	0	0	0	11,193,243
Chilhowee	13,631	0	0	0	0	0	0	0	13,631
Chillicothe	1,565,744	1,115,950	743,968	0	0	0	0	0	3,425,662
Clarence	74,533	0	0	0	0	0	0	0	74,533
Clarksburg	7,157	0	0	0	0	0	0	0	7,157
Clarksville	40,920	0	0	0	0	0	0	0	40,920
Clarkton	54,412	0	0	0	0	0	0	0	54,412
Claycomo	112,976	78,310	0	0	0	0	0	0	191,286
Clayton	0	2,597,856	0	0	0	0	0	0	2,597,856
Cleveland	47,283	0	0	0	0	0	0	0	47,283
Clever	58,779	29,388	0	0	0	0	0	0	88,167
Climax Springs	2,438	0	0	0	0	0	0	0	2,438
Clinton	1,727,863	1,684,423	410,735	217,732	0	0	0	0	4,040,753
Cole Camp	115,564	0	48,298	0	0	0	0	0	163,862
Collins	43,307	12,376		3,672	0	0	0	0	59,355
Columbia	18,828,159	9,067,753	9,071,720	0	0	0	0	0	36,967,632
Concordia	291,703	282,036	67,941	0	0	0	0	0	641,680
Conway	62,065	31,033	0	0	0	0	0	0	93,098
Cool Valley	0	85,859	0	0	0	0	0	0	85,859
Corder	9,814	4,907	0	2,987	0	0	0	0	17,708
Cottleville	589,952	0	0	0	0	0	0	0	589,952
Country Club Village	28,870	0	0	0	0	0	0	0	28,870
Country Club Hills	0	77,961	0	0	0	0	0	0	77,961
Craig	11,243	0	0	0	0	0	0	0	11,243
Crane	133,786	0	62,615	13,254	0	0	0	0	209,655

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Creighton	14,662	0	0	0	0	0	0	0	14,662
Crestwood	0	4,137,998	0	0	0	0	0	0	4,137,998
Creve Coeur	0	1,998,240	0	0	0	0	0	0	1,998,240
Crocker	121,124	0	53,537	0	0	0	0	0	174,661
Crystal City	775,356	369,538	0	0	0	0	0	0	1,144,894
Crystal Lake Park	0	25,799	0	0	0	0	0	0	25,799
Crystal Lakes	5,237	0	0	0	0	0	0	0	5,237
Cuba	660,685	0	330,340	0	0	0	0	0	991,025
Curryville	6,503	0	0	0	0	0	0	0	6,503
Dardene Prairie	255,332	127,673	0	0	0	0	0	0	383,005
Dearborn	44,370	0	0	0	0	0	0	0	44,370
Deepwater	11,143	0	0	0	0	0	0	0	11,143
Dellwood	0	490,669	0	0	0	0	0	0	490,669
Delta	26,429	11,601	0	0	0	0	0	0	38,030
Desloge	915,646	883,031	442,142	0	0	0	0	0	2,240,819
De Soto	1,094,188	526,917	0	0	0	0	0	0	1,621,105
Des Peres	0	6,290,300	0	259,869	0	0	0	0	6,550,169
Dexter	1,322,600	1,437,914	0	0	0	0	0	0	2,760,514
Diamond	59,643	0	17,474	0	0	0	0	0	77,117
Diggins	7,360	0	0	0	0	0	0	0	7,360
Dixon	165,634	0	75,321	0	0	0	0	0	240,955
Doniphan	417,869	0	198,108	0	0	0	0	0	615,977
Doolittle	35,498	0	0	0	0	0	0	0	35,498
Drexel	100,311	50,156	0	0	0	0	0	0	150,467
Dudley	81,461	0	0	0	0	0	0	0	81,461
Duenweg	90,268	45,134	0	0	0	0	0	0	135,402
Duquesne	307,681	0	0	0	0	0	0	0	307,681
Dutchtown	12,354	0	0	0	0	0	0	0	12,354
Eagleville	77,385	48,363	19,346	0	0	0	0	0	145,094
East Lynne	12,525	6,262	0	0	0	0	0	0	18,787
Easton	7,719	0	0	0	0	0	0	0	7,719
East Prairie	243,362	108,344	107,707	0	0	0	0	0	459,413
Edgar Springs	22,946	0	0	0	0	0	0	0	22,946
Edgerton	23,599	0	0	0	0	0	0	0	23,599

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SALES AND USE TAX
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YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Edina	125,613	0	0	0	0	0	0	0	125,613
Edmundson	0	367,647	0	20,829	0	0	0	0	388,476
Eldon	833,721	764,488	305,726	0	0	0	0	0	1,903,935
El Dorado Springs	425,893	426,085	0	0	0	0	0	0	851,978
Ellington	279,832	135,187	0	0	0	0	0	0	415,019
Ellisville	0	1,438,559	0	0	0	0	0	0	1,438,559
Ellsinore	50,450	24,390	0	0	0	0	0	0	74,840
Elsberry	159,757	0	73,187	15,271	0	0	0	0	248,215
Eminence	77,884	37,533	37,530	0	0	0	0	0	152,947
Emma	10,351	0	0	0	0	0	0	0	10,351
Eolia	28,361	0	0	0	0	0	0	0	28,361
Essex	15,874	0	0	1,828	0	0	0	0	17,702
Eureka	0	2,146,847	0	0	0	0	0	0	2,146,847
Everton	12,032	0	0	0	0	0	0	0	12,032
Ewing	26,514	0	0	0	0	0	0	0	26,514
Excelsior Springs	1,343,137	1,034,961	631,464	277,029	0	0	0	0	3,286,591
Exeter	22,936	0	0	0	0	0	0	0	22,936
Fairfax	36,740	0	0	0	0	0	0	0	36,740
Fair Grove	123,106	61,551	61,551	0	0	0	0	0	246,208
Fair Play	23,783	12,007	11,320	0	0	0	0	0	47,110
Fairview	7,870	0	0	0	0	0	0	0	7,870
Farber	10,963	0	0	0	0	0	0	0	10,963
Farmington	3,169,688	1,541,132	0	0	0	0	0	0	4,710,820
Fayette	210,674	23,811	0	0	0	0	0	0	234,485
Fenton	0	3,886,635	0	0	0	0	0	0	3,886,635
Ferguson	0	3,724,165	0	0	0	0	0	0	3,724,165
Ferrelview	13,815	0	0	0	0	0	0	0	13,815
Festus	2,948,335	717,816	1,435,636	0	0	0	0	0	5,101,787
Fisk	38,215	17,904	0	0	0	0	0	0	56,119
Flint Hill	102,797	0	0	0	0	0	0	0	102,797
Flordell Hills	0	52,557	0	6,864	0	0	0	0	59,421
Florissant	0	4,722,515	0	0	0	0	0	0	4,722,515
Foley	13,472	0	0	0	0	0	0	0	13,472
Fordland	35,391	0	0	0	0	0	0	0	35,391

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Forest City	17,548	0	0	0	0	0	0	0	17,548
Foristell	199,391	99,695	0	34,146	0	0	0	0	333,232
Forsyth	327,030	317,143	0	0	0	0	0	0	644,173
Frankford	9,344	0	0	0	0	0	0	0	9,344
Franklin	4,864	2,432	2,432	0	0	0	0	0	9,728
Fredericktown	574,742	0	269,365	0	0	0	0	0	844,107
Freeburg	144,560	32,932	0	0	0	0	0	0	177,492
Freeman	41,460	0	0	0	0	0	0	0	41,460
Fremont Hills	24,190	0	0	6,980	0	0	0	0	31,170
Frontenac	0	2,300,817	0	0	0	0	0	0	2,300,817
Fulton	1,393,248	696,623	696,624	0	0	0	0	0	2,786,495
Gainesville	186,007	0	0	0	0	0	0	0	186,007
Galena	27,918	0	0	0	0	0	0	0	27,918
Gallatin	125,139	0	0	11,213	0	0	0	0	136,352
Garden City	98,229	3,856	43,120	0	0	0	0	0	145,205
Gasconade	2,966	0	0	0	0	0	0	0	2,966
Gerald	136,496	0	65,117	0	0	0	0	0	201,613
Gerster	187	0	0	0	0	0	0	0	187
Gideon	36,222	0	0	0	0	0	0	0	36,222
Gilliam	4,433	554	0	0	0	0	0	0	4,987
Gilman City	18,122	0	0	0	0	0	0	0	18,122
Gladstone	3,071,150	2,147,893	1,432,546	307,709	0	0	0	0	6,959,298
Glasgow	109,656	27,394	50,485	0	0	0	0	0	187,535
Glendale	0	444,674	0	42,519	0	0	0	0	487,193
Golden City	34,435	19,677	19,677	0	0	0	0	0	73,789
Goodman	63,071	0	0	0	0	0	0	0	63,071
Gower	86,286	21,572	0	11,650	0	0	0	0	119,508
Grain Valley	632,388	280,658	280,664	0	0	0	0	0	1,193,710
Granby	210,884	39,536	0	0	0	0	0	0	250,420
Grandin	9,528	0	0	0	0	0	0	0	9,528
Grandview	2,954,885	2,857,865	1,381,235	0	0	0	0	0	7,193,985
Grant City	154,517	0	0	0	0	0	0	0	154,517
Grantwood	0	49,847	0	6,510	0	0	0	0	56,357
Gravois Mills	34,775	0	0	0	0	0	0	0	34,775

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Green City	46,843	23,421	0	0	0	0	0	0	70,264
Greendale	0	46,783	0	0	0	0	0	0	46,783
Greenfield	130,014	0	0	0	0	0	0	0	130,014
Green Park	0	396,091	0	0	0	0	0	0	396,091
Green Ridge	29,159	0	0	0	0	0	0	0	29,159
Greentop	22,827	0	0	0	0	0	0	0	22,827
Greenville	37,356	34,814	0	0	0	0	0	0	72,170
Greenwood	305,000	133,832	133,841	0	0	0	0	0	572,673
Hale	24,200	12,100	12,100	0	0	0	0	0	48,400
Half Way	11,952	0	0	0	0	0	0	0	11,952
Hallsville	50,213	0	0	0	0	0	0	0	50,213
Hamilton	129,843	0	64,922	0	0	0	0	0	194,765
Hanley Hills	0	119,905	0	0	0	0	0	0	119,905
Hannibal	2,602,453	3,253,474	0	0	0	0	0	0	5,855,927
Hardin	20,257	0	0	0	0	0	0	0	20,257
Harrisburg	23,352	0	0	0	0	0	0	0	23,352
Harrisonville	1,966,331	944,084	0	0	0	0	0	0	2,910,415
Hartsburg	4,675	0	0	0	0	0	0	0	4,675
Hartville	67,770	33,885	0	0	0	0	0	0	101,655
Hawk Point	40,198	0	0	0	0	0	0	0	40,198
Hayti	301,014	220,545	140,065	0	0	0	0	0	661,624
Hayti Heights	11,106	4,182	0	0	0	0	0	0	15,288
Hazelwood	0	3,819,978	0	1,013,194	0	0	0	0	4,833,172
Henrietta	32,699	0	0	0	0	0	0	0	32,699
Herculaneum	624,971	312,293	0	0	0	0	0	0	937,264
Hermann	418,376	100,184	200,369	0	0	0	0	0	718,929
Hermitage	134,724	66,145	0	5,955	0	0	0	0	206,824
Higbee	16,830	0	8,415	0	0	0	0	0	25,245
Higginsville	540,826	260,879	251,852	0	0	0	0	0	1,053,557
High Hill	8,790	0	0	0	0	0	0	0	8,790
Highlandville	31,748	0	0	0	0	0	0	0	31,748
Hillsboro	268,749	100,781	0	0	0	0	0	0	369,530
Hillsdale	0	83,380	0	0	0	0	0	0	83,380
Holcomb	33,807	0	0	0	0	0	0	0	33,807

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DEPARTMENT OF REVENUE
SALES AND USE TAX
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YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Holden	271,406	0	124,231	21,318	0	0	0	0	416,955
Hollister	985,358	492,679	480,950	0	0	0	0	0	1,958,987
Holt	66,591	64,811	31,488	0	0	0	0	0	162,890
Holts Summit	545,903	131,921	131,921	91,207	0	0	0	0	900,952
Homestown	1,880	0	0	0	0	0	0	0	1,880
Hornersville	38,071	0	0	0	0	0	0	0	38,071
Houston	600,535	145,534	145,695	0	0	0	0	0	891,764
Howardville	3,078	0	0	424	0	0	0	0	3,502
Humansville	55,708	258	31,392	0	0	0	0	0	87,358
Hume	14,578	0	0	0	0	0	0	0	14,578
Hunnewell	5,050	0	0	0	0	0	0	0	5,050
Huntsville	63,308	0	31,654	0	0	0	0	0	94,962
Hurley	6,707	0	0	0	0	0	0	0	6,707
Iberia	96,980	95,208	0	0	0	0	0	0	192,188
Illmo	2	0	0	0	0	0	0	0	2
Independence	17,534,127	14,620,896	6,205,673	0	0	0	0	0	38,360,696
Indian Point	148,377	74,189	0	0	0	0	0	0	222,566
Innsbrook	31,462	0	0	0	0	0	0	0	31,462
Irondale	9,948	0	0	0	0	0	0	0	9,948
Iron Mountain Lake	5,869	0	0	0	0	0	0	0	5,869
Ironton	216,549	100,577	100,588	0	0	0	0	0	417,714
Jackson	2,056,527	0	972,243	0	0	0	0	0	3,028,770
Jamesport	48,476	24,178	0	0	0	0	0	0	72,654
Jane	2,261	0	0	0	0	0	0	0	2,261
Jasper	58,846	29,423	25,113	0	0	0	0	0	113,382
Jefferson City	9,017,155	6,944,274	269	0	0	0	0	0	15,961,698
Jennings	0	1,165,693	0	0	0	0	0	0	1,165,693
Jonesburg	70,152	32,550	0	0	0	0	0	0	102,702
Joplin	11,577,370	7,222,466	5,789,065	0	0	0	0	0	24,588,901
Josephville	7,273	0	0	0	0	0	0	0	7,273
Kahoka	219,636	0	0	0	0	0	0	0	219,636
Kansas City	64,755,977	32,094,271	56,448,142	30,349,096	0	0	0	0	183,647,486
Kearney	909,465	418,938	418,939	0	0	0	0	0	1,747,342
Kelso	84,870	0	0	0	0	0	0	0	84,870

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SALES AND USE TAX
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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Kennett	1,245,478	355,074	0	0	0	0	0	0	1,600,552
Kidder	26,539	0	0	0	0	0	0	0	26,539
Kimberling City	358,779	344,833	0	56,864	0	0	0	0	760,476
Kimmswick	48,116	0	24,058	0	0	0	0	0	72,174
King City	95,431	0	0	0	0	0	0	0	95,431
Kingdom City	251,082	125,541	0	0	0	0	0	0	376,623
Kinloch	0	27,591	0	0	0	0	0	0	27,591
Kirbyville	6,595	0	0	0	0	0	0	0	6,595
Kirksville	2,367,426	1,698,458	1,132,463	0	0	0	0	0	5,198,347
Kirkwood	0	4,484,215	0	201,456	0	0	0	0	4,685,671
Knob Noster	159,487	72,385	72,385	42,239	0	0	0	0	346,496
Koshkonong	13,066	0	0	0	0	0	0	0	13,066
La Belle	39,880	0	0	0	0	0	0	0	39,880
Laclede	0	5,762	0	0	0	0	0	0	5,762
Laddonia	0	12,506	12,506	0	0	0	0	0	25,012
Ladue	0	1,735,274	0	0	0	0	0	0	1,735,274
La Grange	45,356	0	0	0	0	0	0	0	45,356
Lake Ozark	601,047	264,233	264,232	0	0	0	0	0	1,129,512
Lake St. Louis	951,101	0	475,587	0	0	0	0	0	1,426,688
Lakeside	506	0	0	0	0	0	0	0	506
Lamar	618,162	309,026	309,026	0	0	0	0	0	1,236,214
Lamar Hgts.	0	32,133	0	0	0	0	0	0	32,133
La Monte	68,093	0	0	0	0	0	0	0	68,093
Lanagan	18,292	0	0	0	0	0	0	0	18,292
Lancaster	71,048	0	0	0	0	0	0	0	71,048
La Plata	107,715	0	0	0	0	0	0	0	107,715
Lathrop	122,344	61,170	0	0	0	0	0	0	183,514
Laurie	426,950	213,471	211,572	0	0	0	0	0	851,993
Lawson	202,825	101,412	0	0	0	0	0	0	304,237
Leadington	141,087	141,071	70,534	33,941	0	0	0	0	386,633
Leadwood	39,775	0	0	0	0	0	0	0	39,775
Lebanon	3,175,068	1,550,770	1,552,822	0	0	0	0	0	6,278,660
Lee's Summit	11,912,737	10,217,539	5,687,110	0	0	0	0	0	27,817,386
Leeton	24,858	12,429	0	0	0	0	0	0	37,287

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YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Levasy	3,076	0	0	0	0	0	0	0	3,076
Lewistown	26,899	0	0	0	0	0	0	0	26,899
Lexington	385,390	363,470	0	0	0	0	0	0	748,860
Liberal	28,973	0	0	0	0	0	0	0	28,973
Liberty	3,549,804	3,311,667	827,050	0	0	0	0	0	7,688,521
Licking	224,282	112,141	0	0	0	0	0	0	336,423
Lilbourn	55,152	0	0	1,508	0	0	0	0	56,660
Lincoln	103,941	49,060	0	51,942	0	0	0	0	204,943
Linn	231,302	0	0	0	0	0	0	0	231,302
Linn Creek	134,501	100,605	33,355	29,130	0	0	0	0	297,591
Lockwood	82,398	0	0	7,453	0	0	0	0	89,851
Loma Linda	21,263	0	0	0	0	0	0	0	21,263
Lone Jack	36,902	27,133	0	0	0	0	0	0	64,035
Louisiana	722,730	0	0	79,341	0	0	0	0	802,071
Lowry City	56,468	0	0	3,338	0	0	0	0	59,806
Macks Creek	10,386	0	0	0	0	0	0	0	10,386
Macon	946,736	472,920	0	0	0	0	0	0	1,419,656
Madison	25,851	0	0	0	0	0	0	0	25,851
Maitland	10,216	0	0	0	0	0	0	0	10,216
Malden	549,000	205,312	0	0	0	0	0	0	754,312
Malta Bend	16,500	0	0	0	0	0	0	0	16,500
Manchester	0	1,988,806	0	0	0	0	0	0	1,988,806
Mansfield	135,919	77,668	0	0	0	0	0	0	213,587
Maplewood	0	3,040,725	0	125,710	0	0	0	0	3,166,435
Marble Hill	240,738	120,369	0	0	0	0	0	0	361,107
Marceline	214,015	0	96,162	0	0	0	0	0	310,177
Marionville	223,931	74,604	74,606	0	0	0	0	0	373,141
Marlborough	0	234,247	0	0	0	0	0	0	234,247
Marquand	9,717	0	0	0	0	0	0	0	9,717
Marshall	1,517,271	759,114	0	0	0	0	0	0	2,276,385
Marshfield	946,435	473,197	253,137	0	0	0	0	0	1,672,769
Marston	58,695	29,348	0	9,798	0	0	0	0	97,841
Marthasville	0	46,211	46,211	8,805	0	0	0	0	101,227
Martinsburg	41,505	0	0	0	0	0	0	0	41,505

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YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Maryland Heights	0	4,286,507	0	0	0	0	0	0	4,286,507
Maryville	1,587,728	1,176,570	0	0	0	0	0	0	2,764,298
Matthews	146,081	73,041	0	0	0	0	0	0	219,122
Maysville	60,726	15,181	30,362	0	0	0	0	0	106,269
Memphis	268,587	0	0	0	0	0	0	0	268,587
Merriam Woods	18,160	0	6,926	0	0	0	0	0	25,086
Meta	18,136	0	0	0	0	0	0	0	18,136
Mexico	1,533,525	727,851	0	0	0	0	0	0	2,261,376
Middletown	15,434	0	0	0	0	0	0	0	15,434
Milan	208,976	0	0	0	0	0	0	0	208,976
Miller	42,556	8,985	18,286	0	0	0	0	0	69,827
Miner	499,934	493,204	0	14,629	0	0	0	0	1,007,767
Moberly	2,120,378	2,020,254	1,010,495	0	0	0	0	0	5,151,127
Mokane	10,931	0	0	0	0	0	0	0	10,931
Moline Acres	0	25,029	0	0	0	0	0	0	25,029
Monett	1,730,810	865,208	0	0	0	0	0	0	2,596,018
Monroe City	302,515	138,547	0	0	0	0	0	0	441,062
Montgomery City	318,204	0	149,172	0	0	0	0	0	467,376
Montrose	22,708	11,354	0	0	0	0	0	0	34,062
Morehouse	33,033	0	0	0	0	0	0	0	33,033
Morley	10,721	0	0	0	0	0	0	0	10,721
Morrison	6,366	0	0	0	0	0	0	0	6,366
Mosby	114,607	0	0	0	0	0	0	0	114,607
Moscow Mills	299,068	0	143,604	0	0	0	0	0	442,672
Mound City	69,455	69,441	0	0	0	0	0	0	138,896
Mountain Grove	901,720	450,876	0	0	0	0	0	0	1,352,596
Mountain View	522,180	0	216,472	0	0	0	0	0	738,652
Mount Vernon	527,231	526,177	0	0	0	0	0	0	1,053,408
Naylor	20,972	8,760	8,760	1,489	0	0	0	0	39,981
Neelyville	22,713	0	0	0	0	0	0	0	22,713
Neosho	2,008,132	1,713,049	720,846	0	0	0	0	0	4,442,027
Nevada	1,425,828	1,424,314	712,333	0	0	0	0	0	3,562,475
New Bloomfield	25,499	12,731	0	0	0	0	0	0	38,230
Newburg	17,191	7,511	7,511	0	0	0	0	0	32,213

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
New Cambria	14,542	0	0	0	0	0	0	0	14,542
New Florence	102,190	48,774	48,774	0	0	0	0	0	199,738
New Franklin	41,187	20,594	16,288	0	0	0	0	0	78,069
New Haven	201,767	52,822	95,202	0	0	0	0	0	349,791
New London	82,393	0	23,562	0	0	0	0	0	105,955
New Madrid	197,514	98,672	0	76,310	0	0	0	0	372,496
New Melle	53,784	25,778	25,779	5,062	0	0	0	0	110,403
Niangua	12,600	0	6,297	0	0	0	0	0	18,897
Nixa	1,950,564	0	975,281	0	0	0	0	0	2,925,845
Noel	135,834	65,154	63,006	0	0	0	0	0	263,994
Norborne	39,564	0	0	0	0	0	0	0	39,564
Normandy	0	145,753	0	0	0	0	0	0	145,753
North Kansas City	3,472,119	0	1,698,369	0	0	0	0	0	5,170,488
Northmoor	167,897	0	0	0	0	0	0	0	167,897
Northwoods	0	381,415	0	0	0	0	0	0	381,415
Norwood	24,525	12,272	0	0	0	0	0	0	36,797
Oak Grove	1,047,449	465,884	465,903	0	0	0	0	0	1,979,236
Oakland	0	86,937	0	0	0	0	0	0	86,937
Oakview	45,482	41,911	0	20,639	0	0	0	0	108,032
Odessa	531,795	440,362	265,819	0	0	0	0	0	1,237,976
O'Fallon	10,623,297	0	5,070,989	0	0	0	0	0	15,694,286
Old Monroe	38,270	9,144	9,144	0	0	0	0	0	56,558
Olivette	0	1,258,727	0	150,090	0	0	0	0	1,408,817
Oran	55,878	27,936	0	0	0	0	0	0	83,814
Oronogo	53,839	0	0	0	0	0	0	0	53,839
Orrick	45,238	0	19,616	0	0	0	0	0	64,854
Osage Beach	4,580,382	2,259,477	2,259,519	0	0	0	0	0	9,099,378
Osceola	81,377	19,508	0	0	0	0	0	0	100,885
Otterville	30,468	0	0	0	0	0	0	0	30,468
Overland	0	1,074,967	0	0	0	0	0	0	1,074,967
Owensville	571,997	275,683	275,694	0	0	0	0	0	1,123,374
Ozark	2,334,950	1,167,465	0	0	0	0	0	0	3,502,415
Pacific	774,991	394,459	0	0	0	0	0	0	1,169,450
Pagedale	0	334,224	0	0	0	0	0	0	334,224

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Palmyra	369,125	178,311	0	0	0	0	0	0	547,436
Paris	126,471	55,009	55,009	0	0	0	0	0	236,489
Park Hills	630,339	582,849	291,268	0	0	0	0	0	1,504,456
Parkville	906,261	0	432,892	0	0	0	0	0	1,339,153
Parkway	16,174	0	0	0	0	0	0	0	16,174
Parma	25,928	12,944	9,717	4,111	0	0	0	0	52,700
Pasadena Hills	0	64,751	0	8,457	0	0	0	0	73,208
Pasadena Park	0	27,605	0	0	0	0	0	0	27,605
Pattonsburg	26,387	0	0	4,308	0	0	0	0	30,695
Peculiar	274,715	258,909	121,726	170,132	0	0	0	0	825,482
Perry	82,378	0	37,890	0	0	0	0	0	120,268
Perryville	1,462,580	548,310	731,289	0	0	0	0	0	2,742,179
Pevely	510,939	0	242,063	0	0	0	0	0	753,002
Phillipsburg	4,526	0	0	0	0	0	0	0	4,526
Piedmont	416,955	198,665	198,665	0	0	0	0	0	814,285
Pierce City	66,128	37,785	37,788	0	0	0	0	0	141,701
Pierpont Village	709	0	0	0	0	0	0	0	709
Pilot Grove	37,177	0	18,589	9,084	0	0	0	0	64,850
Pilot Knob	63,998	31,999	29,858	0	0	0	0	0	125,855
Pine Lawn	0	283,884	0	0	0	0	0	0	283,884
Pineville	66,967	33,484	0	1,173,643	0	0	0	0	1,274,094
Plato	11,696	0	0	0	0	0	0	0	11,696
Platte City	677,538	677,494	0	0	0	0	0	0	1,355,032
Platte Woods	83,510	0	41,755	0	0	0	0	0	125,265
Plattsburg	193,219	193,157	0	1,328	0	0	0	0	387,704
Pleasant Hill	592,078	440,242	259,724	0	0	0	0	0	1,292,044
Pleasant Hope	38,729	8,884	8,885	5,554	0	0	0	0	62,052
Pleasant Valley	496,983	310,505	62,109	0	0	0	0	0	869,597
Polo	29,431	26,991	27,031	0	0	0	0	0	83,453
Poplar Bluff	4,072,263	4,106,673	0	0	0	0	0	0	8,178,936
Portage Des Sioux	13,307	0	0	0	0	0	0	0	13,307
Portageville	289,578	133,255	0	0	0	0	0	0	422,833
Potosi	772,678	0	0	0	0	0	0	0	772,678
Preston	18,178	0	0	0	0	0	0	0	18,178

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CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Princeton	94,184	0	0	0	0	0	0	0	94,184
Purdy	69,467	0	0	0	0	0	0	0	69,467
Puxico	115,522	0	0	0	0	0	0	0	115,522
Queen City	31,156	13,320	13,320	0	0	0	0	0	57,796
Qulin	26,145	13,072	0	0	0	0	0	0	39,217
Randolph	41,325	20,670	0	0	0	0	0	0	61,995
Raymore	1,583,381	1,485,782	742,892	0	0	0	0	0	3,812,055
Raytown	2,688,847	1,244,330	1,211,657	0	0	0	0	0	5,144,834
Redings Mill	1,719	0	0	0	0	0	0	0	1,719
Reeds Spring	64,897	47,928	0	0	0	0	0	0	112,825
Republic	1,339,781	1,004,476	669,890	0	0	0	0	0	3,014,147
Rich Hill	147,009	0	0	0	0	0	0	0	147,009
Richland	143,690	63,790	63,808	0	0	0	0	0	271,288
Richmond	1,031,050	136,982	475,751	0	0	0	0	0	1,643,783
Richmond Heights	0	5,359,798	0	0	0	0	0	0	5,359,798
Ridgeway	23,414	0	0	0	0	0	0	0	23,414
Risco	15,947	0	0	0	0	0	0	0	15,947
River Bend	13,203	0	0	0	0	0	0	0	13,203
Riverside	1,005,942	0	0	215,544	0	0	0	0	1,221,486
Riverview	0	177,599	0	23,195	0	0	0	0	200,794
Rocheport	20,372	10,186	0	0	0	0	0	0	30,558
Rockaway Beach	39,073	17,890	17,890	0	0	0	0	0	74,853
Rock Hill	0	892,848	0	0	0	0	0	0	892,848
Rock Port	177,855	110,873	0	38,151	0	0	0	0	326,879
Rockville	9,451	0	0	0	0	0	0	0	9,451
Rogersville	242,455	121,328	114,030	0	0	0	0	0	477,813
Rolla	3,577,061	3,575,866	1,788,509	0	0	0	0	0	8,941,436
Rosebud	40,590	0	19,377	0	0	0	0	0	59,967
Russellville	49,446	0	0	0	0	0	0	0	49,446
Rutledge	11,903	0	0	0	0	0	0	0	11,903
St. Ann	0	1,853,678	0	0	0	0	0	0	1,853,678
St. Charles	10,326,655	4,971,539	0	0	0	0	0	0	15,298,194
St. Clair	533,544	266,721	265,977	0	0	0	0	0	1,066,242
St. Elizabeth	24,989	0	0	0	0	0	0	0	24,989

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
St. George	0	8,965	0	0	0	0	0	0	8,965
St. James	485,190	0	242,590	0	0	0	0	0	727,780
St. John	0	693,738	0	0	0	0	0	0	693,738
St. Joseph	16,068,758	5,356,684	1,606,960	0	0	0	0	0	23,032,402
St. Louis	49,048,207	59,114,696	26,752,429	25,763,812	0	0	0	0	160,679,144
St. Martins	31,361	0	0	0	0	0	0	0	31,361
St. Mary	21,012	0	10,506	0	0	0	0	0	31,518
St. Peters	12,235,276	1,223,205	6,117,639	0	0	0	0	0	19,576,120
St. Robert	1,750,629	875,170	857,664	0	0	0	0	0	3,483,463
St. Thomas	10,700	0	0	0	0	0	0	0	10,700
Ste. Genevieve	579,153	272,289	272,293	124,720	0	0	0	0	1,248,455
Saginaw	19,716	0	0	0	0	0	0	0	19,716
Salem	967,319	483,655	0	0	0	0	0	0	1,450,974
Salisbury	177,696	0	0	0	0	0	0	0	177,696
Sarcoxie	102,637	44,216	44,223	0	0	0	0	0	191,076
Savannah	570,841	104,967	0	0	0	0	0	0	675,808
Scotsdale	0	5,201	0	0	0	0	0	0	5,201
Scott City	392,161	90,484	180,970	0	0	0	0	0	663,615
Sedalia	4,093,420	3,475,077	1,962,111	0	0	0	0	0	9,530,608
Seligman	81,990	40,995	39,667	0	0	0	0	0	162,652
Senath	54,176	0	0	0	0	0	0	0	54,176
Seneca	185,693	84,565	84,565	0	0	0	0	0	354,823
Seymour	177,379	0	0	0	0	0	0	0	177,379
Shelbina	218,535	54,632	0	0	0	0	0	0	273,167
Shelbyville	32,382	0	0	0	0	0	0	0	32,382
Sheldon	25,995	0	0	0	0	0	0	0	25,995
Shrewsbury	0	1,361,969	0	0	0	0	0	0	1,361,969
Sikeston	5,555,292	472,354	1,387,777	0	0	0	0	0	7,415,423
Silex	41,663	0	0	4,502	0	0	0	0	46,165
Silver Creek	14,611	0	0	0	0	0	0	0	14,611
Slater	102,132	51,066	51,066	0	0	0	0	0	204,264
Smithton	13,712	0	0	0	0	0	0	0	13,712
Smithville	765,603	0	357,402	112,107	0	0	0	0	1,235,112
Southwest City	107,668	25,615	51,231	65,995	0	0	0	0	250,509

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Sparta	91,307	0	0	0	0	0	0	0	91,307
Spickard	6,933	0	0	0	0	0	0	0	6,933
Springfield	39,267,492	9,483,444	4,741,518	4,494,720	0	0	0	0	57,987,174
Stanberry	0	110,229	0	0	0	0	0	0	110,229
Steele	168,786	84,363	0	0	0	0	0	0	253,149
Steelville	232,300	115,933	0	0	0	0	0	0	348,233
Stella	2,260	0	0	0	0	0	0	0	2,260
Stewartsville	48,290	16,698	0	0	0	0	0	0	64,988
Stockton	219,293	109,646	109,646	26,511	0	0	0	0	465,096
Stoutland	5,043	0	0	0	0	0	0	0	5,043
Stover	99,613	0	46,351	0	0	0	0	0	145,964
Strafford	250,472	125,236	0	0	0	0	0	0	375,708
Sturgeon	51,983	0	21,850	0	0	0	0	0	73,833
Sugar Creek	626,923	29,100	0	27,522	0	0	0	0	683,545
Sullivan	1,494,824	747,116	745,617	0	0	0	0	0	2,987,557
Summersville	55,555	0	26,208	0	0	0	0	0	81,763
Sunrise Beach	171,194	0	85,588	41,790	0	0	0	0	298,572
Sunset Hills	0	759,985	0	0	0	0	0	0	759,985
Sweet Springs	165,049	50,987	50,987	0	0	0	0	0	267,023
Table Rock	419	0	0	0	0	0	0	0	419
Taneyville	11,806	0	0	0	0	0	0	0	11,806
Taos	20,306	0	0	0	0	0	0	0	20,306
Tarkio	197,845	0	0	0	0	0	0	0	197,845
Thayer	430,452	0	0	0	0	0	0	0	430,452
Theodosia	52,972	0	0	0	0	0	0	0	52,972
Tipton	179,461	0	0	0	0	0	0	0	179,461
Town and Country	0	3,033,927	0	0	0	0	0	0	3,033,927
Tracy	19,529	0	0	0	0	0	0	0	19,529
Trenton	720,738	689,949	0	0	0	0	0	0	1,410,687
Trimble	18,216	0	0	0	0	0	0	0	18,216
Troy	2,239,671	0	1,088,886	0	0	0	0	0	3,328,557
Truesdale	123,537	0	0	0	0	0	0	0	123,537
Tuscumbia	11,199	0	0	0	0	0	0	0	11,199
Twin Oaks	0	257,531	0	0	0	0	0	0	257,531

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Union	1,513,239	602,490	756,615	0	0	0	0	0	2,872,344
Unionville	187,566	0	0	0	0	0	0	0	187,566
University City	0	4,004,732	0	277,544	0	0	0	0	4,282,276
Uplands Park	0	25,968	0	3,392	0	0	0	0	29,360
Urbana	45,249	0	22,636	0	0	0	0	0	67,885
Urich	59,377	29,689	29,689	0	0	0	0	0	118,755
Valley Park	0	742,895	0	0	0	0	0	0	742,895
Van Buren	146,535	68,478	0	0	0	0	0	0	215,013
Vandalia	289,560	144,738	0	0	0	0	0	0	434,298
Vandiver	103,883	0	0	0	0	0	0	0	103,883
Velda Village	0	91,227	0	0	0	0	0	0	91,227
Velda Village Hills	0	61,533	0	0	0	0	0	0	61,533
Verona	34,901	5,547	0	0	0	0	0	0	40,448
Versailles	475,578	465,096	0	0	0	0	0	0	940,674
Viburnum	65,473	0	0	0	0	0	0	0	65,473
Vienna	100,165	0	47,338	10,714	0	0	0	0	158,217
Village of Four Seasons	218,579	109,290	0	0	0	0	0	0	327,869
Vinita Park	0	190,078	0	3,818	0	0	0	0	193,896
Vinita Terrace	0	16,484	0	0	0	0	0	0	16,484
Walnut Grove	38,870	0	0	2,306	0	0	0	0	41,176
Wardell	16,770	4,193	0	0	0	0	0	0	20,963
Wardsville	26,293	0	0	0	0	0	0	0	26,293
Warrensburg	2,571,093	2,213,511	0	347,443	0	0	0	0	5,132,047
Warrenton	1,459,714	364,929	729,857	0	0	0	0	0	2,554,500
Warsaw	715,051	404,299	297,599	0	0	0	0	0	1,416,949
Warson Woods	0	189,208	0	0	0	0	0	0	189,208
Washburn	22,825	11,413	11,413	0	0	0	0	0	45,651
Washington	3,276,122	1,638,061	938,526	306,497	0	0	0	0	6,159,206
Waverly	56,196	0	25,070	0	0	0	0	0	81,266
Wayland	19,001	0	0	0	0	0	0	0	19,001
Waynesville	373,154	273,842	174,680	0	0	0	0	0	821,676
Weaubleau	40,969	20,492	0	0	0	0	0	0	61,461
Webb City	1,374,521	806,641	645,919	0	0	0	0	0	2,827,081
Webster Groves	0	2,747,000	0	0	0	0	0	0	2,747,000

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
CITIES:									
Weldon Spring	209,965	0	0	0	0	0	0	0	209,965
Wellston	0	138,873	0	0	0	0	0	0	138,873
Wellsville	52,451	15,297	26,226	0	0	0	0	0	93,974
Wentzville	3,317,413	1,658,484	1,584,321	945,206	0	0	0	0	7,505,424
Weston	137,655	51,475	68,692	40,261	0	0	0	0	298,083
Westphalia	40,394	0	0	5,842	0	0	0	0	46,236
West Plains	2,718,047	1,358,944	1,310,667	0	0	0	0	0	5,387,658
West Sullivan	5,417	1,354	0	0	0	0	0	0	6,771
Wheatland	21,978	6,545	9,749	0	0	0	0	0	38,272
Wheaton	59,603	0	0	0	0	0	0	0	59,603
Wilbur Park	0	26,815	0	0	0	0	0	0	26,815
Wildwood	0	1,857,835	0	0	0	0	0	0	1,857,835
Willard	365,642	350,941	0	34,964	0	0	0	0	751,547
Williamsville	22,880	7,600	0	0	0	0	0	0	30,480
Willow Springs	271,854	198,518	0	0	0	0	0	0	470,372
Winchester	0	61,158	0	0	0	0	0	0	61,158
Windsor	210,901	91,957	0	0	0	0	0	0	302,858
Winfield	97,609	0	45,145	0	0	0	0	0	142,754
Winona	94,292	44,768	44,769	0	0	0	0	0	183,829
Woods Heights	29,383	0	0	327	0	0	0	0	29,710
Woodson Terrace	0	698,534	0	30,885	0	0	0	0	729,419
Wright City	261,744	58,227	116,453	0	0	0	0	0	436,424
Wyaconda	7,040	0	0	0	0	0	0	0	7,040
Wyatt	12,305	0	0	0	0	0	0	0	12,305
COUNTIES:									
Adair County	0	0	0	0	1,370,368	1,369,191	0	0	2,739,559
Andrew County	0	0	0	125,410	472,856	1,103,299	0	0	1,701,565
Atchison County	0	0	0	96,920	0	760,957	0	0	857,877
Audrain County	0	0	0	0	1,129,615	2,741,530	0	0	3,871,145
Barry County	0	0	0	0	1,768,402	2,264,586	0	0	4,032,988
Barton County	0	0	0	0	515,326	515,241	0	0	1,030,567
Bates County	0	0	0	101,556	0	1,118,243	0	0	1,219,799
Benton County	0	0	0	0	765,054	1,461,910	0	0	2,226,964
Bollinger County	0	0	0	0	296,429	592,843	0	0	889,272

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SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

COUNTIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Boone County	0	0	0	0	11,158,239	13,931,249	0	0	25,089,488
Buchanan County	0	0	0	0	5,653,180	6,781,439	0	0	12,434,619
Butler County	0	0	0	0	2,750,516	2,749,393	0	0	5,499,909
Caldwell County	0	0	0	108,149	210,185	840,366	0	0	1,158,700
Callaway County	0	0	0	0	0	1,827,458	0	0	1,827,458
Camden County	0	0	0	0	4,113,990	4,113,556	0	0	8,227,546
Cape Girardeau County	0	0	0	0	6,035,658	0	0	0	6,035,658
Carroll County	0	0	0	146,059	314,546	471,719	0	0	932,324
Carter County	0	0	0	0	197,346	197,349	0	0	394,695
Cass County	0	0	0	0	4,946,495	7,408,600	0	0	12,355,095
Cedar County	0	0	0	0	499,554	543,353	0	0	1,042,907
Chariton County	0	0	0	101,137	264,070	769,822	0	0	1,135,029
Christian County	0	0	0	0	3,089,974	6,179,558	0	0	9,269,532
Clark County	0	0	0	0	220,103	440,178	0	0	660,281
Clay County	0	0	0	3,404,058	14,017,063	10,489,444	0	0	27,910,565
Clinton County	0	0	0	116,460	551,085	551,089	0	0	1,218,634
Cole County	0	0	0	523,546	0	5,082,320	0	0	5,605,866
Cooper County	0	0	0	0	759,123	1,897,673	0	0	2,656,796
Crawford County	0	0	0	0	958,722	2,208,838	0	0	3,167,560
Dade County	0	0	0	56,102	248,977	579,526	0	0	884,605
Dallas County	0	0	0	0	620,913	1,809,591	0	0	2,430,504
Daviess County	0	0	0	55,479	0	733,518	0	0	788,997
DeKalb County	0	0	0	0	622,664	622,656	0	0	1,245,320
Dent County	0	0	0	0	708,603	704,794	0	0	1,413,397
Douglas County	0	0	0	0	453,601	453,611	0	0	907,212
Dunklin County	0	0	0	0	0	2,655,636	0	0	2,655,636
Franklin County	0	0	0	0	5,209,766	7,814,267	0	0	13,024,033
Gasconade County	0	0	0	0	777,646	1,081,651	0	0	1,859,297
Gentry County	0	0	0	25,397	0	448,987	0	0	474,384
Greene County	0	0	0	0	22,805,989	22,222,230	0	0	45,028,219
Grundy County	0	0	0	0	431,968	789,014	0	0	1,220,982
Harrison County	0	0	0	0	0	1,251,185	0	0	1,251,185
Henry County	0	0	0	87,532	1,171,777	0	0	0	1,259,309
Hickory County	0	0	0	0	275,683	551,352	0	0	827,035

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SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

COUNTIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Holt County	0	0	0	99,869	168,249	588,170	0	0	856,288
Howard County	0	0	0	0	286,185	1,064,223	0	0	1,350,408
Howell County	0	0	0	0	2,091,000	1,043,791	0	0	3,134,791
Iron County	0	0	0	0	370,752	204,166	0	0	574,918
Jackson County	0	0	0	0	42,200,028	21,098,284	0	0	63,298,312
Jasper County	0	0	0	0	5,698,106	5,611,999	0	0	11,310,105
Jefferson County	0	0	0	0	10,010,854	22,343,857	0	0	32,354,711
Johnson County	0	0	0	599,153	2,116,429	4,067,748	0	0	6,783,330
Knox County	0	0	0	0	134,478	403,291	0	0	537,769
Laclede County	0	0	0	0	2,007,281	2,005,188	0	0	4,012,469
Lafayette County	0	0	0	0	1,195,741	2,484,735	0	0	3,680,476
Lawrence County	0	0	0	230,852	1,255,850	1,255,828	0	0	2,742,530
Lewis County	0	0	0	241,777	270,063	829,722	0	0	1,341,562
Lincoln County	0	0	0	0	2,147,416	7,078,536	0	0	9,225,952
Linn County	0	0	0	108,966	587,400	587,402	0	0	1,283,768
Livingston County	0	0	0	0	882,555	441,271	0	0	1,323,826
Macon County	0	0	0	0	725,489	1,333,864	0	0	2,059,353
Madison County	0	0	0	0	469,901	469,647	0	0	939,548
Maries County	0	0	0	38,927	242,589	483,656	0	0	765,172
Marion County	0	0	0	335,338	1,660,404	2,078,233	0	0	4,073,975
McDonald County	0	0	0	0	1,116,850	3,289,444	0	0	4,406,294
Mercer County	0	0	0	0	135,878	421,703	0	0	557,581
Miller County	0	0	0	195,294	1,840,211	1,838,321	0	0	3,873,826
Mississippi County	0	0	0	0	415,048	1,036,702	0	0	1,451,750
Moniteau County	0	0	0	0	486,726	928,805	0	0	1,415,531
Monroe County	0	0	0	54,953	265,800	265,798	0	0	586,551
Montgomery County	0	0	0	0	432,160	1,080,116	0	0	1,512,276
Morgan County	0	0	0	0	950,407	1,016,218	0	0	1,966,625
New Madrid County	0	0	0	0	1,439,885	107,076	0	0	1,546,961
Newton County	0	0	0	0	2,250,573	3,000,750	0	0	5,251,323
Nodaway County	0	0	0	0	975,301	1,951,330	0	0	2,926,631
Oregon County	0	0	0	0	406,442	406,446	0	0	812,888
Osage County	0	0	0	0	481,456	529,214	0	0	1,010,670
Ozark County	0	0	0	0	265,819	560,367	0	0	826,186

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YEAR ENDED JUNE 30, 2006

COUNTIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Pemiscot County	0	0	0	0	656,887	985,299	0	0	1,642,186
Perry County	0	0	0	0	1,113,710	1,872,782	0	0	2,986,492
Pettis County	0	0	0	428,894	2,431,690	2,428,071	0	0	5,288,655
Phelps County	0	0	0	0	2,449,232	1,835,654	0	0	4,284,886
Pike County	0	0	0	0	661,482	2,104,862	0	0	2,766,344
Platte County	0	0	0	3,458,514	6,569,797	11,078,763	0	0	21,107,074
Polk County	0	0	0	0	0	2,705,074	0	0	2,705,074
Pulaski County	0	0	0	0	1,765,661	881,915	0	0	2,647,576
Putnam County	0	0	0	0	0	681,767	0	0	681,767
Ralls County	0	0	0	0	399,411	1,201,542	0	0	1,600,953
Randolph County	0	0	0	0	1,272,627	1,271,090	0	0	2,543,717
Ray County	0	0	0	174,829	785,704	1,571,380	0	0	2,531,913
Reynolds County	0	0	0	0	206,145	0	0	0	206,145
Ripley County	0	0	0	0	0	431,677	0	0	431,677
St. Charles County	0	0	0	6,688,608	21,263,038	51,520,102	0	0	79,471,748
St. Clair County	0	0	0	0	271,076	0	0	0	271,076
St. Francois County	0	0	0	0	3,344,482	4,751,731	0	0	8,096,213
St. Louis County	0	0	121,462,910	0	0	14,311,367	162,102,858	0	297,877,135
Ste. Genevieve County	0	0	0	0	757,313	757,310	0	0	1,514,623
Saline County	0	0	0	0	1,024,257	1,024,228	0	0	2,048,485
Schuyler County	0	0	0	0	124,009	248,020	0	0	372,029
Scotland County	0	0	0	0	0	463,528	0	0	463,528
Scott County	0	0	0	0	1,627,079	1,623,040	0	0	3,250,119
Shannon County	0	0	0	0	225,153	224,958	0	0	450,111
Shelby County	0	0	0	59,537	236,879	473,729	0	0	770,145
Stoddard County	0	0	0	0	1,300,649	1,300,010	0	0	2,600,659
Stone County	0	0	0	369,522	1,890,534	4,949,967	0	0	7,210,023
Sullivan County	0	0	0	0	217,497	652,006	0	0	869,503
Taney County	0	0	0	0	5,905,566	14,859,649	0	0	20,765,215
Texas County	0	0	0	0	919,936	156,284	0	0	1,076,220
Vernon County	0	0	0	0	925,008	0	0	0	925,008
Warren County	0	0	0	0	1,333,426	3,999,856	0	0	5,333,282
Washington County	0	0	0	167,072	729,907	2,854,744	0	0	3,751,723
Wayne County	0	0	0	0	440,588	440,589	0	0	881,177

Appendix D-1

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
COUNTIES:									
Webster County	0	0	0	0	1,198,584	2,110,473	0	0	3,309,057
Worth County	0	0	0	18,622	67,872	102,793	0	0	189,287
Wright County	0	0	0	0	765,041	764,306	0	0	1,529,347
DISTRICTS:									
Ava Ambulance District	0	0	0	0	0	0	0	105,733	105,733
Barton County Ambulance District	0	0	0	0	0	0	0	493,807	493,807
Branson Hills Community Development District	0	0	0	0	0	0	0	30,724	30,724
Branson Lakes Area Tourism Enhancement District	0	0	0	0	0	0	0	390,030	390,030
Brookside Community Development District	0	0	0	0	0	0	0	24,593	24,593
Caledonia Community Development District	0	0	0	2,603	0	0	0	53,802	56,405
Callaway County Ambulance District	0	0	0	0	0	0	0	692,407	692,407
Cam-MO Ambulance District	0	0	0	0	0	0	0	668,396	668,396
Cedar County Ambulance District	0	0	0	0	0	0	0	200,546	200,546
Dade County Ambulance District	0	0	0	0	0	0	0	140,521	140,521
Daviess/Dekalb Regional Jail District	0	0	0	0	0	0	0	55,857	55,857
Herman Area Ambulance District	0	0	0	0	0	0	0	78,270	78,270
Iron County Ambulance District	0	0	0	0	0	0	0	251,584	251,584
KC International Airport Community Development District	0	0	0	12,129	0	0	0	789,235	801,364
Maries Osage Ambulance District	0	0	0	0	0	0	0	172,299	172,299
Martin City Community Development District	0	0	0	10,152	0	0	0	143,904	154,056
Miller County Ambulance District	0	0	0	0	0	0	0	1,275,435	1,275,435
Noel T. Adams Ambulance District	0	0	0	0	0	0	0	443,891	443,891
Orrick Fire Protection District	0	0	0	0	0	0	0	124,489	124,489
Osage Ambulance District	0	0	0	0	0	0	0	259,654	259,654
Performing Arts Community Development	0	0	0	3,612	0	0	0	86,553	90,165
Randolph County Ambulance District	0	0	0	0	0	0	0	326,388	326,388
Res Inn Downtown/St. Louis Community Development District	0	0	0	105,473	0	0	0	140,966	246,439
Rock Community Fire Protection District	0	0	0	0	0	0	0	158,047	158,047
Rock Township Ambulance District	0	0	0	0	0	0	0	1,789,525	1,789,525
St. Charles Riverfront Community Development District	0	0	0	27,925	0	0	0	277,506	305,431
St. Francois County Ambulance District	0	0	0	0	0	0	0	1,500,693	1,500,693
St. James Ambulance District	0	0	0	0	0	0	0	321,734	321,734
Salt River Ambulance District	0	0	0	0	0	0	0	190,767	190,767
Smithville Area Fire Protection District	0	0	0	0	0	0	0	427,365	427,365

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2006

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transporation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
DISTRICTS:									
SNI Valley Fire Protection District	0	0	0	0	0	0	0	667,676	667,676
Springdale Community Development District	0	0	0	16	0	0	0	0	16
Southern Stone Fire District	0	0	0	0	0	0	0	1,678,176	1,678,176
South Metropolitan Fire Protection District	0	0	0	0	0	0	0	794,965	794,965
Steelville Ambulance District	0	0	0	0	0	0	0	168,948	168,948
Thirty-ninth Street Community Development District	0	0	0	1,429	0	0	0	175,662	177,091
Three Trails Community Development District	0	0	0	0	0	0	0	103,539	103,539
Three Trails Village Community Development District	0	0	0	1,882	0	0	0	294,490	296,372
US Hwy 36 Int 72 Corridor Transporation Development District	0	0	0	0	0	0	0	698,003	698,003
Warsaw Lincoln Ambulance District	0	0	0	0	0	0	0	631,501	631,501
Westport Community Development District	0	0	0	1,002	0	0	0	340,065	341,067
TOTALS	$ 493,360,757	377,727,493	317,095,054	86,668,649	244,249,052	348,673,689	162,102,858	17,167,746	2,047,045,298

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Adrian	$ 138,734	79,425	48,400	0	0	0	0	0	266,559
Advance	155,849	151,763	0	22,008	0	0	0	0	329,620
Airport Drive	172,455	84,119	0	0	0	0	0	0	256,574
Alba	16,383	0	0	0	0	0	0	0	16,383
Albany	151,160	115,783	0	0	0	0	0	0	266,943
Alexandria	11,937	0	0	0	0	0	0	0	11,937
Allendale	4,710	0	0	0	0	0	0	0	4,710
Alton	97,311	94,118	0	0	0	0	0	0	191,429
Amsterdam	10,398	0	0	0	0	0	0	0	10,398
Anderson	175,594	0	83,916	0	0	0	0	0	259,510
Annapolis	26,246	13,123	13,123	0	0	0	0	0	52,492
Appleton City	154,897	41,270	0	0	0	0	0	0	196,167
Arbyrd	28,742	0	0	0	0	0	0	0	28,742
Arcadia	66,135	0	0	0	0	0	0	0	66,135
Archie	43,558	0	9,121	0	0	0	0	0	52,679
Argyle	9,751	0	0	0	0	0	0	0	9,751
Arnold	4,123,184	999,980	0	0	0	0	0	0	5,123,164
Arrow Rock	14,526	3,632	0	0	0	0	0	0	18,158
Asbury	16,318	0	0	0	0	0	0	0	16,318
Ash Grove	121,532	56,210	0	12,339	0	0	0	0	190,081
Ashland	252,429	117,696	0	0	0	0	0	0	370,125
Atlanta	20,929	0	0	0	0	0	0	0	20,929
Augusta	48,188	24,093	0	0	0	0	0	0	72,281
Aurora	852,983	403,992	406,297	0	0	0	0	0	1,663,272
Auxvasse	64,250	0	29,335	0	0	0	0	0	93,585
Ava	304,512	609,763	0	46,288	0	0	0	0	960,563
Avondale	14,916	0	0	0	0	0	0	0	14,916
Bagnell	11,877	0	0	0	0	0	0	0	11,877
Bakersfield	10,420	0	0	0	0	0	0	0	10,420
Ballwin	0	3,339,327	0	0	0	0	0	0	3,339,327
Bates City	66,608	33,304	0	16,186	0	0	0	0	116,098
Battlefield	54,208	0	42,185	0	0	0	0	0	96,393
Bell City	13,274	0	0	0	0	0	0	0	13,274
Bella Villa	0	39,515	0	4,676	0	0	0	0	44,191
Belle	122,512	60,634	55,443	0	0	0	0	0	238,589
Bellefontaine Neighbors	0	637,754	0	0	0	0	0	0	637,754
Bellflower	13,725	5,693	5,694	0	0	0	0	0	25,112
Bel-Nor	0	91,913	0	10,876	0	0	0	0	102,789

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Bel-Ridge	0	233,009	0	0	0	0	0	0	233,009
Belton	2,479,335	2,479,269	1,239,667	0	0	0	0	0	6,198,271
Benton	43,515	0	0	0	0	0	0	0	43,515
Berger	4,548	0	0	0	0	0	0	0	4,548
Berkeley	0	598,389	0	0	0	0	0	0	598,389
Bernie	97,850	48,925	0	0	0	0	0	0	146,775
Bethany	617,473	974	0	0	0	0	0	0	618,447
Beverly Hills	0	62,029	0	0	0	0	0	0	62,029
Bevier	49,491	0	20,030	0	0	0	0	0	69,521
Billings	59,473	0	0	0	0	0	0	0	59,473
Birch Tree	48,327	22,595	22,920	0	0	0	0	0	93,842
Birmingham	7,741	0	0	0	0	0	0	0	7,741
Bismarck	98,663	0	44,384	0	0	0	0	0	143,047
Blackburn	6,779	0	0	0	0	0	0	0	6,779
Black Jack	0	390,659	0	46,225	0	0	0	0	436,884
Blackwater	8,188	4,094	0	0	0	0	0	0	12,282
Blairstown	6,208	0	0	0	0	0	0	0	6,208
Bland	26,454	24,285	0	0	0	0	0	0	50,739
Bloomfield	111,899	14,512	0	21,656	0	0	0	0	148,067
Bloomsdale	76,109	0	0	0	0	0	0	0	76,109
Blue Springs	6,046,216	0	2,847,236	0	0	0	0	0	8,893,452
Bolivar	1,574,851	786,825	757,355	0	0	0	0	0	3,119,031
Bonne Terre	393,722	185,170	185,085	0	0	0	0	0	763,977
Boonville	938,423	445,116	0	0	0	0	0	0	1,383,539
Bourbon	167,197	0	80,555	0	0	0	0	0	247,752
Bowling Green	440,716	103,010	206,054	0	0	0	0	0	749,780
Branson	8,167,612	0	4,060,377	0	0	0	0	0	12,227,989
Branson West	761,201	380,600	380,587	0	0	0	0	0	1,522,388
Brashear	3,804	0	0	0	0	0	0	0	3,804
Braymer	53,952	0	0	0	0	0	0	0	53,952
Breckenridge	10,912	0	0	0	0	0	0	0	10,912
Breckenridge Hills	0	170,638	0	32,783	0	0	0	0	203,421
Brentwood	0	5,693,304	0	0	0	0	0	0	5,693,304
Bridgeton	0	3,445,424	0	0	0	0	0	0	3,445,424
Brookfield	707,716	177,038	334,786	71,788	0	0	0	0	1,291,328
Brookline Station	19,523	0	0	0	0	0	0	0	19,523
Browning	9,784	0	0	1,367	0	0	0	0	11,151
Brumley	6,014	0	0	0	0	0	0	0	6,014

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Brunswick	116,363	0	0	0	0	0	0	0	116,363
Bucklin	32,334	0	0	10,137	0	0	0	0	42,471
Buckner	174,184	87,089	0	16,986	0	0	0	0	278,259
Buffalo	656,114	0	309,041	0	0	0	0	0	965,155
Bull Creek Village	6,928	0	0	0	0	0	0	0	6,928
Bunker	28,871	0	0	0	0	0	0	0	28,871
Butler	579,544	290,318	289,774	0	0	0	0	0	1,159,636
Byrnes Mill	110,463	0	0	0	0	0	0	0	110,463
Cabool	298,138	137,095	0	0	0	0	0	0	435,233
Caledonia	13,591	0	0	0	0	0	0	0	13,591
Calhoun	10,345	3,861	0	0	0	0	0	0	14,206
California	434,719	0	0	0	0	0	0	0	434,719
Callao	8,551	0	0	0	0	0	0	0	8,551
Calverton Park	0	76,038	0	0	0	0	0	0	76,038
Camdenton	1,174,612	587,300	576,087	0	0	0	0	0	2,337,999
Cameron	1,241,598	620,799	0	0	0	0	0	0	1,862,397
Campbell	112,998	0	0	0	0	0	0	0	112,998
Canton	188,964	70,861	0	0	0	0	0	0	259,825
Cape Girardeau	8,079,938	5,200,999	3,927,061	0	0	0	0	0	17,207,998
Cardwell	15,297	0	0	0	0	0	0	0	15,297
Carl Junction	240,221	0	99,530	0	0	0	0	0	339,751
Carrollton	377,087	0	188,321	0	0	0	0	0	565,408
Carterville	70,735	35,367	29,504	7,094	0	0	0	0	142,700
Carthage	1,743,309	857,892	832,019	0	0	0	0	0	3,433,220
Caruthersville	474,584	237,278	0	0	0	0	0	0	711,862
Cassville	588,490	588,681	0	0	0	0	0	0	1,177,171
Center	45,078	0	0	0	0	0	0	0	45,078
Centertown	27,169	0	0	0	0	0	0	0	27,169
Centerville	9,417	0	0	0	0	0	0	0	9,417
Centralia	313,449	157,273	156,816	0	0	0	0	0	627,538
Chaffee	156,342	78,171	0	0	0	0	0	0	234,513
Chamois	23,223	0	0	0	0	0	0	0	23,223
Charlack	0	82,307	0	0	0	0	0	0	82,307
Charleston	430,885	0	203,328	0	0	0	0	0	634,213
Chesterfield	0	5,712,971	0	0	0	0	0	0	5,712,971
Chilhowee	15,467	0	0	0	0	0	0	0	15,467
Chillicothe	1,482,314	1,063,693	708,619	0	0	0	0	0	3,254,626
Clarence	68,613	0	0	0	0	0	0	0	68,613

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Clarksburg	7,286	0	0	0	0	0	0	0	7,286
Clarksville	37,686	0	0	0	0	0	0	0	37,686
Clarkton	55,361	0	0	0	0	0	0	0	55,361
Claycomo	0	62,408	0	0	0	0	0	0	62,408
Clayton	0	2,527,166	0	0	0	0	0	0	2,527,166
Cleveland	43,595	0	0	0	0	0	0	0	43,595
Clever	55,738	27,868	0	0	0	0	0	0	83,606
Climax Springs	2,027	0	0	0	0	0	0	0	2,027
Clinton	1,696,548	1,482,917	579,047	195,648	0	0	0	0	3,954,160
Cole Camp	98,638	0	40,600	0	0	0	0	0	139,238
Collins	44,420	996	0	2,541	0	0	0	0	47,957
Columbia	17,733,061	8,565,558	8,571,050	0	0	0	0	0	34,869,669
Concordia	295,338	287,667	69,989	0	0	0	0	0	652,994
Conway	62,341	31,171	0	0	0	0	0	0	93,512
Cool Valley	0	82,973	0	0	0	0	0	0	82,973
Corder	9,456	4,728	0	2,911	0	0	0	0	17,095
Cottleville	311,739	0	0	0	0	0	0	0	311,739
Country Club Village	28,382	0	0	0	0	0	0	0	28,382
Country Club Hills	0	79,432	0	0	0	0	0	0	79,432
Craig	11,256	0	0	0	0	0	0	0	11,256
Crane	120,407	0	56,568	15,572	0	0	0	0	192,547
Creighton	16,047	0	0	0	0	0	0	0	16,047
Crestwood	0	4,360,074	0	0	0	0	0	0	4,360,074
Creve Coeur	0	2,018,929	0	0	0	0	0	0	2,018,929
Crocker	112,042	0	49,417	0	0	0	0	0	161,459
Crystal City	763,575	364,013	0	0	0	0	0	0	1,127,588
Crystal Lake Park	0	26,286	0	0	0	0	0	0	26,286
Crystal Lakes	5,755	0	0	0	0	0	0	0	5,755
Cuba	609,773	0	303,541	0	0	0	0	0	913,314
Curryville	6,758	0	0	0	0	0	0	0	6,758
Dardene Prairie	142,669	134,653	0	0	0	0	0	0	277,322
Dearborn	39,061	0	0	0	0	0	0	0	39,061
Deepwater	13,669	0	0	0	0	0	0	0	13,669
Dellwood	0	501,711	0	0	0	0	0	0	501,711
Delta	24,158	10,657	0	0	0	0	0	0	34,815
Desloge	885,166	563,465	426,034	0	0	0	0	0	1,874,665
De Soto	972,423	467,205	0	0	0	0	0	0	1,439,628
Des Peres	0	6,211,574	0	233,189	0	0	0	0	6,444,763

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Dexter	1,115,327	1,209,797	0	0	0	0	0	0	2,325,124
Diamond	50,113	0	14,931	0	0	0	0	0	65,044
Diggins	14,977	0	0	0	0	0	0	0	14,977
Dixon	138,205	0	62,480	0	0	0	0	0	200,685
Doniphan	415,377	0	195,725	0	0	0	0	0	611,102
Doolittle	33,284	0	0	0	0	0	0	0	33,284
Drexel	90,530	45,265	0	0	0	0	0	0	135,795
Dudley	41,899	0	0	0	0	0	0	0	41,899
Duenweg	79,996	39,998	0	0	0	0	0	0	119,994
Duquesne	278,224	0	0	0	0	0	0	0	278,224
Dutchtown	12,537	0	0	0	0	0	0	0	12,537
Eagleville	82,382	51,486	20,596	0	0	0	0	0	154,464
East Lynne	9,911	4,956	0	0	0	0	0	0	14,867
Easton	6,741	0	0	0	0	0	0	0	6,741
East Prairie	225,813	100,760	8,813	0	0	0	0	0	335,386
Edgar Springs	21,124	0	0	0	0	0	0	0	21,124
Edgerton	25,299	0	0	0	0	0	0	0	25,299
Edina	120,562	0	0	0	0	0	0	0	120,562
Edmundson	0	368,843	0	2,912	0	0	0	0	371,755
Eldon	827,318	761,126	305,415	0	0	0	0	0	1,893,859
El Dorado Springs	402,143	402,318	0	0	0	0	0	0	804,461
Ellington	254,783	123,256	0	0	0	0	0	0	378,039
Ellisville	0	1,408,501	0	0	0	0	0	0	1,408,501
Ellsinore	48,870	23,640	0	0	0	0	0	0	72,510
Elsberry	155,945	0	71,641	15,241	0	0	0	0	242,827
Eminence	74,787	36,056	36,060	0	0	0	0	0	146,903
Emma	11,084	0	0	0	0	0	0	0	11,084
Eolia	24,949	0	0	0	0	0	0	0	24,949
Essex	17,210	0	0	1,805	0	0	0	0	19,015
Eureka	0	2,116,887	0	0	0	0	0	0	2,116,887
Everton	12,340	0	0	0	0	0	0	0	12,340
Ewing	26,360	0	0	0	0	0	0	0	26,360
Excelsior Springs	1,276,676	637,826	606,588	167,345	0	0	0	0	2,688,435
Exeter	21,592	0	0	0	0	0	0	0	21,592
Fairfax	35,760	0	0	0	0	0	0	0	35,760
Fair Grove	117,334	58,666	58,666	0	0	0	0	0	234,666
Fair Play	12,364	9,346	9,346	0	0	0	0	0	31,056
Fairview	9,184	0	0	0	0	0	0	0	9,184

Appendix D-2

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Farber	10,265	0	0	0	0	0	0	0	10,265
Farmington	3,095,166	1,513,096	0	0	0	0	0	0	4,608,262
Fayette	214,634	24,437	0	0	0	0	0	0	239,071
Fenton	0	3,441,507	0	0	0	0	0	0	3,441,507
Ferguson	0	1,559,275	0	0	0	0	0	0	1,559,275
Ferrelview	15,111	0	0	0	0	0	0	0	15,111
Festus	2,887,895	704,797	1,409,597	0	0	0	0	0	5,002,289
Fisk	29,107	13,441	0	0	0	0	0	0	42,548
Flint Hill	92,561	0	0	0	0	0	0	0	92,561
Flordell Hills	0	53,549	0	6,336	0	0	0	0	59,885
Florissant	0	4,703,611	0	0	0	0	0	0	4,703,611
Foley	14,046	0	0	0	0	0	0	0	14,046
Fordland	39,763	0	0	0	0	0	0	0	39,763
Forest City	13,281	0	0	0	0	0	0	0	13,281
Foristell	173,914	86,957	0	31,799	0	0	0	0	292,670
Forsyth	287,441	280,030	0	0	0	0	0	0	567,471
Frankford	9,162	0	0	0	0	0	0	0	9,162
Franklin	5,388	2,694	2,694	0	0	0	0	0	10,776
Fredericktown	482,234	0	225,535	0	0	0	0	0	707,769
Freeburg	133,807	33,451	0	0	0	0	0	0	167,258
Freeman	48,936	0	0	0	0	0	0	0	48,936
Fremont Hills	24,226	0	0	2,951	0	0	0	0	27,177
Frontenac	0	1,327,058	0	0	0	0	0	0	1,327,058
Fulton	1,369,730	684,792	684,793	0	0	0	0	0	2,739,315
Gainesville	170,109	0	0	0	0	0	0	0	170,109
Galena	30,300	0	0	0	0	0	0	0	30,300
Gallatin	124,186	0	0	13,208	0	0	0	0	137,394
Garden City	91,331	0	40,189	0	0	0	0	0	131,520
Gasconade	4,137	0	0	0	0	0	0	0	4,137
Gerald	125,398	0	59,776	0	0	0	0	0	185,174
Gerster	293	0	0	0	0	0	0	0	293
Gideon	35,965	0	0	0	0	0	0	0	35,965
Gilliam	5,102	638	0	0	0	0	0	0	5,740
Gilman City	17,552	0	0	0	0	0	0	0	17,552
Gladstone	3,108,481	2,195,143	1,463,457	351,994	0	0	0	0	7,119,075
Glasgow	101,870	25,445	47,031	0	0	0	0	0	174,346
Glendale	0	454,561	0	39,249	0	0	0	0	493,810
Golden City	39,291	22,452	22,452	0	0	0	0	0	84,195
Goodman	61,863	0	0	0	0	0	0	0	61,863

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Gower	80,064	20,016	0	14,466	0	0	0	0	114,546
Grain Valley	567,062	252,486	252,494	0	0	0	0	0	1,072,042
Granby	188,149	35,276	0	0	0	0	0	0	223,425
Grandin	9,037	0	0	0	0	0	0	0	9,037
Grandview	2,858,897	2,768,814	1,342,198	0	0	0	0	0	6,969,909
Grant City	148,013	0	0	0	0	0	0	0	148,013
Grantwood	0	50,788	0	6,009	0	0	0	0	56,797
Gravois Mills	35,420	0	0	0	0	0	0	0	35,420
Green City	44,303	22,152	0	0	0	0	0	0	66,455
Greendale	0	47,656	0	0	0	0	0	0	47,656
Greenfield	125,562	0	0	0	0	0	0	0	125,562
Green Park	0	383,603	0	0	0	0	0	0	383,603
Green Ridge	31,291	0	0	0	0	0	0	0	31,291
Greentop	20,665	0	0	0	0	0	0	0	20,665
Greenville	33,894	31,604	0	0	0	0	0	0	65,498
Greenwood	272,791	119,778	119,779	0	0	0	0	0	512,348
Hale	23,619	11,809	11,809	0	0	0	0	0	47,237
Hallsville	81,418	0	0	0	0	0	0	0	81,418
Hamilton	120,944	0	60,472	0	0	0	0	0	181,416
Hanley Hills	0	80,770	0	0	0	0	0	0	80,770
Hannibal	2,476,313	3,095,440	0	0	0	0	0	0	5,571,753
Hardin	21,311	0	0	0	0	0	0	0	21,311
Harrisburg	22,057	0	0	0	0	0	0	0	22,057
Harrisonville	1,867,570	900,691	0	0	0	0	0	0	2,768,261
Hartsburg	5,042	0	0	0	0	0	0	0	5,042
Hartville	71,308	35,654	0	0	0	0	0	0	106,962
Hawk Point	49,930	0	0	0	0	0	0	0	49,930
Hayti	278,175	204,334	130,405	0	0	0	0	0	612,914
Hayti Heights	10,630	4,164	0	0	0	0	0	0	14,794
Hazelwood	0	3,733,171	0	837,407	0	0	0	0	4,570,578
Henrietta	34,588	0	0	0	0	0	0	0	34,588
Herculaneum	547,478	153,566	0	0	0	0	0	0	701,044
Hermann	412,280	98,785	197,571	0	0	0	0	0	708,636
Hermitage	124,447	61,343	0	5,547	0	0	0	0	191,337
Higbee	17,766	0	8,883	0	0	0	0	0	26,649
Higginsville	533,204	258,845	251,170	0	0	0	0	0	1,043,219
High Hill	6,373	0	0	0	0	0	0	0	6,373
Highlandville	31,168	0	0	0	0	0	0	0	31,168

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Hillsboro	266,941	100,102	0	0	0	0	0	0	367,043
Hillsdale	0	84,953	0	0	0	0	0	0	84,953
Holcomb	31,029	0	0	0	0	0	0	0	31,029
Holden	269,258	0	123,905	24,081	0	0	0	0	417,244
Hollister	943,612	471,806	462,436	0	0	0	0	0	1,877,854
Holt	53,131	51,520	24,940	0	0	0	0	0	129,591
Holts Summit	512,061	123,803	123,804	75,948	0	0	0	0	835,616
Homestown	2,447	0	0	0	0	0	0	0	2,447
Hornersville	29,536	0	0	0	0	0	0	0	29,536
Houston	573,575	139,023	139,035	0	0	0	0	0	851,633
Howardville	3,798	0	0	514	0	0	0	0	4,312
Humansville	54,623	78	31,479	0	0	0	0	0	86,180
Hume	6,556	0	0	0	0	0	0	0	6,556
Hunnewell	5,404	0	0	0	0	0	0	0	5,404
Huntsville	61,405	0	30,655	0	0	0	0	0	92,060
Hurley	3,973	0	0	0	0	0	0	0	3,973
Iberia	98,675	96,985	0	0	0	0	0	0	195,660
Illmo	234	0	0	0	0	0	0	0	234
Independence	17,276,657	10,185,531	6,162,824	0	0	0	0	0	33,625,012
Indian Point	132,904	66,452	0	0	0	0	0	0	199,356
Innsbrook	32,456	0	0	0	0	0	0	0	32,456
Irondale	5,532	0	0	0	0	0	0	0	5,532
Iron Mountain Lake	4,727	0	0	0	0	0	0	0	4,727
Ironton	217,448	102,190	102,206	0	0	0	0	0	421,844
Jackson	1,917,785	0	914,226	0	0	0	0	0	2,832,011
Jamesport	49,605	11,550	0	0	0	0	0	0	61,155
Jasper	56,752	28,378	25,303	0	0	0	0	0	110,433
Jefferson City	8,960,727	4,353,649	37	0	0	0	0	0	13,314,413
Jennings	0	1,093,222	0	0	0	0	0	0	1,093,222
Jonesburg	63,825	29,738	0	0	0	0	0	0	93,563
Joplin	11,053,830	4,063,179	5,526,836	0	0	0	0	0	20,643,845
Josephville	4,150	0	0	0	0	0	0	0	4,150
Kahoka	212,820	0	0	0	0	0	0	0	212,820
Kansas City	63,182,280	31,470,484	55,144,947	28,018,796	0	0	0	0	177,816,507
Kearney	832,763	391,637	391,639	0	0	0	0	0	1,616,039
Kelso	56,594	0	0	0	0	0	0	0	56,594
Kennett	1,251,060	357,202	0	0	0	0	0	0	1,608,262
Kidder	33,983	0	0	0	0	0	0	0	33,983

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Kimberling City	333,307	320,628	0	52,126	0	0	0	0	706,061
Kimmswick	47,172	0	23,585	0	0	0	0	0	70,757
King City	101,086	0	0	0	0	0	0	0	101,086
Kingdom City	249,375	124,687	0	0	0	0	0	0	374,062
Kinloch	0	25,825	0	0	0	0	0	0	25,825
Kirksville	2,241,465	1,618,924	1,078,940	0	0	0	0	0	4,939,329
Kirkwood	0	4,667,138	0	185,960	0	0	0	0	4,853,098
Knob Noster	164,922	75,580	75,580	27,842	0	0	0	0	343,924
Koshkonong	9,964	958	0	0	0	0	0	0	10,922
La Belle	38,009	0	0	0	0	0	0	0	38,009
Laclede	0	5,090	0	0	0	0	0	0	5,090
Laddonia	0	12,711	12,710	0	0	0	0	0	25,421
Ladue	0	1,699,406	0	0	0	0	0	0	1,699,406
La Grange	23,944	0	0	0	0	0	0	0	23,944
Lake Ozark	567,257	278,468	278,467	0	0	0	0	0	1,124,192
Lake St. Louis	697,486	0	348,743	0	0	0	0	0	1,046,229
Lakeside	1,290	0	0	0	0	0	0	0	1,290
Lamar	596,670	298,236	298,236	0	0	0	0	0	1,193,142
La Monte	81,902	0	0	0	0	0	0	0	81,902
Lanagan	17,356	0	0	0	0	0	0	0	17,356
Lancaster	75,005	0	0	0	0	0	0	0	75,005
La Plata	90,905	0	0	0	0	0	0	0	90,905
Lathrop	113,814	56,880	0	0	0	0	0	0	170,694
Laurie	437,330	218,665	213,951	0	0	0	0	0	869,946
Lawson	204,648	102,324	0	0	0	0	0	0	306,972
Leadington	144,231	144,231	72,116	23,552	0	0	0	0	384,130
Leadwood	30,538	0	0	0	0	0	0	0	30,538
Lebanon	2,909,809	1,417,503	1,422,962	0	0	0	0	0	5,750,274
Lee's Summit	11,267,170	9,681,493	5,403,597	0	0	0	0	0	26,352,260
Leeton	25,216	12,608	0	0	0	0	0	0	37,824
Levasy	4,799	0	0	0	0	0	0	0	4,799
Lexington	391,685	372,845	0	0	0	0	0	0	764,530
Liberal	33,561	0	0	0	0	0	0	0	33,561
Liberty	3,147,655	2,952,088	737,578	0	0	0	0	0	6,837,321
Licking	224,078	112,039	0	0	0	0	0	0	336,117
Lilbourn	53,243	0	0	1,702	0	0	0	0	54,945
Lincoln	95,619	45,236	0	45,100	0	0	0	0	185,955
Linn	227,315	0	0	0	0	0	0	0	227,315

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Linn Creek	110,647	82,729	27,405	29,500	0	0	0	0	250,281
Lockwood	76,812	0	0	4,678	0	0	0	0	81,490
Loma Linda	24,559	0	0	0	0	0	0	0	24,559
Lone Jack	44,732	2,178	0	0	0	0	0	0	46,910
Louisiana	696,693	0	0	82,688	0	0	0	0	779,381
Lowry City	53,429	0	0	4,235	0	0	0	0	57,664
Macks Creek	10,551	0	0	0	0	0	0	0	10,551
Macon	840,593	420,896	0	0	0	0	0	0	1,261,489
Madison	28,352	0	0	0	0	0	0	0	28,352
Maitland	6,654	0	0	0	0	0	0	0	6,654
Malden	531,082	126,581	0	0	0	0	0	0	657,663
Malta Bend	10,315	0	0	0	0	0	0	0	10,315
Manchester	0	1,970,129	0	0	0	0	0	0	1,970,129
Mansfield	130,789	74,737	0	0	0	0	0	0	205,526
Maplewood	0	1,999,738	0	101,722	0	0	0	0	2,101,460
Marble Hill	222,859	111,429	0	0	0	0	0	0	334,288
Marceline	197,397	0	89,132	0	0	0	0	0	286,529
Marionville	152,208	73,186	73,163	0	0	0	0	0	298,557
Marlborough	0	255,022	0	0	0	0	0	0	255,022
Marquand	9,443	0	0	0	0	0	0	0	9,443
Marshall	1,420,638	708,975	0	0	0	0	0	0	2,129,613
Marshfield	892,717	446,359	0	0	0	0	0	0	1,339,076
Marston	53,399	26,699	0	12,169	0	0	0	0	92,267
Marthasville	0	44,806	44,805	5,973	0	0	0	0	95,584
Martinsburg	37,648	0	0	0	0	0	0	0	37,648
Maryland Heights	0	3,956,343	0	0	0	0	0	0	3,956,343
Maryville	1,578,613	1,170,535	0	0	0	0	0	0	2,749,148
Matthews	131,299	65,650	0	0	0	0	0	0	196,949
Maysville	56,754	14,188	28,376	0	0	0	0	0	99,318
Memphis	257,609	0	0	0	0	0	0	0	257,609
Merriam Woods	15,111	0	0	0	0	0	0	0	15,111
Meta	17,181	0	0	0	0	0	0	0	17,181
Mexico	1,347,907	640,391	0	0	0	0	0	0	1,988,298
Middletown	15,062	0	0	0	0	0	0	0	15,062
Milan	203,610	0	0	0	0	0	0	0	203,610
Miller	35,844	637	16,150	0	0	0	0	0	52,631
Miner	483,967	477,848	0	9,477	0	0	0	0	971,292
Moberly	2,031,691	1,940,388	970,364	0	0	0	0	0	4,942,443

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Mokane	7,916	0	0	0	0	0	0	0	7,916
Monett	1,654,764	827,372	0	0	0	0	0	0	2,482,136
Monroe City	321,695	150,212	0	0	0	0	0	0	471,907
Montgomery City	306,530	0	144,541	0	0	0	0	0	451,071
Montrose	25,583	12,792	0	0	0	0	0	0	38,375
Morehouse	30,859	0	0	0	0	0	0	0	30,859
Morley	10,832	0	0	0	0	0	0	0	10,832
Morrison	6,505	0	0	0	0	0	0	0	6,505
Mosby	135,227	0	0	0	0	0	0	0	135,227
Moscow Mills	291,176	0	140,666	0	0	0	0	0	431,842
Mound City	70,030	70,030	0	0	0	0	0	0	140,060
Mountain Grove	870,761	435,381	0	0	0	0	0	0	1,306,142
Mountain View	436,565	0	210,780	0	0	0	0	0	647,345
Mount Vernon	484,213	483,545	0	0	0	0	0	0	967,758
Naylor	19,683	8,330	8,330	0	0	0	0	0	36,343
Neelyville	15,164	0	0	0	0	0	0	0	15,164
Neosho	1,902,505	1,380,278	689,777	0	0	0	0	0	3,972,560
Nevada	1,397,243	1,397,097	698,468	0	0	0	0	0	3,492,808
New Bloomfield	21,916	6,173	0	0	0	0	0	0	28,089
Newburg	16,335	7,156	7,156	0	0	0	0	0	30,647
New Cambria	12,724	0	0	0	0	0	0	0	12,724
New Florence	98,903	47,267	47,267	0	0	0	0	0	193,437
New Franklin	41,626	20,814	16,993	0	0	0	0	0	79,433
New Haven	195,147	0	92,576	0	0	0	0	0	287,723
New London	78,471	0	22,597	0	0	0	0	0	101,068
New Madrid	190,320	95,158	0	45,798	0	0	0	0	331,276
New Melle	40,053	20,066	20,067	3,211	0	0	0	0	83,397
Niangua	13,213	0	6,612	0	0	0	0	0	19,825
Nixa	1,751,935	0	875,968	0	0	0	0	0	2,627,903
Noel	117,371	71,428	54,921	0	0	0	0	0	243,720
Norborne	36,200	0	0	0	0	0	0	0	36,200
Normandy	0	72,536	0	0	0	0	0	0	72,536
North Kansas City	3,093,244	0	1,532,576	0	0	0	0	0	4,625,820
Northmoor	157,034	0	0	0	0	0	0	0	157,034
Northwoods	0	390,448	0	0	0	0	0	0	390,448
Norwood	30,341	15,133	0	0	0	0	0	0	45,474
Oak Grove	1,091,744	486,536	486,554	0	0	0	0	0	2,064,834
Oakland	0	88,577	0	0	0	0	0	0	88,577

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Oakview	43,710	31,622	0	9,913	0	0	0	0	85,245
Odessa	504,911	315,568	253,638	0	0	0	0	0	1,074,117
O'Fallon	9,983,657	0	4,781,556	0	0	0	0	0	14,765,213
Old Monroe	36,683	8,780	8,780	0	0	0	0	0	54,243
Olivette	0	1,296,467	0	153,204	0	0	0	0	1,449,671
Oran	53,296	26,644	0	0	0	0	0	0	79,940
Oronogo	43,193	0	0	0	0	0	0	0	43,193
Orrick	38,975	0	16,599	0	0	0	0	0	55,574
Osage Beach	4,319,496	2,137,997	2,138,265	0	0	0	0	0	8,595,758
Osceola	78,810	45,013	0	0	0	0	0	0	123,823
Otterville	29,492	0	0	0	0	0	0	0	29,492
Overland	0	962,623	0	0	0	0	0	0	962,623
Owensville	510,527	247,366	247,366	0	0	0	0	0	1,005,259
Ozark	1,929,898	964,945	0	0	0	0	0	0	2,894,843
Pacific	788,200	400,976	0	0	0	0	0	0	1,189,176
Pagedale	0	333,722	0	0	0	0	0	0	333,722
Palmyra	340,051	164,956	0	0	0	0	0	0	505,007
Paris	120,995	52,835	52,835	0	0	0	0	0	226,665
Park Hills	590,669	546,538	273,209	0	0	0	0	0	1,410,416
Parkville	865,497	0	414,429	0	0	0	0	0	1,279,926
Parkway	16,243	0	0	0	0	0	0	0	16,243
Parma	22,004	6,502	4,566	3,459	0	0	0	0	36,531
Pasadena Hills	0	65,973	0	7,806	0	0	0	0	73,779
Pasadena Park	0	28,126	0	0	0	0	0	0	28,126
Pattonsburg	25,953	0	0	3,654	0	0	0	0	29,607
Peculiar	263,261	249,831	118,483	162,995	0	0	0	0	794,570
Perry	81,196	0	37,705	0	0	0	0	0	118,901
Perryville	1,421,435	531,750	710,717	0	0	0	0	0	2,663,902
Pevely	446,354	0	211,333	0	0	0	0	0	657,687
Phillipsburg	1,855	0	0	0	0	0	0	0	1,855
Piedmont	404,101	192,902	192,901	0	0	0	0	0	789,904
Pierce City	57,103	32,627	32,630	0	0	0	0	0	122,360
Pilot Grove	38,452	0	19,226	10,637	0	0	0	0	68,315
Pilot Knob	58,287	29,143	27,134	0	0	0	0	0	114,564
Pine Lawn	0	283,728	0	0	0	0	0	0	283,728
Pineville	81,941	40,971	0	288,146	0	0	0	0	411,058
Plato	11,135	0	0	0	0	0	0	0	11,135
Platte City	647,078	647,078	0	0	0	0	0	0	1,294,156
Platte Woods	80,501	0	40,251	0	0	0	0	0	120,752
Plattsburg	193,566	193,550	0	0	0	0	0	0	387,116

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Pleasant Hill	615,111	307,556	272,787	0	0	0	0	0	1,195,454
Pleasant Hope	38,071	8,861	8,861	7,503	0	0	0	0	63,296
Pleasant Valley	388,084	310,793	62,161	0	0	0	0	0	761,038
Polo	28,240	26,208	26,210	0	0	0	0	0	80,658
Poplar Bluff	3,991,104	2,916,140	0	0	0	0	0	0	6,907,244
Portage Des Sioux	12,967	0	0	0	0	0	0	0	12,967
Portageville	286,311	134,018	0	0	0	0	0	0	420,329
Potosi	723,601	0	0	0	0	0	0	0	723,601
Preston	17,104	0	0	0	0	0	0	0	17,104
Princeton	98,914	0	0	0	0	0	0	0	98,914
Purdy	39,617	0	0	0	0	0	0	0	39,617
Puxico	107,562	0	0	0	0	0	0	0	107,562
Queen City	31,497	13,993	13,993	0	0	0	0	0	59,483
Qulin	30,704	15,352	0	0	0	0	0	0	46,056
Randolph	61,205	30,521	0	0	0	0	0	0	91,726
Raymore	1,465,679	1,365,647	682,829	0	0	0	0	0	3,514,155
Raytown	2,643,153	1,231,942	1,203,851	0	0	0	0	0	5,078,946
Redings Mill	3,515	0	0	0	0	0	0	0	3,515
Reeds Spring	68,327	34,157	0	0	0	0	0	0	102,484
Republic	1,182,468	891,102	591,231	0	0	0	0	0	2,664,801
Rich Hill	108,092	0	0	0	0	0	0	0	108,092
Richland	141,137	63,231	63,248	0	0	0	0	0	267,616
Richmond	978,270	0	459,562	0	0	0	0	0	1,437,832
Richmond Heights	0	5,049,883	0	0	0	0	0	0	5,049,883
Ridgeway	25,806	0	0	0	0	0	0	0	25,806
Risco	15,567	0	0	0	0	0	0	0	15,567
River Bend	12,909	0	0	0	0	0	0	0	12,909
Riverside	1,049,054	0	0	196,949	0	0	0	0	1,246,003
Riverview	0	180,950	0	21,411	0	0	0	0	202,361
Rocheport	20,603	10,302	0	0	0	0	0	0	30,905
Rockaway Beach	33,749	15,339	15,338	0	0	0	0	0	64,426
Rock Hill	0	984,672	0	0	0	0	0	0	984,672
Rock Port	184,951	92,475	0	27,905	0	0	0	0	305,331
Rockville	8,823	0	0	0	0	0	0	0	8,823
Rogersville	229,090	114,452	103,589	0	0	0	0	0	447,131
Rolla	3,528,076	3,528,004	1,764,037	0	0	0	0	0	8,820,117
Rosebud	39,179	0	18,767	0	0	0	0	0	57,946
Russellville	43,215	0	0	0	0	0	0	0	43,215
Rutledge	9,771	0	0	0	0	0	0	0	9,771
St. Ann	0	1,982,913	0	0	0	0	0	0	1,982,913

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
St. Charles	10,262,047	4,950,590	0	0	0	0	0	0	15,212,637
St. Clair	522,448	261,223	146,326	0	0	0	0	0	929,997
St. Elizabeth	19,993	0	0	0	0	0	0	0	19,993
St. James	444,420	0	222,210	0	0	0	0	0	666,630
St. John	0	507,610	0	0	0	0	0	0	507,610
St. Joseph	15,202,787	5,064,049	1,519,194	0	0	0	0	0	21,786,030
St. Louis	47,668,663	57,189,505	26,000,197	24,702,738	0	0	0	0	155,561,103
St. Martins	34,442	0	0	0	0	0	0	0	34,442
St. Mary	19,757	0	9,878	0	0	0	0	0	29,635
St. Peters	11,923,797	1,192,238	5,961,877	0	0	0	0	0	19,077,912
St. Robert	1,624,256	812,112	797,535	0	0	0	0	0	3,233,903
St. Thomas	10,287	0	0	0	0	0	0	0	10,287
Ste. Genevieve	558,840	262,790	262,790	85,373	0	0	0	0	1,169,793
Saginaw	17,663	0	0	0	0	0	0	0	17,663
Salem	918,982	459,930	0	0	0	0	0	0	1,378,912
Salisbury	170,829	0	0	0	0	0	0	0	170,829
Sarcoxie	99,794	43,815	44,249	0	0	0	0	0	187,858
Savannah	593,844	0	0	0	0	0	0	0	593,844
Scotsdale	0	3,186	0	0	0	0	0	0	3,186
Scott City	377,877	87,650	175,296	0	0	0	0	0	640,823
Sedalia	3,988,739	3,393,516	1,917,489	0	0	0	0	0	9,299,744
Seligman	77,365	38,682	36,512	0	0	0	0	0	152,559
Senath	58,174	0	0	0	0	0	0	0	58,174
Seneca	159,967	73,772	73,772	0	0	0	0	0	307,511
Seymour	172,089	0	0	0	0	0	0	0	172,089
Shelbina	199,535	49,881	0	0	0	0	0	0	249,416
Shelbyville	28,391	0	0	0	0	0	0	0	28,391
Sheldon	25,180	0	0	0	0	0	0	0	25,180
Shrewsbury	0	1,306,928	0	0	0	0	0	0	1,306,928
Sikeston	4,448,128	1,004,835	1,410,336	0	0	0	0	0	6,863,299
Silex	39,120	0	0	5,808	0	0	0	0	44,928
Silver Creek	16,137	0	0	0	0	0	0	0	16,137
Slater	107,466	53,733	53,733	0	0	0	0	0	214,932
Smithton	15,825	0	0	93,665	0	0	0	0	109,490
Smithville	756,082	0	356,142	0	0	0	0	0	1,112,224
Southwest City	97,417	23,723	46,582	46,838	0	0	0	0	214,560
Sparta	79,539	0	0	0	0	0	0	0	79,539
Spickard	4,909	0	0	0	0	0	0	0	4,909
Springfield	36,424,032	8,889,622	4,444,345	4,099,474	0	0	0	0	53,857,473
Stanberry	0	85,308	0	0	0	0	0	0	85,308

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Steele	146,178	72,978	0	0	0	0	0	0	219,156
Steelville	220,947	110,208	0	0	0	0	0	0	331,155
Stella	3,741	0	0	0	0	0	0	0	3,741
Stewartsville	33,913	16,982	0	0	0	0	0	0	50,895
Stockton	196,220	98,110	98,110	30,443	0	0	0	0	422,883
Stoutland	6,642	0	0	0	0	0	0	0	6,642
Stover	95,354	0	44,483	0	0	0	0	0	139,837
Strafford	238,206	119,103	0	0	0	0	0	0	357,309
Sturgeon	45,091	0	19,722	0	0	0	0	0	64,813
Sugar Creek	693,623	0	0	32,943	0	0	0	0	726,566
Sullivan	1,410,579	704,905	405,568	0	0	0	0	0	2,521,052
Summersville	49,446	0	23,426	0	0	0	0	0	72,872
Sunrise Beach	174,634	0	87,316	34,076	0	0	0	0	296,026
Sunset Hills	0	1,397,512	0	0	0	0	0	0	1,397,512
Sweet Springs	151,837	47,279	47,279	0	0	0	0	0	246,395
Table Rock	4,663	0	0	0	0	0	0	0	4,663
Taneyville	10,043	0	0	0	0	0	0	0	10,043
Taos	20,168	0	0	0	0	0	0	0	20,168
Tarkio	206,704	0	0	0	0	0	0	0	206,704
Thayer	387,914	0	0	0	0	0	0	0	387,914
Theodosia	50,259	0	0	0	0	0	0	0	50,259
Tipton	190,247	0	0	0	0	0	0	0	190,247
Town and Country	0	2,660,914	0	0	0	0	0	0	2,660,914
Tracy	20,608	0	0	0	0	0	0	0	20,608
Trenton	754,531	724,451	0	0	0	0	0	0	1,478,982
Trimble	9,730	0	0	0	0	0	0	0	9,730
Troy	2,124,677	0	1,036,334	0	0	0	0	0	3,161,011
Truesdale	48,834	0	0	0	0	0	0	0	48,834
Tuscumbia	9,642	0	0	0	0	0	0	0	9,642
Twin Oaks	0	251,510	0	0	0	0	0	0	251,510
Union	1,464,954	366,213	732,427	0	0	0	0	0	2,563,594
Unionville	181,913	0	0	0	0	0	0	0	181,913
University City	0	4,068,357	0	256,195	0	0	0	0	4,324,552
Uplands Park	0	26,458	0	3,131	0	0	0	0	29,589
Urbana	43,566	0	21,575	0	0	0	0	0	65,141
Urich	55,846	27,933	27,927	0	0	0	0	0	111,706
Valley Park	0	731,315	0	0	0	0	0	0	731,315
Van Buren	138,233	65,023	0	0	0	0	0	0	203,256
Vandalia	281,129	140,564	0	0	0	0	0	0	421,693
Vandiver	104,906	0	0	0	0	0	0	0	104,906

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

CITIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Velda City	0	92,948	0	0	0	0	0	0	92,948
Velda Village Hills	0	62,694	0	0	0	0	0	0	62,694
Verona	27,502	0	0	0	0	0	0	0	27,502
Versailles	458,900	448,989	0	0	0	0	0	0	907,889
Viburnum	62,282	0	0	0	0	0	0	0	62,282
Vienna	91,927	0	44,629	0	0	0	0	0	136,556
Village of Four Seasons	219,124	109,562	0	0	0	0	0	0	328,686
Vinita Park	0	214,201	0	5,745	0	0	0	0	219,946
Vinita Terrace	0	16,795	0	0	0	0	0	0	16,795
Walnut Grove	35,725	0	0	0	0	0	0	0	35,725
Wardell	13,040	3,260	0	0	0	0	0	0	16,300
Wardsville	29,765	0	0	0	0	0	0	0	29,765
Warrensburg	2,441,726	2,097,116	0	292,593	0	0	0	0	4,831,435
Warrenton	1,348,923	337,231	674,462	0	0	0	0	0	2,360,616
Warsaw	661,374	330,687	320,789	0	0	0	0	0	1,312,850
Warson Woods	0	211,796	0	0	0	0	0	0	211,796
Washburn	23,154	11,577	11,577	0	0	0	0	0	46,308
Washington	3,168,872	1,584,455	0	247,593	0	0	0	0	5,000,920
Waverly	46,621	0	20,355	0	0	0	0	0	66,976
Wayland	15,677	0	0	0	0	0	0	0	15,677
Waynesville	359,450	264,142	170,026	0	0	0	0	0	793,618
Weaubleau	36,098	18,171	0	0	0	0	0	0	54,269
Webb City	1,299,846	772,656	618,539	0	0	0	0	0	2,691,041
Webster Groves	0	2,347,567	0	0	0	0	0	0	2,347,567
Weldon Spring	219,533	0	0	0	0	0	0	0	219,533
Wellston	0	141,493	0	0	0	0	0	0	141,493
Wellsville	57,396	16,447	28,698	0	0	0	0	0	102,541
Wentzville	2,870,420	1,428,226	1,397,385	724,450	0	0	0	0	6,420,481
Weston	140,702	43,218	70,301	40,427	0	0	0	0	294,648
Westphalia	40,380	0	0	4,726	0	0	0	0	45,106
West Plains	2,587,078	1,293,537	1,246,926	0	0	0	0	0	5,127,541
West Sullivan	4,168	1,042	0	0	0	0	0	0	5,210
Wheatland	16,492	0	7,038	0	0	0	0	0	23,530
Wheaton	55,345	0	0	0	0	0	0	0	55,345
Wilbur Park	0	27,321	0	0	0	0	0	0	27,321
Wildwood	0	1,891,404	0	0	0	0	0	0	1,891,404
Willard	327,602	316,669	0	22,461	0	0	0	0	666,732
Williamsville	23,012	7,977	0	0	0	0	0	0	30,989
Willow Springs	261,127	191,055	0	0	0	0	0	0	452,182
Windsor	207,710	91,098	0	0	0	0	0	0	298,808
Winfield	87,051	0	40,431	0	0	0	0	0	127,482

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
CITIES:									
Winona	95,649	45,581	45,582	0	0	0	0	0	186,812
Woods Heights	31,209	0	0	2,775	0	0	0	0	33,984
Woodson Terrace	0	636,961	0	28,509	0	0	0	0	665,470
Wright City	232,919	52,208	104,415	0	0	0	0	0	389,542
Wyaconda	7,495	0	0	0	0	0	0	0	7,495
Wyatt	11,209	0	0	0	0	0	0	0	11,209
COUNTIES:									
Adair County	0	0	0	0	1,305,712	1,304,966	0	0	2,610,678
Andrew County	0	0	0	95,655	490,682	981,364	0	0	1,567,701
Atchison County	0	0	0	66,450	0	816,218	0	0	882,668
Audrain County	0	0	0	0	1,028,872	2,057,662	0	0	3,086,534
Barry County	0	0	0	0	1,647,654	1,647,659	0	0	3,295,313
Barton County	0	0	0	0	509,944	509,810	0	0	1,019,754
Bates County	0	0	0	68,399	0	1,080,474	0	0	1,148,873
Benton County	0	0	0	0	724,429	1,381,056	0	0	2,105,485
Bollinger County	0	0	0	0	280,840	561,826	0	0	842,666
Boone County	0	0	0	0	10,551,455	13,166,420	0	0	23,717,875
Buchanan County	0	0	0	0	5,378,300	6,451,670	0	0	11,829,970
Butler County	0	0	0	0	2,689,295	2,689,016	0	0	5,378,311
Caldwell County	0	0	0	129,177	205,461	821,583	0	0	1,156,221
Callaway County	0	0	0	0	0	1,673,369	0	0	1,673,369
Camden County	0	0	0	0	3,991,951	3,991,552	0	0	7,983,503
Cape Girardeau County	0	0	0	0	5,720,282	6	0	0	5,720,288
Carroll County	0	0	0	101,747	302,335	464,288	0	0	868,370
Carter County	0	0	0	0	185,700	185,702	0	0	371,402
Cass County	0	0	0	0	4,753,159	6,129,017	0	0	10,882,176
Cedar County	0	0	0	0	439,596	472,391	0	0	911,987
Chariton County	0	0	0	92,537	257,900	774,309	0	0	1,124,746
Christian County	0	0	0	0	2,722,495	5,444,612	0	0	8,167,107
Clark County	0	0	0	0	221,270	442,777	0	0	664,047
Clay County	0	0	0	2,948,414	13,743,054	10,270,185	0	0	26,961,653
Clinton County	0	0	0	115,791	533,765	533,772	0	0	1,183,328
Cole County	0	0	0	582,878	0	5,034,510	0	0	5,617,388
Cooper County	0	0	0	0	736,673	1,841,521	0	0	2,578,194
Crawford County	0	0	0	0	921,198	2,123,532	0	0	3,044,730
Dade County	0	0	0	38,028	217,832	509,752	0	0	765,612
Dallas County	0	0	0	0	575,204	1,677,032	0	0	2,252,236
Daviess County	0	0	0	53,372	0	734,176	0	0	787,548

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

COUNTIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
DeKalb County	0	0	0	0	614,584	614,684	0	0	1,229,268
Dent County	0	0	0	0	678,089	679,442	0	0	1,357,531
Douglas County	0	0	0	0	423,006	423,009	0	0	846,015
Dunklin County	0	0	0	0	0	2,642,299	0	0	2,642,299
Franklin County	0	0	0	0	5,060,108	7,589,777	0	0	12,649,885
Gasconade County	0	0	0	0	731,651	731,655	0	0	1,463,306
Gentry County	0	0	0	22,677	0	477,655	0	0	500,332
Greene County	0	0	0	0	21,198,465	20,818,496	0	0	42,016,961
Grundy County	0	0	0	0	451,596	451,474	0	0	903,070
Harrison County	0	0	0	0	0	1,214,810	0	0	1,214,810
Henry County	0	0	0	72,435	1,159,897	0	0	0	1,232,332
Hickory County	0	0	0	0	255,282	510,565	0	0	765,847
Holt County	0	0	0	92,014	168,897	590,664	0	0	851,575
Howard County	0	0	0	0	283,726	1,059,933	0	0	1,343,659
Howell County	0	0	0	0	2,002,223	1,000,864	0	0	3,003,087
Iron County	0	0	0	0	373,299	0	0	0	373,299
Jackson County	0	0	0	0	41,349,598	20,680,503	0	0	62,030,101
Jasper County	0	0	0	0	5,454,077	5,089,220	0	0	10,543,297
Jefferson County	0	0	0	0	9,541,671	19,282,017	0	0	28,823,688
Johnson County	0	0	0	488,485	1,998,744	3,847,913	0	0	6,335,142
Knox County	0	0	0	0	132,617	397,621	0	0	530,238
Laclede County	0	0	0	0	1,849,377	1,843,757	0	0	3,693,134
Lafayette County	0	0	0	0	1,176,026	2,354,501	0	0	3,530,527
Lawrence County	0	0	0	169,206	1,182,011	1,182,025	0	0	2,533,242
Lewis County	0	0	0	193,254	260,972	808,618	0	0	1,262,844
Lincoln County	0	0	0	0	2,062,364	7,388,761	0	0	9,451,125
Linn County	0	0	0	105,657	581,242	581,242	0	0	1,268,141
Livingston County	0	0	0	0	832,816	417,104	0	0	1,249,920
Macon County	0	0	0	0	659,923	1,485,108	0	0	2,145,031
Madison County	0	0	0	0	409,362	409,683	0	0	819,045
Maries County	0	0	0	52,830	241,037	480,680	0	0	774,547
Marion County	0	0	0	0	1,584,789	1,980,483	0	0	3,565,272
McDonald County	0	0	0	0	804,766	2,362,101	0	0	3,166,867
Mercer County	0	0	0	0	139,129	311,118	0	0	450,247
Miller County	0	0	0	190,889	1,661,243	1,659,896	0	0	3,512,028
Mississippi County	0	0	0	0	409,901	1,024,778	0	0	1,434,679
Moniteau County	0	0	0	0	477,121	911,504	0	0	1,388,625
Monroe County	0	0	0	48,596	270,016	270,013	0	0	588,625

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DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

COUNTIES:	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Montgomery County	0	0	0	0	426,618	1,066,594	0	0	1,493,212
Morgan County	0	0	0	0	925,252	990,563	0	0	1,915,815
New Madrid County	0	0	0	0	1,421,326	0	0	0	1,421,326
Newton County	0	0	0	0	2,121,709	2,828,940	0	0	4,950,649
Nodaway County	0	0	0	0	969,693	1,940,045	0	0	2,909,738
Oregon County	0	0	0	0	388,595	388,599	0	0	777,194
Osage County	0	0	0	0	467,264	508,480	0	0	975,744
Ozark County	0	0	0	0	249,169	525,165	0	0	774,334
Pemiscot County	0	0	0	0	598,696	897,966	0	0	1,496,662
Perry County	0	0	0	0	1,080,502	1,283,039	0	0	2,363,541
Pettis County	0	0	0	353,948	2,380,445	2,379,753	0	0	5,114,146
Phelps County	0	0	0	0	2,397,531	1,795,417	0	0	4,192,948
Pike County	0	0	0	0	638,972	2,026,399	0	0	2,665,371
Platte County	0	0	0	2,698,789	6,086,289	10,471,127	0	0	19,256,205
Polk County	0	0	0	0	0	2,540,668	0	0	2,540,668
Pulaski County	0	0	0	0	1,658,065	827,974	0	0	2,486,039
Putnam County	0	0	0	0	0	663,818	0	0	663,818
Ralls County	0	0	0	0	398,989	917,121	0	0	1,316,110
Randolph County	0	0	0	0	1,207,969	1,207,235	0	0	2,415,204
Ray County	0	0	0	137,334	771,478	1,542,960	0	0	2,451,772
Reynolds County	0	0	0	0	184,568	0	0	0	184,568
Ripley County	0	0	0	0	0	414,161	0	0	414,161
St. Charles County	0	0	0	5,156,174	20,333,220	44,634,390	0	0	70,123,784
St. Clair County	0	0	0	0	268,655	0	0	0	268,655
St. Francois County	0	0	0	0	3,207,060	4,565,382	0	0	7,772,442
St. Louis County	0	0	118,792,540	0	0	14,037,862	158,498,343	0	291,328,745
Ste. Genevieve County	0	0	0	0	708,372	708,365	0	0	1,416,737
Saline County	0	0	0	0	977,130	977,128	0	0	1,954,258
Schuyler County	0	0	0	0	124,732	249,466	0	0	374,198
Scotland County	0	0	0	0	0	437,277	0	0	437,277
Scott County	0	0	0	0	1,590,706	1,584,034	0	0	3,174,740
Shannon County	0	0	0	0	221,319	221,423	0	0	442,742
Shelby County	0	0	0	60,341	219,338	438,649	0	0	718,328
Stoddard County	0	0	0	0	1,159,136	1,162,449	0	0	2,321,585
Stone County	0	0	0	349,056	1,738,332	4,522,592	0	0	6,609,980
Sullivan County	0	0	0	0	206,108	618,289	0	0	824,397
Taney County	0	0	0	0	5,644,628	14,110,890	0	0	19,755,518
Texas County	0	0	0	0	891,849	0	0	0	891,849

Appendix D-2

DEPARTMENT OF REVENUE
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2005

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
COUNTIES:									
Vernon County	0	0	0	0	904,084	0	0	0	904,084
Warren County	0	0	0	0	1,242,523	3,727,025	0	0	4,969,548
Washington County	0	0	0	161,518	693,060	2,713,937	0	0	3,568,515
Wayne County	0	0	0	0	430,980	430,982	0	0	861,962
Webster County	0	0	0	0	1,124,364	1,672,123	0	0	2,796,487
Worth County	0	0	0	11,171	66,771	102,643	0	0	180,585
Wright County	0	0	0	0	736,006	735,628	0	0	1,471,634
DISTRICTS:									
Barton County Ambulance District	0	0	0	0	0	0	0	480,235	480,235
Cam-MO Ambulance District	0	0	0	0	0	0	0	157,610	157,610
Dade County Ambulance District	0	0	0	0	0	0	0	38,099	38,099
Iron County Ambulance District	0	0	0	0	0	0	0	79,299	79,299
Maries Osage Ambulance District	0	0	0	0	0	0	0	169,040	169,040
Miller County Ambulance District	0	0	0	0	0	0	0	780,262	780,262
Noel T. Adams Ambulance District	0	0	0	0	0	0	0	417,559	417,559
Orrick Fire Protection District	0	0	0	0	0	0	0	125,146	125,146
Osage Ambulance District	0	0	0	0	0	0	0	19,841	19,841
Performing Arts Community Development District	0	0	0	0	0	0	0	19,238	19,238
Rock Township Ambulance District	0	0	0	0	0	0	0	1,503,886	1,503,886
St. James Ambulance District	0	0	0	0	0	0	0	160,952	160,952
Salt River Ambulance District	0	0	0	0	0	0	0	60,024	60,024
Smithville Area Fire Protection District	0	0	0	0	0	0	0	398,384	398,384
SNI Valley Fire Protection District	0	0	0	0	0	0	0	657,284	657,284
Southern Stone Fire District	0	0	0	0	0	0	0	1,571,978	1,571,978
South Metropolitan Fire Protection District	0	0	0	0	0	0	0	426,528	426,528
Steelville Ambulance District	0	0	0	0	0	0	0	10,836	10,836
Thirty-ninth Street Community Development District	0	0	0	0	0	0	0	151,610	151,610
Three Trails Community Devleopment District	0	0	0	0	0	0	0	298,086	298,086
Warsaw Lincoln Ambulance District	0	0	0	0	0	0	0	585,194	585,194
Westport Community Development District	0	0	0	0	0	0	0	46,748	46,748
TOTALS	$ 470,452,899	342,664,981	305,969,853	77,331,978	233,476,186	322,212,758	158,498,343	8,157,839	1,918,764,837

Appendix E

DEPARTMENT OF REVENUE
SALES AND USE TAX
DESCRIPTION OF SALES AND USE TAX FUNDS AND ACCOUNTS

Sales and use tax receipts collected from businesses, motor vehicle sales tax receipts collected from businesses and individuals, and highway use tax receipts collected on vehicles purchased outside of Missouri but titled in Missouri, are deposited into various state and local funds. (NOTE: Marine and ATV sales and use tax collections are deposited into the same funds as the state sales and use tax).

For operating purposes, the Department of Revenue has been charged with the responsibility of administering transactions in the funds listed below. The State Treasurer, as fund custodian, and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly for all state funds.

1) General Revenue Fund: This state fund, as authorized by Section 144.700, RSMo, receives 75 percent of the collections from the 4 percent state sales and use tax. This fund also receives payments from common carriers in interstate air transportation, as authorized by Section 144.807, RSMo. During fiscal year 2005, this fund received 37.5 percent of the collections from the 4 percent motor vehicle sales tax as authorized by Section 144.070, RSMo. During fiscal year 2006, this fund received 28.125 percent of the collections from the 4 percent motor vehicle sales tax.

2) Aviation Trust Fund: This state fund, authorized by Section 144.805, RSMo, receives sales and use tax on aviation jet fuel from common carriers. These taxes are paid as a result of exemptions to General Revenue sales tax. The exemptions are a result of direct-pay agreements between common carriers and the Department of Revenue.

3) Conservation Commission Fund: This state fund, authorized by Article IV, Section 43(a), Constitution of Missouri, receives collections of the 0.125 cent state sales and use tax, motor vehicle sales tax, and highway use tax.

4) Department of Revenue Information Fund: This state fund, authorized by Section 32.067, RSMo, receives collections from individuals, businesses, and governmental units, for the dissemination of information and publications. The related sales tax is also deposited into this fund.

5) Highway Department Fund: This state fund, as authorized by Section 144.440, RSMo, receives 75 percent of the collections from the 4 percent highway use tax.

6) Parks Sales Tax Fund: This state fund, as authorized by Article IV, Section 47(a) and 47(b), Constitution of Missouri, receives 50 percent of the collections from a 0.1 percent state sales and use tax, motor vehicle sales tax, and highway use tax.

7) School District Trust Fund: This state fund, as authorized by Section 144.701, RSMo, receives 25 percent of the collections from the 4 percent state sales and use tax and 12.5 percent of the collections from the 4 percent motor vehicle sales tax.

8) Soil and Water Sales Tax Fund: This state tax fund, as authorized by Article IV, Section 47(a) and 47(b), Constitution of Missouri, receives 50 percent of the collections from a 0.1 percent state sales and use tax, motor vehicle sales tax, and highway use tax.

9) State Road Fund and State Transportation: These state funds, as authorized by Section 144.070, RSMO, and Article IV, Section 30(b), Constitution of Missouri, receive 37.5 percent of the collections from the 4 percent motor vehicle sales tax. In addition, as authorized by Section 144.440, RSMO, the state road fund receives 18.75 percent of the collections of the 4 percent highway use tax.

10) State Road Bond Fund: This state fund was created pursuant to Article IV, Section 30(b), Constitution of Missouri (Amendment 3), effective July 1, 2006. During fiscal year 2006, this fund received 9.375 percent of the collections from the 4 percent motor vehicle sales tax.

Actual tax proceeds for local funds are deposited into interest-bearing bank accounts until distributed. Subsequently 99 percent of the collections and earned interest are distributed to the various political subdivisions with the remaining 1 percent going to the state's General Revenue Fund for a collection fee, except for the Local Fuel Tax Trust Fund and Local Fuel Tax and Bond Trust Fund, which receives all of the collections. The Department of Revenue has the sole responsibility for maintaining and disbursing fund resources for all local funds.

1) Local Fuel Tax Trust Fund: This local fund, as authorized by Section 144.440, RSMo, received 12.5 percent of the collections from the 4 percent motor vehicle sales tax and 6.25 percent of the collections from the 4 percent highway use tax. This local fund was closed effective May 1, 2006, and the ending cash balance was transferred to the Local Fuel Tax and Bond Trust Fund.

2) Local Fuel Tax and Bond Trust Fund: This local fund, established effective May 1, 2006, consolidated the Local Fuel Tax Trust Fund, Local Fuel EFT Trust Fund, Motor Fuel Pool Bond Trust Fund, and Motor Fuel Bond Trust Fund.

   As authorized by Section 144.440, RSMo, this local fund receives 12.5 percent of the collections from the 4 percent motor vehicle sales tax and 6.25 percent of the collections from the 4 percent highway use tax.

3) Local Sales Tax Trust Fund: This local fund receives collections generated from local sales taxes imposed by local political subdivisions. These taxes are authorized by Chapters 66, 67, 70, 92, 94, 162, 190, 238, 321, and 644, RSMo. DOR officials indicated that during the two years ended June 30, 2006, the department's computer system did not recognize six ambulance districts for motor vehicle tax distribution. The correct rate and amount of tax was collected, but the districts' monies were disbursed to cities and the county within the respective ambulance districts. The monies will be redistributed

beginning with the February 2007 distribution. The taxing jurisdictions affected and the corresponding over (under) payment amounts are as follows:

Taxing Jurisdiction		Over Payment Amount		Under Payment Amount
St. Francois County	$	203,644		
Bismarck		2,730		
Bonne Terre		10,728		
Desloge		11,334		
Farmington		32,528		
Iron Mountain Lake		239		
Leadington		656		
Leadwood		1,563		
Park Hills		18,491		
St. Francois County Ambulance District				(281,913)
Cedar County		57,244		
El Dorado Springs		7,794		
Stockton		4,289		
Cedar County Ambulance District				(69,327)
Randolph County		51,300		
Higbee		366		
Huntsville		2,101		
Moberly		24,626		
Randolph County Ambulance District				(78,393)
Callaway County		168,937		
Auxvasse		4,440		
Fulton		33,979		
Holts Summit		10,125		
Jefferson City		149		
Kingdom City		306		
Mokane		608		
New Bloomfield		1,936		
Callaway County Ambulance District				(220,480)
Iron County		87,959		
Annapolis		1,781		
Arcadia		2,533		
Ironton		9,248		
Pilot Knob		3,635		
Viburnum		4,854		
Iron County				

Ambulance District				(110,010)
Miller County		365,906		
Brumley		263		
Eldon		36,140		
Iberia		5,388		
Osage Beach		603		
St. Elizabeth		2,649		
Tuscumbia		724		
Miller County Ambulance District				(411,673)

4) Local Use Tax Trust Fund: This local fund received collections generated by an additional 1.5 percent use tax upon all transactions subject to the taxes imposed under Sections 144.600 to 144.745, RSMo. Local Use Tax was declared unconstitutional by the Missouri Supreme Court in Fiscal Year 1996. The Department of Revenue began refunding local use tax in fiscal year 1998.

5) Local Option Use Tax Trust Fund: This local fund, as authorized by Section 144.757, RSMo, receives collections generated by a use tax, based on the local sales tax in effect, upon all transactions subject to taxes imposed under Sections 144.600 to 144.745, RSMo, except as otherwise provided. Net taxes and interest are subsequently distributed to the counties and cities.

The Department of Revenue has shared responsibility with the State Treasurer for maintaining and disbursing account resources for all custodial accounts as follows:

1) Cabaret Sales Tax Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Cabaret Sales Tax Account and actual custody of account resources ultimately rests with the department.

The Cabaret Sales Tax Account is an interest-bearing bank account where collections from a county cabaret sales tax are deposited. These collections, are distributed to the county, less a 1 percent collection fee deposited to the state's General Revenue Fund.

2) Compliance Clearing Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Compliance Clearing Account and actual custody of account resources ultimately rests with the department.

The Compliance Clearing Account is an interest-bearing bank account where tax payments from taxpayer audits are temporarily held. The department holds these payments in this account pending final audit review. Depending on the results of the audit review, the department transfers the tax payment to the appropriate state and local funds or issues a refund to the taxpayer.

3) Motor Vehicle Clearing Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Motor Vehicle Clearing Account and actual custody of account resources ultimately rests with the department.

The Motor Vehicle Clearing Account is an interest-bearing bank account that receives collections from motor vehicle agent offices and the central office for various taxes and fees. These receipts are subsequently transferred to various state and local funds.

4) Motor Vehicle Protest Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Motor Vehicle Protest Account and actual custody of account resources ultimately rests with the department.

The Motor Vehicle Protest Account receives motor vehicle sales and use tax paid under protest. Protest proceeds are deposited into an interest-bearing bank account.

Protested motor vehicle sales and use taxes and the related earned interest, are either returned to the taxpayer or remitted to the state and the appropriate political subdivisions, based upon decisions reached by the department, the Administrative Hearing Commission, or various courts.

5) Protested Sales Tax General Revenue Account and Protested Sales Tax Miscellaneous Account: The Department of Revenue has been charged with the responsibility of administering transactions in the protested sales tax accounts.

The protested sales tax accounts receive sales and use taxes paid under protest. The 3 percent General Revenue Fund portion of the state sales taxes paid under protest is transferred to the state's General Revenue Fund, which is in the custody of the State Treasurer. All other state and local taxes paid under protest are deposited into an interest-bearing bank account, which is in the custody of the Department of Revenue. Protested sales taxes and the related earned interest are either returned to the taxpayer or remitted to the state and the appropriate political subdivisions, based upon decisions reached by the department, the Administrative Hearing Commission, or various courts.

6) Sales Tax Bond Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Sales Tax Bond Account.

The Sales Tax Bond Account, as authorized by Section 144.087, RSMo, receives cash bonds posted by taxpayers. All bond collections are deposited into the state's General Revenue Fund, which is in the custody of the State Treasurer. Cash bonds and related interest at the rate of 5.25 percent are refunded to the taxpayer after two years if they are determined to have satisfactory tax compliance and if their bond was posted before January 1, 1984. If the bond was posted on or after January 1, 1984, the Attorney General has ruled that no interest should be refunded. In the event of uncollectible sales tax liabilities, the bonds and related interest, if any, are forfeited to the Department of Revenue, which subsequently distributes the monies to the state and the appropriate political subdivisions.

7) Sales Tax Electronic Filing Holding Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Sales Tax Electronic Filing Holding Account and actual custody of account resources ultimately rests with the department.

The Sales Tax Electronic Filing Holding Account receives collections from Web/Internet based sales and use tax filings. Monies are deposited in an interest-bearing bank account. These receipts are paid through ACH debit transactions initiated by the taxpayer through a department approved service provider. The department transfers the collections to the appropriate state and local funds after processing the corresponding sales tax returns.

8) St. Louis Special Escrow Account: The St. Louis Special Escrow Account is an interest-bearing bank account where the department has escrowed funds to cover claims for refund of a three-eighths percent sales tax levied by the City of St. Louis.

The Missouri Supreme Court [ACI Plastics, Inc. vs. City of St. Louis, Citation No. 724S.W.2d513 (Mo. Banc 1987)] ruled the additional 3/8 percent sales tax was not legally levied during the period July 1, 1984 through March 17, 1987. The amount was withheld from monthly distributions to the City of St. Louis during the year ended June 30, 1990, and placed in this account under the custody of the Director of Revenue pending resolution.

9) Suspense Holding (Sales Tax) Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Suspense Holding Account and actual custody of the account resources ultimately rests with the department.

The Suspense Holding Account is an interest-bearing bank account where unidentified sales and use tax receipts are temporarily deposited when they are unable to be posted to the automated Missouri Integrated Tax System (MITS). When these receipts become identifiable, they are posted to MITS and are then transferred out of the Suspense Holding Account into the appropriate sales tax funds.

Susan Montee, CPA
Missouri State Auditor

March 2007

City of Novinger, Missouri

Year Ended June 30, 2006

Report No. 2007-14

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

March 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Novinger, Missouri.

Many of the findings in this audit are similar to those included in our previous audit of the City of Novinger (Report No. 2000-84). Very little progress has been made to improve overall accountability over city resources.

For the year ended June 30, 2006 the city collected approximately $91,450 for water, $29,590 for sewer, and $26,230 for trash services. The city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower, and does not reconcile gallons of water pumped to gallons billed to customers. According to city records, the city purchased approximately 10,555,000 gallons of water, but only billed customers for approximately 8,000,000 gallons. In addition, the city does not maintain adequate records of water and sewer refundable meter deposits held in the Water and Sewer Funds. There is no complete list of deposits held by the city and the total amount of meter deposits from city residents cannot readily be determined.

The collector does not prepare a detailed annual report of collections and delinquent accounts for the board as required by state law. The collector does prepare a monthly report of collections, but it is not presented to the board for review. Without such a report, any errors or irregularities that might occur are likely to go undetected. As of June 30, 2006, the city had approximately $3,350 in delinquent utility bills due from citizens no longer living within city limits.

The city's combined waterworks and sewerage system bond covenant requires that amounts be set aside into a Bond Reserve Fund and a Replacement and Extension Fund with the aggregate amount totaling $16,000 for each fund. The city has two certificates of deposit designated as "Water and Sewer Bond Reserve"; however, at June 30, 2006, these certificates totaled only $8,836. The city has not made any deposits to this fund during the current fiscal year. In addition, the city has not had annual audits of its water and sewer system as required.

The city does not have written contracts for accounting or legal services indicating the services to be provided at what amount. During the year ended June 30, 2006, the city paid approximately $10,150 to the accounting firm and $700 to the attorney. While the August 2005 minutes indicate that the attorney was hired at a rate of $80 per hour, no formal written agreement was prepared.

The city does not have a formal written bidding policy. City officials indicate they frequently obtain proposals or quotes over the telephone. While the city board minutes

(over)

showed some evidence of bidding for water tower repairs and accounting services, no documentation was maintained of the bid amounts or documents received, nor of the justification for selecting and rejecting the bids.

The city does not have a policy regarding the usage of credit cards and lines of credit. In addition, the city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city. Also, several payments were processed without an invoice or other adequate supporting documentation, including the purpose of the disbursement.

As noted in our prior audit report, the city received a restrictive donation of $44,633. The monies were used for general operations of the city. As of June 30, 2000, $31,133 and $13,500 were due to the Garrison Fund from the General Fund and the Water Fund, respectively. As of June 30, 2006, the Garrison Fund Savings Account had a balance of $3,225. Based on available documentation, as of June 30, 2006, the city needs to transfer $27,908 from the General Revenue Fund and $13,500 from the Water Fund into certificates of deposit in accordance with the provisions of the Garrison Estate. The city should review this situation with legal counsel to determine if there are other methods of handling this donation.

The city has not established a separate accounting for the motor vehicle related revenues to be used for street related purposes as required by the Missouri Constitution. The city deposits all motor vehicle-related revenues into the General Fund. For the year ended June 30, 2006, motor vehicle related revenues totaled approximately $22,000.

A budget for the year ended June 30, 2006, was not prepared and adopted by ordinance as required. The city has not published semi-annual financial statements nor submitted an annual financial report to the State Auditor's office as required by state law.

Also included in the report are recommendations related to accounting controls and procedures, payroll, meeting minutes and ordinances, capital assets, volunteer fire association, water, sewerage and street maintenance plans, allocation of salaries and expenditures between funds, and administrative costs of trash services.

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CITY OF NOVINGER, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Novinger, Missouri 63559

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Novinger. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

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provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by December 2006.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Novinger, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Water, Sewer, and Trash Services

The city does not compare or reconcile gallons of water purchased to the gallons of water pumped or billed to customers, or maintain adequate records of the water and sewer refundable meter deposits. In addition, the city does not transfer the required amounts into the Replacement and Extension Fund and Bond Reserve Fund or have annual audits of its water and sewer system. A detailed report of amounts collected and uncollected accounts is not prepared for the board's review. Also, the city has not retained documentation to support the costs associated with trash collections.

For the year ended June 30, 2006 the city collected approximately $91,450 for water, $29,590 for sewer and $26,230 for trash services.

A. The city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower. In addition, the city does not reconcile gallons of water pumped from their water tower to gallons billed to customers. The city purchases its water supply from a public water supply district.

The city could not generate a report showing the gallons of water billed, however city officials were able to generate a report showing the gallons of water used over the water base of 1,000 gallons. (Customers are charged for at least 1,000 gallons of water each month, gallons used in excess of 1,000 are charged on a per gallon basis.) Assuming all the customers used at least 1,000 gallons of water each month, the total gallons of water billed was approximately 8,000,000 gallons. According to city records, the city purchased approximately 10,555,000 gallons of water. Therefore it appears the city billed customers 2,555,000 gallons or 24% less than what was purchased.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water purchased to the total gallons of water pumped and billed on a monthly basis and investigate any significant differences. The Public Service Commission generally recommends such differences be investigated if unbilled water usage exceeds 15 percent.

B. The city does not maintain adequate records of water and sewer refundable meter deposits held in the Water and Sewer Funds. A ledger containing transactions of the utility billings from several years ago listed some meter deposits collected; however, the city no longer uses this ledger to track the transactions of the utility billings and therefore the deposits recorded in the book are not up to date. The City Collector indicated that she has kept records of the meter deposits collected

and refunded since she took office, but there is no complete list of the deposits held by the city. The city has over 200 utility customers and currently the meter deposits are $150 for a renter and $100 for a homeowner; however, due to the changes in the amount required for deposits over the years the total amount of meter deposits from city residents cannot readily be determined.

To ensure the city is properly holding water deposits from city customers, an accurate list of water deposits held by the city should be prepared, which includes the deposit amount and date received from each customer and the dates and amounts of all deposit refunds.

C. The City Collector does not prepare a detailed annual report of collections and delinquent accounts for the board as required by state law. Section 79.310, RSMo and city Ordinance 13.590, require the city collector to make a detailed annual report to the board of amounts collected and to prepare a detailed list of persons who have not paid. The Board is to examine and approve the reports and charge the city collector to collect the delinquent amounts due.

The City Collector does prepare a monthly report of collections, which is used to determine the amounts that should be deposited into the Water and Sewer Accounts, but it is not presented to the board for review. A detailed annual report which complies with state law would help provide assurance utility bills have been properly collected, written off, or determined to be delinquent. Such a report would summarize utilities charged to customers, collections, and accounts delinquent. Without such a report, examined by the board, any errors or irregularities that might occur are likely to go undetected. As of June 30, 2006, the city had approximately $3,350 in delinquent utility bills that city officials indicated are due from citizens no longer living within city limits. The Board should review the delinquent accounts to ensure that the customer's meter deposit has been applied to the account and consider writing off the remaining amount as uncollectible.

D. The city's combined waterworks and sewerage system bond covenant requires that amounts be set aside into a Bond Reserve Fund and a Replacement and Extension Fund with the aggregate amount totaling $16,000 for each fund. The city has two certificates of deposit designated as "Water and Sewer Bond Reserve"; however, at June 30, 2006, these certificates totaled only $8,836. The city has not made any deposits to this fund during the current fiscal year. While the city does have several additional certificates of deposit, none of them were designated for the Replacement and Extension Fund.

To ensure the city has complied with the bond covenant restrictions, the city should deposit additional monies into the Bond Reserve Fund and the Replacement and Extension Fund until the amount has reached the required amount.

E. The city has not had annual audits of its water and sewer system as required. The bond covenant and Section 250.150, RSMo, requires the city to obtain annual audits of the water and sewer system.

In addition to being required by state law and the city's bond covenants, annual audits of city funds would help ensure city financial transactions have been properly recorded.

F. The city has not documented the administrative costs of providing trash collection services. Prior to June 2006, the city charged its residents a monthly fee of $10.35 for trash collection. The city retained an administrative fee of $.75 per customer in the General Fund and disbursed the remaining $9.60 to the waste disposal company. (Currently the monthly fee is $10.70 and the administrative fee is $.80.) For the year ending June 30, 2006, the city received approximately $1,855 in administrative fees.

The administrative costs of providing trash collection services should be calculated and documented. The user fee charged to city residents for trash services should be set at a level sufficient to cover the costs of the service and not used for general operations of the city.

Similar conditions were noted in a prior audit report.

WE RECOMMEND the Board of Aldermen:

A. Reconcile gallons of water pumped to gallons of water billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Any significant differences should be documented and investigated.

B. Prepare accurate records of meter deposits held by the city.

C. Require the City Collector to prepare a detailed annual report for presentation to the board. In addition, review the delinquent accounts to ensure that the customer's deposit has been applied and consider writing off the remaining amount as uncollectible.

D. Deposit amounts into the Bond Reserve Fund and Replacement and Extension Fund to reach the amount required by the bond covenant.

E. Obtain annual audits of the city as required by state law and bond covenants.

F. Review the city's costs of administering the trash collection service and document the amount of administration costs associated with the service.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A. The city has developed a system to reconcile gallons billed to the gallons purchased, and plan to implement this system after the next meter reading.

B. The city has been working on the implementation of this recommendation. They will develop an ordinance to address when meter deposits should be refunded, etc., but they are having difficulty determining past deposits paid due to inadequate records.

C&F. These recommendations will be implemented.

D. They have designated additional CDs to the Bond Reserve Fund, so it is now at $16,000, and will combine and designate some of the city's other CD's to bring the Replacement and Extension Fund to $16,000.

E. The City is currently seeking proposals for an audit.

2. Accounting Controls and Procedures

Monies collected by the city are not deposited on a timely basis, receipt slips issued are not prenumbered, the City Collector's report does not always include all monies received, and revenue classifications of the monies received are not always documented. In addition, some officials and employees do not appear to be adequately bonded, business licenses, city stickers and dog tags are not accounted for adequately, and the Treasurer's financial report to the board did not appear accurate and complete. Also, the numerical sequence of traffic tickets are not accounted for adequately.

A. Monies collected by the city are not deposited on a timely basis. The Treasurer indicated deposits are generally made 2 or 3 times per month. A cash count conducted on December 8, 2006, included receipts collected from November 30 to December 7, 2006, totaling over $9,600, including nearly $500 in cash. Deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

B. We noted the following concerns with city's receipting procedures:

1. The city issues receipt slips for non utility related receipts. These receipt slips are not prenumbered or sequentially numbered. Without issuing and accounting for prenumbered receipt slips for all monies collected and then reconciling the receipt slips to the deposit, the city cannot ensure all monies collected are ultimately recorded and deposited.

2. The City Collector's monthly report of collections did not include some monies received. For example, during April and May 2006, the City Collector did not include a receipt of $150 for a refundable meter deposit, $250 for a utility bill and some receipts from dog tags and city stickers on her monthly report of collections; however, these monies were deposited. In addition, the City Collector's monthly report of collections is not reconciled to amounts transmitted to the City Treasurer for deposit. To ensure all receipts are recorded and ultimately deposited, the City Collector should ensure all monies collected are listed on her monthly report of collections and reconciled in amount and composition to the monies transmitted to the City Treasurer for deposit.

3. The Treasurer did not indicate the revenue classification of some monies collected on the receipt slip or on the general ledger. To provide an adequate accounting of the receipts and to ensure the accuracy of the financial statements the Treasurer should indicate the revenue classification of the monies collected on the receipt slip and on the general ledger.

C. Some city officials do not appear to be adequately bonded. City ordinance requires that each officer and employee of the city who will handle or have custody of money in the amount of $100 or more at any one time shall give bond to the city. The ordinance also indicates that the treasurer shall be bonded at no less than $3,000. While the treasurer is bonded for $3,000, this does not appear adequate. As discussed in part A, cash counted on December 8, 2006 showed that the Treasurer held over $9,600 in receipts (including $500 in cash), which were mostly composed of utility monies. In addition, two maintenance workers, who also collect monies, and the mayor, who is an authorized check signer, are not insured/bonded. The waterworks and sewerage bond covenant requires that all employees who handle the funds and accounts of the city's combined waterworks and sewerage system be bonded at all times in an amount equal to the total funds in their possession or custody at any one time. Failure to properly bond city officials exposes the city to an unnecessary risk of loss.

To reduce the risk of loss, the city should base its bond coverage on the money an official or employee has access to at any one time, the cost of increased bond coverage, and the level of risk the Board of Aldermen is willing to assume.

D. The city collects fees for business licenses, city stickers for vehicles, and dog tags. During the year ended June 30, 2006 the city collected approximately $3,800 for these receipts. The following concerns were noted regarding these fees:

1. Business licenses and city stickers are not pre-numbered, and while dog tags are pre-numbered, the city does not properly account for the numerical sequence. To provide additional assurance all monies are properly collected, recorded, and deposited, licenses should be pre-numbered and the numerical sequence of the licenses, city stickers, and

dog tags should be accounted for properly. In addition, the receipt slips should be reconciled to the monies deposited and the number of licenses, city stickers, and dog tags issued to ensure all fees are being received, recorded, and deposited.

2. Several licenses were signed in advance by a prior city clerk and/or a prior mayor. Signing licenses in advance does not allow for proper review of documentation before a license is issued.

3. The city does not have policies in place regarding delinquent licenses. To ensure all businesses are treated equitably, formal policies on delinquent licenses should be established, adopted by ordinance, and followed.

E. The Treasurer prepares monthly financial reports for board approval, which include the check register for the prior month for the General, Water, and Sewer Funds and a summary of the total receipts, total disbursements, and ending balances of the three funds. However, the ending balance of the prior month, plus receipts and less disbursements did not agree to the ending balance for some months. In addition, the financial reports do not include the activity of the city's savings account and certificates of deposit. To properly account for all city financial resources, the monthly reports of financial information presented to the board should be complete and accurate and contain the financial activity of all city funds and bank accounts.

F. The numerical sequence of traffic tickets issued is not adequately accounted for by the city. The city police officers issue traffic tickets which are then sent to the Fines Collection Center (FCC) in Jefferson City for collection. When payment is received the FCC issues a check to the city, and after 60 days uncollected tickets are forwarded to the Adair County Associate Court for prosecution. The city does not account for the sequence of tickets forwarded to the FCC, nor do they attempt to determine the disposition of the tickets. For year ended June 30, 2006 the city issued 70 tickets.

Without proper accounting of the numerical sequence, the city cannot be assured that all tickets issued by the Novinger Police Department are properly submitted for processing. A log listing each ticket number, the date issued, offense, and the violator's name would enable the city to ensure all tickets issued have been submitted to the FCC for processing or properly voided. In addition, to ensure the city receives all monies collected for tickets, records should be maintained to document the ultimate disposition of the tickets issued, and follow-up done on all old tickets.

Similar conditions to A, B.1., C, E and F were noted in a prior audit report.

WE RECOMMEND the Board of Aldermen:

A. Ensure all receipts are deposited intact on a timely basis.

B.1. Ensure pre-numbered receipt slips are issued for non utility related receipts, in addition, account for the numerical sequence and reconcile the receipt slips to the deposit.

2. Ensure the City Collector's report includes all monies received by the City Collector. In addition, ensure the report agrees in amount and composition to the monies transmitted to the Treasurer.

3. Ensure the revenue classification of the receipt is documented on the receipt slip and the general ledger.

C. Obtain adequate bond coverage for all city officials with access to city funds.

D.1. Require all licenses and city stickers to be pre-numbered and the numerical sequence accounted for properly. In addition, fees collected should be reconciled to the number of licenses, city stickers, and dog tags issued.

2. Void all licenses that were signed in advance and ensure licenses are no longer signed in advance.

3. Develop a formal, written policy for delinquent licenses to ensure that all merchants are treated equitably.

E. Require the monthly financial reports presented to the board be complete and accurate and includes all funds and bank accounts held by the city.

F. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets issued.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A. This recommendation has been implemented. The city is currently depositing 2 or 3 times per week.

B.1 &D.2. These recommendations have been implemented.

B.2 &B.3. These recommendations have been implemented. These problems occurred when the new officials first took office and were unsure of how to do things.

C. Everyone handling monies is now bonded and the Board will review the treasurer's bond to determine if additional coverage is needed.

D.1,3, &F. These recommendations will be implemented.

E. This recommendation will be implemented and the report will include all items in the future.

3. Expenditures

The city does not have written contracts for some services or for street repair, nor does it have formal written policies for bidding or for the usage of credit cards or credit lines. In addition, the city does not maintain mileage/usage or maintenance logs for the city's vehicles and equipment, several payments were made without adequate supporting documentation, and a signature indicating the receipt of goods or services was not always evident on the expenditure documentation.

A. The city does not have written contracts for accounting or legal services indicating the services to be provided at what amount. The city hired an accounting firm to prepare compilation reports for fiscal years 2001-2005 and to prepare the year end payroll reporting requirements and an attorney to provide legal services to the city. During the year ended June 30, 2006, the city paid approximately $10,150 to the accounting firm and $700 to the attorney. While the August 2005 minutes indicate that the attorney was hired at a rate of $80 per hour, no formal written agreement was prepared.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

B. The city does not have a formal written bid policy. While city officials indicate they frequently obtain proposals or quotes over the telephone, documentation of the proposals is not maintained. During the year ended June 30, 2006, the city made the following purchases which should have been bid: $6,388 for general liability insurance, $3,650 for road maintenance, and $13,500 for water tower repairs. In addition, the city did not request qualifications for accounting services which totaled approximately $10,150. While the city board minutes showed some evidence of bidding for the water tower repairs and accounting services, no documentation was maintained of the bid amounts or documents received, nor of the justification for selecting and rejecting the bids.

Formal bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why a bid was selected.

C. The city does not have a policy regarding the usage of the credit cards or lines of credit. The city has 2 store credit cards and 2 lines of credit with local vendors. During the year ended June 30, 2006, the city made payments totaling approximately $1,830 for its credit cards and lines of credit. To reduce the risk of loss or misuse, a formal written policy should be established documenting procedures for usage of credit cards and lines of credit, and the employees authorized to make such purchases.

D. The city does not maintain mileage/usage or maintenance logs for the vehicles and equipment owned by the city. The city owns seven vehicles and pieces of heavy equipment, and expended approximately $3,910 in fuel costs during the year ending June 30, 2006. The city maintains a log showing the date and amount of fuel pumped into the vehicles or equipment; however, this log is not reconciled to the fuel purchased or reviewed for reasonableness.

Mileage/usage logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings (or hours of use for equipment), and the operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

E. Several payments were processed without an invoice or other adequate supporting documentation, including the purpose of the disbursement. For example the city made a payment for accounting services based on a past due notice, and to an individual for street repairs (as noted in part G) without adequate documentation, i.e. invoice, or contract. Vendor invoices or other supporting documentation are necessary to ensure disbursements are for legitimate purposes. When the vendor invoices can not be located or are not provided. the City Clerk should request an invoice from the vendors and adequately document the purpose of the disbursement.

F. A signature indicating receipt of goods or services was not always evident on expenditure documentation. For example, in two instances the city purchased rock for street repairs, totaling approximately $4,000, in which the invoice did not

include an indication of the receipt of goods. As a result, the city does not always have adequate assurance it is paying for actual goods and services received and approved by the applicable party. Evidence of receipt of goods should be noted prior to payment.

G. On at least two occasions, the city paid for a portion of the repairs for potholes on the asphalt street totaling approximately $500. City officials indicated that the citizens and business, who reside on this city street, paid to have the street paved in the past and the city had been paying for a portion of any repairs to the street. However, nothing was documented in writing regarding this arrangement. The May 2006 minutes indicate the city will no longer pay for the asphalt repairs, instead they will pay the equivalent to repair a gravel road, which is $50. All other city streets are gravel. There is no written agreement indicating the duties and responsibilities of each party. Formal written agreements are necessary to document each party's duties and responsibilities and to prevent misunderstandings.

Similar conditions to A, B, D, E and F were noted in a prior audit report.

WE RECOMMEND the Board of Aldermen:

A. Enter into written agreements for all services.

B. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids, and maintain bid documentation on file.

C. Develop a written credit card/line of credit policy to include the procedures for using the credit cards or lines of credit and the purchase authorization of employees.

D. Maintain complete and accurate mileage/usage and maintenance logs for all vehicles and heavy equipment. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

E. Ensure that invoices or other supporting documentation are maintained to support all city expenditures.

F. Ensure evidence of receipt for the goods or services is noted on the invoice prior to payment.

G. Enter into a written agreement regarding the responsibilities for the repairs to the paved street.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A,B,
C,D,
F&G. These recommendations will be implemented.

E. This recommendation has been implemented.

4.	**Payroll**

Time cards are not always signed by employees and their supervisors, and leave records are not maintained. In addition, payroll and accounting records are not properly reconciled with amounts reported to the state and federal authorities.

A. Time cards are not always signed by employees and their supervisors. Hourly employees use a time clock to record time worked. The City Clerk calculates the hours worked from the time cards and prepares the payroll. Times stamped on the time card by the time clock were sometimes manually changed without documentation regarding why the changes were made or who made the changes.

Without employee and supervisory review of time cards and a signature to indicate the review, there is no assurance that the time records are accurate. Time cards should be prepared by the employee, and approved by the applicable supervisor to provide additional assurance that all information recorded is accurate.

B. The city does not maintain leave records showing amounts earned, taken and the balances. Full time employees are allowed to accumulate 4 hours of sick leave each month for a maximum of 240 hours and 5 days per year of annual leave, which can not accumulate.

Leave records are necessary to provide assurance that leave policies are being followed.

A similar condition was noted in a prior audit report.

C. Payroll and accounting records are not properly reconciled with amounts reported on the IRS Forms W-2, W-3, and quarterly wage reports. The city uses an accounting program which includes a payroll module; however, the city prepares manual reports to determine the totals for wages and withholdings for each month, quarter, and year instead of generating reports from the accounting program. These reports included several errors, including wages incorrectly

entered and wages not included. As a result, some employees' wages were incorrectly reported and amendments for these forms had to be filed.

City officials should review their system and attempt to utilize the payroll reports that can be generated to ensure the amounts reported on the W-2, W-3, and quarterly wage reports are accurate and complete. In addition, these discrepancies could have been identified in a more timely manner if adequate reconciliations had been performed between payroll, accounting and bank records. The failure to reconcile payroll records increases the risk that errors or irregularities will occur and not be detected on a timely basis.

WE RECOMMEND the Board of Aldermen:

A. Ensure time cards are signed by the employee and an applicable supervisor to show approval, and any changes to time cards are properly approved and documented.

B. Ensure leave records are maintained to show amounts earned, taken, and balances.

C. Ensure payroll and accounting records are reconciled with amounts reported to the state and federal authorities. If possible use the payroll reports that can be generated by the accounting program to prepare the amounts reported to the state and federal authorities.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A. This recommendation will be implemented. Most of this was done in the prior administration.

B. This recommendation has been implemented.

C. This recommendation will be implemented.

5. Restricted Revenues

As noted in our prior audit report dated 2000, the city did not spend donated proceeds in accordance with the donor's will and testament. In addition, the city has not established a separate accounting for the motor vehicle related revenues, and does not maintain proper documentation to support transfers between funds. Also, the city allocates the cost of some expenditures and salaries between various funds without adequate documentation.

A. As noted in our prior audit report, dated 2000, the city received a donation of $44,633. The donor's last will and testament required this money to be put in a certificate of deposit and the interest to be used for the Christmas tree lighting project, or some community project of general interest if the designated project should be completed or no longer of interest. The monies were not used in accordance with the last will and testament, but were used for general operations of the city. As of June 30, 2000, $31,133 and $13,500 was due to the Garrison Fund from the General Fund and the Water Fund, respectively. Since our prior report, the city has been making some monthly payments, of $50 from the General Fund to a savings account to replenish these monies. As of June 30, 2006, the Garrison Fund Savings Account had a balance of $3,225.

The city should review this situation with legal counsel to determine if there are other methods of handling this donation. Based on available documentation, as of June 30, 2006, the city needs to transfer $27,908 from the General Revenue Fund and $13,500 from the Water Fund into certificates of deposits in accordance with the provisions of the Garrison Estate, and the interest should be used on the city's Christmas tree lighting project or a community project of general interest in lieu thereof. In September 2006, the Board voted to raise the monthly payment to $600 per month (to be transferred from the General, Water, and Sewer Funds equally) to the Garrison Fund. There is no documentation supporting why the city would need to transfer monies from the Sewer Fund.

B. The city has not established a separate accounting for the motor vehicle related revenues. The city deposits all motor vehicle-related revenues into the General Fund. For the year ended June 30, 2006 motor vehicle related revenues totaled approximately $22,000. The General Fund is used to pay the general expenses of the city including lighting, patrolling and repairing the streets. During the year ended June 30, 2006, the city spent approximately $4,700 for gravel for street repairs. City records are not maintained in a manner to clearly indicate these restricted funds were utilized as required.

Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle related revenues apportioned by the state of Missouri be expended for street related purposes including policing and signing, lighting, and cleaning of roads and streets. The city should determine the amount received for motor vehicle related revenues and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

C. The August 2006 fund transfers do not appear correct or adequately documented. Utility monies collected are deposited into the General Fund and then transferred into the Water and Sewer Funds, respectively, usually at the beginning of the next month. However the utility receipts for May, June and July of 2006 were not transferred until August 2006, and checks that were normally written from the Water and Sewer Funds, during that period, were written from the General Fund. The Treasurer indicated she calculated the amounts to be transferred from the

total Water and Sewer receipts, as reported by the City Collector, then subtracted the checks written from the General Fund for those funds. However, she did not maintain adequate documentation to support these amounts or her calculations. Total water receipts for April through July totaled $27,531. The Treasurer paid water expenses from the General Fund of $17,173, and then transferred $6,830 to the Water Fund. Therefore, it appears $3,528 is still owed to the Water Fund. Total sewer receipts for April through July totaled $8,430. The Treasurer paid sewer expenses of $10,017 from the General Fund and then transferred $2,573 to the Sewer Fund. Therefore it appears the Sewer Fund owes the General Revenue Fund $4,160.

To ensure that revenues are used for their intended purposes, the city should consider transferring the water and sewer receipts at the time of deposit of the initial collections in the General Fund. In addition, documentation to support transfers should be maintained.

D. Adequate documentation is not maintained to support the allocation of some expenditures and salaries among the various funds. For example, the city split the cost of insurance, fuel, and loan payments for equipment equally among the General, Water, and Sewer Funds. In addition, the city collector's and maintenance workers' salaries are split between the Water and Sewer Funds, even though some general activities are performed by these officials/employees. Time is not adequately tracked to determine the time spent or equipment used on water, sewer or general activities.

Expenditures should be allocated to the various city funds based on actual usage/time or estimated usage/time based on historical data. In addition, allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Therefore, documentation and proper allocation of expenses is useful for both management and compliance.

Similar conditions to A, C and D were noted in a prior audit report.

WE RECOMMEND the Board of Aldermen:

A. Review this situation with legal counsel to determine if there are other methods of handling this donation and make arrangements to transfer monies into certificates of deposit to adhere to any provisions.

B. Ensure restricted funds are used only for their intended purposes.

C. Transfer $3,528 to the Water Fund from the General Fund and $4,160 to the General Fund from the Sewer Fund. In addition, consider transferring the water and sewer receipts at the time of the initial deposit into the General Fund, and ensure documentation to support all transfers is maintained.

D. Allocate expenditures and payroll to the various city funds based on actual usage/time or on estimated usage/time based on historical information.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A. The city will continue to make monthly payments and discontinue the payments from the Sewer Fund.

B&D. These recommendations will be implemented.

C. The city will review the recommended transfers.

6. Meeting Minutes and Ordinances

Board minutes are not consistently signed by the city clerk and a board member, and do not document reasons for closing meetings or how some items discussed in closed meeting complied with state law. In addition, a public hearing on the city's proposed tax rates has not been held, and city ordinances do not appear complete and up-to-date. The city does not have a formal policy regarding public access to city records.

A. During our review of the Board's minutes, we noted the following concerns:

1. Board minutes are not consistently signed by the city clerk as the preparer, nor are they signed by a board member to attest to their completeness and accuracy. Minutes should be signed by the board to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

2. Reasons for closing meetings are not documented in the minutes of the open meeting. The board went into closed session twice during the period of March through July 2006. Open session minutes indicated the board voted to close the meetings, but the specific reason for closing the meeting was not documented. The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.

3. The board conducted two closed meetings during the audit period; however, they did not document how some items discussed in closed session complied with state law, and decisions made during closed session were not disclosed in open session as required. Closed session meetings included discussions on updating the computer system, upgrading the water lines, providing records to the accounting firm to prepare the financial statements, and moving a trailer to use for storage.

Section 610.021, allows matters to be discussed in closed session only if they relate to certain specified subjects. Discussions in closed meetings should relate to the specific topics used to justify the meeting closure. In addition, the law requires certain votes taken in closed session to be disclosed in open session.

B. The Board of Aldermen has not held public hearings on the city's proposed tax rates. The October 2005 and January 2006 minutes noted discussion regarding the temporary general tax rate but did not indicate whether a public hearing was held to set the general property tax levy.

Section 67.110, RSMo, requires each governing body to hold a least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.

C. City ordinances do not appear complete and up-to-date and there is no summary listing of ordinances passed and rescinded. The city has not adopted some ordinances required by state law and/or needed to govern the city.

1) City ordinances appear old and outdated. For example:

- The city has an ordinance establishing a municipal court and procedures for the court. However, the city has not had a municipal court for several years.

- The city has an ordinance requiring an application for utility service and a deposit of $65 for water services. However, the city currently collects a $100 deposit for a homeowner and $150 for a renter.

- The city has an ordinance establishing the fire department and indicating that the fire chief is to be responsible to the mayor and board of aldermen; however the fire department appears to operate as a separate entity (see MAR 8).

Since ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

2) The city has not adopted ordinances to address all issues required by state law, including current compensation of officials and employees, tax rates, and procedures for collecting delinquent utility accounts.

Sections 79.270 through 79.320, RSMo 2000, require the duties, powers, compensation, and terms of office of the city officials and employees be set by ordinance. Section 94.190.3 and 94.210, RSMo require the property tax rate be set annually by ordinance. Utility related policies should be set forth in ordinances to give the taxpayers information on how the city is to be governed.

D. The city does not have a formal policy regarding public access to city records. City officials indicated that they do not charge the public for copies of the minutes or ordinances; however, for any other copies they charge $.10 per page. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making city records available to the public. The Sunshine Law states the fees for copying public records shall not exceed ten cents per page, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. Research time may be charged at the actual cost of time required to fulfill records requests.

Similar conditions to A.1, C, and D were noted in a prior audit report.

WE RECOMMEND the Board of Aldermen:

A.1. Ensure minutes are signed by the preparer and a board member to attest to their accuracy.

2. Ensure the reason for closing a session is documented in the open minutes.

3. Document how topics discussed in closed session comply with state law and ensure decisions made in closed session are properly reported in the open minutes when required.

B. Hold public hearings on setting the annual tax levy as required by state law and record this information in the board minutes.

C. Ensure the city's ordinances are maintained in a complete and up-to-date manner. New ordinances should be passed as needed and the board should ensure it operates in accordance with established ordinances.

D. Develop written policies regarding procedures to obtain public access to, or copies of, public city records.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A.1,2, &D. These recommendations have been implemented.

A.3,B &C. These recommendations will be implemented.

7. Budgeting, Planning and Financial Reporting

A budget for the year ended June 30, 2006 was not prepared and adopted by ordinance as required. The city does not have a long term maintenance plan for its water and sewerage system or for the maintenance of its streets. In addition, the city has not published its semi-annual financial statements as required, or filed annual financial reports with the State Auditor's office on a timely basis.

A. A budget for the year ended June 30, 2006, was not prepared and subsequently adopted by ordinance as required. Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. While the city did prepare a budget for 2007, the budget did not include a budget message or comparisons of actual revenues and expenditures for the preceding two years as required. In addition, the board minutes did not document formal approval of the budget by the board and it was not adopted by ordinance. Also, the Board does not review any budget to actual reports.

   A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years. In addition, the budget should be adopted by ordinance.

B. The city does not have a maintenance plan for its water and sewerage system. In addition, the city does not prepare an annual maintenance plan for city streets.

   1) The city does not have a maintenance plan for its water and sewerage system. In February 2006, the city obtained a water system engineering report, evaluating the city's needs and possible solutions for achieving,

improving and/or maintaining the technical, managerial and financial capability to continue to provide safe drinking water and meet drinking water regulations. According to the Mayor, due to the costs involved, the city does not intend to implement the recommendations made in the report. According to the engineering report initial costs are estimated at $284,000 for the first phase of the project. Instead the city is trying to replace the deteriorating pipes themselves as time and money allows.

2) The city does not prepare an annual maintenance plan for city streets. During the year ended June 30, 2006, the city spent approximately $4,700 for gravel for repairs to city streets.

Formal maintenance plans should be prepared in conjunction with the annual fiscal budget and include a description of the work to be done on the waterworks and sewerage system and city streets, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, and other relevant information. The plans should be included in the budget message and be approved by the board. In addition, public hearings should be held to obtain input from the city residents.

A formal maintenance plan for the waterworks and sewerage system as well as for the streets would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of the waterworks and sewerage system and streets throughout the year.

C. The city has not published semi-annual financial statements as required by state law and city ordinance. City ordinance 13.400 requires the board of aldermen to publish their financial statements in July and January of each year. Section 79.160, RSMo, requires the board of aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

D. The city did not submit an annual financial report to the State Auditor's office on a timely basis. The city filed financial statements, compiled by a CPA firm, for the years ended June 30, 2001 through 2005, on March 8, 2006, and the financial statement for the year ended June 30, 2006 had not been submitted as of December 31, 2006. Section 105.145, RSMo, requires the city to file an annual report of its financial transactions with the State Auditor's Office, and 15 CSR 40-3.030 requires unaudited reports to be filed with the State Auditor's office within four months of the end of the city's fiscal year.

Similar conditions to A, C and D were noted in a prior audit report.

WE RECOMMEND the Board of Aldermen:

A. Ensure the Mayor prepares an annual budget that contains all information required by state law to provide a complete financial plan for the city, which should then be adopted by ordinance. In addition, require periodic budget to actual reports to be prepared for review by the board.

B. Prepare an annual waterworks and sewerage system as well as a street maintenance plan as part of the budget.

C. Publish semi-annual financial statements as required by state law.

D. Submit annual reports of financial transactions to the State Auditor's Office on a timely basis as required by law.

AUDITEE'S RESPONSE

The Board of Alderman indicated:

A. This recommendation will be implemented with the next budget. The city is working on preparing budget to actual reports.

B. The city is working on a water and sewer maintenance plan. They will also implement a maintenance plan for streets.

C&D. These recommendations will be implemented.

8. Capital Assets

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. In addition, the city did not maintain property records to account for the capital assets owned by the city; however, upon our request the city maintenance supervisor prepared a listing but it did not indicate the values of the assets.

Adequate capital asset records are necessary to provide better internal controls over city property and provide a basis for proper financial reporting. Formal policies and procedures for the annual physical inventory are necessary to ensure all personnel understand the duties assigned to them.

To develop appropriate records and procedures for capital assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all capital asset transactions and

ensure the accuracy of the recorded capital assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

A similar condition was noted in a prior audit report.

WE RECOMMEND the Board of Aldermen maintain property records for capital assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

AUDITEE'S RESPONSE

The Board of Alderman indicated this recommendation will be implemented.

9. Volunteer Fire Association

The relationship between the city and the Novinger Community Volunteer Fire Association is not clear, and there is no written agreement stating the duties and responsibilities of each entity. The Novinger Community Volunteer Fire Association registered as a not-for-profit agency on January 14, 1972. They provide fire protection to the citizens of the city of Novinger and the surrounding rural area. As discussed in MAR 5.C., the city's ordinances indicate that the fire chief is to be responsible to the mayor and board of aldermen; however, the volunteer fire association is governed by a board, who appoints the fire chief.

The present situation places the city and the volunteer fire association in the position of not knowing the relationship and corresponding requirements of each entity. The city needs to determine the relationship between the city and the fire department and may want to enter into a contract stating the duties and responsibilities of each entity.

WE RECOMMEND the Board of Alderman enter into a written agreement with the volunteer fire association stating the fire association's and the city's duties and responsibilities.

AUDITEE'S RESPONSE

The Board of Alderman indicated this recommendation will be implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF NOVINGER, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Novinger is located in Adair County. The city was incorporated in 1904 and is currently a fourth-class city. The population of the city in 2000 was 534.

The city government consists of a mayor and a four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2006, are identified below. The Mayor and Board of Aldermen are paid $5 per month. The compensation of these officials is not established by ordinance.

Mayor and Board of Aldermen	Dates of Service During the Year Ended June 30, 2006
Floyd Ellsworth, Mayor (1)	April 2006 - June 2006
Kibbie Broseghini, Mayor (2)	July 2005 - March 2006
Sharon Salsberry, Alderwoman	April 2006 - June 2006
John T. Brownell, Alderman	July 2005 - March 2006
Karen Bernard, Alderwoman	April 2006 - June 2006
Harvey Stewart, Alderman	July 2005 - March 2006
Joyce Hurley, Alderwoman (3)	April 2006 - June 2006
Brandon Broadwell, Alderman	July 2006 - March 2006
Wayne Burriss, Alderman (4)	April 2006 - June 2006
Floyd Ellswoth, Alderman	July 2005 - March 2006

Other Officials	Dates of Service During the Year Ended June 30, 2006	Compensation Paid for the Year Ended June 30, 2006
Carolyn Ray, Collector *	April 2006 - June 2006	$ 1,737
Sharon Broadwell Barnes, Collector *	July 2005 - April 2006	7,041
Janice Pearce, City Clerk (5)	April 2006 - June 2006	$ 450
Carolyn Ray, City Clerk	August 2005 - April 2006	1,050
Sally Embry, City Clerk	July 2005	0
Angela D. Gashwiler, Treasurer	April 2006 - June 2006	450
Irene Brownell, Treasurer	July 2005 - April 2006	1,350

* Elected position

(1) In October 2006, Floyd Ellsworth resigned and Wayne Burriss was appointed to the position of Mayor.

(2) In April 2006, Kibbie Broseghini resigned and Floyd Ellsworth was appointed to the position of Mayor.

(3) In October 2006, John McFarland was appointed to take Joyce Hurley's former position of alderman.

(4) In October 2006, Tim Cuculich was appointed to take Wayne Burriss's former position of alderman.

(5) In October 2006, Janice Pearce resigned and Joyce Hurley was appointed City Clerk.

In addition to the officials identified above, the city employed 1 full-time employee and 4 part-time employees on June 30, 2006.

Assessed valuations and tax rates for 2006 were as follows:

ASSESSED VALUATIONS		
Real estate	$	1,155,318
Personal property		616,942
Total	$	1,772,260

TAX RATES PER $100 ASSESSED VALUATION		Rate
General Fund	$	0.4599
General Fund-temporary		0.3500

The General Fund-temporary levy is an additional voter-approved levy which will expire after 2007.

The city registered $246,700 of combined waterworks and sewerage system refunding and improvement revenue bonds with the GMAC Commerce Mortgage Corporation on May 17, 1977. The city makes monthly principal and interest payments until the bonds are paid off on January 1, 2012. At June 30, 2006, the principal balance was $57,308 and the city had a total of $8,836 in certificates of deposit for repair and replacement and bond reserve.

A summary of the city's financial activity for the year ended June 30, 2006, is presented below:

		General and Street Fund	Water Fund	Sewer Fund	Bond Reserve Fund	Garrison Fund	Total
Cash Balance, July 1	$	51,397	12,219	9,640	8,752	2,696	84,704
Receipts		107,686	78,141	23,894	84	529	210,334
Disbursements		85,054	81,203	23,091	0	0	189,345
Cash Balance, June 30	$	74,029	9,157	10,443	8,836	3,225	105,690

Susan Montee, CPA
Missouri State Auditor

March 2007

Shannon County, Missouri

Years Ended
December 31, 2005 and 2004

Report No. 2007-13

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Susan Montee, CPA

March 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Shannon, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

- The financial condition of the county's General Revenue Fund remains weak. At December 31, 2005, the fund's cash balance was $214,098, and it was estimated that the cash balance was $39,623 at December 31, 2006. Additionally, $202,598 was owed from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 2006. County spending has increased, and although the County Commission indicated they have been monitoring the financial condition, the county needs to develop a long-term plan to ensure revenues are maximized and discretionary disbursements are closely monitored. In addition, the county should establish a plan to pay off the General Revenue Fund liability to the Special Road and Bridge Fund.

- The county's budget preparation procedures need significant improvement. The county's procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity and cash balances of the various funds. For larger county funds, some poor budget estimates caused the estimated ending cash balances to be significantly over/under estimated. For many smaller funds, estimates of receipts and/or disbursements were omitted.

- The county did not always solicit bids or retain bid documentation for some purchases. The county does not adequately monitor the use of county road and bridge property tax monies paid to cities within the county. In addition, the county does not have a formal policy for mileage reimbursements paid to county officials and employees.

- Employee time sheet information does not always agree with information entered into the county's payroll accounting system. To facilitate the preparation of employee paychecks, employee time is estimated for the last two days of the pay period, and the county does not have adequate procedures to ensure hours actually worked were compared to the hours estimated. In addition, the county's overtime policy may not comply with the Fair Labor Standards Act, and employee summary leave records are not maintained.

(over)

- The county's property tax system controls and procedures need improvement. The County Clerk does not maintain an account book with the County Collector, and as a result, the County Clerk and County Commission cannot adequately verify the accuracy of the County Collector's annual settlements. In addition, controls over property tax additions and abatements need improvement.

- While similar concerns have been noted in our prior audit reports, little improvement was noted in the operations of the County Collector's office. The County Collector does not deposit monies intact or on a timely basis. Monies are held from deposits for use as a change fund, which is not kept at a constant amount. Records and procedures for partial payments accepted from taxpayers need improvement. The County Collector does not reconcile the cash balance to liabilities, and as a result, approximately $40,000 was held in the County Collector's bank account that could not be identified. In addition, the County Collector over-withheld commissions from property taxes, and approximately $5,250 in annual commissions paid to the General Revenue Fund needs to be distributed to the various taxing authorities.

- The Sheriff does not issue receipt slips for some monies received and does not transmit receipts to the County Treasurer intact or in a timely manner. The Sheriff does not have procedures to ensure all monies received are disbursed, and as a result, the bank account had an unidentified balance of approximately $2,000. Procedures have not been established to ensure all incarceration costs are billed and received from other political subdivisions. In addition, the Sheriff needs to improve records and procedures for county vehicle usage and seized property inventories. Similar concerns have been noted in our prior audits, and while the Sheriff previously responded that most recommendations would be implemented, little improvement was noted.

- The Circuit Clerk/Ex Officio Recorder of Deeds needs to deposit monies more frequently, follow up on old outstanding checks, maintain better records of interest earnings and petty cash transactions, close an old child support bank account, and turn over the Recorder User Fee Fund to the County Treasurer. In addition, The Circuit Clerk/Ex Officio Recorder of Deeds did not adequately reconcile liabilities to the cash balance of the Circuit Clerk's fee account, and as a result, the records indicated a potential shortage of $3,050 in this account. The Circuit Clerk/Ex Officio Recorder of Deeds indicated this had resulted from errors in 2003 and had been corrected.

- The Prosecuting Attorney needs to make deposits and turn over fees to the county more timely, follow up on old outstanding checks, and better monitor uncollected bad checks. The Prosecuting Attorney does not have procedures to ensure all monies received are disbursed, and as a result, the bank account had an unidentified balance of approximately $200.

Also included in our audit are recommendations related to published financial statements, collateral securities, county property records, apportionment of railroad and utility taxes, and officials' compensation and bond coverage.

All reports are available on our Web site: www.auditor.mo.gov

SHANNON COUNTY, MISSOURI

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SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Shannon County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Shannon County, Missouri, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Shannon County, Missouri, as of December 31, 2005 and 2004, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 16, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Shannon County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

November 16, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Steven Re', CPA
	Zeb Tharp
	Natalie McNish

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Shannon County, Missouri

We have audited the financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Shannon County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Shannon County, Missouri, are free of material misstatement, we performed tests of the

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county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Shannon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

November 16, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	183,604	964,027	933,533	214,098
Special Road and Bridge		966,710	870,696	1,590,903	246,503
Assessment		677	91,829	94,765	(2,259)
Law Enforcement Training		3,831	2,248	2,965	3,114
Prosecuting Attorney Training		1,592	542	0	2,134
Shelter for Abused Victims		780	710	1,400	90
Prosecuting Attorney Sales Tax Collections		1,709	2,336	85	3,960
Sheriff Civil Fee		22,884	8,819	3,885	27,818
Local Emergency Planning Commission		5,544	6,122	8,396	3,270
Sheriff Special		17,459	27,090	44,549	0
Sheriff Building		1,730	0	0	1,730
Crime Victim Advocate		(809)	29,620	30,471	(1,660)
MoSMART		2,046	9,280	11,326	0
Title III		34,848	0	34,848	0
Recorder Technology		1,387	5,315	250	6,452
Law Enforcement Restitution		6,524	13,700	0	20,224
Help America Vote Act		15,000	4,466	4,466	15,000
2% Collector		5,503	6,799	2,180	10,122
County Clerk		1,599	2,114	2,450	1,263
Health Center		747,214	1,030,520	1,078,945	698,789
Senate Bill 40 Board		35,653	58,795	60,899	33,549
Senior Citizens Service Board		5,949	28,067	32,100	1,916
Associate Circuit Court Interest		1,379	245	1,265	359
Circuit Clerk Interest		4,842	421	0	5,263
Time Payment Fee		702	1,996	1,339	1,359
Recorder User Fee		4,346	3,944	0	8,290
Law Library		2,428	3,555	2,292	3,691
Family Services		0	1,380	0	1,380
Total	$	2,075,131	3,174,636	3,943,312	1,306,455

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	39,999	1,052,929	909,324	183,604
Special Road and Bridge		1,269,742	925,216	1,228,248	966,710
Assessment		132	79,526	78,981	677
Law Enforcement Training		1,661	3,547	1,377	3,831
Prosecuting Attorney Training		699	893	0	1,592
Shelter for Abused Victims		2,150	620	1,990	780
Prosecuting Attorney Sales Tax Collections		0	3,134	1,425	1,709
Sheriff Civil Fee		11,159	12,184	459	22,884
Local Emergency Planning Commission		4,052	10,937	9,445	5,544
Recycling		(4,361)	7,123	2,762	0
Sheriff Special		17,622	22,951	23,114	17,459
Sheriff Building		1,730	0	0	1,730
Crime Victim Advocate		(1,240)	33,072	32,641	(809)
MoSMART		(618)	40,827	38,163	2,046
Title III		17,919	52,723	35,794	34,848
Recorder Technology		1,265	2,203	2,081	1,387
Law Enforcement Restitution		0	6,524	0	6,524
Help America Vote Act		0	15,000	0	15,000
2% Collector		692	7,343	2,532	5,503
County Clerk		2,197	0	598	1,599
Health Center		675,103	1,043,851	971,740	747,214
Senate Bill 40 Board		49,903	67,490	81,740	35,653
Senior Citizens Service Board		206	32,443	26,700	5,949
Associate Circuit Court Interest		2,006	286	913	1,379
Circuit Clerk Interest		4,686	156	0	4,842
Time Payment Fee		0	702	0	702
Recorder User Fee		710	3,991	355	4,346
Law Library		1,257	3,517	2,346	2,428
Total	$	2,098,671	3,429,188	3,452,728	2,075,131

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 3,042,554	3,169,701	127,147	3,045,632	3,403,445	357,813
DISBURSEMENTS	3,452,993	3,941,020	(488,027)	3,431,914	3,450,382	(18,468)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(410,439)	(771,319)	(360,880)	(386,282)	(46,937)	339,345
CASH, JANUARY 1	2,072,792	2,072,703	(89)	2,097,733	2,097,414	(319)
CASH, DECEMBER 31	1,662,353	1,301,384	(360,969)	1,711,451	2,050,477	339,026
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	76,000	105,037	29,037	53,000	120,794	67,794
Sales taxes	400,000	454,142	54,142	400,000	433,218	33,218
Intergovernmental	173,000	192,856	19,856	172,000	228,579	56,579
Charges for services	107,000	100,111	(6,889)	136,600	160,465	23,865
Interest	6,000	8,000	2,000	4,000	6,612	2,612
Other	46,847	47,730	883	63,846	43,495	(20,351)
Transfers in	58,000	56,151	(1,849)	33,150	59,766	26,616
Total Receipts	866,847	964,027	97,180	862,596	1,052,929	190,333
DISBURSEMENTS						
County Commission	75,792	72,641	3,151	69,092	75,180	(6,088)
County Clerk	59,356	57,463	1,893	56,794	53,612	3,182
Elections	0	0	0	24,000	50,362	(26,362)
Buildings and grounds	141,277	164,580	(23,303)	60,878	102,640	(41,762)
Employee fringe benefit	133,900	110,136	23,764	134,000	108,303	25,697
County Treasurer	34,185	32,844	1,341	33,044	32,545	499
County Collector	62,675	64,043	(1,368)	59,037	60,268	(1,231)
Ex Officio Recorder of Deed	22,200	15,210	6,990	13,802	13,571	231
Circuit Clerk	11,200	9,394	1,806	11,200	4,324	6,876
Associate Circuit Court	9,950	2,665	7,285	8,650	8,330	320
Court administration	1,097	98	999	1,100	107	993
Public Administrator	17,200	16,593	607	16,900	17,143	(243)
Sheriff	167,420	178,834	(11,414)	165,939	170,957	(5,018)
Jail	53,800	42,386	11,414	53,800	30,663	23,137
Prosecuting Attorney	61,725	59,400	2,325	60,093	58,610	1,483
Juvenile Officer	42,196	37,871	4,325	39,236	39,919	(683)
County Coroner	13,540	10,856	2,684	13,540	13,184	356
Public Defender	1,850	2,599	(749)	2,829	2,434	395
Court Reporter	538	197	341	538	348	190
Other	46,194	40,029	6,165	50,652	52,656	(2,004)
Transfers out	15,694	15,694	0	10,000	11,468	(1,468)
Emergency Fund	16,000	0	16,000	15,878	2,700	13,178
Total Disbursements	987,789	933,533	54,256	901,002	909,324	(8,322)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(120,942)	30,494	151,436	(38,406)	143,605	182,011
CASH, JANUARY 1	183,604	183,604	0	39,999	39,999	0
CASH, DECEMBER 31	62,662	214,098	151,436	1,593	183,604	182,011

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	140,000	130,394	(9,606)	140,000	151,316	11,316
Intergovernmental	687,000	708,892	21,892	686,500	749,307	62,807
Interest	25,000	16,343	(8,657)	30,000	23,983	(6,017)
Other	0	15,067	15,067	2,000	610	(1,390)
Total Receipts	852,000	870,696	18,696	858,500	925,216	66,716
DISBURSEMENTS						
Salaries	326,000	341,318	(15,318)	318,000	302,473	15,527
Employee fringe benefit	88,300	92,839	(4,539)	81,775	89,876	(8,101)
Supplies	345,000	495,698	(150,698)	173,000	175,867	(2,867)
Insurance	26,000	21,886	4,114	27,379	19,903	7,476
Road and bridge materials	60,700	413,198	(352,498)	198,000	193,197	4,803
Equipment repairs	55,000	1,059	53,941	17,000	18,226	(1,226)
Equipment purchases	72,905	110,118	(37,213)	163,683	197,309	(33,626)
Construction, repair, and maintenance	0	0	0	0	114,606	(114,606)
Other	26,095	61,907	(35,812)	46,163	58,450	(12,287)
Transfers out	188,000	52,880	135,120	133,150	58,341	74,809
Total Disbursements	1,188,000	1,590,903	(402,903)	1,158,150	1,228,248	(70,098)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(336,000)	(720,207)	(384,207)	(299,650)	(303,032)	(3,382)
CASH, JANUARY 1	966,710	966,710	0	1,269,742	1,269,742	0
CASH, DECEMBER 31	630,710	246,503	(384,207)	970,092	966,710	(3,382)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	78,721	74,024	(4,697)	62,323	70,262	7,939
Other	0	2,111	2,111	0	764	764
Transfers in	15,694	15,694	0	15,695	8,500	(7,195)
Total Receipts	94,415	91,829	(2,586)	78,018	79,526	1,508
DISBURSEMENTS						
Assessor	94,416	94,765	(349)	78,018	78,981	(963)
Total Disbursements	94,416	94,765	(349)	78,018	78,981	(963)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1)	(2,936)	(2,935)	0	545	545
CASH, JANUARY 1	677	677	0	132	132	0
CASH, DECEMBER 31	676	(2,259)	(2,935)	132	677	545
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	0	1,339	1,339	0	1,475	1,475
Charges for services	3,000	909	(2,091)	1,750	2,072	322
Total Receipts	3,000	2,248	(752)	1,750	3,547	1,797
DISBURSEMENTS						
Sheriff	0	2,965	(2,965)	3,000	1,377	1,623
Total Disbursements	0	2,965	(2,965)	3,000	1,377	1,623
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	(717)	(3,717)	(1,250)	2,170	3,420
CASH, JANUARY 1	3,831	3,831	0	1,661	1,661	0
CASH, DECEMBER 31	6,831	3,114	(3,717)	411	3,831	3,420

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	500	542	42	500	893	393
Total Receipts	500	542	42	500	893	393
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	542	42	500	893	393
CASH, JANUARY 1	1,592	1,592	0	699	699	0
CASH, DECEMBER 31	2,092	2,134	42	1,199	1,592	393
SHELTER FOR ABUSED VICTIMS FUND						
RECEIPTS						
Charges for services	600	710	110	600	620	20
Total Receipts	600	710	110	600	620	20
DISBURSEMENTS						
Domestic violence shelte	0	1,400	(1,400)	2,150	1,990	160
Total Disbursements	0	1,400	(1,400)	2,150	1,990	160
RECEIPTS OVER (UNDER) DISBURSEMENTS	600	(690)	(1,290)	(1,550)	(1,370)	180
CASH, JANUARY 1	780	780	0	2,150	2,150	0
CASH, DECEMBER 31	1,380	90	(1,290)	600	780	180
PROSECUTING ATTORNEY SALES TAX COLLECTIONS FUND						
RECEIPTS						
Charges for services	2,500	2,336	(164)	2,500	3,134	634
Total Receipts	2,500	2,336	(164)	2,500	3,134	634
DISBURSEMENTS						
Prosecuting Attorney	0	85	(85)	0	0	0
Transfers out	0	0	0	2,500	1,425	1,075
Total Disbursements	0	85	(85)	2,500	1,425	1,075
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,500	2,251	(249)	0	1,709	1,709
CASH, JANUARY 1	1,709	1,709	0	0	0	0
CASH, DECEMBER 31	4,209	3,960	(249)	0	1,709	1,709
SHERIFF CIVIL FEE FUND						
RECEIPTS						
Charges for services	10,000	8,819	(1,181)	2,000	12,184	10,184
Total Receipts	10,000	8,819	(1,181)	2,000	12,184	10,184
DISBURSEMENTS						
Sheriff	0	3,885	(3,885)	0	459	(459)
Total Disbursements	0	3,885	(3,885)	0	459	(459)
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	4,934	(5,066)	2,000	11,725	9,725
CASH, JANUARY 1	22,884	22,884	0	11,159	11,159	0
CASH, DECEMBER 31	32,884	27,818	(5,066)	13,159	22,884	9,725

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING COMMISSION FUND						
RECEIPTS						
Intergovernmental	0	3,295	3,295	0	10,937	10,937
Other	0	1,250	1,250	0	0	0
Transfers In	0	1,577	1,577	0	0	0
Total Receipts	0	6,122	6,122	0	10,937	10,937
DISBURSEMENTS						
Equipment	0	8,396	(8,396)	0	7,611	(7,611)
Office expense	0	0	0	0	1,063	(1,063)
Mileage and training	0	0	0	0	771	(771)
Total Disbursements	0	8,396	(8,396)	0	9,445	(9,445)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(2,274)	(2,274)	0	1,492	1,492
CASH, JANUARY 1	5,544	5,544	0	4,052	4,052	0
CASH, DECEMBER 31	5,544	3,270	(2,274)	4,052	5,544	1,492
RECYCLING FUND						
RECEIPTS						
Intergovernmental				9,465	4,155	(5,310)
Transfers in				0	2,968	2,968
Total Receipts				9,465	7,123	(2,342)
DISBURSEMENTS						
Salaries and fringe benefits				784	1,613	(829)
Gasoline and oil				1,116	1,149	(33)
Total Disbursements				1,900	2,762	(862)
RECEIPTS OVER (UNDER) DISBURSEMENTS				7,565	4,361	(3,204)
CASH, JANUARY 1				(4,361)	(4,361)	0
CASH, DECEMBER 31				3,204	0	(3,204)
SHERIFF SPECIAL FUND						
RECEIPTS						
Intergovernmental	0	13,250	13,250	0	9,000	9,000
Charges for services	20,000	1,514	(18,486)	5,000	13,951	8,951
Other	0	1,000	1,000	0	0	0
Transfers in	0	11,326	11,326	0	0	0
Total Receipts	20,000	27,090	7,090	5,000	22,951	17,951
DISBURSEMENTS						
Sheriff	0	44,549	(44,549)	22,622	23,114	(492)
Total Disbursements	0	44,549	(44,549)	22,622	23,114	(492)
RECEIPTS OVER (UNDER) DISBURSEMENTS	20,000	(17,459)	(37,459)	(17,622)	(163)	17,459
CASH, JANUARY 1	17,459	17,459	0	17,622	17,622	0
CASH, DECEMBER 31	37,459	0	(37,459)	0	17,459	17,459

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF BUILDING FUND						
RECEIPTS						
Other	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	1,730	1,730	0	1,730	1,730	0
CASH, DECEMBER 31	1,730	1,730	0	1,730	1,730	0
CRIME VICTIM ADVOCATE FUND						
RECEIPTS						
Intergovernmental	30,000	29,620	(380)	33,702	33,072	(630)
Total Receipts	30,000	29,620	(380)	33,702	33,072	(630)
DISBURSEMENTS						
Salaries	0	21,397	(21,397)	33,702	25,348	8,354
Mileage and training	0	9,074	(9,074)	0	7,293	(7,293)
Total Disbursements	0	30,471	(30,471)	33,702	32,641	1,061
RECEIPTS OVER (UNDER) DISBURSEMENTS	30,000	(851)	(30,851)	0	431	431
CASH, JANUARY 1	(809)	(809)	0	(1,240)	(1,240)	0
CASH, DECEMBER 31	29,191	(1,660)	(30,851)	(1,240)	(809)	431
MOSMART FUND						
RECEIPTS						
Intergovernmental	0	9,280	9,280	46,701	40,827	(5,874)
Total Receipts	0	9,280	9,280	46,701	40,827	(5,874)
DISBURSEMENTS						
Salary	0	0	0	30,301	33,214	(2,913)
Equipment	0	0	0	1,800	2,450	(650)
Mileage and training	0	0	0	14,600	784	13,816
Supplies	0	0	0	0	1,715	(1,715)
Transfer out	0	11,326	(11,326)	0	0	0
Total Disbursements	0	11,326	(11,326)	46,701	38,163	8,538
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(2,046)	(2,046)	0	2,664	2,664
CASH, JANUARY 1	2,046	2,046	0	(618)	(618)	0
CASH, DECEMBER 31	2,046	0	(2,046)	(618)	2,046	2,664

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TITLE III FUND						
RECEIPTS						
Intergovernmental	0	0	0	22,000	52,723	30,723
Total Receipts	0	0	0	22,000	52,723	30,723
DISBURSEMENTS						
Fire departments	0	30,000	(30,000)	39,919	35,794	4,125
Transfers out	0	4,848	(4,848)	0	0	0
Total Disbursements	0	34,848	(34,848)	39,919	35,794	4,125
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(34,848)	(34,848)	(17,919)	16,929	34,848
CASH, JANUARY 1	34,848	34,848	0	17,919	17,919	0
CASH, DECEMBER 31	34,848	0	(34,848)	0	34,848	34,848
RECORDER TECHNOLOGY FUND						
RECEIPTS						
Charges for services	0	5,315	5,315	0	2,203	2,203
Total Receipts	0	5,315	5,315	0	2,203	2,203
DISBURSEMENTS						
Ex Officio Recorder of Deed	0	250	(250)	0	2,081	(2,081)
Total Disbursements	0	250	(250)	0	2,081	(2,081)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	5,065	5,065	0	122	122
CASH, JANUARY 1	1,387	1,387	0	1,265	1,265	0
CASH, DECEMBER 31	1,387	6,452	5,065	1,265	1,387	122
LAW ENFORCEMENT RESTITUTION FUND						
RECEIPTS						
Charges for services	0	13,700	13,700			
Total Receipts	0	13,700	13,700			
DISBURSEMENTS						
Sheriff	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	13,700	13,700			
CASH, JANUARY 1	6,524	6,524	0			
CASH, DECEMBER 31	6,524	20,224	13,700			
HELP AMERICA VOTE ACT FUND						
RECEIPTS						
Intergovernmental	0	4,466	4,466			
Total Receipts	0	4,466	4,466			
DISBURSEMENTS						
Equipment	0	4,466	(4,466)			
Total Disbursements	0	4,466	(4,466)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	15,000	15,000	0			
CASH, DECEMBER 31	15,000	15,000	0			

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
2% COLLECTOR FUND						
RECEIPTS						
Charges for services	6,000	6,799	799	0	7,343	7,343
Total Receipts	6,000	6,799	799	0	7,343	7,343
DISBURSEMENTS						
County Collector	0	2,180	(2,180)	0	2,532	(2,532)
Total Disbursements	0	2,180	(2,180)	0	2,532	(2,532)
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,000	4,619	(1,381)	0	4,811	4,811
CASH, JANUARY 1	5,503	5,503	0	692	692	0
CASH, DECEMBER 31	11,503	10,122	(1,381)	692	5,503	4,811
COUNTY CLERK FUND						
RECEIPTS						
Intergovernmental	0	1,155	1,155	0	0	0
Charges for services	0	959	959	0	0	0
Total Receipts	0	2,114	2,114	0	0	0
DISBURSEMENTS						
County Clerk	0	2,450	(2,450)	0	598	(598)
Total Disbursements	0	2,450	(2,450)	0	598	(598)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(336)	(336)	0	(598)	(598)
CASH, JANUARY 1	1,599	1,599	0	2,197	2,197	0
CASH, DECEMBER 31	1,599	1,263	(336)	2,197	1,599	(598)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	65,000	58,359	(6,641)	61,000	67,005	6,005
Intergovernmental	944,700	928,291	(16,409)	944,700	936,330	(8,370)
Charges for services	27,300	27,367	67	11,500	27,368	15,868
Interest	15,000	15,643	643	18,000	12,654	(5,346)
Other	1,000	860	(140)	1,500	494	(1,006)
Total Receipts	1,053,000	1,030,520	(22,480)	1,036,700	1,043,851	7,151
DISBURSEMENTS						
Salaries	596,500	601,419	(4,919)	570,500	568,087	2,413
Fringe benefits	274,300	268,657	5,643	269,250	211,743	57,507
Office expenses	45,800	43,592	2,208	51,900	44,906	6,994
Equipment	9,000	10,358	(1,358)	19,250	23,588	(4,338)
Mileage and training	27,500	29,619	(2,119)	24,100	23,570	530
Medical supplies	10,000	16,802	(6,802)	15,000	9,577	5,423
Contracted services	54,000	62,197	(8,197)	42,000	52,446	(10,446)
Other	45,900	46,301	(401)	44,500	37,823	6,677
Total Disbursements	1,063,000	1,078,945	(15,945)	1,036,500	971,740	64,760
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	(48,425)	(38,425)	200	72,111	71,911
CASH, JANUARY 1	747,214	747,214	0	675,103	675,103	0
CASH, DECEMBER 31	737,214	698,789	(38,425)	675,303	747,214	71,911

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SENATE BILL 40 BOARD FUND						
RECEIPTS						
Property taxes	69,600	58,333	(11,267)	55,000	67,111	12,111
Interest	400	462	62	0	379	379
Total Receipts	70,000	58,795	(11,205)	55,000	67,490	12,490
DISBURSEMENTS						
Programs	42,000	42,000	0	41,000	42,000	(1,000)
Construction	39,100	17,999	21,101	34,000	38,840	(4,840)
Other	900	900	0	300	900	(600)
Total Disbursements	82,000	60,899	21,101	75,300	81,740	(6,440)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,000)	(2,104)	9,896	(20,300)	(14,250)	6,050
CASH, JANUARY 1	35,653	35,653	0	49,903	49,903	0
CASH, DECEMBER 31	23,653	33,549	9,896	29,603	35,653	6,050
SENIOR CITIZENS SERVICE BOARD						
RECEIPTS						
Property taxes	32,442	28,067	(4,375)	27,300	32,443	5,143
Total Receipts	32,442	28,067	(4,375)	27,300	32,443	5,143
DISBURSEMENTS						
Contracted services	32,442	32,100	342	27,450	26,700	750
Total Disbursements	32,442	32,100	342	27,450	26,700	750
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(4,033)	(4,033)	(150)	5,743	5,893
CASH, JANUARY 1	5,949	5,949	0	206	206	0
CASH, DECEMBER 31	5,949	1,916	(4,033)	56	5,949	5,893
ASSOCIATE CIRCUIT COURT INTEREST FUND						
RECEIPTS						
Interest	250	245	(5)	300	286	(14)
Total Receipts	250	245	(5)	300	286	(14)
DISBURSEMENTS						
Associate Circuit Court	500	1,265	(765)	0	913	(913)
Total Disbursements	500	1,265	(765)	0	913	(913)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(250)	(1,020)	(770)	300	(627)	(927)
CASH, JANUARY 1	1,379	1,379	0	2,006	2,006	0
CASH, DECEMBER 31	1,129	359	(770)	2,306	1,379	(927)
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	0	421	421	0	156	156
Total Receipts	0	421	421	0	156	156
DISBURSEMENTS						
Circuit Clerk	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	421	421	0	156	156
CASH, JANUARY 1	4,931	4,842	(89)	4,686	4,686	0
CASH, DECEMBER 31	4,931	5,263	332	4,686	4,842	156

Exhibit B

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TIME PAYMENT FEE FUND						
RECEIPTS						
Charges for services	1,000	1,996	996			
Total Receipts	1,000	1,996	996			
DISBURSEMENTS						
Court equipment	500	1,339	(839)			
Total Disbursements	500	1,339	(839)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	657	157			
CASH, JANUARY 1	702	702	0			
CASH, DECEMBER 31	1,202	1,359	157			
RECORDER USER FEE FUND						
RECEIPTS						
Charges for services	0	3,944	3,944	3,000	3,991	991
Total Receipts	0	3,944	3,944	3,000	3,991	991
DISBURSEMENTS						
Ex Officio Recorder of Deed	4,346	0	4,346	3,000	355	2,645
Total Disbursements	4,346	0	4,346	3,000	355	2,645
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,346)	3,944	8,290	0	3,636	3,636
CASH, JANUARY 1	4,346	4,346	0	1,029	710	(319)
CASH, DECEMBER 31	$ 0	8,290	8,290	1,029	4,346	3,317

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Law Enforcement Restitution Fund	2004
Help America Vote Act Fund	2004
Time Payment Fee Fund	2004
Law Library Fund	2005 and 2004
Family Services Fund	2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
General Revenue Fund	2004
Special Road and Bridge Fund	2005 and 2004
Assessment Fund	2005 and 2004
Law Enforcement Training Fund	2005
Shelter for Abused Victims Fund	2005
Prosecuting Attorney Sales Tax Collections Fund	2005
Sheriff Civil Fee Fund	2005 and 2004
Local Emergency Planning Commission Fund	2005 and 2004
Recycling Fund	2004
Sheriff Special Fund	2005 and 2004
Crime Victim Advocate Fund	2005
MoSMART Fund	2005
Title III Fund	2005
Recorder Technology Fund	2005 and 2004
Help America Vote Act Fund	2005
2% Collector Fund	2005 and 2004
County Clerk Fund	2005 and 2004
Health Center Fund	2005
Senate Bill 40 Board Fund	2004
Associate Circuit Court Interest Fund	2005 and 2004
Time Payment Fee Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the Crime Victim Advocate Fund and MoSMART Fund for the year ended December 31, 2004.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Years Ended December 31,
MoSMART Fund	2005
Circuit Clerk Interest Fund	2005
Law Library Fund	2005 and 2004

In addition, for the Health Center Fund, Senate Bill 40 Board Fund, and Senior Citizens Service Board Fund, the county's published financial statements for the years ended December 31, 2005 and 2004, included only those amounts that passed through the County Treasurer.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Shannon County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and Health Center Board's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Senate Bill 40 Board's and Senior Citizen Services Board's deposits at December 31, 2005 and 2004 , were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury

and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The cash balances of the following funds at January 1, 2004, as previously stated, have been restated to reflect the balances reported on the auditee's accounting records.

Fund	Cash Balance as Previously Stated	Increase (Decrease)	Cash Balance As Restated
General Revenue	$ 40,729	(730)	39,999
Special Road and Bridge	1,307,839	(38,097)	1,269,742
Prosecuting Attorney Sales Tax Collections	(248)	248	0
Sheriff Special	17,742	(120)	17,622
Crime Victim Advocate	(3,176)	1,936	(1,240)
Title III	(17,324)	35,243	17,919
Health Center	605,689	69,414	675,103
Senate Bill 40 Board	48,213	1,690	49,903
Senior Citizens Service Board	1,880	(1,674)	206
Associate Circuit Court Interest	2,829	(823)	2,006
Circuit Clerk Interest	7,237	(2,551)	4,686
Law Library	2,177	(920)	1,257

The Prosecuting Attorney Retirement Fund's cash balance of ($4,030) and the Special Election Fund's cash balance of $1,696 at January 1, 2004, were previously reported but have been removed.

Supplementary Schedule

Schedule

SHANNON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	N/A	$ 44,016	39,465
10.559	Summer Food Service Program for Children	N/A	210	0
	Office of Administration			
10.665	Schools and Roads - Grants to State	N/A	177,421	209,922
	U.S. DEPARTMENT OF JUSTICE			
	Direct program:			
16.710	Public Safety Partnership and Community Policing Grant	N/A	20,030	36,890
	Passed through:			
	State Department of Public Safety			
16.575	Crime Victim Assistance	2002-VOCA-0072 2003-VOCA-0061 2004-VOCA-0061	30,471	32,641
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	N/A	0	43,271
	State Department of Public Safety			
16.592	Local Law Enforcement Block Grant Program	2003-LGB-084	0	9,000
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	0	1,757
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	3,295	0

Schedule

SHANNON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	1,825	0
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	0	1,705
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	4,466	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state Department of Health and Senior Services			
93.268	Immunization Grants	CCH722543	39,208	19,500
93.283	Centers for Disease Control and Prevention - Investigation	ERS161-40044	11,289	12,441
	and Technical Assistance	DH040022073	0	9,436
		DH050032007	3,860	0
	Program Total		15,149	21,877
93.575	Child Care and Development Block Gran	N/A	695	935
93.994	Maternal and Child Health Services Block Grant to the State	N/A	18,671	15,827
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Prograr	N/A	8,010	0
97.036	Public Assistance Grants	N/A	464,195	114,607
97.051	State and Local All Hazards Emergency Operations Plannin	N/A	0	2,700
	Total Expenditures of Federal Awards		$ 827,662	550,097

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

SHANNON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Shannon County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both

cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2005 and 2004.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Shannon County, Missouri

Compliance

We have audited the compliance of Shannon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Shannon County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. However, the results of our auditing procedures disclosed an

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instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

Internal Control Over Compliance

The management of Shannon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Shannon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

November 16, 2006 (fieldwork completion date)

Schedule

SHANNON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2005 AND 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	___x__ no
• Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	___x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	___x__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	___x__ no
• Reportable condition identified that is not considered to be a material weaknesses?	___x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	___x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.665	Schools and Roads – Grants to States
97.036	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Missouri Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2005 and 2004
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Missouri Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity Identifying Number:	Not Applicable
Award Years:	2005 and 2004
Questioned Costs:	Not applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained significant errors and omissions. Total federal expenditures were understated by $588,000 and $237,400 for the years ended December 31, 2005 and 2004, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's

financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. In particular, two significant errors and omissions caused the majority of the understated expenditures. The County Clerk failed to include federal expenditures of $177,421 and $209,922 in 2005 and 2004, respectively, for Schools and Roads – Grants to States (CFDA# 10.665) because she indicated she was not aware that this program represented federal assistance. In addition, the County Clerk reported revenues instead of expenditures for Public Assistance Grants (CFDA# 97.036) in 2005, resulting in an understatement of federal expenditures of approximately $418,500. The SEFA also did not include the required CFDA number or pass-through grantor's number for several programs.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission and County Clerk should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will make every effort to ensure the SEFA is complete and accurate.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SHANNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SHANNON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SHANNON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 16, 2006. We also have audited the compliance of Shannon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 16, 2006.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Shannon County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other

matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Financial Condition

As noted in our prior report, the financial condition of the county's General Revenue Fund remains weak. The following table reflects the financial activity of the General Revenue Fund over the last five years:

	Year Ended December 31,				
	2006 (Unaudited)	2005	2004	2003	2002
Cash Balance, January 1	$ 214,098	183,604	39,999	(2,971)	(38,638)
Receipts	883,940	964,027	1,052,929	842,158	888,665
Disbursements	1,058,415	933,533	909,324	799,188	852,998
Cash Balance, December 31	$ 39,623	214,098	183,604	39,999	(2,971)

Additionally our prior audit noted that the General Revenue Fund owed the Special Road and Bridge Fund $302,598 at December 31, 2001. On August 23, 2006, the County Commission transferred $100,000 from the General Revenue Fund to the Special Road and Bridge Fund to pay back part of this liability. The General Revenue Fund still owes the Special Road and Bridge Fund $202,598 at December 31, 2006.

In October 2001, a voter-approved sales tax went into effect which has significantly increased fund receipts. The County Commission indicated the county has experienced a steady increase in tourism which resulted in steady increases in sales tax revenues. The significant decrease in 2003 receipts and subsequent increase in 2004 receipts is due in part to the timing of some receipts, including the County Collector's untimely distributions of forest cropland payments in 2003 (which were received in 2004). The decrease in 2006 receipts, while unaudited, again appears to be caused in part by the untimely distribution of forest cropland payments.

While receipts have generally increased, the county's spending has also increased. The significant increase in 2004 disbursements included approximately $41,000 for election expenses, $10,000 for roof repairs, and $10,000 for courthouse upkeep. Most other 2004 disbursement classifications reflected minimal increases, or in many cases were below 2003 spending levels. Significant increases in 2005 disbursements were noted for utilities of $49,000, supplies of $28,000, and courthouse repairs of $25,000; however, most other 2005 disbursement classifications were below 2004 spending levels. The increase in 2006 disbursements was mainly a result of the $100,000 payment to the Special Road and Bridge

Fund as noted above. As a result, it appears the County Commission and other county officials are working together to monitor and improve the county's financial condition.

The County Commission is aware of the concern and is monitoring the county's financial condition though preparation and review of quarterly budget reports of the status of the General Revenue Fund. It is essential that the County Commission continue to address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed, contracts closely monitored, and options for maximizing revenues pursued.

WE RECOMMEND the County Commission continue to closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long-term planning and ensure revenues are maximized and discretionary disbursements are closely monitored. In addition, the County Commission should establish a plan to pay off the General Revenue Fund's liability to the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

We agree and will continue to monitor the financial condition. We also plan to pay back the liability to the Special Road and Bridge Fund whenever funds are available.

2. Budgetary Practices and Published Financial Statements

The county's procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity of county funds. Budget amendments were not prepared and several funds disbursements exceeded budgeted amounts. The annual published financial statements did not include financial information for some of the county funds.

A. The county's budget preparation procedures need significant improvement, The county's procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity and cash balances of the various county funds.

For the larger county funds, some poor budget estimates caused the estimated ending cash balances to be significantly over/under estimated. For example, the estimated ending cash balance of the Special Road and Bridge Fund was overstated by approximately $384,000 for 2005. The County Commission failed to include significant road and bridge material expenditures in its estimates for 2005.

For many of the smaller county funds, estimates of receipts and/or disbursements were omitted, even though the beginning available cash balances were presented for most of these funds. For example, no receipts and disbursements were estimated for the Local Emergency Planning Commission Fund for the two years ended December 31, 2005. Many of these funds' disbursements are controlled by other county officials, and the County Clerk indicated she requests budget estimates for

these funds from the applicable officials; however, the County Clerk indicated the applicable officials often fail to provide the estimates as requested. The County Clerk and County Commission should provide budget estimates for all funds controlled by the commission, and should work with applicable officials to ensure the required budget information is provided in the budget documents.

Realistic projections of the county's anticipated resources and uses of funds are essential for the efficient management of county finances and for communicating accurate financial data to county residents. Misrepresentation of the county's anticipated receipts and disbursements is misleading to the public and prevents an accurate estimate of the county's anticipated financial condition.

B. Actual disbursements exceeded budgeted amounts for many county funds, as indicated in Note 1.C. to the financial statements. The majority of the overspending was due to no estimates of disbursements for smaller county funds, and unreasonable estimates for some of the larger funds, as noted in Part A above. In addition, the County Commission and other officials receive budget to actual comparison reports monthly; however, there were no notations on the report copies or (except for the General Revenue Fund) evidence in the commission meeting minutes of discussion regarding the budget status. They were also unaware there was a method for amending the county budgets.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

C. As similarly noted in our prior report, the county's annual published financial statements did not include the financial information for some county funds and included only those amounts that passed through the County Treasurer for the Health Center Fund, Senate Bill 40 Board Fund, and the Senior Citizens Service Fund. Members of these various boards indicated they were not aware of the requirement to publish financial information for their applicable funds.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county’s annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

WE RECOMMEND the County Commission work with the various county officials and boards to ensure:

A. The budgets provide reasonable estimates of anticipated financial activity.

B. Budget to actual reports are carefully reviewed and actual disbursements do not exceed budgeted amounts. When applicable, budget amendments should be prepared and approved in the same manner as the original budgets.

C. All required information is presented in the county's annual published financial statements.

AUDITEE'S RESPONSE

A. We agree and will work with the other county officials as necessary to implement this recommendation.

B. We agree and will work with the other county officials to prepare budget amendments when necessary.

C. We agree and will work with the various county boards to publish all required financial information.

3. County Expenditures and Contracts

The county did not always solicit bids or retain bid documentation for some purchases. The county did not enter into written agreements or monitor monies paid to local cities. In addition, the county does not have a formal mileage reimbursement policy.

A. While a review of commission minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

Item or Services	Cost
Road grader engine	$ 11,900
Used 1993 Mack truck	11,000
2002 dump truck	30,700
Road matting	16,150
Field roller	5,600
Windows for courthouse	13,250

In addition during 2005 and 2004, the county solicited bids for medical and life insurance. The bids were reviewed by the County Commission, and a summary of costs and plan options was provided to county employees. Commission minutes indicated the final decision regarding which bid to accept was decided by the employees of the county. While obtaining input from all county employees may be beneficial, the final decision on the wining bid should be made and documented by the County Commission.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of $4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. The county does not adequately monitor the use of county road and bridge property taxes paid to cities within the county. The county distributed property taxes to various cities during 2005 and 2004 totaling approximately $16,000 and $31,000, respectively. Section 137.555, RSMo, requires county road and bridge property taxes to only be used for road and bridge purposes; however, the county does not have written agreements with the cities requiring the taxes be spent in compliance with state law, nor does the county obtain information from the cities on how the money is spent. Section 432.070, RSMo, requires the county to have all contracts in writing.

There appears to be no statutory authority for the County Commission to make distributions to the cities without some type of contractual agreement. Written agreements, along with obtaining documentation of how the funds are spent, would help ensure that monies distributed to the cities are spent in compliance with state law and as intended by the County Commission.

C. The county does not have policies for mileage reimbursements paid to county officials and employees. A review of reimbursement requests noted several instances where the purpose of the trips were not documented. For example, a review of the Presiding Commissioner's September 2006 mileage reimbursement claim indicated 647 round trip miles to Kansas City with no documentation of the purpose of the trip.

A written policy should be adopted to require specific information be included on mileage reimbursement requests, such as dates, total miles driven, destinations traveled, and purpose of official county business. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the establishment and enforcement of a policy which requires adequate detailed information is necessary.

Conditions similar to Parts A and B were noted in our prior report.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Enter into written contracts when appropriate and ensure that contracts contain adequate details and protections for the county. In addition, require cities receiving county funds to provide documentation of how the monies were expended.

C. Develop and enforce a mileage reimbursement policy which requires dates, total miles driven, destination, and purpose.

AUDITEE'S RESPONSE

A. We agree and will attempt to better document all bidding decisions and reasons why bids were not solicited for certain purchases.

B. We agree and will attempt to obtain contracts with the cities.

C. We agree and are working on adopting a mileage policy.

4. Property Tax System

Property tax system controls and procedures need improvement. The County Clerk does not maintain an account book with the County Collector nor reconcile property tax additions and abatements to the County Collector's annual settlements. The property tax system does not generate tax book page or control totals.

A. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

B. The County Clerk is not reconciling total additions and abatements to the County Collector's annual settlements. Additions and abatements are prepared by the County Assessor and approved by the County Clerk as they occur, and subsequently approved by the County Commission at the next commission meeting. However, the County Clerk is not reconciling the total of these additions and abatements to the County Collector's annual settlements. As a result, errors in the County Collector's annual settlements could go undetected.

To ensure all additions and abatements have been accounted for properly and to help verify the accuracy of such activity reported by the County Collector on her annual settlements, the County Clerk should reconcile total additions and abatements to the Collector's annual settlement.

C. The property tax system does not generate tax book page or control totals, but only a summary total at the end of each tax book. Without page totals, the ability to verify the accuracy of the tax books is limited.

Prior audit reports have addressed the inadequacy of the county's property tax books and procedures. While the County Commission and County Clerk responded in the prior audit that they would attempt to implement our recommendations, conditions have not significantly improved. Also, considering the problems related to the County Collector, which are reported in MAR finding number 10, it is important that the County Commission and County Clerk exercise their control and oversight responsibilities related to the tax collection functions.

WE AGAIN RECOMMEND:

A. The County Clerk maintain an account book or records that summarize property tax system transactions and changes. The County Clerk and County Commission should monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

B. The County Clerk reconcile additions and abatements to the County Collector's annual settlements.

C. The County Commission authorize programming changes to print future tax books with the appropriate control totals, including page totals and a summary page of all page totals.

AUDITEE'S RESPONSE

A. The County Clerk and County Commission agree and plan to implement this recommendation.

B. The County Clerk agrees and plans to implement this recommendation.

C. The County Commission will discuss this matter with the computer programmer.

5. Collateral Securities

The county and the Health Center have not established adequate procedures to monitor collateral securities pledged by its depositary banks, and as a result, county and Health Center funds were not covered by collateral securities at various times during the audit period. Collateral securities pledged by the county's depositary banks to cover deposits of the County Treasurer and County Collector were insufficient by approximately $411,000 and $326,000 during January 2006 and 2005, respectively. Collateral securities pledged by the Health Center's depositary banks were insufficient by approximately $16,000 during January 2005 but appeared sufficient in January 2006. The high balance periods were primarily due to deposits of property tax monies collected by the County Collector and disbursed to the County Treasurer and Health Center.

Section 110.020, RSMo, requires that the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Treasurer, County Collector, and Health Center monitor bank account balances and ensure adequate collateral securities are pledged.

AUDITEE'S REPONSE

The County Treasurer, County Collector, and Health Center Administrator agree and will implement the recommendation.

6.	County Property Records and Procedures

The County Clerk's procedures to account for county property are not sufficient and county property records are not complete.

The County Clerk has no procedure to identify property purchases throughout the year, and county property records only include Road and Bridge and Sheriff Department's vehicles and equipment. In addition, tags identifying property items as county property are not affixed to most items. None of the various county departments submit annual physical inventory reports nor explanations of significant property dispositions or changes.

The lack of complete and accurate property records increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage.

Section 49.093, RSMo, requires counties to account for personal property costing $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the County Clerk work with other county departments to ensure a complete and accurate record of all county property is maintained and that annual physical inventories are performed and reconciled to the permanent property records. In addition, procedures should be established for tagging all county property, tracking new property items and property dispositions throughout the year, and modifying insurance coverage promptly.

AUDITEE'S RESPONSE

I agree and will attempt to do this.

7.	Personnel and Payroll Records and Procedures

Employee time sheets do not always agree to the county's payroll records, and supervisors are not always approving and signing employee timesheets. The county's overtime and

compensatory time policy does not appear to comply with the Fair Labor Standards Act (FLSA). Summary records of leave earned, taken, and accumulated are not maintained by the County Clerk.

A. Information recorded on time sheets prepared by county employees does not always agree to information recorded on the county's payroll system. The county's policy is to pay employees on the 15th and the last day of each month. Employees must have time sheets turned into the County Clerk's office two days in advance of the pay date to enable the payroll to be processed. When submitting the time sheets, employees indicate actual hours worked from the beginning of the pay period through the date they are submitting their time sheet and estimate the hours they will work during the last two days of the pay period. No documentation was available to indicate that the hours actually worked were subsequently compared to the hours estimated.

Our review noted some discrepancies between information recorded on time sheets and information recorded on the county's payroll system. The County Clerk indicated these discrepancies most likely occurred because of differences between estimated time worked as originally reported by the employee and the actual time worked, and these discrepancies would have been corrected in the subsequent pay period. However, in most instances we noted there was no documentation to show that the discrepancies had been corrected. Further, supervisory review of timesheets is not always documented.

The practice of paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. The County Commission should consider implementing payroll procedures that ensure employees are paid only for actual hours worked. If the county continues to use estimated hours worked for the last days of the pay period, the county should establish procedures to obtain documentation from the employees' supervisors for any differences between estimated and actual time worked, and fully document any applicable adjustments to the employees' pay or leave records when actual time worked is different from the estimated time worked.

Proper control over payroll requires documentation, such as time sheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

B. The county's written policy for overtime and compensatory time is not clear and may not comply with the FLSA. The policy allows for time and one half to be earned for employees working weekends, nights, and emergencies, but authorizes regular pay or straight time for employees working holidays. The County Commission indicated this policy was implemented to prevent employees from voluntarily working on holidays and earning time and one half without supervisory approval. However, it

would appear that employees may sometimes be required to work holidays and would therefore be entitled to time and one half.

The FLSA requires the county to pay overtime or provide compensatory time at time and a half to any nonexempt employees who work more than 40 hours during a normal work week. The County Commission should clarify its policy to ensure compliance with the FLSA, including a provision that overtime or compensatory time requires prior approval of the employee's supervisor. The FLSA also contains different overtime requirements for law enforcement personnel, so the county should consider adopting a separate overtime policy for sheriff's deputies.

A similar condition was noted in our prior report.

C. Summary records of vacation leave, sick leave, and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. Vacation and sick leave earned by each employee is entered into the payroll system at the beginning of the year. Leave must be used in the year earned and cannot be accumulated. As leave is used throughout the year, it is entered into the payroll system from employees' timesheets; however, the County Clerk indicated the system is unable to produce any summary leave records. The only record of leave balances is documented on the payroll stubs which are printed for each employee for each pay period, and a duplicate copy is filed by pay period in the County Clerk's office. This makes it difficult to determine the amount of leave used and available for each employee.

Complete records or leave earned, taken, and available are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the FLSA.

WE RECOMMEND the County Commission:

A. Develop payroll procedures which require all county employees to be paid based on actual hours worked. In addition, the county should ensure all time sheets accurately reflect actual hours worked and are approved and signed by each employee's supervisor.

B. Revise the county's overtime and compensatory time policy to ensure compliance with the FLSA.

C. Ensure complete summary records are maintained for each employee of leave earned, taken, and balances. The County Commission should contact the software provider to determine if these records can be obtained from the county's current payroll system.

AUDITEE'S RESPONSE

A. We agree and will develop procedures to ensure timesheets agree to payroll records.

B. We will review this policy and ensure it is updated properly.

C. We will review our payroll system and prepare summary leave records for all employees.

8. Apportionment of Railroad and Utility Taxes

The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Shannon County during the years ended December 31, 2005 and 2004. The County Clerk distributed the taxes based solely on the student population of each district, whereas state law and guidelines set by the Department of Elementary and Secondary Education (DESE) require specific calculations based on various factors, including student population and the districts' property tax rates. The following table indicates the total amounts over or (under) paid to the various school districts for 2005 and 2004 tax collections:

School District	Over (Under) Paid
Oak Hill R-I	$ (5)
Mountain View-Birch Tree R-III	(4,191)
Southern Reynolds County R-II	250
Bunker R-III	(251)
Winona R-III	(5,603)
Eminence R-I	10,991
Summersville R-II	(1,191)

WE RECOMMEND the County Clerk consult with the various school districts and the DESE for guidance on how to correct these errors. Future apportionments should be computed in accordance with applicable laws and regulations.

AUDITEE'S RESPONSE

I agree and have already implemented this recommendation. The above errors have been corrected and the correct formulas will be used for future distributions.

9. Officials' Compensation and Bond Coverage

Supporting documentation was not adequate for a salary increase paid to the County Treasurer. The Public Administrator and County Coroner did not obtain bond coverage, and various county employees who handle money are not bonded.

A. The County Treasurer's salary was increased $7,904 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held in 2002 approved this increase.

House Bill 2137, effective August 28, 2002, provided for an increase in compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission may authorize the use of the alternative salary schedule. However, Section 50.333 RSMo, appears to authorize salary commissions to meet only in odd-numbered years. There was no legal documentation supporting whether the meeting complied with Section 50.333, RSMo.

As a result, without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer is in accordance with state law.

B. The Public Administrator and County Coroner have not obtained bond coverage as required by state law. Section 473.730, RSMo, requires bond coverage of at least $10,000 for the Public Administrator, and Section 58.050, RSMo, requires bond coverage of at least $1,000 for the County Coroner. In addition, various county employees who handle money are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission:

A. And the Salary Commission consult with legal counsel and review this situation to ensure the actions taken were in accordance with state law.

B. Ensure the Public Administrator and County Coroner obtain bond coverage as required by state law. In addition, review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

AUDITEE'S RESPONSE

A. Two of the three current commissioners were not in office when this occurred. The one commissioner who was in office indicated the county obtained guidance from their legal counsel, who is no longer in office, but there was no written documentation. We will review this matter with our current legal counsel and take any actions deemed necessary.

B. Except for the County Treasurer and County Collector who require larger bonds, we obtained a blanket bond which now covers all officials and employees.

10. County Collector's Controls and Procedures

Some deposits are not made timely and cash is withheld from tax collections to make change. Records and procedures for partial payments need improvement, and taxes are not always distributed on a timely basis. Bank reconciliations should be performed monthly and the cash balance should be reconciled to liabilities. Commissions from current taxes were over-withheld and need to be refunded to the various taxing authorities.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2006 and 2005, property taxes and other monies totaling approximately $2.5 million and $2.4 million, respectively, were collected and distributed.

A. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, and during the busy collection months of November through February, deposits are normally made daily; however, during the remaining months, deposits are normally made only six times per month. Deposit slips for June 2004 indicated deposits ranged from $525 to $9,700 and included cash of $0 to $4,900. In addition, cash receipts are sometimes withheld from deposits for use as part of the change fund. As a result, receipts are not deposited intact and individual deposits cannot be reconciled to specific receipts. The County Collector indicated the change fund was originally established with county money of $100, and additional amounts are needed for change during busy months. No record is retained of the additional amounts withheld for change, and the change fund is not maintained at a constant amount.

   To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

B. Records and procedures related to the collection of partial payments are not adequate. The County Collector accepts partial payments from taxpayers who are unable to pay their tax bills in full. These monies are held in the regular checking account until the tax bill is fully paid, whereupon the taxes are recorded as paid in the tax books and the taxes are distributed. While amounts collected for each tax bill are recorded on separate sheets of paper, the County Collector does not maintain a ledger or summary record of the amounts collected or the amounts due from each taxpayer, and there is no reconciliation between the amounts collected and the amounts held in the bank account. While there are no summary records, it appears there was approximately $4,500 in partial payments in the bank account at February 28, 2006, based on the amounts recorded on the separate sheets of paper for each

taxpayer. In addition, no follow-up action is taken to notify applicable taxpayers of amounts due, and some delinquent amounts have remained uncollected.

The County Collector should re-evaluate the practice of accepting partial payments. Accurate and detailed records should be maintained of all amounts collected and due, and the amounts collected should be reconciled to amounts held in the bank account. Further, procedures should be implemented to follow-up on delinquent amounts due.

C. The County Collector does not always distribute taxes on a timely basis. Section 139.210, RSMo, requires all collections to be distributed to the political subdivisions by the fifteenth day of the following month. Previous audits noted untimely distributions, and our review noted the October and November 2003 collections were not distributed until January 2004. While distributions were timely for most of 2004 and 2005, the February 2006 collections where not distributed until May 10, 2006.

In addition to being required by state law, timely distributions of property tax collections are important as most political subdivisions rely heavily on property tax revenues to fund their operations.

D. Bank reconciliations for the County Collector's account are not performed timely. The County Collector maintains a checkbook balance, and monthly reconciliations between the bank balance and the checkbook balances are normally performed two to three months late.

In addition, the cash balance is not reconciled to liabilities. A comparison at February 28, 2006, showed the reconciled bank balance exceeded identified liabilities by $41,569 as follows:

Reconciled bank balance	$	193,958
February 2006 tax collections		85,119
Undistributed surtax collections		43,455
Undistributed land tax sale surplus		30,348
Partial payments held for taxpayers		4,587
Overpaid to school district		(11,120)
Total liabilities		152,389
Reconciled bank balance over total liabilities	$	41,569

The unidentified cash balance has not remained constant during the two years ended February 28, 2006, and has increased significantly since our prior audit ($20,500 at February 28, 2002). The County Collector has not determined the causes for the changes in the unidentified differences.

In addition, the lack of reconciliations has allowed some other errors and omissions (as noted in the chart above) to occur and not be detected, including an overpayment

to a school district of $11,120 in 2004 which needs to be recovered, and excess land tax sale monies of $30,348 received prior to 2004 which remain in the bank account and should be turned over to the County Treasurer.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. In addition, reconciling the balances to open items is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The County Collector should correct the errors noted above, investigate the unidentified differences and determine the cause, and take appropriate action to ensure the cash balance reconciles to liabilities. Any amounts that remain unidentified should be disposed of in accordance with applicable statutory provisions.

E. The County Collector is not properly withholding commissions from tax collections.

In previous years, the County Collector was a Bracket 2 collector for the purpose of withholding commissions from taxes (as defined in Section 52.260, RSMo), in which 2.5 percent commission was withheld from the first $350,000 collected and 1 percent from all additional amounts collected. The basis for a Bracket 2 collector is when total annual taxes levied are less than $2 million. However, total annual taxes levied have exceeded $2 million as documented on the County Collector's annual settlements for the years ended February 28, 2006 and 2005. As a result, the County Collector is a Bracket 3 collector in which 1 percent commission should be withheld from all taxes collected. The County Collector continued to withhold 2.5 percent from the first $350,000 and indicated she was not aware that this change had taken place. In addition, since annual settlements were not prepared for the years ended February 28 (29), 2004 and 2003, it is unclear when total annual taxes exceeded $2 million.

As a result, approximately $5,250 in annual commissions was over-withheld from tax collections, which was withheld from the various taxing authorities and paid to the county's General Revenue Fund. The County Collector should determine total commissions over-withheld and ensure those amounts are distributed to the various taxing authorities.

Conditions similar to Parts A, C, and D were noted in prior audits. While some improvement was noted, significant improvement is needed to improve controls and procedures to ensure property tax monies are adequately accounted for and properly safeguarded.

WE RECOMMEND the County Collector:

A. Deposit all monies intact on a timely basis and if a change fund is needed, maintain it at a constant amount.

B. Re-evaluate the practice of accepting partial payments. Accurate records should be maintained of all partial payments received and due, including reconciling amounts collected to amounts held in the bank account, and the collection of delinquent amounts due should be actively pursued.

C. Distribute all collections timely in accordance with state law.

D. Prepare bank reconciliations and reconcile the cash balance to liabilities on a monthly basis. The County Collector should correct the errors and omissions noted above, and investigate and resolve the unidentified balance in the bank account. Any amounts which remain unidentified should be disposed of in accordance with state law.

E. Withhold commissions from future current taxes in accordance with state law, and work with the County Commission to ensure commissions over-withheld in prior periods are refunded from the General Revenue Fund to the various taxing authorities.

AUDITEE'S RESPONSE

A&E. We have already implemented these recommendations.

B. We have discontinued accepting partial payments.

C. We will attempt to implement this.

D. We have identified approximately $20,000 of the unidentified amount and will continue to attempt to identify the remaining amount. Upon the end of the current collector's term on March 1, 2007, the checking account will be closed and any remaining balance will be distributed to the various taxing authorities. The new collector has already opened a new checking account which will be used on March 1, 2007.

11. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures

Monies are not always deposited in a timely manner. Open items (liabilities) are not reconciled with the Circuit Clerk's cash balances, and recorded liabilities exceeded the cash balance by $3,050 at December 31, 2005. Procedures need to be established to follow up on old outstanding checks, and an old inactive child support account needs to be closed. Petty cash records and procedures need improvement, and records of interest monies earned, spent, and on hand need to be improved. The Ex Officio Recorder of Deeds maintains custody of the Recorder User Fee Fund, which should be turned over to the County Treasurer.

The Circuit Clerk and Ex Officio Recorder of Deeds assumed responsibility for the Associate/Probate Division in November 2005. Circuit Clerk receipts totaled approximately $325,300 and $86,300 in 2005 and 2004, respectively, and Associate/Probate Division

receipts totaled approximately $383,600 and $662,200 in 2005 and 2004, respectively, from fines and costs for criminal cases, filing fees and court costs for civil cases, and bonds. The Ex Officio Recorder of Deeds processed approximately $73,200 and $68,300 in 2005 and 2004, respectively, for various fees for recording documents such as deeds and marriage licenses.

A. Monies received by the Circuit Clerk and Associate/Probate Division are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only twice a week.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

B. Listings of open items (liabilities) are not reconciled with cash balances of the Circuit Clerk's fee account. At December 31, 2005, the balance of the fee account was $49,519 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled $52,569, indicating a potential shortage in the account of $3,050. Our prior report noted that the Circuit Clerk relied on the Office of State Courts Administrator (OSCA) to perform monthly bank reconciliations and the Circuit Clerk did not keep copies of the reconciliations. The Circuit Clerk began preparing the monthly bank reconciliations in 2003, and the Circuit Clerk's records indicate a similar shortage amount starting in June 2003.

In addition, the Circuit Clerk does not disburse old open items from the Associate Division bank account on a timely basis. A review of the open items indicated several Associate Division cases which had been dismissed and the bonds monies held for these cases had not been refunded in a timely manner.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors corrected on a timely basis. The Circuit Clerk should immediately work with OSCA to investigate and resolve the current shortage in the account.

In addition, procedures should be adopted to routinely follow up on old open items and disburse amounts when the applicable case is closed. For amounts that are unclaimed, various statutory provisions provide for the disposition of unclaimed monies.

C. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2005, the Circuit Clerk's bank account had eleven outstanding checks over one year old totaling $471. The Associate Division bank account had thirteen outstanding checks over one year old totaling $723. It appears several of these checks were issued to the state and to other counties, and the Circuit Clerk

should reissue these checks. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

D. The Circuit Clerk has an old child support collections bank account with a balance of $235 at December 31, 2005. Child support collections have been handled by the state since 2001, and this bank account is no longer used. The Circuit Clerk should dispose of the $235 and close the account. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

E. The Circuit Clerk maintains a petty cash fund which is used for small purchases of postage and office supplies. The petty cash fund was established at $50, but is not maintained at a constant amount. The Circuit Clerk periodically obtains reimbursement checks from the county which are cashed and placed in the petty cash fund; however, invoices or purchase receipts are not always submitted to the county to support or document the amount requested to replenish the fund. In addition, no record is maintained of receipts, disbursements, and cash balances for the fund.

If a petty cash fund is needed, it should be kept on an imprest basis (meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of paid invoices or vouchers should always equal the predetermined balance) and all reimbursements should be supported by vendor invoices or other documentation. In addition, the Circuit Clerk should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

F. The Circuit Clerk does not maintain an adequate interest ledger to summarize interest receipts, disbursements, and the balance. Interest monies are earned on the Circuit Clerk's fee account, and state law allows the interest funds to be used for expenditures for the court. Interest earned can be recorded on the Circuit Clerk's JIS accounting system; however, the interest activity was not properly posted into the system. Interest monies held by the Circuit Clerk at December 31, 2005, totaled $5,263.

An interest ledger is necessary to track the current balance of interest monies and ensure interest income and expenditures are accounted for properly.

G. The Ex Officio Recorder of Deeds maintains custody of the Recorder User Fee Fund. Section 59.319, RSMo, requires the user fees to be kept in a special fund maintained by the County Treasurer. This condition was noted in our prior two audits, and

although the Ex Officio Recorder of Deeds responded that she would implement this by March 1, 2003, she has still not turned over custody of this fund to the County Treasurer as required by state law.

Conditions similar to Parts B, C, E, and G were noted in our prior report.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

A. Deposit all monies on a timely basis.

B. Prepare monthly listings of open items and reconcile to the cash balances. The shortage in the Circuit Clerk's fee account should be immediately investigated and resolved. In addition, the Circuit Clerk should attempt to identify all closed cases with open items and disburse these amounts, and any unclaimed or unidentified monies should be disposed of in accordance with state law.

C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

D. Disburse the monies in the inactive child support bank account and close the account.

E. Maintain the petty cash fund on an imprest basis, maintain invoices or paid receipts for all petty cash disbursements, and maintain a ledger to account for all petty cash receipts, disbursements, and cash balances.

F. Maintain an interest ledger to record interest earned and expenditures of the interest fund monies. The ledger should be reconciled to the available cash balance monthly.

G. Turn over custody of the Recorder User Fee Fund to the County Treasurer as required by state law.

AUDITEE'S RESPONSE

A. We will attempt to deposit more frequently.

B. This was caused by an error in 2003. We have already corrected this error and have implemented this recommendation.

C. We are working on disposing of these old outstanding checks.

D-F. We have implemented these recommendations.

G. We will implement this recommendation.

12. Sheriff's Controls and Procedures

Accounting duties are not properly segregated, and receipting procedures need improvement, such as issuing receipt slips for all monies and making timely transmittals of receipts to the County Treasurer. The Sheriff does not have procedures to ensure all monies received are disbursed and the bank account includes some unidentified monies. The Sheriff's office does not have written contracts with political subdivisions to house prisoners, and does not have procedures in place to follow up on uncollected incarceration costs. Vehicle usage and maintenance logs are not maintained, and seized property records are not accurate or complete.

The Sheriff processed approximately $232,000 and $43,000 in 2005 and 2004, respectively, in civil and criminal fees, board bills, bonds, and other receipts, including a large Sheriff sale in 2005.

A. Accounting duties have not been adequately segregated in the Sheriff's office. The Sheriff's office manager collects monies, records transactions, and transmits receipts to the County Treasurer for deposit. The County Treasurer deposits the receipts, prepares checks (which are signed by the Sheriff), prepares receipt and disbursement records, and performs bank reconciliations. The Sheriff indicated he reviews the receipt and disbursement reports and bank reconciliations prepared by the County Treasurer and inquires about the receipts that come in to the office weekly. However, he does not document his reviews and there is no independent reconciliation of the receipt source documents to deposits.

   Internal controls would be improved by proper segregation of duties. Proper segregation of duties could be achieved by designating someone independent to reconcile receipts to deposits. In addition, the Sheriff should document his reviews of the records.

B. The following concerns were noted regarding receipting procedures:

1. Receipt slips are not issued for some monies received. Receipt slips are normally only issued for monies received in person and/or in cash, such as gun permits, phone cards sold to prisoners, bonds, and board bills paid in person. Receipt slips are normally not issued for checks received by mail, such as civil process fees and board bills. In addition, the method of payment is not always noted on the receipt slips and the composition of receipt slips issued is not reconciled to the composition of transmittals. Without issuing receipt slips for all monies collected and including the method of payment on all receipt slips, the Sheriff's office cannot ensure all monies collected are ultimately recorded and transmitted to the County Treasurer.

2. Monies received are not always transmitted to the County Treasurer intact or in a timely manner. Monies are normally collected each business day, but transmittals are made approximately once a week. A cash count performed on October 11, 2006 showed over seven working days of collections on hand, totaling $434 and including $80 in cash. Receipt slips were issued for the $80 in cash but not for the remaining $354 in checks. In addition, monies received are not always transmitted intact. Monies collected for serving civil and criminal papers are held by the Sheriff's office until the papers have been served. Also checks and money orders are not restrictively endorsed immediately upon receipt, as they are endorsed the day they are transmitted to the County Treasurer.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition should be reconciled to the bank deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and transmittals should be made intact on a timely basis. Transmittals should be more frequent if significant amounts of cash are collected.

C. The Sheriff does not have procedures to ensure all monies received are disbursed. All monies received by the Sheriff, which includes cash bonds and accountable fees, are normally disbursed by the end of each month and the Sheriff's bank account should zero out at the end of each month. However, on December 31, 2005, the account had a balance of $2,104 which was unidentified.

The Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including

Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

D. The Sheriff provides boarding of prisoners to cities within the county. The Sheriff indicated that the county provides free boarding of prisoners to those cities when a prisoner's stay is less than 15 days. No written agreements exist with the cities regarding the compensation to be paid or the services to be provided.

Section 432.070, RSMo, requires the county to have all contracts in writing. Written agreements should be prepared with political subdivisions for services provided. The agreements should clearly specify the arrangements between parties for the services provided and be approved by the County Commission.

E. The Sheriff's office has not established formal policies for collection efforts of incarceration costs billed to other political subdivisions (which includes amounts billed to cities as described above and amounts billed to political subdivisions that are not located within the county). The Sheriff's dispatcher tracks and bills incarceration costs for prisoners housed for other political subdivisions. Payments from the political subdivisions are received and deposited by the County Treasurer; however, neither the Sheriff's office nor the County Treasurer routinely compares prisoner board billings to subsequent payments. In addition, there are no follow-up procedures for unpaid bills. The County Treasurer's records indicate $11,424 and $15,824 were received for board bills for 2005 and 2004, respectively.

The Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

F. Records and monitoring procedures for county vehicles used by Sheriff's deputies are not sufficient. The county owns four vehicles utilized by the Sheriff's office for county duties. The Sheriff does not require vehicle usage logs to be prepared for these vehicles.

Without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate the optimal number of county vehicles needed or when vehicles need to be replaced.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and evaluate

operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

G. Adequate control over seized property has not been established. The log maintained for seized property items does not appear complete, and periodic physical inventories of the property on hand are not conducted. For example, a test of seized property noted three items that were not included on the seized property inventory log.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. The inventory log should include all seized property items, and include information such as description, persons involved, current location, case number, and disposition of such property. Periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

Similar conditions have been noted in prior reports, and the Sheriff responded that most of the recommendations in the prior reports would be implemented. While some improvements have been made, significant improvements are still needed to address the inadequate controls and procedures noted above.

WE RECOMMEND the Sheriff:

A. Segregate accounting duties by requiring independent reconciliations of receipts to deposits and document his reviews of the accounting records.

B.1. Require receipt slips be issued for all monies received. In addition, ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to transmittals.

2. Transmit all receipts to the County Treasurer intact on a timely basis, and restrictively endorse checks and money orders immediately upon receipt.

C. Ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.

D. Enter into written contracts as required by law.

E. Maintain a complete and accurate listing of incarceration cost billings, and periodically reconcile amounts billed to amounts paid. In addition, formal procedures should be established and implemented for pursuing the collection of delinquent amounts.

F. Require the preparation of usage logs for all vehicles, and ensure proper reviews and reconciliations are performed.

G. Ensure a complete inventory listing of all seized property is maintained and updated for both additions and dispositions. Periodic physical inventories should be performed and reconciled to the inventory listing.

AUDITEE'S RESPONSE

A, B.1, E&G. I agree and we will implement these recommendations.

B.2& C. I will work with the County Treasurer (who performs some of the accounting procedures) and attempt to implement these recommendations.

D. I believe that the statutes require the county to hold city prisoners, and I do not believe that written agreements are necessary or beneficial.

F. I do not see much benefit for maintaining vehicle logs since we are a small county with few vehicles and I keep close track of where the deputies are traveling. Fuel cards are now used which help track the amount of gasoline used in each vehicle.

13. Prosecuting Attorney's Controls and Procedures

Receipts are not deposited timely, fees are not turned over to the County Treasurer timely, and procedures are not in place to ensure all monies received are disbursed. Procedures to follow up on old outstanding checks should be established, and summary listings are not prepared for uncollected bad checks and court-ordered restitution.

The Prosecuting Attorney's office deposited approximately $11,500 and $22,300 in 2005 and 2004, respectively, in restitution and fees. In addition, the Prosecuting Attorney's office receives some restitution payments which are transmitted directly to the victims.

A. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only two times per month. Deposit slips for February through April of 2005 indicated deposits ranged from $624 to $1,093 and included cash of $0 to $300. In addition, a cash count performed on September 20, 2006 showed over seven working days of un-deposited collections, totaling approximately $240 and including approximately $40 in cash.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

B. Bad check fees received are not always disbursed to the County Treasurer on a timely basis. Fees are normally disbursed every two months. For example, July and August 2005 fees totaling $571 were not disbursed until September 2005. Similar delays in turnovers were noted during 2005 and 2004. Section 56.340, RSMo, requires that the Prosecuting Attorney turn over all fees to the County Treasurer monthly.

C. The Prosecuting Attorney's office does not have procedures to ensure all monies received are disbursed. All monies received are normally disbursed every other month, and the Prosecuting Attorney's bank account should zero out at the end of the turnover month. However, on December 31, 2005, the account had a balance of $217 which was unidentified, and the unidentified amount fluctuates from month to month. Also in January 2005, a turnover to the County Treasurer of $636 for the months of November and December 2004 was $226 more than the amount of fees recorded as received ($410). It appears this discrepancy was not discovered because of the lack of reconciliations between receipts and disbursements. This appears to have created a shortage in the bank account, which if corrected, would increase the unidentified balance in the account.

The Prosecuting Attorney should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. The shortage of $226 noted above should be corrected, and any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

A similar condition was noted in our prior report.

D. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2005, the bank account had three outstanding checks over one year old totaling $107. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

A similar condition was noted in our prior report.

E. Procedures to monitor uncollected bad checks and court-ordered restitution need improvement. While the Prosecuting Attorney indicated that follow-up on uncollected amounts is performed, summary listings of amounts due are not prepared and maintained.

Complete and accurate listings of amounts due for bad checks and court-ordered restitution would allow the Prosecuting Attorney to more easily review the amounts due and ensure appropriate steps are taken to ensure amounts owed are collected, and to determine if amounts are uncollectible.

WE RECOMMEND the Prosecuting Attorney:

A. Deposit all monies intact on a timely basis.

B. Ensure bad check fees are disbursed to the County Treasurer monthly as required by state law.

C. Correct the $226 error noted above, ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.

D. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

E. Prepare summary listings of uncollected bad checks and court-ordered restitution, and ensure appropriate follow-up procedures are performed to ensure all amounts are collected or written off as uncollectible.

AUDITEE'S RESPONSE

A-D. We agree and have already implemented these recommendations.

E. This will be implemented with a new computer system which we anticipate to be running in April 2007.

Follow-Up on Prior Audit Findings

SHANNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shannon County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

   A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.

   B. Invoices were not always noted as paid or otherwise canceled upon payment.

   C. Forms 1099 Miscellaneous were not prepared by the county for bridge construction services and prisoner transportation services.

   D. The county distributed road and bridge property taxes to cities in the county without written agreements and without monitoring the cities' use of these funds.

   E. The county spent $57,938 in August and November 2000 for the purchase of asphalt and rock for the City of Birch Tree, and the invoices indicated the city owed the county $22,382 for the city's portion of the costs. The county did not have any documentation of payment or why the reimbursement was not obtained.

   F. Vehicle logs maintained by the Sheriff's office were not always complete.

   G. The county administered three federal awards during 2002 and 2001 which were not included on the schedule of expenditures of federal awards.

   Recommendation:

   The County Commission:

   A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

   B. Ensure invoices are properly cancelled upon payment.

   C. Ensure 1099 forms are issued in accordance with IRS regulations.

D. Ensure monies are allocated to cities based upon written agreement which provide a method of monitoring city expenditures of road and bridge funds.

E. Review all invoices paid on behalf of the City of Birch Tree and bill them accordingly.

F. Ensure the Sheriff's office maintains complete mileage logs which would include the beginning and ending odometer readings.

G. And County Clerk ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.

Status:

A&D. Not implemented. See MAR finding number 3.

B&C. Implemented.

E. The County Commission indicated they reviewed this matter and determined that these expenditures were actually incurred on a county road and this amount should not have been billed to the city.

F Not implemented. See MAR finding number 12.

G. Not implemented. See finding number 05-1.

2. Budgetary Practices and Published Financial Statements

A. Budgets were not prepared for various county funds.

B. The county's annual published financial statements did not include the financial activity for some county funds and were not published on or before the first Monday in March as required by state law.

Recommendation:

The County Commission:

A. Ensure budgets are prepared and obtained from other county officials or boards for all county funds as required by state law.

B. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

Status:

A. Partially implemented. For 2005 and 2004, budgets were prepared for all county funds, except for the Law Library Fund and some funds that were newly-established after the start of the applicable fiscal year. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Partially implemented. The 2005 and 2004 financial statements were published in a timely manner; however, activity for some funds was completely omitted and the required revenue and expenditure detail was not included for some funds. See MAR finding number 2.

3. Personnel Policies and Procedures

A. The county paid performance awards totaling $30,500 to various road and bridge employees during the years ended December 31, 2001 and 2000. These payments appeared to represent bonuses, which appeared to violate the Missouri Constitution.

B. Except for law enforcement officers, the county's written policy authorized regular pay instead of time and a half to be paid for compensatory time or holidays worked by nonexempt employees who work over the 40-hour work week. This policy did not appear to comply with the Fair Labor Standards Act (FLSA).

C. Most salaried employees did not prepare timesheets, and the time sheets prepared by road and bridge employees and hourly-paid employees were not always reviewed for accuracy.

Recommendation:

The County Commission:

A. Discontinue the practice of paying bonuses to employees.

B. Revise the county's compensatory time policy to ensure compliance with the FLSA.

C. Require all county employees to complete timesheets which reflect actual time worked. The records should be prepared by the employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

Status:

A. Implemented.

B. Not implemented. See MAR finding number 7.

C. Partially implemented. The county requires all employees to complete timesheets; however, timesheets are not always approved by the employees' supervisors or reflect actual hours worked. See MAR finding number 7.

4. County Officials' Compensation, Meeting Minutes, and Bonding

A. Salary increases of $16,220 given to each of the Associate County Commissioners in 1999 and 2000 were determined by the Missouri Supreme Court to be unconstitutional.

B. Minutes were not prepared for the 2001 salary commission meeting although various county officials indicated a meeting was held.

C. Various county employees who handled monies were not bonded.

Recommendation:

The County Commission:

A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

B. Ensure salary commission meetings minutes are maintained in accordance with state law.

C. Review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

Status:

A. Not implemented. The Associate County Commissioners repaid a total of $420 but stopped making payments when they determined that most other counties were not requiring repayment of similar raises given. The County Commission plans no further action in collecting the overpayments but has not documented its reasons for not further pursuing this matter. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

C. Not implemented. See MAR finding number 9.

5. General Fixed Assets

The County Clerk had not updated the fixed asset inventory listing since 1997. In addition, annual inventories of all fixed assets and quarterly inspections of county-owned land and

buildings had not been performed, and most fixed assets were not numbered, tagged, or otherwise identified as county-owned property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, quarterly inspections of all county land and buildings should be performed, and property control tags should be affixed.

Status:

Not implemented. See MAR finding number 6.

6. Property Tax Books and Procedures

A. The County Clerk did not maintain a property tax account book with the County Collector.

B. The County Clerk did not prepare the current or back tax books for real estate and personal property or verify the tax book totals.

C. The property tax computer program did not generate tax book page or control totals.

D.1. The County Clerk did not reconcile property tax additions and abatements to the County Collector's annual settlements, and the County Commission did not approve additions and abatements on a timely basis.

2. The property tax system allowed the County Collector to post property tax additions only once a year rather than when the addition occurred.

E. The County Clerk did not prepare property tax aggregate abstracts as required by state law.

Recommendation:

A. The County Clerk maintain an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlements.

B. The County Clerk verify the tax books generated by the County Collector's office.

C. The County Commission authorize programming changes to print tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.

D.1. The County Clerk reconcile additions and abatements to the County Collector's annual settlements. In addition, the County Commission should review and approve all additions and abatements more timely, and document its approval.

2. The County Collector should implement controls in the property tax system to ensure additions are posted to the property tax system as they occur.

E. The County Clerk prepare and file the Land and Personal Tax Aggregate Abstract, Back Tax Aggregate Abstract, and the Railroad and Utility Aggregate Abstract with the Department of Revenue and the State Tax Commission as required.

Status:

A&C. Not implemented. See MAR finding number 4.

B, D.2, &E. Implemented.

D.1. Partially implemented. The County Commission reviews and approves additions and abatements at each commission meeting; however, the County Clerk does not reconcile additions and abatements to the County Collector's annual settlements. See MAR finding number 4.

7. County Collector's Procedures

A. Taxes were not distributed on a timely basis, and some protested taxes had been held since 1992.

B. Bank reconciliations were not performed monthly, checkbook balances were not maintained, and cash balances were not reconciled to liabilities.

C. Deposits were not always made intact and on a timely basis, the change fund was not maintained at a constant amount, some refunds were made in cash, and cash was taken from receipts to pick up bad checks from the bank.

D. Procedures had not been established to routinely follow up on old outstanding checks.

E. The annual settlement for the year ended February 28, 2001 was not prepared until September 2002.

F. Contracts to collect property taxes for cities had not been updated since 1996 and did not document some additional fees which were collected.

G. Documentation to support adjustments made to some monthly settlements was not retained.

H. Some records in the County Collector's office were not well organized.

Recommendation:

The County Collector:

A. Distribute all tax collections and protested taxes plus interest. In the future, distribute all collections by the fifteenth day of the following month in accordance with state law.

B. Prepare and document monthly bank reconciliations and maintain a book balance and reconcile it monthly with the bank balance.

C. Deposit all receipts intact and on a timely basis, maintain the change fund at a constant amount, make all refunds by check, and have insufficient funds checks charged against the bank account.

D. Reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions.

E. Ensure annual settlements are filed and approved on a timely basis in accordance with state law.

F. Ensure the county has updated written contracts with the cities to collect property taxes.

G. Ensure supporting documentation of adjustments made to the monthly settlements is maintained.

H. Organize the records in the County Collector's office so relevant accounting documents can be located in a timely fashion.

Status:

A. Partially implemented. Protested taxes have been distributed when resolved, but regular monthly turnovers have not been made timely. See MAR finding number 10.

B. Partially implemented. Checkbook balances have been maintained, but bank reconciliations are not performed timely and cash balances are not reconciled to liabilities. See MAR finding number 10.

C. Partially implemented. Refunds are made by check and insufficient funds checks are charged to the bank account; however, deposits are not always made timely and the change fund is not maintained at a constant amount. See MAR finding number 10.

D. Partially implemented. The County Collector resolved most of the old outstanding checks from the previous audit; however, at February 28, 2006, there were outstanding checks totaling $310 that were more than one-year old. Although not repeated in the current MAR, our recommendation remains as stated above.

E. Partially implemented. Annual settlements were prepared for the years ended February 28, 2006 and 2005; however, settlements for the years ended February 28 (29), 2004 and 2003, could not be located and nothing was filed with the Department of Revenue. Although not repeated in the current MAR, our recommendation remains as stated above.

F-H. Implemented.

8. Sheriff's Accounting Controls and Procedures

A. Receipts for park patrolling services, city dispatching fees, calendar sales, and phone commissions were deposited into the Sheriff's main bank account rather than being turned over directly to the County Treasurer. Some of these monies were used to purchase a vehicle and for other operating expenses.

B. Accountable fees were not always remitted to the County Treasurer on a monthly basis.

C. Receipts were not always deposited on a timely basis.

D. Receipt slips were not always issued for monies received, receipt slips were not pre-numbered, and the method of payment was not always indicated on the receipt slips.

E. Checks and money orders received were not restrictively endorsed immediately upon receipt.

F. Accounting duties were not adequately segregated.

G. A complete log of seized property was not maintained and periodic inventories of the property on hand were not conducted. In addition, seized property items were not stored in a central location and seized property items were not always tagged to identify the property to a specific case.

H. Prisoner board billings were not reconciled to subsequent payments made to the County Treasurer, and the Sheriff had no formal follow-up procedures for unpaid board bills.

I. No written agreements existed for board of prisoner services provided to cities within the county.

Recommendation:

The Sheriff:

A. Cease all bank account transactions except for deposit and disbursement of bonds and deposit and monthly disbursement of accountable monies received for the performance of official duties. Ensure all monies which are presently held in the account are disbursed to the County Treasurer.

B. Turn over all fees to the County Treasurer on a monthly basis as required by state law.

C. Deposit all monies intact daily or when accumulated receipts exceed $100.

D. Ensure pre-numbered receipt slips are issued for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

E. Restrictively endorse checks immediately upon receipt.

F. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. In addition, the Sheriff should review and sign checks prepared by the County Treasurer and reconcile the deposit transmittal reports to the County Treasurer's records.

G. Mark all seized property with pre-numbered property tags, identify the property to specific cases, and maintain seized property in a centralized location. In addition, a complete inventory listing of all seized property should be maintained and kept updated for both additions and dispositions.

H. Confer with the County Treasurer to ensure procedures are in place for proper follow up of all unpaid board bills to recoup any county costs.

I. Enter into written agreements for all services.

Status:

A&B. Implemented.
C, E,
H&I. Not implemented. See MAR finding number 12.

D. Partially implemented. Pre-numbered receipts slips are now used; however, receipt slips are not issued for some monies received and the receipt slips do not always indicate the method of payment. See MAR finding number 12.

F. Partially implemented. The Sheriff reviews and signs checks; however, duties are not adequately segregated, supervisory reviews are not documented, and independent reconciliations of receipts and deposits are not performed. See MAR finding number 12.

G. Partially implemented. Seized property is marked with pre-numbered property tags and property is maintained in a central location; however, the log of seized property is not complete and accurate, and periodic inventories of the property on hand are not conducted. See MAR finding number 12.

9. County Clerk's Controls and Procedures

A. Fees were not transmitted to the County Treasurer on a monthly basis, and fees were stored in an unlocked vault.

B. A cash count on August 26, 2002, noted recorded receipts exceeded cash on hand by $63. The situation was not detected by the former County Clerk because duties were not adequately segregated and the fees were not periodically counted and reconciled to recorded receipts.

C. Receipt slips were not issued for some monies received.

D. Checks received were not restrictively endorsed immediately upon receipt.

E. The County Clerk maintained custody of the Special Election Fund. In addition, bank reconciliations were not prepared for the account and balances were not maintained in the checkbook registers.

Recommendation:

The County Clerk:

A. Turn over all fees to the County Treasurer on a monthly basis as required by state law and maintain the fees collected in a safe location.

B. Investigate the shortage, take appropriate action, and ensure adequate segregation of duties over these funds exists including a periodic count of monies on hand which should be reconciled to recorded receipts.

C. Issue pre-numbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued.

D. Restrictively endorse checks immediately upon receipt.

E. Turn over control of the Special Election Fund to the County Treasurer.

Status:

A,
C&E. Implemented.

B. Partially implemented. Duties in the County Clerk's office are segregated; however, it appears the former County Clerk did not follow up on the $63 shortage. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Partially implemented. The County Clerk indicated normal procedure is to endorse checks immediately upon receipt; however, a cash count noted an instance of a check which had not been endorsed. Although not repeated in the current MAR, our recommendation remains as stated above.

10. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures

A. Receipts were kept in an unlocked drawer until they were deposited, and checks and money orders were not restrictively endorsed upon receipt.

B. The petty cash fund was not maintained on an imprest basis. In addition, receipt and disbursement records supporting petty cash fund activity were not maintained, and some invoices or receipts were not maintained for some petty cash expenditures.

C.1. Bank reconciliations were not prepared for the former Circuit Clerk's bank account. In addition, the current Circuit Clerk relied on the Office of State Courts Administrator (OSCA) to perform bank reconciliations on her current account and did not generate a monthly bank reconciliation report. Further, the bank balance was not reconciled to open items (liabilities).

2. The Circuit Clerk did not follow up on old outstanding checks.

D. A complete listing of accrued costs owed to the court was not maintained, and monitoring procedures related to accrued costs were not adequate.

E. The Ex-Officio Recorder of Deeds maintained custody of the Recorder User Fee Fund, while state law required the fund to be in the custody of the County Treasurer.

Recommendation:

The Circuit Clerk and Ex Officio Recorder of Deeds:

A. Restrictively endorse checks and money orders immediately upon receipt, and store all receipts in a secure location until transmitted.

B. Ensure the petty cash fund is maintained on an imprest basis. In addition, invoices should be maintained for all petty cash disbursements and a ledger should be prepared of all petty cash transactions.

C.1. Prepare and vouch monthly bank reconciliations.

2. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

D. Establish adequate procedures to monitor and collect accrued costs.

E. Turn control of the Recorder User Fee Fund over to the County Treasurer.

Status:

A. Partially implemented. Checks and money orders are restrictively endorsed upon receipt; however, receipts in Ex Officio Recorder of Deeds' office are kept on a desk until deposit. Although not repeated in the current MAR, our recommendation remains as stated above.

B, C.2, &E. Not implemented. See MAR finding number 11.

C.1. Partially implemented. While monthly bank reconciliations are prepared for the Circuit Clerk's fee account, the account balance is not reconciled to open items (liabilities). See MAR finding number 11.

D. Implemented.

11. Prosecuting Attorney's Controls and Procedures

A. Listings of liabilities (open items) were not prepared for the restitution account.

B. Accounting duties were not adequately segregated.

C. Procedures to follow up on old outstanding checks were not established.

Recommendation:

The Prosecuting Attorney:

A. Prepare monthly listings of open items and reconcile the listing to the cash balance.

B. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

Status:

A. Not implemented. See MAR finding number 13.

B. Implemented.

C. Partially implemented. The current Prosecuting Attorney reissued some old outstanding checks but there are still outstanding checks that are over one year old that should be investigated. See MAR finding number 13.

12. Associate Circuit Division Controls and Procedures

A. Some amounts on the open items listing were for cases that had been dismissed or closed but the amounts had not been disbursed.

B. Checks and money orders received were not restrictively endorsed immediately upon receipt.

Recommendation:

The Associate Circuit Division:

A. Adopt procedures to periodically follow up on old open items and dispose of them according to state law.

B. Restrictively endorse checks immediately upon receipt.

Status:

A. Not implemented. The Circuit Clerk currently is responsible for the accounting duties of the Associate Circuit Division. See MAR finding number 11.

B. Implemented.

13. County Treasurer's Controls and Procedures

A. The interest earned on the general fund bank account was credited solely to the General Revenue Fund and was not allocated to other funds as required by state law.

B. The method of payment received was not always indicated on the receipt slips.

Recommendation:

The County Treasurer:

A. Ensure interest is properly allocated to the applicable county funds.

B. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

Status:

A&B. Implemented.

14. Recycling Services

Receipt slips were not issued, and records were not maintained for monies collected from bag sales, pick-up services, or for monies received from the recycling center for materials dropped off. In addition, no billings were prepared and sent to the various vendors. Further, the financial condition of the Recycling Fund was weak.

Also, the county received a solid waste grant administered by the Department of Natural Resources (DNR) and the local solid waste management district. The county had little or no documentation to support compliance with the grant provisions.

Recommendation:

The County Commission require appropriate records of sales and billings be prepared for the recycling activities. Further, the County Commission should take the necessary steps to improve the financial condition of the Recycling Fund and consider the necessity of providing this service to county residents. In addition, supporting documentation should be retained to support the county's compliance with grant requirements. Also, the County Commission should contact the DNR and the South Central Solid Waste Management District to resolve any problems with the grant.

Status:

Funding for the grant ended in April 2004, and the county discontinued all recycling services and closed the Recycling Fund during 2004.

15. Health Center

A. Health center personnel did not monitor amounts spent on Comprehensive Family Planning (CFP) services. In addition, the average cost per client of providing such services was not periodically calculated and monitored as required by the CFP contract.

B. The Health Center Board did not have a written contract with an individual providing physician services.

Recommendation:

The Health Center Board of Trustees:

A. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health and Senior Services to resolve this situation.

B. Enter into a written contract with all service providers detailing the responsibilities of each party involved.

Status:

A. The CFP program ended in 2003.

B. Implemented.

16. Senior Citizens Service Board

A. The board elected two members, who were husband and wife, as the chairperson and treasurer. The husband and wife did not abstain from the voting of their respective spouses' office. In addition, the chairperson and treasurer were the only two authorized signatures on the board bank account and only one signature was required for disbursements. Also, some board members also served as members of other boards that received funding from the Senior Citizens Service Board.

B. Budgets were not prepared for the year ended December 31, 2001.

Recommendation:

The Senior Citizens Service Board:

A. Ensure Senior Citizens Service Board members abstain from voting when a relative's employment or appointment is involved and a board member independent from the board Treasurer be an authorized check signer and require two signatures for all disbursements. In addition, ensure that Senior Citizens Service Board members do not have administrative or financial ties with its funding recipients. The board should also consider adopting a code of conduct for board members.

B. Ensure formal budgets are prepared or obtained for all senior citizen services fund activities.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SHANNON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Shannon was named after George Shannon of the Lewis and Clark Expedition. Shannon County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Eminence.

Shannon County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 725 miles of county roads and 18 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 7,885 in 1980 and 8,324 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2005	2004	2003	2002	1985*	1980**
	(in millions)					
Real estate	$ 36.3	35.6	34.7	34.1	22.2	7.1
Personal property	20.6	19.1	18.6	18.3	6.2	3.6
Railroad and utilities	3.5	3.6	3.7	3.8	2.8	3.0
Total	$ 60.4	58.3	57.0	56.2	31.2	13.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Shannon County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2005	2004	2003	2002
General Revenue Fund	$ 0.1300	0.1100	0.1100	0.0500
Special Road and Bridge Fund	0.2358	0.2358	0.2358	0.2358
Health Center Fund	0.0977	0.0977	0.0975	0.0975
Senate Bill 40 Board Fund	0.0975	0.0975	0.0975	0.0975
Senior Citizens Service Board Fund	0.0490	0.0488	0.0487	0.0487

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
State of Missouri	$ 18,694	18,158	*	*
General Revenue Fund	133,673	120,758	*	*
Special Road and Bridge Fund	145,711	141,567	*	*
Assessment Fund	34,128	32,676	*	*
Health Center Fund	60,033	58,126	*	*
Senate Bill 40 Board Fund	59,875	58,172	*	*
Senior Citizens Service Fund	28,928	27,860	*	*
School districts	1,818,469	1,763,841	*	*
Ambulance districts	84,455	82,255	*	*
Hospital district	10,516	12,000	*	*
Fire protection district	6,255	6,376	*	*
Cities	27,684	26,967	*	*
County Clerk	102	142	*	*
County Employees' Retirement	19,940	17,801	*	*
2% Collector Fund	6,393	6,729	*	*
Commissions and fees:				
General Revenue Fund	46,188	45,411	*	*
County Collector	721	713	*	*
Total	$ 2,501,766	2,419,553	*	*

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	92	92	*	*	%
Personal property	87	87	*	*	
Railroad and utilities	100	97	*	*	

* The County Collector did not prepare annual settlements for the years ended February 28 (29) 2004 and 2003, and this information was not summarized by the county.

Shannon County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	None	
General		.0050	None	50	%

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	$				
Tony Orchard, Presiding Commissioner		22,064	22,064	22,064	
Shane VanSteenis, Presiding Commissioner					22,064
Dale Counts, Associate Commissioner		20,064			
Dean Cox, Associate Commissioner			20,064	20,064	20,064
Herman Kelly, Associate Commissioner		20,064	20,064	20,064	20,064
Shelly McAfee, County Clerk		30,400	30,400	30,400	
Mae Ruth Bockman, County Clerk					30,400
Sandra Osborne, Prosecuting Attorney		37,050	27,788		
Bob Oberzalek, Prosecuting Attorney			9,262	37,050	37,050
Clinton (Butter) Reeves, Sheriff		36,100	36,100	36,100	36,100
Allen L. Akers, County Treasurer		30,400	30,400	30,400	22,496
Tim Denton, County Coroner		8,550	8,550	8,550	8,550
James Orchard, Public Administrator		15,000	15,000	15,000	15,000
Jennie (Johns) Cutts, County Collector (1), year ended February 28 (29),	31,121	31,113	30,972	31,058	
Summer J. Crider, County Assessor (2), year ended August 31,		31,088			
Stanley (Bear) Conway, County Assessor (3), year ended August 31,			31,165	31,300	31,300

(1) Includes $721, $713, $572, and $658 of commissions earned for collecting city property taxes for the years ended February 28 (29), 2006, 2005, 2004, and 2003, respectively.
(2) Includes $688 annual compensation received from the state.
(3) Includes $765, $900, and $900 annual compensation received from the state for the years ended August 31, 2004, 2003, and 2002, respectively.

State-Paid Officials:					
Melany Williams, Circuit Clerk and Ex Officio Recorder of Deeds	48,500	47,850	47,300	47,300	
Robert M. Heller, Associate Circuit Judge	96,000	96,000	96,000	96,000	

Susan Montee, CPA
Missouri State Auditor

March 2007

Missouri Development Finance Board

Report No. 2007-12

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

March 2007

YELLOW SHEET

The following report is our audit of the Missouri Development Finance Board (MDFB).

The MDFB's mission is to assist businesses and public entities in obtaining financing through the issuance of conduit revenue bonds, direct loans, and issuance of tax credits. The MDFB currently has 25 active Business Use Incentives for Large-Scale Development (BUILD) projects with authorized tax credits of about $101 million. The MDFB needs to improve monitoring for BUILD projects by verifying employment and average annual wage information reported by participating companies with state wage information. For example, the audit identified one company that had submitted erroneous employment and wage information. Based on this information, the company would have received about $389,000 more in tax credits than the company was due. It is uncertain the extent to which the MDFB would have identified the erroneous information and reduced the tax credit amounts. In addition, the current BUILD program structure is overly complex and increases the amount of state tax credits issued.

Effective fiscal year 2007, the MDFB, in conjunction with the Department of Economic Development (DED) and the Missouri Housing Development Commission (MHDC), established the Downtown Revitalization and Economic Assistance for Missouri (DREAM) Initiative. The state made awards under the DREAM Initiative without ensuring that the best applicants were selected. The 89 eligible applications were subjectively reviewed by the evaluation team to identify cities meeting certain criteria. DED selected 24, MHDC 20, and MDFB 22 cities resulting in 10 cities (Cape Girardeau, Hannibal, Kennett, Neosho, Sedalia, St. Joseph, Washington, West Plains, Maryville and Chillicothe) receiving a yes vote from all three agencies and 9 cities receiving a yes vote from two of the three agencies. The DED selected eight of the ten cities that had received a unanimous yes vote from all three agencies and replaced the cities of Maryville and Chillicothe with Excelsior Springs and Hermann which had received yes votes from two of the three agencies. No documentation or analysis was available to support the decision to replace two cities having unanimous support from all three agencies on the evaluation team.

State law authorizes the MDFB to assess fees to generate the operating funds necessary to carry out the board's purposes. Effective January 2006, the MDFB raised the board fee imposed upon Tax Credits for Contribution projects. The estimated additional fee revenue will total about $4.5 million over the next three fiscal years if all authorized contributions are remitted. The increase in the fee will negatively impact projects financed through the Tax Credit for Contributions program because less monies will be available to fund projects. Additionally, since fiscal year 2000, the MDFB has collected over $1.9 million in BUILD fees, an average of $381,000 annually, while the MDFB

(over)

estimates annual program costs of about $100,000, substantially less than the average fees collected each year. At June 30, 2006, the MDFB reported unrestricted cash and investments of about $24.7 million and the fiscal year 2006 board operating expenses are about $1.8 million. As cash and investments were over 13 times the annual operating expenses, it appears the MDFB had adequate funds available to continue operations without increasing any existing fees.

During fiscal years 2006 and 2005, the MDFB recorded bad debt expense of $3,498,074 and $9,448,681, respectively. These expenses were primarily related to three loans totaling $17.8 million. For one of these loans, the MDFB began recognizing bad debt expense the year after the loan was made. The audit recommended the MDFB reevaluate its loan approval process.

The MDFB paid over $101,000 for chartered air service to fly board members, board counsel, and staff to board meetings during the three years ended June 30, 2006. Most meetings are held in Jefferson City, with occasional meetings held in other major cities. State law requires members to be reimbursed for reasonable and necessary expenses incurred in the performance of their official duties. During the three fiscal years ended June 30, 2006, there were 18 board meetings for which chartered air travel was provided. The estimated cost of chartered air service exceeded the cost of mileage reimbursement by over $5,000 per meeting. As a result, the MDFB could have saved about $90,000 over the three year period by eliminating chartered air service for board members and staff to attend board meetings.

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MISSOURI DEVELOPMENT FINANCE BOARD

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the Board of Directors
and
Robert V. Miserez, Executive Director
Missouri Development Finance Board
Jefferson City, MO 65102

We have audited the Missouri Development Finance Board. The board engaged Williams Keepers LLC, Certified Public Accountants (CPAs), to audit the board's financial statements for the years ended June 30, 2006, 2005, and 2004. We reviewed the reports and substantiating working papers of the CPA firm and performed such other procedures as we considered necessary in the circumstances. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2006, 2005, and 2004. The objectives of this audit were to:

1. Review compliance with certain legal provisions.

2. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the board, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by October 2006.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in the audit of the board.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Development Finance Board.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. BUILD Tax Credit Program

The Business Use Incentives for Large-Scale Development (BUILD) program is operated by the Missouri Development Finance Board (MDFB) under Sections 100.700 to 100.850, RSMo. This program is an economic development incentive program offered to companies that are considering locating or expanding their investment and employment in Missouri. To qualify for the BUILD program, companies must agree to make minimum investments in property, plant, and equipment of $10 to $15 million, and create between 100 and 500 new jobs, depending on the type of industry involved. Companies must also receive an offer of economic assistance from another state to be eligible for the program.

The Department of Economic Development (DED) accepts applications from companies, determines if the companies meet the criteria to participate in the BUILD program, negotiates the amount of tax credits that will be offered to the company, and makes recommendations to the MDFB to accept or reject a company's application. The MDFB staff also reviews the application to ensure companies meet the investment and job creation criteria. The MDFB board makes the final decision to accept companies into the BUILD program. Once accepted, companies that comply with project agreement terms are issued state tax credits. These tax credits can be used to offset state taxes due or receive tax refunds if the amount of the tax credits exceeds the amount of taxes due.

As of June 30, 2006, the MDFB had authorized BUILD tax credits totaling approximately $101 million, including $33.9 million already issued as of June 30, 2006, with $67.1 million authorized to be issued over the next 15 state fiscal years. The issuance of BUILD tax credits is limited to $15 million each fiscal year.

As of June 30, 2006, there were 25 companies participating in the BUILD program. Those companies agreed to make investments totaling over $1.68 billion and to create 9,560 new jobs, with a total annual payroll of over $355 million and to sustain those jobs for 10 to 15 years. (The 25 current BUILD projects are listed in Appendix D.) In addition to these 25 companies, 8 other companies had participated in the program but dropped out because business plans had changed or the company filed bankruptcy. No tax credits were issued to 5 of these companies, tax credits issued to 2 companies have been recouped, and recovery of the tax credits for the remaining company is being pursued.

We noted the following concerns during our review of the BUILD program.

A. The MDFB needs to improve its monitoring of compliance with BUILD program agreements by verifying employee and average wage information reported by participating companies with state wage information.

The MDFB, DED, and the applicable company negotiate the terms of the BUILD program agreements, including investment, job creation, and minimum average employee salary. The MDFB requires companies to file periodic reports certifying the amount of investment, number of employees, and average wage as of the initial and subsequent annual certification dates. The initial certification is statutorily set three years following the bond issue date, and the annual certification date is the same in each subsequent year through the end of the BUILD project. The MDFB also receives detailed listings of employees and current or annualized wage rates at the end of the company's business quarter or fiscal year end.

We reviewed the most recent annual or quarterly certification report on file with the MDFB for the twenty five companies participating in the BUILD program as of June 30, 2006, and also recalculated the tax credit reductions imposed by the MDFB. Concerns were noted involving two companies:

1. One company reported 796 employees with an average annual wage of $55,472 on its October 15, 2005 annual certification report. The company was required to have created 532 jobs with an average annual salary of $56,348. Based on this information, the company would have been entitled to the full amount of the tax credits, $788,802, for calendar year 2006. In March 2006, the company submitted a detailed employee listing to the MDFB. In September 2006, we reviewed the detailed listing and noted 417 employees who had been terminated before the certification date, 70 employees who had been hired after the certification date, and three part-time employees that should not have been included in the jobs created total. In addition, the average annual wage for many employees did not appear to be reasonable. For example, one employee was reported as having year-to-date earnings of about $57,000 through November 8, 2005, while the annualized average wage for that employee was listed at over $342,000.

   After bringing the employment and annualized average wage discrepancies to the attention of the MDFB, the MDFB contacted the company and requested a corrected detailed employment listing. The MDFB also placed a hold on the issuance of the 2006 tax credits. After receiving revised information from the company which indicated there were 304 qualifying employees as of the test date, the MDFB recalculated and notified the company the pending tax credit amount was reduced by $350,000. However, we subsequently obtained state wage information and noted 28 employees included on the revised employment listing were not listed on the state wage information. As a result, it appears the

company actually had a total of 276 employees with an annualized average salary of $59,411 as of the certification date. As a result, the correct amount of the tax credit reduction should be $389,285.

2. Another company was required to create 514 jobs under their BUILD agreement. The company certified 454 jobs had been created and submitted a detailed employment listing that also reported 454 employees. However, the employment listing noted 22 vacant, open, or ineligible jobs. We used the BUILD reduction formula and determined that even though the company had over reported 22 jobs and did not meet the required employment, no reduction of tax credits was required because the average annual wage of the employees significantly exceeded the required annual average wage offsetting the lower than necessary employment totals.

Because the MDFB had not completed its tax credit approval process, it is uncertain the extent to which it would have identified the erroneous information and reduced the tax credit amounts. However, since the MDFB did not verify reported employment or average annual wage information with state wage information, it is not likely the correct amount of the tax credit would have been identified. Under Section 100.850(2), RSMo, the MDFB is allowed access to the participating companies payroll books and records. However, the MDFB has not reviewed participating company payroll records. The MDFB should increase monitoring efforts to ensure companies are in compliance with the BUILD program agreements.

B. The current BUILD program structure unnecessarily increases the amount of state tax credits issued and is overly complex. The MDFB operates the program as a private activity revenue bond issue program, as specified by state law. The MDFB issues private activity revenue bonds which are purchased by the company. The bond issuance fee, legal fees and initial bond trustee fees are paid from the bond proceeds. The balance of the bond proceeds are then returned to the company in the form of a loan as the company supplies documentation that the required investments have been made. Usually the investment has been made by the time the bonds are issued which results in the bond proceeds being immediately returned to the company. The company then makes semi-annual loan payments to the bond trustee equal to the principal and interest cost due on the bonds. The funds from the loan payments are immediately returned to the company as payment of principal and interest since the company owns the bonds.

The payment of principal, interest and related fees qualify for tax credit issuance over the life of the project. Approximately $29 million of $101 million in tax credits authorized through June 30, 2006, will be issued related to bond interest payments. Legal services are performed by the MDFB's legal counsel and are based upon 0.6 percent of the BUILD principal with a minimum of $7,500. Legal fees imposed upon the twenty five companies actively participating in the BUILD program as of June 30, 2006, have totaled just over $406,000. We estimate bond

trustee fees will total about $250,000 over the life of the projects authorized as of June 30, 2006.

The MDFB should evaluate the benefits, including the reduction in the amount of tax credits issued, of changing the BUILD program from a bond issue/loan program to a tax credit program. The MDFB should report the results of that evaluation to the legislature for their consideration of possible changes to state law to enhance the program's effectiveness. In November 2005, the Incentives Review Committee appointed by the Director of the DED issued the Report on Missouri Incentives Programs which included a similar recommendation.

C. The MDFB did not always use consistent criteria in its formula to reduce tax credits and did not index the average wage factor for wage inflation. BUILD program agreements include project specific formulas used to determine any reduction in the amount of tax credits issued if companies fail to create the projected number of jobs and/or fail to meet the projected annual wage. This practice results in inconsistent application of program requirements as noted below:

1. The MDFB did not always use consistent criteria in reduction formulas for BUILD program agreements. The MDFB included criteria for the actual versus projected investment in only one reduction formula. We noted other projects that could have resulted in tax credit reductions if an investment criteria would have been used. For example, one company reported investing about $15.8 million while the BUILD agreement required an investment of about $20.2 million. In this case, no tax credit reduction occurred since the BUILD agreement did not include a reduction factor for failing to meet the required investment level.

   In more recent BUILD agreements, the MDFB has required companies to create and maintain a minimum number of jobs, usually 90 percent of the projected number of jobs, or the tax credits for that year will be suspended, and to create and maintain a minimum number of jobs, usually 75 percent, or face termination from the BUILD program. However, for one large recently approved project, the MDFB set the suspension and termination thresholds at 100 new jobs and 1,221 retained jobs even though the company had agreed to create 364 new jobs and retain 1,221 existing jobs.

2. The projected annual average wage factor is set at the beginning of the project and is not indexed for wage inflation. This tends to result in a positive average annual wage element of the reduction formula that increases over the project life. As a result, any reduction due to creation of less than the required number of jobs is offset to some degree and may result in companies having less incentive to create the required number of jobs.

The MDFB should use consistent criteria to ensure all companies receive equal treatment if they fail to abide by the BUILD program agreements for job creation, average annual wage, and required investment. The MDFB should also include a wage inflation factor in its tax credit reduction formula.

WE RECOMMEND the MDFB:

A. Increase monitoring efforts to ensure companies are in compliance with the BUILD program agreements by verifying employment and wage information to state wage information or by conducting periodic reviews of company payroll records.

B. Evaluate alternative methods for the delivery of tax credits under the BUILD program to eliminate credits issued for unnecessary interest and related fees, and report the results of that evaluation to the legislature for its consideration.

C. Use consistent criteria for the reduction, suspension, and termination of BUILD tax credits. In addition, MDFB should develop and consistently apply a tax credit reduction formula that contains a wage inflation factor.

AUDITEE'S RESPONSE

A. We appreciate the Auditor's Office pointing out a discrepancy between the number of jobs reported by one company compared to the number of jobs obtained by the Auditor's Office from records of the Division of Employment Security. MDFB has not previously had access to records of the Division of Employment Security but is now in the process of contracting with the Division for access to such records to cross-reference job employment reports submitted under the BUILD Program. This information is highly confidential and adequate procedures must be followed to assure the privacy of the reports.

B. The current program structure is based upon the BUILD Act and regulations of the Department of Economic Development. We will again support statutory changes enacted by the legislature to allow a simpler structure for implementing the BUILD Program.

C. *To the best of MDFB's knowledge, we believe consistent criteria have been used in the formula to reduce tax credits. For one project a modified formula was included in the program agreement in consideration for the company's agreement to increase the number of jobs at the project site over and above the number of jobs initially stated at the time the Department made its original recommendation to MDFB. We do not believe this constitutes use of inconsistent criteria but rather is intended to address the unique set of facts of this job creation project. The BUILD Act emphasizes job creation so long as minimum investment thresholds are achieved. MDFB believes that so long as a company meets the minimum investment and job creation requirements, the company should not be penalized for completing its project under budget particularly where the cost savings*

could result in greater job creation. However, MDFB will consult with DED for their recommendations as to any further legislative changes to the BUILD Act.

2. DREAM Initiative Selection Process

The state made awards under the new Downtown Revitalization and Economic Assistance for Missouri (DREAM) Initiative without ensuring the best possible applicants were selected to participate.

Effective in fiscal year 2007 and at the request of the Governor's Office, the MDFB, in conjunction with the DED and the Missouri Housing Development Commission (MHDC), established the DREAM Initiative. According to the program website, www.dream.mo.gov, the "DREAM Initiative is a comprehensive, streamlined approach to downtown revitalization that provides a one-stop shop of technical and financial assistance for select communities to more efficiently and effectively engage in the downtown revitalization process." The MDFB approved an annual budget of $400,000 and received funding commitments of $100,000 from both the DED and the MHDC. For fiscal year 2007, ten cities were selected for participation in the DREAM Initiative. Tentative plans are for ten additional cities to be selected in fiscal years 2008 and 2009.

The selection process was conducted in 3 phases; eligibility, preliminary review of local efforts, and final review for “best partnerships”, with geographic distribution also considered as a factor. In each phase of the review, the evaluation team of MDFB, DED, and MHDC each rated the individual applicants with a yes or no result to determine whether the applicant moved to the next phase. A total of 101 applications were received, but 12 cities were determined to be ineligible because the application was received after the deadline, the application was not signed by an authorized official, or the city did not submit a local resolution supporting the application.

During the preliminary review phase, the remaining 89 applications were subjectively reviewed by staff of the three agencies on the evaluation team to identify cities meeting certain criteria, including viable population and demographic trends, downtown area had a historic core, and issues related to the city’s interest level and potential outcomes. Forty-five cities were selected for further consideration during the “best partnerships" phase. Under this phase, the evaluation team scored the applications in areas such as need, specific opportunities including housing and historic preservation, barriers to redevelopment, existing downtown revitalization, and the ability to attract private investment. In this phase, DED selected 24, MHDC 20, and MDFB 22 cities. This resulted in 10 cities receiving a yes vote from all three agencies and 9 cities receiving a yes vote from two of the three agencies.

According to a DED official, the DED compiled results of the agencies' votes and selected eight of the ten cities that had received unanimous yes votes from all three agencies. These cities were Cape Girardeau, Hannibal, Kennett, Neosho, Sedalia, St. Joseph, Washington, and West Plains. The DED replaced the cities of Maryville and

Chillicothe that had received unanimous votes with Excelsior Springs and Hermann that had received yes votes from two of the three agencies. According to DED officials, the final selections were made to provide better geographic distribution and to make awards to those cities with the greatest chance of success. However, no documentation or analysis was available to support the decision to replace two cities having unanimous support from all three agencies on the evaluation team.

The selection process may not have resulted in the best qualified cities being selected for participation in the DREAM Initiative. The DED has several grant programs, such as the Community Development Block Grant Program, in which applications are reviewed using a formal scoring system rather than the more general yes/no voting system. Under the scoring system, applicants are awarded points for specific award criteria with the highest scoring applicants awarded grants. A DED official indicated DED requested a formal scoring system be utilized but the MDFB and the MHDC were not comfortable with this approach. In the future, MDFB, as the lead funding source, should implement a formal system which includes scoring various criteria to ensure the best possible applicants are selected.

WE RECOMMEND the MDFB develop and use a formal scoring system to make DREAM Initiative awards. If awards are not made in accordance with the results of this scoring system, sufficient and detailed documentation should be retained to support the awards that are made.

AUDITEE'S RESPONSE

The Auditor's Office conclusion that two communities were "replaced in the top ten" or somehow "should have been in the top ten" is incorrect, and is inconsistent with the actual process of selection that was used.

MDFB believes the Auditor's Office recommendation that MDFB impose a numerical ranking system on this program would not serve the best interests of the smaller cities and towns the program is designed to assist. Such an approach could not account for the wide differences in obstacles to redevelopment faced by these communities throughout the state. The current approach seeks to account for such factors as statewide geographic balance and distribution of communities; community capacity; development sustainability; economic and tourism development potential; local involvement, participation and support including volunteerism and ability to attract investment of private financial and non-financial resources; diversity of local economies and tax base; and numerous other factors that are directly involved in the community and economic development process. The partnering agencies believe ranking individual capital investment project applications can be numerically ranked against each other, but individual communities that are of widely diverse size and at widely different points along the development continuum cannot and should not be.

MDFB would recommend to DED and MHDC that we evaluate any statistical measuring system proposed by the Auditor's Office that takes into account relevant factors that could predict and determine a community's opportunities for successful development for this program.

3. Cash Balance and Board Fees

The MDFB has established a fee structure that appears higher than necessary and was increased even though ample cash reserves already existed.

A. The MDFB is authorized under Section 100.270, RSMo, to assess or charge fees as the board determines to be reasonable to generate operating funds necessary to carry out its purposes. Our review of board fees noted the following concerns:

1. Effective January 2006, the MDFB raised the board fee imposed upon Tax Credits for Contribution projects from 2 percent of the first $1 million and 1 percent for contributions in excess of $1 million to 4 percent on all contributions. The increased fee affected nine projects with a total authorized contribution limit of $155.8 million. The estimated additional fee revenue will total about $4.5 million over the next three fiscal years if all authorized contributions are remitted. As additional projects are approved and related contributions are received, additional fee revenue will be generated.

   The increase in the fee will negatively impact projects financed through the Tax Credit for Contributions program because less monies will be available to fund projects. To maintain the same level of project funding, additional contributions will be required to offset the increased fees. The increased contributions will then result in additional state tax credits being issued.

2. The MDFB imposes an issuance fee equal to 2.5 percent of the bond principal amount on each BUILD project when bonds are issued, and an annual board fee of 0.5 percent of the outstanding principal amount at the end of each program year. The BUILD revenues fluctuate significantly from year to year, primarily based upon the amount of BUILD bonds issued in the year. Since fiscal year 2000, the MDFB has collected over $1.9 million in BUILD fees, an average of $381,000 annually. The MDFB estimates an annual program cost of about $100,000, substantially less than the average fees collected each year. The board fees imposed upon the BUILD program also results in the issuance of tax credits equal to the fees and reduces the monies available to companies to make investments and create or sustain jobs.

B. At June 30, 2006, the MDFB reported unrestricted cash and current investments of about $24.7 million. The fiscal year 2006 board operating expense (net of bad debt expense and depreciation) was about $1.8 million. Cash and current investments were over 13 times the annual operating expenses. It appears the MDFB had adequate funds available to continue operations without increasing any existing fees.

The MDFB has established the new DREAM Initiative program and committed at least $200,000 annually over the next three fiscal years to that program. However, the MDFB has no other long-range plans that require additional fee revenue and indicated the additional revenues not used to fund the DREAM program would be used to increase their unrestricted cash balances while developing possible new or enhanced programs.

The MDFB should examine its current fee structures to ensure fees are reasonable and necessary to carry out its purposes as established in state law. In addition, the MDFB should identify specific funding needs prior to increasing fees on existing programs.

WE RECOMMEND the MDFB re-evaluate its fee structure to ensure fees are reasonable and necessary to carry out its purposes. In addition, the MDFB should identify specific funding needs prior to increasing fees on existing programs.

AUDITEE'S RESPONSE

MDFB evaluates its fees on an annual basis. The last evaluation occurred beginning at the September 2005 meeting and cumulated with changes to the fee schedule at the December 2005 meeting. This resulted in a reduction of fees for most programs, maintenance of the existing fee for one program, and an increase in the Tax Credit for Contribution program.

MDFB believes the fee increase will have minimal if any impact on projects financed through the Tax Credits for Contributions Program. MDFB intends to use the additional revenue from the fee increase to target and fund programs for non-metropolitan areas throughout the state.

MDFB provides numerous services and products to the state and local governments and political subdivision without the imposition of fees. On other programs it assesses fees to fund its operational costs, including the above services, and provide adequate reserves to assure repayment of its debt. This approach allows MDFB to provide certain services and products at no charge to the state and local political municipalities and complete major development and redevelopment projects.

MDFB's purpose is to finance private capital investments and public infrastructure in the state which have a high probability of success but are not feasible without MDFB's assistance. To fulfill this mission MDFB needs adequate cash reserves and liquidity. MDFB does not believe that a determination of the appropriate level of reserves should be limited by comparison to prior years operating expense. The appropriate amount of reserves must take into account the adequate security for its debt, the risk of projects assumed by MDFB and the role MDFB seeks to play in bridging gaps for projects deemed of significant value to the State and to the communities of the State.

MDFB will continue to evaluate its fees based upon the marketplace it operates in, its policy considerations and the needs it determines necessary to fulfill its mission to those public and private entities that use its programs and services.

4. Loans to Other Entities

In fiscal year 2005, the MDFB implemented a formal loan review process to recognize an allowance for loan loss for financial reporting purposes. During fiscal years 2006 and 2005, the MDFB recorded bad debt expense of $3,498,074 and $9,448,681, respectively. These expenses were primarily related to three loans totaling $17.8 million. In each of these loans, the debt was subordinate to other debt of the borrowers. Details concerning these loans were as follows:

- Periodically, the State of Missouri will appropriate funds for a specific project to the DED for the MDFB, and the board will then loan the funds. The MDFB is responsible for loan administration and is allowed to keep any principal and interest from loan repayment. In 1998, the MDFB received such an appropriation and loaned $2.5 million to the American National Fish and Wildlife Museum District located in Springfield, Missouri. The terms of the loan included no interest or principal for 5 years and a 3 percent interest rate for the remaining 10 year payback period. In 2003, the museum district requested and the MDFB approved deferral of interest and principal payments for an additional 4 years. The museum district has not been able to generate sufficient revenues to cover ongoing operating expenses and the MDFB determined that it is likely the loan will not be repaid in the foreseeable future. Therefore, the MDFB established an allowance for loan loss and recognized $2.5 million in bad debt expense during fiscal year 2005.

- In 2001, the MDFB loaned $2.5 million to the developer of a historic building renovation project in mid-town St. Louis. The sources of monies loaned were $1,250,000 in contributions from the Tax Credit for Contribution Program, $500,000 from the City of St. Louis that was originally funded under the Community Development Block Grant program, and $750,000 of board funds. The terms of the loan included no interest over a 40 year payback period. In addition, repayment was only required if the project generated sufficient revenues to pay operating expenses, interest and principal due on superior first and second mortgages, and any other debt the developer or his partners incurred in completing or operating the project. Since the project has not generated sufficient revenues, the MDFB increased the allowance for loan loss and recognized bad debt expense of $2 million during fiscal 2005. The remaining $500,000 is due to be repaid to the City of St. Louis Community Development Block Grant program and was therefore removed from the MDFB's balance sheet.

- In 2004, the MDFB loaned approximately $12.8 million to the developer restoring the Old Post Office in St. Louis. The source of the monies loaned were $12.3 million in contributions from the Tax Credit for Contribution Program and $500,000 in other MDFB funds. The terms of the loan included 0.5 percent interest and an additional 0.5 percent interest if the project was able to generate net cash flow for the first 10 years, and 1 percent interest for the remaining 40 year payback period of the loan with principal payments beginning after 10 years. In addition, the MDFB retained

ownership of the building and granted a 99-year lease to the developer. However, the terms of the lease also allow the MDFB to terminate the lease after 10 years and take full possession of the building.

The MDFB determined it was not likely the full amount of the loan would be repaid, and as a result, increased the allowance for loan loss and recognized bad debt expense of about $8.35 million during fiscal years 2006 and 2005. In the event the loan is not repaid and the lease is terminated, the MDFB would take possession of the building.

The MDFB indicated it was necessary to make the loans subordinate to other developer debt or the other sources of financing would not have been possible, and the below market terms of the loans were necessary to complete the overall financing of each project. The MDFB also indicated the two loans associated with the Tax Credit for Contribution Program were supported by analysis showing the projects resulted in a positive economic benefit.

As noted above, the Old Post Office loan was entered into in Fiscal year 2004 and the MDFB began recognizing bad debt expense for the loan in the next fiscal year, suggesting the loan approval process was not adequate to ensure funding was available to repay the loan. The MDFB should continue to monitor the outstanding loans in the event unexpected project funds become available that may provide a source for repayment.

WE RECOMMEND the MDFB reevaluate its loan approval process to ensure adequate funding exists for loan repayment, continue to monitor the outstanding loans, and seek repayment if funds become available.

AUDITEE'S RESPONSE

MDFB's loan approval process is comparable to that used by commercial banks in the state. Similarly, MDFB's ongoing evaluation and monitoring procedures are similar to those used by commercial banks. What is not comparable is the loan underwriting criteria. If MDFB were to utilize the underwriting criteria used by private banks it would substantially negate its ability to assist the type of redevelopment projects the state and many local municipalities look to MDFB to facilitate. MDFB will continue to monitor its outstanding loans and will continue to seek repayment if and when funds become available.

5. Board Air Travel

The MDFB paid over $101,000 for chartered air service to fly board members, board counsel, and staff to board meetings during the three years ended June 30, 2006. The MDFB usually holds monthly board meetings throughout the year. Most meetings are held in Jefferson City, with occasional meetings held in other major cities. The board is comprised of nine private citizen members and three ex-officio members. Section 100.265, RSMo, requires members to be reimbursed for reasonable and necessary expenses incurred in the performance of their official duties.

The members of the board live in various locations throughout the state, such as Kansas City, St. Louis, Neosho, and Sikeston as well as Lebanon and Jefferson City. The MDFB provided chartered air service to board members unless those members are located in or near the city in which the meetings are held, or the member refuses those services. Members from the same area were scheduled for the same flight and in some instances those flights involve stops in two or more cities. When meetings are scheduled for cities other than Jefferson City, members from Jefferson City, ex-officio members and MDFB staff may be provided air travel. The MDFB executive director indicated that chartered air service is necessary to minimize the overall time required of board members to conduct board business. The executive director also indicated that use of chartered air service allows some board members to serve who otherwise could not serve if air travel was not provided.

During the three fiscal years ended June 30, 2006, there were 18 board meetings for which chartered air travel was provided. The estimated cost of chartered air service exceeded the cost of mileage reimbursement by over $5,000 per meeting. As a result, the MDFB could have saved about $90,000 (excluding any additional costs due to overnight stay) over the three year period by eliminating chartered air service for board members and staff to attend board meetings.

The MDFB should consider revising its current travel policy to reduce or eliminate the use of chartered air services to transport board members and staff to board meetings.

WE RECOMMEND the MDFB reevaluate the costs and necessity of regularly providing chartered air service for transportation of board members and staff to board meetings.

AUDITEE'S RESPONSE

Balancing the need to hold public meetings with as many members as possible in attendance, the value of having volunteer board members who are leaders in their respective communities attend these meetings, and fiscal responsibility requires ongoing evaluation. MDFB considers all three factors to be important. MDFB will continue to evaluate the costs and benefits of providing chartered air service to facilitate attendance of volunteer board members at its meetings.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MISSOURI DEVELOPMENT FINANCE BOARD
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Missouri Development Finance Board (MDFB) was originally created with the enactment of the Industrial Development Funding Act by the General Assembly in 1982. That board consisted of seven members appointed by the Governor with the advice and consent of the Senate. The members were appointed for four year terms. Along with the adoption of this act, the Economic Development Act was enacted. This act created the Economic Development Commission. The commission consisted of nine members serving six-year terms. The commission was authorized to guarantee up to 90 percent of the value of privately obtained loans up to $1 million and up to 100 percent of revenue bonds issued by eligible local agencies. The commission was also authorized to grant 50 percent tax credits to taxpayers making contributions to its reserve fund.

In 1985, legislation was enacted which merged the commission into the board. Membership of the board was expanded to nine. Subsequent legislation broadened the board's powers into the areas of export financing and public infrastructure financing with the resultant name change of the board to the Missouri Economic Development, Export and Infrastructure Board.

In 1993, the legislature authorized the board's third name change to the Missouri Development Finance Board. The directors of the Department of Economic Development and the Department of Agriculture, along with the Lieutenant Governor, were designated as voting members of the board. The addition of these officials increased the board's membership to twelve. In August 2006, new legislation added the director of the Department of Natural Resources to the board replacing a seat for a private citizen.

The board was created to promote the economic development of the state of Missouri. This is accomplished primarily by the issuance of revenue bonds, direct loans, and tax credits for projects which will benefit the economy or infrastructure of the state and its political subdivisions. The authority and activities of the board are set forth in Sections 100.250 to 100.297, RSMo, the Missouri Development Finance Board Act and Sections 100.700 to 100.850, RSMo, the Missouri Business Use Incentives for Large-Scale Development Act (BUILD).

The MDFB's mission is to assist businesses and public entities in obtaining financing through the issuance of conduit revenue bonds, direct loans, and issuance of tax credits. Since 1988, the board has participated in 73 Tax Credit for Contribution projects and authorized a total of $306.5 million in tax credits. At June 30, 2006, the board had issued conduit revenue bonds for 187 projects with original principal totaling about $2.1 billion, of which about $1.1 billion was outstanding. The conduit bonds are not an obligation of the board nor the State of Missouri. The MDFB currently has 25 active BUILD projects with authorized tax credits of about $101 million.

The MDFB owns and operates a public parking garage near the Kansas City Public Library, one adjacent to the St. Louis Conference Center Hotel, and is building another parking garage in St. Louis adjacent to the Old Post Office Project. In fiscal year 2006, at the request of the Office of Administration, the board issued revenue bonds totaling about $38.9 million to purchase 4 office buildings in the St. Louis area leased to the State of Missouri.

The eight private citizen members of the board are appointed by the Governor with the advice and consent of the Senate. The Lieutenant Governor and the directors of the Departments of Agriculture, Economic Development, and Natural Resources serve as ex-officio members with voting power.

The members of the board at June 30, 2006, were:

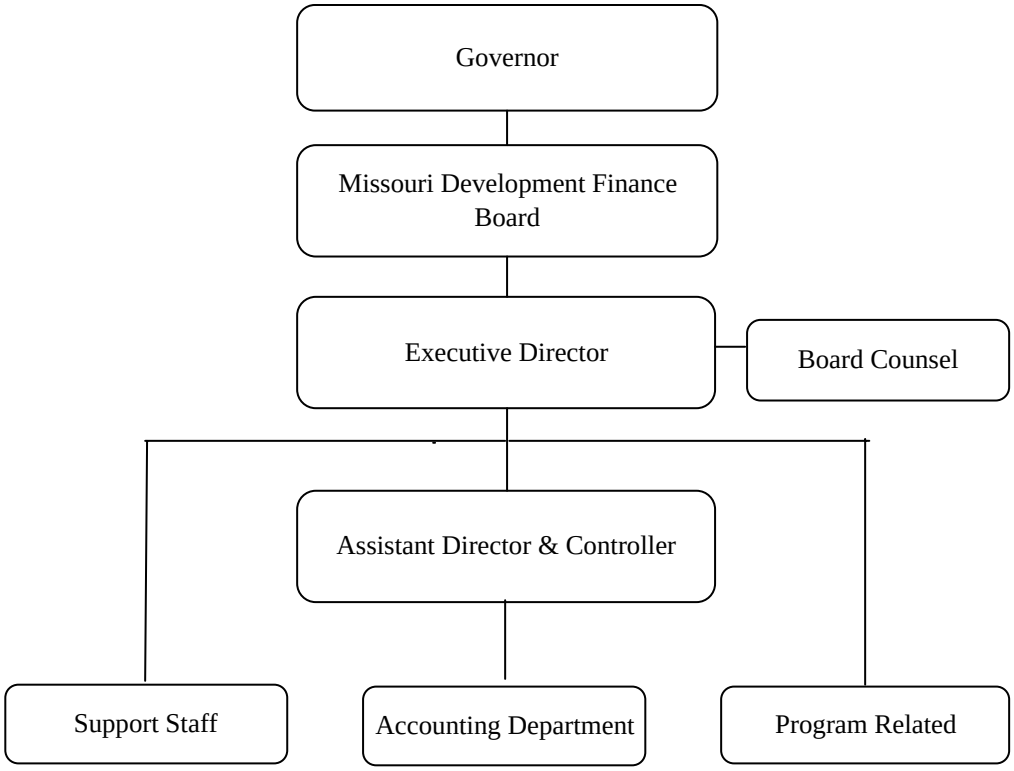
	Term Expires September 14,
Honorable Peter D. Kinder, Lieutenant Governor, Chairman	
John D. Starr, Vice Chairman	2007
Larry D. Neff, Secretary	2006
Nelson C. Grumney, Jr., Treasurer	2008
Paul S. Lindsey *	2003
Elizabeth T. Solberg **	2006
James D. Hill	2007
L. B. Eckelkamp	2007
Richard J. Wilson	2008
Troy L. Wilson ***	2008
Fred Ferrell, Director, Department of Agriculture	
Gregory A. Steinhoff, Director, Department of Economic Development	

* Member continues to serve until a replacement is named
** Replaced by Mary Meek November 13, 2006
*** Resigned July 1, 2006. Replaced by Doyle Childers, Director, Department of Natural Resources

Other private citizens serving on the board during the three years ended June 30, 2006, were James O'Mara, Bill M. Burch, and Susan L. Constance.

The board employs an executive director and six staff to conduct the day to day business of the board. An organization chart of the MDFB follows. The included appendices summarize the MDFB's statement of net assets; revenues, expenses and change in net assets; and cash flows for the three years ended June 30, 2006.

MISSOURI DEVELOPMENT FINANCE BOARD
ORGANIZATION CHART
JUNE 30, 2006



Appendix A

MISSOURI DEVELOPMENT FINANCE BOARD
COMPARATIVE STATEMENT OF NET ASSETS, ALL FUNDS

	June 30,		
	2006	2005	2004
ASSETS			
Current Assets:			
Cash	$ 2,404,455	2,518,792	1,208,977
Investments	22,282,492	16,121,353	18,349,454
Current portion of loans and notes receivable	604,191	2,365,559	1,863,850
Accrued interest on investments	283,747	141,635	128,272
Accrued interest on loans and notes receivable	120,878	123,800	103,966
Prepaid expense and other assets	124,170	67,557	108,019
Total current assets	25,819,933	21,338,696	21,762,538
Noncurrent Assets:			
Board designated investment	935,588	881,566	0
Restricted assets	51,243,621	66,342,501	44,263,530
Long-term portions of loans and notes receivable	6,146,868	4,986,948	8,530,207
Bond issuance costs, net of accumulated amortization	5,044	9,032	13,202
Capital assets not being depreciated	25,619,144	19,691,922	13,248,025
Capital assets being depreciated	25,548,446	24,401,866	24,886,651
Total noncurrent assets	109,498,711	116,313,835	90,941,615
Total assets	135,318,644	137,652,531	112,704,153
LIABILITIES			
Current Liabilities:			
Accounts payable and other accrued liabilites	134,502	2,054,408	646,715
Accrued bond interest payable	118,286	71,200	16,300
Total current liabilities	252,788	2,125,608	663,015
Noncurrent Liabilities:			
Long-term debt	31,850,000	34,600,000	18,100,000
Loan guarantee default reserve	0	0	17,960
Payable from restricted assets			
Tax credit for contribution and other deposits	31,865,794	31,438,923	20,697,178
Deferred revenue			15,800,000
Total noncurrent liabilities	63,715,794	66,038,923	54,615,138
Total liabilities	63,968,582	68,164,531	55,278,153
NET ASSETS			
Invested in capital assets, net of related debt	19,317,590	9,493,788	20,034,676
Restricted			
Tax credit and second loss reserve	2,025,001	2,533,002	2,555,000
Project accounts	17,352,825	32,370,576	4,354,733
Board action	0	0	856,619
Unrestricted	32,654,646	25,090,634	29,624,972
Total net assets	71,350,062	69,488,000	57,426,000
Total liabilities and net assets	$ 135,318,644	137,652,531	112,704,153

Source: Missouri Development Finance Board Audited Financial Statements

Appendix B

MISSOURI DEVELOPMENT FINANCE BOARD
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, ALL FUND

	Year Ended June 30,		
	2006	2005	2004
OPERATING REVENUES			
Participation fees	$ 1,080,859	1,098,353	1,373,659
Interest income from loans and notes receivable	325,338	232,851	223,954
Rental income	25,008	25,057	25,008
Contractual income	61,342	60,648	56,934
Other income	119,272	54,010	14,552
Parking garage revenues	2,259,686	1,815,481	1,573,553
Total operating revenues	3,871,505	3,286,400	3,267,660
OPERATING EXPENSES			
Personnel services	623,541	603,068	534,550
Professional fees	56,754	544,589	102,686
Travel	59,265	70,375	35,881
Supplies and other	110,242	222,613	125,957
Depreciation and amortization	743,372	683,016	544,707
Parking garage operating expense	883,789	813,265	568,394
Bad debt expense	3,498,074	9,448,681	0
Miscellaneous	29,752	43,621	21,094
Total operating expenses	6,004,789	12,429,228	1,933,269
Operating income (loss)	(2,133,284)	(9,142,828)	1,334,391
NON-OPERATING REVENUE (EXPENSE)			
Interest on cash and investments	2,129,169	1,241,632	576,685
Bond interest expense	(551,858)	(350,978)	(210,760)
Bond Expense	(181,965)	(199,968)	(249,137)
Total non-operating revenue (expense)	1,395,346	690,686	116,788
Income (loss) before contributed revenue	(737,938)	(8,452,142)	1,451,179
CONTRIBUTED REVENUE	2,600,000	20,514,142	5,799,361
GAIN ON SALE OF ASSET	0	0	24,500
Change in net assets	1,862,062	12,062,000	7,275,040
Total net assets - beginning	69,488,000	57,426,000	50,150,960
Total net assets - ending	$ 71,350,062	69,488,000	57,426,000

Source: Missouri Development Finance Board Audited Financial Statements

Appendix C

MISSOURI DEVELOPMENT FINANCE BOARD
COMPARATIVE STATEMENT OF CASH FLOWS, ALL FUNDS

	Year Ended June 30,		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 4,060,437	3,185,508	6,580,147
Receipts from tax credit projects	17,668,860	24,802,597	18,738,450
Payments to suppliers	(3,143,248)	(1,988,298)	(1,078,228)
Payments to tax credit projects	(16,913,477)	(14,060,852)	(10,023,707)
Payments to employees	(623,541)	(542,420)	(534,550)
Net cash provided (used) by operating activities	1,049,031	11,396,535	13,682,112
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans and notes receivable principal payments	2,424,380	897,357	1,087,132
Loans and notes receivable issued	(5,321,006)	(5,716,043)	(1,542,000)
Net cash provided (used) by noncapital financing activities	(2,896,626)	(4,818,686)	(454,868)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond principal received	0	16,500,000	0
Bond principal paid	(2,750,000)	0	(3,000,000)
Bond interest paid	(682,146)	(496,048)	(459,897)
Acquisition of land	(2,827)	(1,204,197)	(27,354)
Acquisition of buildings and equipment	(7,745,796)	(5,280,217)	(10,529,849)
Proceeds from sale of assets	0	0	24,500
Contributed revenue	2,600,000	4,714,142	5,799,361
Net cash provided (used) by capital and related financing activities	(8,580,769)	14,233,680	(8,193,239)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(73,167,926)	(205,914,853)	(118,163,007)
Maturities of investments	117,625,144	197,966,069	111,599,283
Interest on cash and investments	2,027,581	1,174,848	669,145
Net cash provided (used) by investing activities	46,484,799	(6,773,936)	(5,894,579)
Net increase in cash and cash equivalents	36,056,435	14,037,593	(860,574)
Cash and cash equivalents - July 1	27,851,838	13,814,245	14,674,819
Cash and cash equivalents - June 30	$ 63,908,273	27,851,838	13,814,245
Reconciliation of operating income (loss) to net cash provided (used) by operating acitvities			
Operating income (loss)	$ (2,133,284)	(9,142,828)	1,334,391
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization expenses	743,372	683,016	544,707
Increase (decrease) in allowance for bad debt	3,498,074	9,448,681	0
(Increase) decrease in accrued interest on loans and notes receivable	2,919	(22,284)	(87,251)
(Increase) decrease in prepaid expenses and other assets	(87,530)	52,589	384,989
Increase in deferred revenues	0	0	10,800,000
Increase (decrease) in accounts payable and accrued liabilities	(1,919,904)	(346,424)	181,834
Increase (decrease) in tax credit for contributions deposits	433,396	10,741,745	537,743
Increase (decrease) in debt service charges	508,000	0	0
Increase (decrease) in deferred charges	3,988	0	0
Increase (decrease) in loan guarantee default reserve	0	(17,960)	(14,301)
Total adjustments	3,182,315	20,539,363	12,347,721
Net cash provided (used) by operating activities	1,049,031	11,396,535	13,682,112
Reconciliation of cash and cash equivalents to the statement of net assets			
Cash	2,404,455	2,518,792	1,208,977
Investments	20,736,492	0	0
Less: Portion maturing in 90 days or more	(4,736,738)	0	0
Less: Portions attributable to accrued interest	(14,670)	0	0
Board designated investment	16,780,266	0	0
Restricted assets	35,398,942	67,224,067	44,263,530
Less: restricted investments	0	(41,891,021)	(31,658,262)
Less: Portion maturing in 90 days or more	(6,392,694)	0	0
Less: Protion attributable to accrued interest	(267,780)	0	0
Total cash and cash equivalents	$ 63,908,273	27,851,838	13,814,245

Source: Missouri Development Finance Board Audited Financial Statements

Appendix D

MISSOURI DEVELOPMENT FINANCE BOARD
ACTIVE BUILD PROJECTS AS OF JUNE 30, 2006

Project Name	Locations	Bond Closing	BUILD Principal	Total BUILD Tax Credits Authorized	Project Life	Investment	Projected Jobs	Projected Wage
Unigroup, Inc., Series 1997	Fenton	August 1997	$ 5,156,000	$ 8,589,639	15	$ 20,230,164	514	$ 27,456
Schreiber Foods, Inc, Series 1998	Mt. Vernon	February 1998	1,753,700	2,855,308	15	16,700,000	157	21,700
Copeland Corporation, Series 1998	Ava, MO	February 1998	513,825	717,634	10	44,833,000	152	17,350
Caterpillar Inc, Series 1998	West Plains	April 1998	489,250	686,020	10	15,000,000	100	24,960
American National Can Co (dba Pechiney Grp), Series 1998	Joplin/Webb City	December 1998	830,000	1,113,439	10	35,000,000	120	31,200
Winghaven/MasterCard Interchange, Series 1999B	St. Charles County	August 1999	8,774,500	11,555,309	10	134,000,000	500	52,000
The Procter & Gamble Paper Products Co, Series 1999	Cape Girardeau	September 1999	6,000,000	8,620,150	10	500,000,000	437	38,839
AMDOCS, Inc, Series 1999	St. Louis	September 1999	1,549,000	2,182,482	10	15,000,000	300	50,000
Quintiles, Inc., Series 1999	Kansas City	October 1999	5,613,300	7,920,175	10	19,000,000	532	56,348
Sara Lee Corporation, Series 1999	St. Joseph	November 1999	625,600	873,657	10	92,480,000	250	20,800
Lockton Companies, Inc, Series 2000	Kansas City	April 2000	2,221,300	3,159,562	10	20,177,901	500	37,678
Northstar Battery Company, LLC, Series 2000	Springfield	December 2000	1,620,000	2,599,239	15	27,000,000	200	30,000
Siegel-Robert, Inc, Series 2001	Farmington	September 2001	1,036,000	1,563,855	15	35,000,000	100	19,670
GKN Aerospace North America, Inc, Series 2001	Hazelwood	December 2001	2,582,500	3,416,574	10	33,000,000	300	49,920
Harley-Davidson Motor Co Group, Inc., Series 2002	Kansas City	February 2002	2,273,000	3,617,068	15	15,000,000	300	37,086
CitiMortgage, Inc., Series 2003	O'Fallon	January 2003	5,290,500	7,744,864	15	84,691,600	1500	27,000
General Mills Operations, Inc., Series 2003	Hannibal	June 2003	1,550,000	2,251,432	15	50,000,000	140	27,040
Systems & Services Technology, Inc, Series 2004	Joplin	October 2004	1,036,000	1,527,997	15	16,562,968	500	28,267
Centocor, Inc, Series 2005	Berkeley	May 2005	1,550,600	2,286,080	15	45,500,000	300	58,240
Triumph Foods, LLC Series 2005	St. Joseph	May 2005	3,820,950	5,641,661	15	155,665,000	1000	26,395
KV Pharmaceutical, Series 2005	St. Louis	November 2005	1,036,000	1,533,976	15	105,000,000	319	66,560
Copeland Corporation II , Series 2005	Lebanon & Ava	November 2005	1,500,000	2,206,757	15	43,000,000	375	22,880
Harman Becker Automotive Systems, Series 2006	Washington	January 2006	1,036,000	1,359,097	10	26,100,000	200	28,080
Cerner Corporation, Series 2006	Kansas City	January 2006	3,160,000	4,655,385	15	30,000,000	400	50,000
H & R Block, Series 2006	Kansas City	February 2006	8,259,000	12,142,152	15	100,000,000	364	70,000
		Total	$ 69,277,025	$ 100,819,512	n/a	$ 1,678,940,633	9,560	n/a
		Average	$ 2,771,081	$ 4,032,780	12.80	$ 67,157,625	382	$ 37,202 (1)

(1) Weighted average wage

Susan Montee, CPA
Missouri State Auditor

March 2007

City of Farmington, Missouri

Year Ended September 30, 2006

Report No. 2007-11

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

March 2007

YELLOW SHEET

The following findings were included in our audit report on the City of Farmington, Missouri.

The city of Farmington operates various city-owned utility operations including electric, water, and sewer services, with the electric and water operations being accounted for in the Utility Fund. The operating revenues and expenses of the Utility Fund totaled over $19 million and $17.5 million, respectively, in fiscal year 2006, with the electric operations accounting for over 90 percent of the fund's activity.

The city has historically transferred substantial amounts of money from its Utility Fund to help finance the operations and activities of the General Fund. From fiscal year 2001 through 2006, year-end net operating transfers from the Utility Fund to the General Fund totaled approximately $5.6 million. City officials indicated these transfers made up for a gross receipts (utility franchise) tax the city would otherwise collect if a private utility company operated within the city and to cover administrative costs incurred by the General Fund to operate the city utility operations. However, no ordinance has been established authorizing monies to be transferred from the Utility Fund to the General Fund as payments in lieu of taxes (PILOTS). In addition, no documentation has been prepared to determine the amount of administrative costs being paid by the General Fund to support the utility operations.

Utility services should not generate profits to fund other services provided by the city. If the city continues to transfer utility monies periodically to the General Fund, the city should develop a methodology for determining reasonable PILOTS and ensure such transfers are properly authorized by ordinance. In addition, documentation should be prepared and maintained to determine/support the amount of any utility–related administrative costs reimbursed to the General Fund.

During fiscal year 2006, the City Council approved significant electric rate increases in October 2005 and February 2006, of 29 and 16 percent, respectively (these rate increases were not fully realized as the council did not implement the 2006 summer rates). It appears these rate increases occurred due to significant increases in the cost of power incurred by the city and the transfers made in prior years.

Over 80 percent of the expenditures of the electric operation represent power purchases from its power supplier, with total power purchases increasing from about $6.8 million in fiscal year 2002 to over $14.3 million in fiscal year 2006. Total operating revenues of the electric operations have not kept pace with the increased power costs, and it appears the city did not effectively monitor the cost increases and approve substantial rate adjustments until fiscal year 2006. In addition, the city did not maintain adequate documentation to

(over)

support how the recent rate increases were determined, with little or no documentation to support some information included in the budgets. Further, the city does not maintain separate funds to account for the financial activity of its electric and water operations. This is necessary to fully account for the respective activities of the electric and water operations.

The financial condition of the city's General Fund has been in decline in recent years. From fiscal year 2001 through fiscal year 2005, expenditures exceeded revenues and net transfers in. Available cash and investment balances of the General Fund decreased significantly from $2.7 million in fiscal year 2001 to $275,000 at the end of fiscal year 2005. Had various interfund transfers to the General Fund not been made, the fund's financial situation would have been even worse. The city cannot continue to expend monies in excess of its available resources. City officials should monitor the financial condition of the city and develop a long range plan which will allow the city to operate within the resources that are available. In fiscal year 2006, the city took various measures to reduce its expenditures, resulting in the General Fund's financial condition improving in that year.

The financial information provided to the City Council did not always provide an accurate reflection of the financial activity and condition of the city's funds. Transactions related to monthly power purchases of about $1 million in fiscal year 2005 were not properly reflected in the accounting information provided to the council in that year. In addition, the information presented in the city's budgets and budget amendments was not always reasonable nor did the annual budgets always include all required or necessary information.

Improvement is needed in the Finance Department's controls and procedures related to bank reconciliations, outstanding checks, and receipts. Utility billing adjustments have not been adequately documented nor reviewed and approved on a periodic basis by management. In addition, records and procedures related to the handling of receipts in other city departments need to be improved.

The city did not always solicit bids for various goods and services or procure general engineering and architectural services in accordance with its purchasing policy. In addition, the city did not enter into contracts for some services.

In December 2005, the city purchased gift cards and gift certificates at a cost totaling $13,000 for the city's full-time and regular part-time employees. The costs of such expenditures for city employees do not appear to be prudent uses of public funds and may violate the Missouri Constitution.

The city's published financial statements have not included receipt and expenditure information as required by statute and annual financial reports have not been submitted to the State Auditor's Office (SAO) as required by state law. In addition, the city's annual financial audits have not always been completed timely.

Also included in the report are recommendations related to credit card purchases, the use of city vehicles and operating costs, the untimely remittance of taxes to the Department of Revenue, minutes and ordinances, and the municipal court.

All reports are available on our website: www.auditor.mo.gov

CITY OF FARMINGTON, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Farmington, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Farmington, Missouri. The city engaged Maloney, Wright, and Robbins, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended September 30, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended September 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur.

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Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by December 2006.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Farmington, Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Julie Vollmer, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Utility Operations

The city has transferred substantial amounts from the Utility Fund to the General Fund without the transfers being properly justified, documented, or authorized. The city needs to more closely monitor the financial activity of the electric operations and make timely rate adjustments, as needed. In addition, the city does not maintain separate funds to account for the revenues and expenditures of its electric and water operations.

The city of Farmington operates various city-owned utility operations to provide utility services to its citizens. These operations include electric, water, and sewer services. The electric and water operations are accounted for in the Utility Fund (with operating revenues and expenses totaling over $19 million and $17.5 million, respectively, in fiscal year 2006), with the electric operations accounting for over 90 percent of the fund's activity. The sewer operation and related activities (with operating revenues and expenses totaling over $1.6 million and $1.5 million, respectively, in fiscal year 2006) are accounted for in a separate fund. Our review of the records and activities of the Utility Fund disclosed the following concerns:

A. The city has historically transferred substantial amounts of money from its Utility Fund operations (primarily electric operations) to help finance the operations and activities of the General Fund. From fiscal year 2001 through 2006, year-end net operating transfers from the Utility Fund to the General Fund totaled approximately $5.6 million. The following table presents the approximate Utility Fund transfers to (from) the General Fund during this period:

	Year Ended September 30,					
	2006	2005	2004	2003	2002	2001
Transfers to (from)	$ 843,000	(250,000)	1,795,000	588,000	1,380,000	1,252,000
Percent of Utility Revenues Transferred	4.5%	(2%)	13%	4.5%	12%	12.5%

Even though the city budgeted a transfer of approximately $2 million from the Utility Fund to the General Fund for fiscal year 2005, no transfer was made for that year. Instead, the General Fund transferred approximately $250,000 to the Utility Fund that year to help pay operating expenses of that fund.

It appears that the city would generally budget a transfer from the Utility Fund in an amount equal to any projected operating surplus for the year. City officials indicated that operating surpluses of the Utility Fund have been traditionally determined at the end of the fiscal year. No methodology was provided for these

transfers and there was not adequate documentation maintained to support how the year-end transfer amounts were determined.

City officials indicated these transfers to the General Fund are justified, at least in part, to make up for a gross receipts (utility franchise) tax the city would otherwise collect if a private utility company operated within the city and to cover administrative costs incurred by the General Fund to operate the city utility operations. However, no ordinance has been established authorizing monies to be transferred from the Utility Fund to the General Fund as payments in lieu of taxes (PILOTS). In addition, no documentation has been prepared to determine the amount of administrative costs being paid by the General Fund to support the utility operations.

This situation does not provide assurance that the user fees related to these utility operations have been established at levels consistent with the costs of providing those services. It appears the city has relied on the Utility Fund to help finance other city operations. The electric rates have been set to pay for operating costs and transfer monies to the General Fund and the city may have established higher utility rate structures than necessary in lieu of increasing general revenues or reducing services provided by the city.

The Utility Fund operations are separate accounting entities designed to account for specific city activities. Utility revenues should be used only to fund the operations of the respective utility services, including any reasonable and properly authorized PILOTS and adequately documented administrative cost reimbursements. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs), repaying debt, if applicable, and repairing and replacing infrastructure. These utility services should not generate profits to fund other services provided by the city.

If the city continues to transfer utility monies periodically to the General Fund, the city should develop a methodology for determining reasonable PILOTS and ensure such transfers are properly authorized by ordinance. In addition, documentation should be prepared and maintained to determine/support the amount of any administrative costs reimbursed the General Fund related to utility operations.

B. The City Council approved two significant electric rate increases during fiscal year 2006. Electric rates had not been adjusted from February 2002 until September 2004, when an electric rate increase of about two percent was approved. That rate adjustment was followed by two significant rate increases in October 2005 and February 2006, of 29 and 16 percent, respectively (these rate increases were not fully realized as the council did not implement the 2006 summer rates). It appears these rate increases occurred due to significant increases in the cost of power incurred by the city and the transfers made in prior years as discussed in Part A, above.

Over 80 percent of the expenditures of the electric operation (not including depreciation) represent power purchases from its power supplier (the Missouri Joint Municipal Electric Utility Commission) which has increased significantly in recent years. Total power purchases increased from approximately $6.8 million in fiscal year 2002 to over $14.3 million in fiscal year 2006. While a portion of this is due to an increase in power usage during this period, most of the increase has been due to the price of power purchased, with the cost of power increasing from about $36 per mWh (megawatt hour) in 2002 to over $65 per mWh in 2006 (through September 2006). The most significant increases occurred during the latter part of 2005 and 2006. It appears the increase in the costs of power is primarily the result of deregulation in the wholesale power market.

During our review of this situation, the following concerns were noted:

1. Total operating revenues of the electric operations have not kept pace with the increased power costs, and it appears the city did not effectively monitor the cost increases and approve substantial rate adjustments until fiscal year 2006. For example, electric revenues totaled $11.9 million, $12.4 million, and $13.5 million in fiscal years 2003, 2004, and 2005, respectively, an average increase of 7.5 percent. In contrast, power purchases totaled $7.9 million, $8.7 million, and $10.9 million in fiscal years 2003, 2004, and 2005, respectively, an average increase of 17.5 percent in those years. Although the city council approved a two percent rate increase in September 2004, that increase was not enough to offset the increase in the cost of power that year. In addition, the increased costs of power resulted in the city having difficulty covering the costs of its electric operation in fiscal year 2005. Had the city considered adjusting electric rates on a more timely basis, the subsequent rate increases in fiscal year 2006 may not have been so significant.

   The city needs to closely monitor the financial activity of the electric operations and be alert for significant changes in the costs incurred by that operation. If significant changes in the operating costs or conditions of the operation are experienced, rates should be adjusted accordingly.

2. The city did not maintain adequate documentation to support how the recent rate increases noted above were determined. City officials indicated that the information to support the rate increases was contained primarily in the city's budget documents; however, there was little or no documentation to support some information included in the budgets. For example, there was not adequate documentation to explain how the estimated or projected electric revenues were determined, how the amount of power purchases were determined, or how the approved electric rate increases were calculated.

The city should prepare and maintain thorough and detailed documentation to support and justify any utility rate adjustments.
While better documentation is needed to support any utility rate adjustments, it appears the electric rates set in fiscal year 2006 generated revenues that covered its expenses in that year, allowed a transfer of $843,000 to the General Fund (4.5 percent of Utility Fund revenues), and retain some surplus for future cash flow and operating needs.

C. The city does not maintain separate funds to account for financial activity of its electric and water operations. Currently, both of these utility operations are accounted for in the Utility Fund. While the electric and water operations have separate categories for budget and actual amounts, the accumulated balances of the respective utility operations are not accounted for separately. In addition, it appears revenues from the electric operations have been used to offset some losses in the water operations.

To ensure user fee revenues for electric and water are used only for providing these respective services, the city should maintain separate funds to fully account for the respective activities of the electric and water operations.

WE RECOMMEND the City Council:

A. Discontinue transferring Utility Fund monies to the General Fund to support other general city operations unless such transfers are properly justified, documented, and authorized. If the city continues making transfers of this nature, it needs to develop a methodology for determining the amount of the transfers, establish an ordinance(s), as needed, to authorize the transfers, and prepare and retain adequate documentation to support the transfers made.

B. Closely monitor the financial condition of the electric operations, and be alert for any significant changes in the costs incurred by that operation. If significant changes in the costs or conditions of the operation are experienced, rates should be adjusted accordingly. In addition, thorough and detailed documentation should be prepared and maintained to support and justify any utility rate adjustments.

C. Ensure separate funds are established to fully account for the financial activities and balances of the electric and water operations and ensure any user fees are used only to pay the costs of those respective services.

AUDITEE'S RESPONSE

A. It has been the practice of the City to transfer monies from the Utility Fund to support other City operations for 25 plus years. It is the intent of the City to continue to make a transfer of the utility funds. Therefore, the City concurs with the Auditor's recommendation and will proceed with establishing an ordinance to impose a payment in lieu of taxes (PILOT) on the utility. While not specifically authorized, these actions are

clearly contemplated by the legislative body of the State of Missouri by reference in RSMo 393.297, section 2, and by definition in RSMo 393.298, definition (7). Additionally, the City reserves the right to allocate funds based upon administrative expenses incurred.

B. *The City concurs with the Auditor's recommendation. A monthly profit and loss statement is prepared for the electric operations showing line item detail. An analysis of expenditures to budget is completed monthly. Beginning fiscal year 2006, this information is provided to both the City Council and City management on a monthly basis. As of the 2007 fiscal budget, new budget worksheets detailing projected monthly use by customer type, projected revenue, and projected costs are prepared with the preparation of the budget. These are kept with the budget planning documentation.*

C. *While the City currently accounts for the electric and water departments' operational revenues and expenses in separate profit and loss statements, the City does not prepare separate balance sheets. The City concedes to the Auditor's recommendation and will pursue creating a separate water utility fund with the start of the fiscal year 2008.*

2. Financial Condition and Budgets

The condition of the city's General Fund has been in decline in recent years, and the financial information provided to the City Council has not always accurately reflected the financial activity and condition of the city's funds. The information presented in the city's budgets and budget amendments has not always been reasonable nor included all required or necessary information.

A. The financial condition of the city's General Fund has been in decline in recent years. As evidenced from information included in the city's audited financial statements, in every year from fiscal year 2001 through fiscal year 2005, expenditures exceeded revenues and net transfers in as follows:

	Year Ended September 30,				
	2005	2004	2003	2002	2001
Revenues	$ 6,824,217	6,488,344	6,213,260	6,302,837	5,474,266
Expenditures					
Capital Outlay	(1,205,149)	(1,728,225)	(1,365,546)	(1,890,214)	(1,224,753)
Operating and Other	(7,520,815)	(7,077,003)	(8,253,654)	(6,101,821)	(5,508,990)
Net Transfers In	958,147	2,312,098	1,876,639	1,274,692	970,335
Revenues and Net Transfers In Over / (Under) Expenditures	$ (943,600)	(4,786)	(1,529,301)	(414,506)	(289,142)

During this same period, available cash and investment balances of the General Fund decreased significantly from $2.7 million in fiscal year 2001 to $275,000 at the end of fiscal year 2005. Had various interfund transfers to the General Fund

not been made (including those previously discussed in MAR 1A.), the fund's financial situation would have been even worse.

The city cannot continue to expend monies in excess of its available resources. City officials should monitor the financial condition of the city and develop a long range plan which will allow the city to operate within the resources that are available. Many of the recommendations contained in this report, if implemented, will help the city establish procedures to better operate within its available resources.

It should be noted that in fiscal year 2006, the city took various measures to reduce its expenditures, including a reduction of capital expenditures in all departments and the elimination of several employees/positions. As a result, the financial condition of the city's General Fund improved during the most recently completed fiscal year. Based on unaudited fiscal year 2006 financial information, revenues and net transfers in exceeded expenditures in the General Fund by $1.9 million and available cash and investment balances of that fund totaled approximately $2.4 million at year-end.

B. The financial information provided to the City Council did not always provide an accurate reflection of the financial activity and condition of the city's funds. For example, transactions for monthly power purchases of approximately $1 million in fiscal year 2005 were not properly reflected as accrued in the accounting records. As a result, the City Council did not have accurate information regarding the financial activity and condition of the Utility Fund during the year nor the impact on other city funds.

The financial information provided to the council should properly reflect the financial activity and condition of all city funds. Without accurate financial information, the City Council cannot make informed decisions about the city's operations.

C. City officials did not always ensure that information presented in the city's budgets and budget amendments was always reasonable. For example, a fiscal year 2005 budget amendment approved in July 2005 (ten months into the fiscal year) included a $2 million transfer to the General Fund from the Utility Fund; however, this transfer did not subsequently occur due to operating difficulties experienced by the Utility Fund in that year. In another instance, a fiscal year 2005 budget amendment for the Capital Projects Fund did not include a budgeted expenditure for a loan repayment of approximately $700,000 which had already been paid. Besides those budget amendments approved during the course of a fiscal year, the city routinely prepared budget amendments after the end of the fiscal year to authorize any budgetary overspending which had occurred during that year.

The budgets and budget amendments should include appropriate and reasonable revenue and expenditure estimations. In addition, Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The city should develop procedures to adequately monitor its annual budget, and formally amend the budget before any excess expenditures are incurred.

D. The city's annual budgets did not always include all required or necessary information. For example, the fiscal year 2006 budget and budget amendment did not include beginning or projected ending balances of the various city funds. Without the projected ending balance in the fiscal year 2006 budget being included, a deficit budget was presented for the General Fund due to the proposed expenditures exceeding anticipated revenues.

Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. In addition, the budgets should include beginning available and estimated ending balances for all funds to inform the council and the public regarding the anticipated financial condition of each fund.

WE RECOMMEND the City Council ensure:

A. The financial condition of the city's General Fund is closely monitored and a long range plan is developed to help the city operate within its available resources. This would include considering various alternatives for reducing expenditures and/or increasing operating revenues.

B. City officials provide financial information for its review and consideration that properly reflects the financial activity and condition of all city funds.

C. The city's budgets and budget amendments include reasonable revenue and expenditure estimations. In addition, the city should adequately monitor the budget, and prepare budget amendments prior to incurring any excess expenditures.

D. The city's budgets include all required and necessary information, including accurate beginning and projected ending balances for all city funds.

AUDITEE'S RESPONSE

A. The City concurs with the Auditor's recommendation.

B. Prior to fiscal year 2006, the City Council was provided with summary financial statements on a monthly basis. As of fiscal year 2006, additions made to the Council's information included cash flow statements and detailed departmental profit and loss statements. The City Council will continue to monitor the financial information and financial condition of the city's funds.

C. The City concurs with the Auditor's recommendation.

D. The City concurs with the Auditor's recommendation and will ensure future budgets include the appropriate information.

3. Expenditures

The city's procedures related to bidding, contracts, and supporting documentation for credit card expenditures are in need of improvement. In addition, some holiday gifts and other related expenditures do not appear to be a prudent use of public funds.

A. The city's purchasing policy requires the city to obtain at least three written or oral bids for purchases between $1,500 and $10,000, obtain at least three written bids for purchases between $10,000 and $25,000, and obtain competitive sealed bids for purchases of more than $25,000. The purchasing policy allows for exemptions for certain purchases, such as purchases from state contract and from a sole source provider, if the circumstances are documented. The city did not always solicit bids in accordance with its purchasing policy or did not retain documentation of doing so for various goods and services in fiscal year 2006, including the following:

Expenditure	Amount
Fuel	$152,467
Sidewalk construction	3,134
Line (tree) clearing services	6,462
Equipment upgrades for 911 center	14,995

In addition, city policies also include a process for the solicitation of proposals and the selection of professional services. General engineering and architectural services costing $21,554 were not procured in accordance with the established policy.

The city's bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. The city should ensure it follows its established purchasing policies and retain documentation to support that compliance. Any deviation from the established policy should be justified and thoroughly documented.

B. The city did not enter into contracts for some services, when appropriate. For example, during fiscal year 2006, the city paid for legal services from the city counselor costing $36,440 and planning services and mapping fees costing $34,430 without the benefit of written agreements.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Contracts which fully stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the city is able to determine if services are being provided in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties, remedial actions in the event of noncompliance, criteria for detail to be included in billings, and the dates or events upon which billings may be submitted.

C. Adequate supporting documentation was not received or retained for some credit card purchases. The city has ten credit cards used by officials and employees for travel and other purposes, and such credit card expenditures totaled approximately $15,000 for fiscal year 2006. In several instances, the only documentation available was a signed charge slip but no detailed invoice was provided. The city also did not have any documentation for some other credit card expenditures.

The city should require the users of the city credit cards to submit invoices or other documentation for all charges.

D. In December 2005, the city purchased gift cards and gift certificates at a cost totaling $13,000. Gift cards and gift certificates totaling $100 were given to each of the city's full-time and regular part-time employees. In addition, the city paid $1,000 for a catered Christmas dinner for its employees and officials. A substantial portion of the dinner's cost was offset by the Mayor and several council members electing not to be paid their monthly compensation in December 2005. Similar expenditures were also incurred by the city in December of other recent years, including December 2006.

The costs of gift cards, gift certificates, and catered dinners for city employees do not appear to be prudent uses of public funds. Gift cards and gift certificates given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution. In addition, it does not appear appropriate for elected officials to forego their salaries that have been authorized by ordinance.

WE RECOMMEND the City Council:

A. Ensure bids/proposals are solicited and complete documentation of the procurement process properly retained for goods purchased and services provided in accordance with the city's bidding policy. Any deviation from the established policy should be justified and thoroughly documented.

B. Enter into contracts for goods and services when appropriate and ensure the contracts contain adequate details and protections for the city.

C. Require adequate supporting documentation for all credit card charges prior to payment, such as detailed invoices.

D. Ensure all city expenditures are a prudent use of public funds. This would include refraining from paying for gifts and other similar expenditures for employees.

AUDITEE'S RESPONSE

A. The City concurs with the Auditor's recommendation.

B. The City concurs with the Auditor's recommendation and in the future will enter into written contracts for services as appropriate.

C. The City concurs with the Auditor's recommendation.

D. The City will ensure that in the future these items are counted as compensation and reported accordingly.

4. Accounting Controls and Procedures

Improvement is needed in the Finance Department's controls and procedures related to bank reconciliations, outstanding checks, and receipts. Utility billing adjustments have not been adequately documented nor reviewed and approved on a periodic basis by management. In addition, records and procedures related to the handling of receipts in other city departments need to be improved.

A. The Finance Department's controls and procedures related to bank reconciliations and outstanding checks need improvement as follows:

1. The bank reconciliation prepared for the payable account for August 2006 was not accurate because it included some outstanding checks that had actually been voided. At our request, the city determined that the current outstanding check list for this account included nine checks totaling about $2,960 that had been previously voided in the city's financial accounting system. This problem had not been detected because previous city officials had adjusted the city's cash balances rather than investigate the difference and because procedures had not been established to resolve old outstanding checks as discussed in Part 2, below.

   Accurate bank reconciliations should be prepared to ensure all monies have been properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

2. The Finance Department has not established adequate procedures to follow-up and resolve old outstanding checks. As of August 2006, there

were 294 outstanding checks, totaling $31,615, that were over a year old for the payable, payroll, and utility accounts, with some of these outstanding checks dating back to 1995.

Old outstanding checks create an additional and unnecessary record keeping burden. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued, if possible. If a payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable period of time.

B. The Finance Department collects receipts from other city departments and also receives monies that come in through the mail. While receipts slips are issued for the monies received from other departments, receipt slips are not issued for monies received through the mail.

Although mail receipts are recorded in the city's financial accounting system, this situation does not provide adequate accountability for these monies. To adequately account for all receipts and to ensure all receipts are deposited intact, receipt slips should be issued for all monies received.

C. The Utility Office makes adjustments to electric, water, and sewer billings for various reasons, such as incorrect or invalid meter readings and water leaks. In fiscal year 2006, billing adjustments of this nature totaled over $100,000. These adjustments are entered into the city's computerized billing system by the Utility Office and a list of the adjustments is generated each month.

During a review of some of these billing adjustments, we noted the employee who authorized the adjustment was usually not identified and the reason and supporting documentation for the adjustment was not always maintained. In addition, while city officials indicated the list of adjustments is obtained and scanned for unusual or significant items by management, the review and approval of the adjustments is not documented.

To ensure all billing adjustments are valid, the authorizing employee and reason for billing adjustments should be adequately documented. In addition, the periodic review and approval of all such billing adjustments by an appropriate management official should be documented.

D. The Utility Office receives and processes over $20 million annually related to the billing of city-provided utility services. The Utility Office's controls and procedures related to the handling of these monies need to be improved. The receipts collected and recorded by that office are not always deposited intact and the composition of receipts is not reconciled to deposits. In addition, city employees are allowed to cash personal checks from daily utility receipts.

Cashing personal checks from utility receipts reduces the accountability over the monies received. To ensure utility receipts are accounted for properly, all such receipts should be deposited intact and the composition of recorded receipts should be reconciled to deposits.

E. The city's Public Works Department and Parks Department records and procedures related to receipts need improvement. The Public Works Department processes permit and utility deposits of approximately $50,000 annually, which are transmitted to either the Finance Department or Utility Office depending on the type of receipt. The Parks Department processes pavilion rental fees, league monies, and other receipts of approximately $29,000 annually, which are transmitted to the Finance Department. The following concerns were noted with the handling of receipts in these departments:

1. The city has not established adequate procedures to ensure all Public Works Department and Parks Department receipts are transmitted to the appropriate department. Neither management officials in those departments or other personnel not involved in the cash custody and record-keeping functions perform any independent review of the work performed by the employees who are responsible for handling and transmitting these monies.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. At a minimum, there should be an independent review of receipt activity to ensure all monies received by these departments are properly transmitted.

2. Public Works Department receipts are not being transmitted intact and on a timely basis and cannot be readily reconciled to the receipts listing maintained by that department. City officials indicated that permit monies are not transmitted until a permit is approved, which can result in significant delays in permit money being transmitted to the Finance Department or Utility Office. In addition, the receipts listing does not indicate the department the monies are transmitted to, making the reconciliation of receipts to monies transmitted even more difficult.

   To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, all receipts should be transmitted intact and on a timely basis. Additionally, recorded receipts should be reconciled to amounts transmitted on a periodic basis.

3. The receipts collected in the Parks Department are recorded in various ways, including on a department invoice, pavilion reservation list, pre-numbered receipt slips (when requested by the payor), or not recorded in

any department record. In addition, receipts are not reconciled to amounts transmitted to the Finance Department because recording receipts in so many different ways makes it difficult to perform such reconciliations.

To ensure the proper handling and safeguarding of Parks Department receipts, the number of ways to record receipts should be reduced, and all monies should be recorded immediately upon receipt (preferably in the pre-numbered receipt book). In addition, recorded receipts should be reconciled to amounts transmitted to the Finance Department on a periodic basis.

WE RECOMMEND the City Council ensure:

A.1. The Finance Department prepares accurate bank reconciliations on a monthly basis which are reconciled to the city's accounting records. This would include ensuring that any outstanding checks or other reconciling items are presented accurately.

2. The Finance Department resolves the old outstanding checks, and establishes routine procedures to investigate any checks that have been outstanding for a considerable period of time.

B. The Finance Department issue receipt slips for all monies received, including those monies received through the mail.

C. The authorization and reason(s) for any billing adjustments are adequately documented by the Utility Office. In addition, the periodic review and approval of all such billing adjustments by an appropriate management official should be documented.

D. The practice of cashing personal checks from utility receipts is discontinued. In addition, the Utility Office should reconcile the composition of receipts to deposits on a daily basis.

E.1. Ensure an independent review of Public Works Department and Parks Department receipt activity is performed to ensure monies received in those departments are properly transmitted.

2. Ensure all Public Works Department receipts are transmitted intact and on a timely basis. In addition, recorded Public Works Department receipts should be reconciled to monies transmitted on a periodic basis.

3. Ensure all Parks Department receipts are recorded immediately upon receipt and are reconciled to amounts transmitted to the Finance Department. In addition, the number of methods in which Parks Department receipts are recorded should be reduced.

AUDITEE'S RESPONSE

A. The City will continue to prepare bank reconciliations for all accounts on a monthly basis. The City is in the process of evaluating each of the outstanding checks and moving them to unclaimed property. The City will ensure that, in the future, bank reconciliations will limit outstanding checks to those less than one year old.

B. The City concurs with the Auditor's recommendation and has added issuing receipts on monies received through the mail to the previous procedure used by the City.

C. The City concurs with the Auditor's recommendation. The City is in the process of implementing a new balance adjustment procedure, which includes a balance adjustment authorization form detailing the reason and backup information for the adjustment.

D. The City concurs with the Auditor's recommendation. The practice of check cashing in the Utility Office has been discontinued and the reconciliation of receipt type to deposits is performed on a daily basis.

E. The City concurs with the Auditor's recommendations and will review procedural changes necessary to implement such.

5. Use of City Vehicles and Operating Costs

The city should revise its policies to address the issue of officials commuting in city vehicles and ensure any commuting use is properly reported as taxable income. In addition, the city does not maintain mileage/usage logs to account for the usage of its vehicle/equipment fleet nor has it established adequate procedures to ensure fuel purchases are reasonable and proper.

A. According to policy, city vehicles are to be used only for city business and no vehicle is to be used for personal business unless permission is obtained from the City Administrator. However, various city employees, including the City Administrator and four department heads, are allowed to commute in city vehicles between city offices and their personal residences. The current policy does not specifically address the matter of commuting in city vehicles. In addition, the city has not reported the value of personal automobile (commuting) use in a city vehicle as compensation. Federal regulations require all employers to withhold payroll taxes and include the value of personal automobile (commuting) use in taxable income in most instances. The Internal Revenue Service (IRS) Code provides several methods to determine automobile commuting values.

The city should consider whether commuting in city vehicles is an appropriate use of resources and address this matter in its policies. In addition, if the city decides to allow this practice to continue, it should ensure that commuting use of city

vehicles is properly reported as taxable income and payroll taxes withheld for all applicable employees.

B. The city currently owns approximately 100 vehicles and pieces of motorized equipment that are utilized by city employees in performing their duties and daily operations. The city does not maintain mileage/usage logs for any of these vehicles or pieces of equipment and had no other formal records to support the mileage/usage related to these items.

Without adequate mileage/usage logs, the city cannot effectively monitor that vehicles and equipment items are used only for official business, that fuel costs for vehicles are reasonable, and that fuel billings to the city represent legitimate and appropriate charges. Vehicle mileage/usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and fuel costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for city business and evaluate fuel costs.

C. The city has not established adequate procedures to ensure vehicle fuel purchases are reasonable and proper. According to city records, the city expended over $150,000 on gasoline and other fuels during fiscal year 2006. This fuel was initially purchased with gas purchasing cards, with the city being subsequently billed for the purchases monthly. Although the monthly billing statements are approved for payment, the city does not formally monitor the fuel purchases for reasonableness nor is it able to reconcile the fuel purchases to fuel usage since mileage/usage logs as discussed in Part B., above, are not maintained.

Effective procedures should be established to ensure fuel purchases are reasonable and proper, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without being undetected.

WE RECOMMEND the City Council:

A. Consider whether commuting in city vehicles is an appropriate use of resources and address this matter in its policies. If the council decides to allow this practice to continue, it should ensure commuting use in city vehicles is reported as taxable income and payroll taxes are withheld for the applicable employees.

B&C. Ensure mileage/usage logs are maintained for all city vehicles and motorized equipment items. These records should be reviewed by appropriate supervisory employees and reconciled to the monthly fuel billings to help ensure fuel purchases being charged to the city are appropriate.

AUDITEE'S RESPONSE

A. The City concurs with the Auditor's recommendations.

B&C. The City concurs with the Auditor's recommendations. Mileage logs for city-owned vehicles have been purchased and the use of these logs was implemented beginning January 2007.

6. Financial Reporting and Audits

The city's published financial statements have not included receipt and expenditure information as required by statute and annual financial reports have not been submitted to the State Auditor's Office (SAO) timely, as required. In addition, the city's annual financial audits have not always been completed timely.

A. The city has not published financial statements that comply with statutory requirements. The city has published semi-annual statements of the assets, liabilities, and fund equity for the various city funds along with the indebtedness of the city. While this is useful information, the published financial statements have not included a detailed statement of receipts and expenditures of city funds as required by statute.

Section 77.110, RSMo, requires the city council to publish a full and detailed statement of the receipts and expenditures and indebtedness of the city at the end of each fiscal year and six months after the end of each fiscal year in a newspaper of general circulation in the city.

After we brought this matter to the city's attention, the city published financial statements for the year ending September 30, 2006, that included receipt and expenditure information.

B. The city has not submitted annual financial reports to the SAO in accordance with statutory requirements. The city's audited financial statements for fiscal year ended September 30, 2005, were not filed with the SAO until June 2006, and the city's audited financial statements for fiscal years 1997 through 2004 were all submitted at one time in March 2006.

Section 105.145, RSMo, requires the city to file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by a CPA firm, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year-end, but an audit report can be filed within 6 months of the entity's fiscal year-end.

C. The city's annual financial statement audits have not always been completed timely and in accordance with city's long term bond covenants. Even though bond covenants of the various city bond issuances require the annual audit to be completed within 180 days after the end of the city's fiscal year, the audit for the

year ended September 30, 2003 was not completed and issued until January 2005, 16 months after the end of the fiscal year. The City Administrator indicated there were several reasons for the delay in the audit's completion, including difficulties in the preparation of financial statements due to the city changing its basis of accounting.

The city should ensure its independent audits are completed on a timely basis to comply with its bond covenants, better enable city officials to ascertain the financial condition of the city, and to ensure the propriety and accuracy of financial transactions.

The city's annual financial statement audits since fiscal year 2003 have been completed timely as required.

WE RECOMMEND the City Council:

A. Ensure the city's published semiannual financial statements present all required financial information as provided by state law.

B. Submit annual financial reports to the State Auditor's Office on a timely basis as required by state law and regulations.

C. Ensure the city's independent financial statement audits are completed on a timely basis.

AUDITEE'S RESPONSE

A-C. The City concurs with the Auditor's recommendations.

7. Remittance of Taxes to Department of Revenue

The city incurred substantial interest and penalty charges as a result of not remitting certain taxes to the Missouri Department of Revenue (DOR) in a timely manner.

A. The city withholds state payroll withholding taxes for employees which are subsequently remitted to the DOR. The city failed to remit the required state employee withholding taxes timely for various months from January 2004 through July 2005. As a result of not remitting these withholding taxes timely, the city was required to pay the state approximately $30,000 in penalties and interest.

B. The city collects sales tax on water and electric sales billed to city utility customers. Because of the amount of sales taxes collected, the city is required to remit weekly estimated sales tax payments to the DOR. The city failed to remit the required estimated sales tax payments for various months from July 2004

through September 2005. As a result of not remitting these estimated sales tax payments as required, the city was assessed and paid to the state almost $9,500 in penalties.

Good business practices and state regulations require the city to make timely payments of employee tax withholdings and estimated sales tax collections to avoid unnecessary penalties and interest.

While the city was unable to determine the reason for these untimely payments, in fiscal year 2006, the city improved its procedures related to the timely remittance of employee withholding taxes and sales taxes to the state and no further penalty and interest charges were noted in that year.

WE RECOMMEND the City Council continue to ensure employee withholding taxes and estimated sales tax payments are remitted timely to the DOR to avoid paying unnecessary penalties and interest.

AUDITEE'S RESPONSE

The City concurs with the Auditor's recommendation.

8. Minutes and Ordinances

Improvement is needed in the procedures and documentation related to closed meetings of the council. In addition, the council minutes are not signed by the Mayor to attest to their accuracy and the salaries for officers and employees have not been established by ordinance as required.

A. The handling and documentation related to matters discussed by the council in closed session could be improved. The council's open session minutes will routinely indicate the vote to close a meeting; however, the specific reason to go into closed session is not always documented. In addition, the council discussed a matter unrelated to the specific reason(s) cited for going into that closed session. In that situation, a personnel matter was discussed in a closed session even though personnel was not cited as a reason for going into closed session in the regular council minutes. Further, votes taken in closed session are not subsequently disclosed in open session as required.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Also, the law requires certain votes taken in closed session to be disclosed in open session. The

minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

B. The council minutes are prepared and signed by the City Clerk; however, they are not signed by the Mayor. The minutes should be signed by the Mayor upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the council meetings.

C. Salaries for officers and employees have not been established by ordinance as required by Section 107.030 of the city's codified ordinances. While the city establishes a budget ordinance each year which reflects total salaries approved by department, salaries are not shown individually in the budget.

Compensation rates set by ordinance document the approved salary amounts to be paid and reduce potential misunderstandings regarding the amount of pay each city officer and employee is to receive. In addition, ordinance hearings provide for public input and information concerning the salaries paid.

WE RECOMMEND the City Council:

A. Ensure the reason(s) to close a session is documented in the open minutes and limit the discussions or business conducted in closed meetings to only those specific reasons cited to justify such a closed meeting. In addition, votes or decisions made in closed session should be properly reported in the open minutes when required.

B. Ensure council minutes are properly signed by the Mayor or some other official to attest to their accuracy.

C. Establish by ordinance the salaries or pay rates for all officials and employees.

AUDITEE'S RESPONSE

A&B. The City concurs with the Auditor's recommendations.

C. The City does not concur with the conclusion of the State Auditor that both City officials and employee's salaries should be adopted by ordinance with ordinance hearings. The City believes that by adoption via resolution of the pay plan for city employees, the necessary statutory requirements are met. However, the City will take into consideration the adoption of individual salaries by ordinance within the annual city budget.

9. Municipal Court and Related Matters

Municipal Court procedures related to segregation of duties, imposition of court costs and case dismissals, receipts, disbursements of court costs, and follow up on bonds held by

the court need improvement. The Police Department procedures related to traffic ticket accountability and bond receipt procedures also need improvement. The Municipal Court collects approximately $400,000 annually in fines and court costs.

A. The duties of receiving, recording, transmitting, and reconciling court receipts are not adequately segregated. The Court Clerk and one part-time clerk perform these duties. Although Finance Department officials compare the monies transmitted from the court to the court's computerized accounting system, the transmittals are not compared to the court's receipt ledger, the record of original entry.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and transmitting court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review and reconciliations of the recorded receipts to amounts transmitted to the Finance Department.

B. The amounts collected by the court do not always agree to the fine and cost schedule to be imposed for each offense. For example, instances were noted where the Municipal Judge ordered a fine amount different than the standard fine on the schedule. In these situations, the Municipal Judge indicated the fine and cost amounts to be paid on the case files, but did not initial or sign the case file to authorize these dispositions which differed from the fine and cost schedule. Also, for some offenses, the fine and cost schedule also does not agree with current court procedures. For example, the fine and cost schedule includes a reduced amount if the individual obtained valid license plates after the ticket was issued; however, the Court Clerk indicated this reduced charge is no longer being used. Further, the Court Clerk dismisses cases for failure to show proof of insurance if the defendant comes in before the court date and provides this documentation; however, these dismissals have not been approved by the Municipal Judge or Prosecuting Attorney.

   The fine and cost schedule established by the judge should agree with current court procedures. When case dispositions differ from the standard fine and cost schedule, the Municipal Judge should sign the case file to indicate authorization of the recorded dispositions. In addition, the Municipal Judge or Prosecuting Attorney should sign all dismissed case files.

C. The Municipal Court's controls and procedures related to receipts need improvement.

   1. The method of payment is not always noted on the receipt slip. As a result, the composition of receipt slips issued is not reconciled to the composition of amounts transmitted to the Finance Department. Court

personnel simply total the activity on the receipt ledger and agree the total to amounts transmitted.

The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders) and the composition should be reconciled to amounts transmitted to the Finance Department.

2. Monies received are not always transmitted to the Finance Department in a timely manner. Monies are normally collected by the court each business day, but transmittals are normally made only once a week. For example, a transmittal made on May 6, 2006, included five working days' receipts, totaling approximately $12,600, of which about $5,900 was cash.

   To adequately account for cash receipts and reduce the risk of loss or misuse of funds, monies should be transmitted on a timely basis, with the transmittals being more frequent if significant amounts of cash are collected.

D. The state's portion of the Police Officer Standards and Training Commission (POSTC) fees have not been remitted to the state since September 1999. From September 1999 to July 2006, the municipal court collected $11,098 in these fees which were turned over to the city and credited to the city's General Fund instead of being disbursed to the state in accordance with Section 488.5336, RSMo.

   It appears this situation has been allowed to continue because current officials in the city's Finance Office were unaware that a portion of the POSTC fees were supposed to be paid to the state and the court was not checking to ensure the appropriate fees were being remitted to the state, as required. The city disbursed these fees to the state in September 2006, after we brought this matter to the attention of city officials.

E. The municipal division has not implemented adequate procedures to follow up on bonds held for over one year. As of July 31, 2006, the municipal division was holding bond receipts for 51 cases totaling over $9,700, which have been held in excess of one year. Approximately half of these cases originated prior to 2003, with one case dating as far back as 1993. For several of these cases, the bond should have been refunded to the defendant because court costs had already been paid on the case.

   An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and the monies paid over to the city treasury as provided by Section 479.210, RSMo. For those bonds which relate to closed cases, Sections 447.500 through 447.595, RSMo, which relate to unclaimed property, should be used to disburse these monies.

F. The Police Department does not maintain adequate records to account for the numerical sequence for all traffic tickets issued. A listing is maintained for ticket books assigned to police officers, and a log is maintained which documents the ticket numbers issued, date issued, violator's name, charge, and court assignment. However, some ticket numbers assigned to officers were not listed on the ticket issuance log, and no one ensures all ticket numbers have been accounted for and listed on the log. One ticket we requested could not be located by the municipal court or the Police Department. In addition, the listing did not include all relevant or accurate information regarding the disposition of the ticket (i.e. that the ticket was voided or the court assignment).

Without a proper accounting of all traffic ticket numbers assigned and issued, neither the police department nor the court have adequate assurance that all tickets issued were forwarded to the court for processing.

G. The Police Department's controls and procedures related to bond receipts need improvement as follows:

1. The city has not established procedures to ensure all bond receipts received by the Police Department are properly transmitted to the court. Neither the court nor police officials independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Police Department employees who handle these monies.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. At a minimum, there should be an independent review of this activity to ensure all bond receipts are properly transmitted to the court.

2. The Police Department did not retain the bond receipt slips issued before November 2004. Retention of records is necessary to ensure the validity of transactions, provide an audit trail, and account for all monies received. In addition, Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

Court officials estimated the Police Department receives and transmits approximately one third of the bond receipts handled by the municipal court. Considering this, it is important the Police Department maintain adequate records and procedures related to these monies.

WE RECOMMEND the Municipal Court:

A. Adequately segregate the duties of receiving, recording, and transmitting court monies, to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, procedures for an adequate independent review of the recordkeeping functions should be established.

B. Ensure the amounts collected are in agreement with the fine and cost schedule established by the judge. If the amount collected differs from the fine and cost schedule, the Municipal Judge should sign the case to indicate authorization of the case disposition. In addition, the Municipal Judge or Prosecuting Attorney should initial or sign all dismissed cases.

C.1. Ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to transmittals.

2. Transmit monies to the Finance Department on a timely basis.

D. Work with the city to ensure the state's portion of POSTC fees is disbursed to the state periodically in accordance with the applicable statute.

E. Follow up on all bonds held for more than one year, and dispose of bonds in accordance with state law. In addition, procedures should be established to routinely follow up on cash bonds remaining on hand over a specified period of time.

F. Work with the Police Department to ensure records are maintained to account for the numerical sequence and disposition of all traffic tickets issued.

G. Work with the Police Department to:

1. Establish procedures to ensure all bond receipts received by the Police Department are properly transmitted to the court.

2. Ensure records are retained to provide assurance that all transactions are valid and proper and provide an adequate audit trail.

AUDITEE'S RESPONSE

A. The Municipal Judge concurs. However, unless the city can provide additional personnel for the court, the city will need to have its Finance Department conduct independent reviews of the court's financial activities.

B. The Municipal Judge and Court Clerk concur and indicated this recommendation has already been implemented.

The city's Prosecuting Attorney indicated that as our Municipal Judge and he understand the law, it is legally mandatory that any citation for failure to maintain insurance be dismissed if the offender provides the court with proof of insurance; thus, the clerk "dismisses" the case not as an act of discretion or independent judgment, but as a requirement of the law. However, he agrees that a superior practice, to provide a "paper trail", would be for him, as prosecutor, to initial or sign all dismissals.

C. *The Municipal Judge and Court Clerk concur and indicated these recommendations have already been implemented.*

D. *The Municipal Judge and Court Clerk concur.*

E. *The Municipal Judge and Court Clerk concur and indicated this recommendation has already been implemented.*

F-G. *The Municipal Judge indicated he does not believe these problems relate to the responsibilities of the court; however, if the city wants the court to be involved in improving these conditions, the court would cooperate to the extent practical.*

The city concurs with these audit recommendations and the City Administrator indicated they are in the process of being implemented by the police department.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF FARMINGTON, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Farmington is located in St. Francois County. The city was incorporated in 1836 and is currently a third-class city. The population of the city in 2000 was 13,924.

The city government consists of a mayor and eight-member city council. The council members are elected for 2-year terms. The mayor is elected for a four-year term, presides over the city council, and votes only in the case of a tie. The Mayor, City Council, and other officials during the year ended September 30, 2006, are identified below. The Mayor is paid $150 per month and City Council members $100 per month**.** The compensation of these officials is established by ordinance.

Mayor and City Council	Dates of Service During the Year Ended September 30, 2006
James H. Bullis, Interim Mayor (1)	August 2006 – September 2006
Charles Rorex, Mayor (1)	October 2005 – August 2006
L.J. Miller, Councilman (2)	April 2006 – September 2006
James Kellogg, Councilman (2)	October 2005 – April 2006
Larry Forsythe, Councilman	October 2005 – September 2006
Russell Straughan, Councilman	October 2005 – September 2006
David Coleman, Councilman (3)	April 2006 – September 2006
David Holman, Councilman (3)	October 2005 – April 2006
Darrel Holdman, Councilman (4)	April 2006 – September 2006
James H. Bullis, Councilman (4)	October 2005 – April 2006
Gloria Jean Roberts, Councilwoman	October 2005 – September 2006
Clarann Harrington, Councilwoman	October 2005 – September 2006
Ronald Perryman, Councilman (5)	April 2006 – September 2006
Preston Scott Semar, Councilman (5)	October 2005 – April 2006

Other Officials	Dates of Service During the Year Ended September 30, 2006	Compensation Paid for the Year Ended September 30, 2006
Gregory S. Beavers, City Administrator	October 2005 – September 2006	$ 71,309
Jeffrey Blue, Public Works Director (6)	October 2005 – August 2006	60,432
Michelle Daniel, Finance Director	October 2005 – September 2006	42,994
Paula Cartee, City Clerk	October 2005 – September 2006	35,635

Ronald Sheppard, Electric Superintendent	October 2005 – September 2006	58,448
Richard Baker, Police Chief	October 2005 – September 2006	52,000
Phillip Johnson, Fire Chief	October 2005 – September 2006	42,370
Murray Norman, Parks and Recreation Director	October 2005 – September 2006	43,531
Ernest William Towler, Civic Center Director	October 2005 – September 2006	59,842
Karen Roman, Library Director	October 2005 – September 2006	34,798
Edward M. Pultz, Municipal Judge	October 2005 – September 2006	13,655
Kevan Karraker, City Attorney (Prosecutor) *	October 2005 – September 2006	17,945
Susie Miller, Municipal Court Clerk	October 2005 – September 2006	34,896

* Elected position

Supplemental payments for leave are not included in the amounts above. During fiscal year 2006, employees could receive regular pay for unused vacation time over 80 hours accrued. This policy was discontinued beginning in fiscal year 2007. Employees who accrue more than the maximum accrual for sick leave (640 hours) are paid for half of their sick leave.

(1) Charles Rorex was recalled as Mayor in August 2006 pursuant to Sections 77.650 to 77.660, RSMo. During that month, James H. Bullis was appointed by the council to serve as Mayor until a new Mayor is elected in April 2007.
(2) L.J. Miller was elected Councilman in April 2006, replacing James Kellogg.
(3) David Coleman was elected Councilman in April 2006, replacing David Holman.
(4) Darrel Holdman was elected Councilman in April 2006, replacing James H. Bullis.
(5) Ronald Perryman was elected Councilman in April 2006, replacing Preston Scott Semar.
(6) Jeffrey Blue resigned as the Public Works Director in August 2006. The city is currently not planning to find a replacement for this position.

In addition to the officials identified above, the city employed 119 full-time employees and 65 part-time employees on September 30, 2006.

Assessed valuations and tax rates for 2006 and 2005 were as follows:

ASSESSED VALUATIONS		2006	2005
Real estate	$	118,488,220	113,275,630
Personal property		35,922,580	33,134,850
Railroad and utility		1,661,506	1,670,693
Total	$	156,072,306	148,081,173

TAX RATES PER $100 ASSESSED VALUATION

		Rate	Rate
General Fund	$	.4449	.4200
Debt service		.1179	.0600

TAX RATES PER $1 OF RETAIL SALES

		Rate
General	$	.0100
Capital improvement		.0050

The capital improvement sales tax will expire in 2014.

Susan Montee, CPA
Missouri State Auditor

March 2007

Riverview Gardens School District

Year Ended June 30, 2006

Report No. 2007-10

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee

March 2007

YELLOW SHEET

The following findings were included in our audit report on the Riverview Gardens School District.

The Riverview Gardens School District's financial condition has declined significantly in the past year and based on the amended fiscal year 2007 budget, is expected to further deteriorate. The operating funds balance at June 30, 2005 was $12.4 million and is projected to be only $1.6 million at June 30, 2007. School districts with an operating funds balance of less than three percent of the operating funds expenditures are considered "financially stressed" per state law. In addition, the district has been classified as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education, as the district has not met enough standards and indicators to be accredited.

During the four year, six month period ended December 31, 2006, the superintendent was apparently overpaid by approximately $158,400. From December 2004 to August 2006, the superintendent received 12 unauthorized salary advances and received various other salary amounts totaling $2,000 that were not approved by the board. In addition, the district paid interest totaling approximately $39,000 on the superintendent's personal loans against his insurance policies during the three years ended June 30, 2006. Also, car allowances paid to the superintendent exceeded the amount authorized by his employment contracts by $6,300 during the three year, six month period ended December 31, 2006.

The superintendent carried forward more vacation days than allowed by his contract and was paid $27,551 for 45 vacation days in June 2005 and $26,122 for 40 vacation days in February 2006. The payments were approved by the board president, but were not submitted to the full board for approval.

The district over funded the superintendent's annuity by $15,000 for the year ended June 30, 2006. In addition, the district paid approximately $42,500 more for the superintendent's insurance premiums than required by the contract and untaxed contributions to the superintendent's tax sheltered annuities appear to exceed limits established by the IRS.

Original budgets approved by the board were not accurate and complete, reasons for budget amendments were not clearly documented, and the district's final actual operating funds disbursements exceeded budgeted amounts by $5.7 million for the year ended June 30, 2006. The original budget for fiscal year 2007 underestimated disbursements and had to be amended for corrections in November 2006. Concerns regarding financial records and reporting include monthly financial reports being inaccurate, coding disbursements to whatever area had funds remaining in the budget, not posting checks on a timely basis, and in June 2006, knowingly issuing checks in excess of the accounts payable bank account balance.

(over)

There were numerous concerns regarding bidding and contracts. Several purchases were not competitively bid or competitive requests for proposals were not obtained, including: alternative education services, $2,020,188; custodial equipment and supplies, $410,743; classroom learning materials, $364,034; and educational software, $250,000 to name a few. Board minutes did not document the reasons for rejecting the lowest bid for a construction project, written contracts were not properly executed with some vendors and some contracts were not approved by the board. Additionally, requests for proposals were not adequately planned. On February 23, 2005, the board approved a $1.3 million contract for energy management services for three schools. Eleven days later, a change order for $736,000 was approved to add eight more buildings to the contract.

The district paid approximately $43,000 to a moving company owned by a board member's father and the district hired relatives of a board member and an administrator in violation of board policy. The district has not established adequate procedures for identifying related parties.

During the two years ended June 30, 2006, charges totaling approximately $240,000 were made on the district's credit cards. Receipts were missing for 42 of the 48 monthly credit card statements reviewed. Additionally, board members and the superintendent did not account for cash advances and did not return or account for unused funds. Also, some disbursements do not appear to be reasonable uses of public funds including: $7,000 for artwork and print framing for art in individual offices, $4,900 for lodging, meals, and refreshments for a two-day board retreat held in Hermann, Missouri and $1,180 for the superintendent's four subscriptions to a local theatre company. Finally, software training sessions totaling $41,625 were not supported by a written contract.

Payroll records and procedures are in need of improvement. The district has not developed a master staffing plan as part of the annual budget and does not have written job descriptions for some positions. Procedures for hiring employees, maintaining employment documentation and leave records, documenting and processing employee terminations, and monitoring and controlling overtime need improvement. Payroll calculations are not reviewed to ensure they are correct. As a result, there were several overpayments made to terminated employees. Salaried employees are paid in advance of the time worked and are not required to prepare time sheets. In addition, car allowances paid to the Director of Facilities and the Director of Safety and Security/Residency and Enrollment were not approved by the School Board.

Receipt and disbursement controls and procedures need improvement. The list of checks presented to the board each month is not complete and several checks are issued to vendors prior to or without board approval. Invoices are not adequately reviewed which resulted in several duplicate payments. Receipts are not deposited on a timely basis and receipt records prepared at various collection points are not reconciled to deposits. Some monies were withheld from deposits and used as petty cash and change funds and some petty cash funds are excessive and not properly maintained.

Also included in the report are recommendations related to capital improvements and property purchases, cellular phones, capital assets, board meeting minutes, and the need for internal audits.

All reports are available on our website: www.auditor.mo.gov

RIVERVIEW GARDENS SCHOOL DISTRICT

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
The Board of Education
Riverview Gardens School District

The State Auditor was requested by the Honorable Matt Blunt, Governor, under Section 26.060, RSMo, to audit the Riverview Gardens School District. Significant concerns had been expressed by taxpayers. The school board engaged Schowalter and Jabouri, P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the years ended June 30, 2006 and 2005. The audit report for the year ended June 30, 2006 has not been completed. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended June 30, 2005. The scope of our audit of the school district included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate taxpayer concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the school district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of taxpayer concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by January 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in the audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Riverview Gardens School District.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA, CIA, CGFM
In-Charge Auditor:	Cheryl L. Colter, CPA, CGFM, CIA, CFE
Audit Staff:	Chris Vetter

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

RIVERVIEW GARDENS SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Condition

The district's financial condition has declined significantly in the past year and based on the fiscal year 2007 budget, amended in November 2006, is expected to further deteriorate. The operating funds balance at June 30, 2005 was $12.4 million and is projected to be only $1.6 million at June 30, 2007. This is 1.5 percent of the total budgeted operating funds expenditures of $107.1 million for the year ended June 30, 2007.

A school district with an operating funds balance of less than three percent of the operating funds expenditures is considered to be "financially stressed" per Section 161.520, RSMo.

The following table depicts original and amended budget and actual unaudited fiscal year 2006 financial information for the operating funds, as well as the original and amended operating funds budget for fiscal year 2007.

		Original Budget Fiscal Year 2006	Amended Budget Fiscal Year 2006	Actual Unaudited Fiscal Year 2006	Original Budget Fiscal Year 2007	Amended Budget Fiscal Year 2007
Beginning Fund Balance*	$	8,192,242	8,192,242	12,447,649	4,453,512	6,029,901
Receipts		100,439,392	100,109,104	99,887,106	101,565,622	102,723,338
Disbursements		101,995,935	100,580,446	106,304,854	102,224,610	107,130,175
Ending Fund Balance	$	6,635,699	7,720,900	6,029,901	3,794,524	1,623,064

* The beginning fund balance estimates were prepared before the fiscal year began and did not include all operating funds in each year.

As noted in Management Advisory Report (MAR) 2, the district expenditures in fiscal year 2006 were greater than originally planned due to the purchase and remodeling of properties. In addition, several problems were noted with amendments to the 2006 budget and the original budget for fiscal year 2007 was not accurate and had to be amended. Accurate and complete budget to actual reports are necessary for the school board to properly monitor the district's financial condition.

The district does not have a long-term financial plan. Although the budget process provides annual financial planning, the school board needs to plan for the long term to ensure the district can stabilize or increase the fund balance.

In addition, the Riverview Gardens School District has been classified under the Missouri School Improvement Program (MSIP) as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education. A provisionally accredited district has not met enough of the MSIP standards and indicators to be accredited. To help improve the district's accreditation, the school board must take responsibility to ensure the district's financial condition is secure to provide needed resources to improve the district. The school board should ensure policies, procedures, and records are in place to address the areas of concern included in this report that may also have contributed to the financial decline at the district including inadequate financial reporting (MAR 2), overpayments to the superintendent (MAR 3), not obtaining bids, proposals, and appraisals for many purchases (MARs 4, 5, and 9), inappropriate purchases and travel expenses (MAR 6), the lack of a master staffing plan (MAR 7), incorrect payroll calculations (MAR 8), and the lack of a long-term capital improvement plan (MAR 9).

While reductions in expenditures appear necessary, the district's financial condition can also be improved with more effective management practices and more effective controls and procedures. Various needed improvements are discussed throughout this report.

WE RECOMMEND the School Board closely monitor and take appropriate action to ensure the long-term stability of the district's financial condition. The School Board should implement the various recommendations throughout this report to help in improving the financial condition of the district.

AUDITEE'S RESPONSE

The School Board agrees to closely monitor and take appropriate action to ensure the long-term stability of the district's financial condition. The School Board will implement the various recommendations as outlined in their responses to this report to help in improving the financial condition of the district.

2. Budgets and Financial Monitoring

Problems were noted concerning the district's budgetary process. In addition, concerns were noted regarding financial records and reporting including inaccurate coding of disbursements, incomplete financial statements, untimely posting of checks, and checks issued in excess of a bank account balance.

A. Problems were noted with the district's budgets and budgetary process. The original budgets approved by the board were not accurate and complete. The first three amendments to the fiscal year 2006 operating budgets increased receipts and disbursements by $1.4 million and $3.2 million, respectively, while the fourth

budget amendment decreased the operating receipts and disbursements by $1.7 million and $4.6 million, respectively. The reason for the final budget amendment was not clearly documented and the district's final actual operating funds disbursements exceeded the budgeted amounts by $5.7 million for the year. Some of the overspending was for the items that were addressed in the first three budget amendments. In addition, overspending was caused by unbudgeted transfers to the Capital Projects Fund and transfers to the Teachers Fund exceeded the original budget.

The original budget for fiscal year 2007 underestimated disbursements and had to be amended in November 2006. District personnel could not support the revenue estimates provided by the former Chief Financial Officer. In addition, payroll and fringe benefits were underestimated because the salary scales were not approved by the board until late June.

It is difficult for the district to accurately budget personnel costs due to the lack of a master staffing plan and the ability to add employee positions without amending the budget (see MAR 7) and the lack of a bus driver contract before the beginning of the fiscal year. In addition, budget amendments were not adequately supported and they were not posted on a timely basis to the district's accounting records. The three amendments to the 2006 budget were approved in August and October 2005 and January 2006 but were not posted to the records until April 2006.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the disbursement limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides that no disbursement of public monies shall be made unless it is authorized in the budget. Accurate and complete budgets are needed to provide the school board with the information needed to adequately plan and monitor the financial condition of the district as mentioned in MAR 1.

B. The district is apparently not coding disbursements properly. Accounting codes are used to help track disbursements by budget area including fund and object code and report the disbursements on the Annual Secretary of the Board Report (ASBR) to the Department of Elementary and Secondary Education (DESE). Several disbursements reviewed appeared to be coded to incorrect accounting codes. For example, equipment and local meal purchases were recorded as supplies, payments to a local consultant were recorded as professional development travel, some percussion courses were recorded as supplies for the superintendent, some travel expenses for the superintendent were recorded as supplies or board training, some board training was recorded as administrator training, and some athletic apparel purchases were paid from the Activities Fund gate receipts, instead of the Incidental Fund. It appears disbursements were coded to whatever area had funds remaining in the budget.

Improper coding of transactions causes the actual disbursement information for the various accounts to be inaccurate. As a result, the actual account balances are unknown and cannot be accurately compared to the budgets and the board cannot effectively monitor the district's financial condition. In addition, the ASBR submitted to the DESE and other required reports to the state and federal governments may be inaccurate.

To establish consistency and accountability among school districts, the DESE provides districts with financial recording guidelines in the *Missouri Financial Accounting Manual*. The DESE has established account codes to track revenues, disbursements, and other transactions. The DESE account code structure is designed as a means of efficient recordkeeping, as well as a basic management tool. It also allows comparability of financial transactions among districts. Without consistent adherence to the DESE account code guidelines, the district's financial reports do not properly reflect the financial transactions of the district.

C. Monies held in some district bank accounts are not recorded in the district's monthly financial statements. At June 30, 2006, two bank accounts with balances totaling approximately $977,000 were not included in the district's financial statements. The accounts contain monies held in trust to make some of the district's bond payments. The Senior Accountant indicated these monies are not normally recorded in the district's financial statements until they are audited by the district's independent audit firm. As a result, the district's financial statements are not complete until the audit adjustments have been recorded.

All district receipts, disbursements, and cash balances should be recorded in the district's financial statements on a timely basis to ensure the school board has complete and accurate financial information to make informed decisions about district operations.

D. The district's monthly financial statements are not adequately reviewed and reconciled to the district's bank reconciliations and the board was not receiving adequate reports to ensure the information was accurate. In September 2005, an adjusting journal entry was made adding $7.2 million to the cash balance of the Capital Improvement Fund. The district carried this balance on the monthly reports until September 2006 when we brought it to their attention. The district could not determine why this entry was made. As a result, the district's cash and fund balances were overstated for approximately a year.

The district's monthly financial statements should be thoroughly reviewed and reconciled to the district's bank reconciliations on a monthly basis to ensure errors will be detected and corrected on a timely basis. In addition, these financial statements should be submitted to the school board for their review.

E. Some payroll checks issued prior to the normal semi-monthly payroll cycle to the superintendent were not posted to the accounting records accurately and timely.

For example, a payroll check for $3,987 issued on June 20, 2006, was posted to the accounting system as issued on August 18, 2006. Although the omission was detected in July, when the June bank reconciliation was prepared, the transaction was not recorded until August. Since the check issue date was posted incorrectly, the payment was recorded in the new fiscal year instead of the previous fiscal year and it was not clear that a payroll advance had been given (See MAR 3.)

The School Board should review monthly bank reconciliations and financial reports to ensure all transactions are recorded in the accounting system timely and accurately and all discrepancies are properly resolved on a timely basis.

F. The district knowingly issued checks in excess of the accounts payable bank account balance in June 2006. This account is used for all disbursements except payroll and bond payments. The account balance is monitored online on a daily basis, and the amount of outstanding checks is considered when accounts payable checks are issued. At June 30, 2006, the outstanding checks totaled $895,092, while the available bank balance, including deposits in transit, totaled only $831,474, resulting in a negative balance of $63,618. As a result, the district was at risk of incurring fees for issuing non-sufficient funds checks.

To ensure the district does not incur unnecessary fees, the district should refrain from issuing checks in excess of the bank account balance.

WE RECOMMEND the School Board:

A. Ensure budgets are accurate and complete, budget amendments are made prior to incurring the disbursement, and budget amendments are adequately supported and are posted to the district's accounting records on a timely basis.

B. Establish procedures to ensure disbursements are coded to the proper accounting codes.

C. Ensure all district monies are reported in the district's financial statements.

D. Ensure bank reconciliations are complete and adequately reviewed.

E. Review monthly bank reconciliations and financial reports to ensure all transactions are recorded in the accounting system timely and accurately and all discrepancies are properly resolved on a timely basis.

F. Refrain from issuing checks in excess of the bank account balance.

AUDITEE'S RESPONSE

A. The School Board believes that in hiring the new chief financial officer, they have taken the first step in complying with this recommendation. He has addressed this issue and implemented the recommendation.

B-F. The District has implemented these recommendations.

3. Superintendent's Salary and Benefits

Procedures for monitoring compliance with the superintendent's employment contract are in need of improvement. The superintendent has received salary advances and various payments and benefits that were not authorized by his employment contract, or which exceeded the contractual limits, but were not documented as approved by the board. Most of the superintendent's leave usage was not reported in the district's records and sick leave benefits are not clearly explained in the employment contract. Untaxed contributions to the superintendent's tax sheltered annuities appear to exceed Internal Revenue Service (IRS) limits and the timing of the annuity payments should be revised to achieve a better matching of benefits earned and paid. In addition, the superintendent's car allowance does not appear reasonable and the district did not provide the superintendent with the term life insurance coverage stated in his contract.

The superintendent's approved salary was $160,000, $150,000, $150,000 and $135,000 for the years ended June, 30, 2006, 2005, 2004, and 2003, respectively. His contract indicates he is to receive 25 paid sick days, in advance, to be utilized during the year and 25 vacation days per year, no more than 15 of which may be carried over to the following year, unless approved by the board. In addition to the district's standard benefit package, the contract also provides for a car allowance of $550 per month, an annual $15,000 (increased to $25,000 in March 2006) contribution to a tax sheltered annuity or insurance plan, $150,000 of term life insurance, and up to $3,000 per year for other insurance at the discretion of the superintendent. During the four years ended June 30, 2006, plus the six months ended December 31, 2006, the superintendent was apparently overpaid by approximately $158,400.

A. Disbursements related to the superintendent's employment contract included the following loans and overpayments to the superintendent:

1. From December 2004 to August 2006, the superintendent received 12 unauthorized salary advances. The advances were reimbursed by forgoing subsequent salary payments; however, in three instances, the advances were not reimbursed for over 100 days after they were received. The last advance was received July 5, 2006 and reimbursed October 20, 2006 (107 days). In addition, during the four years ended June 30, 2006, the superintendent received additional salary amounts totaling approximately

$2,000. Some required withholdings were not deducted and other adjustments were made. These were not specifically authorized by his employment contract or the school board.

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2. The district paid interest totaling approximately $39,000 on the superintendent's personal loans against his insurance policies during the three years ended June 30, 2006. The premium notices for the superintendent's discretionary insurance benefits included both the premiums and interest charges on the superintendent's loans against the policies.

3. Car allowances paid to the superintendent exceeded the amount authorized by his employment contracts by $5,400 during the three years ended June 30, 2006, and an additional $900 for the six months ended December 31, 2006. From July 2002 to February 2006, the superintendent was paid a $550 per month car allowance as indicated on his signed employment contract for the four years ended June 30, 2006. In February 2006, the Assistant to the Superintendent provided a memo to the Payroll Specialist indicating the car allowance should have been $700 per month and requested the $700 rate be applied retroactive to July 2003. The memo was accompanied by a copy of a page supposedly from the superintendent's contract showing the $700 car allowance rate; however, the actual contract signed by the superintendent indicates the car allowance was $550. Based on the memo, the superintendent received the retroactive payments requested and was paid $700 per month for the car allowance from that time forward.

   A new contract approved by the school board in March 2006, also indicates the car allowance rate is $550 per month. However, two board members modified the contract in May 2006 to change the car allowance to $700 per month and the term life insurance coverage to $160,000. The board meeting minutes do not indicate the changes were authorized. As a result, the car allowance rate should have remained at $550 per month, and the term life insurance coverage at $150,000.

Salary advances and payment of the superintendent's personal financial obligations represent loans and grants of public funds, and as such, are prohibited by the Missouri Constitution. Article VI, Sections 23 and 25 of the Missouri Constitution prohibit the loaning or granting of public funds to individuals. In addition, all compensation paid to the superintendent should be based on a signed contract approved by the school board. The Board should recoup overpayments made to the superintendent and interest payments made on his behalf, and ensure all future payments comply with contract terms. In addition, all modifications to the superintendent's contract should be approved by the school board and documented in the board meeting minutes.

B. Procedures for administering the superintendent's leave benefits are in need of improvement.

1. The superintendent carried forward more vacation days than his contract allowed. At the end of the 2003-2004 school year, the superintendent carried forward 25 more vacation days than allowed by his contract. At the end of the 2004-2005 school year, he carried forward 5 more vacation days than allowed by his contract. The board meeting minutes do not indicate the excess accumulations were authorized by the board.

   The School Board should establish procedures to ensure the superintendent's accumulated vacation balance complies with his contract, unless exceptions are approved by the board and are documented in the board meeting minutes. In addition, the Board should consider deducting 30 days from the superintendent's current vacation balance to correct unauthorized excess balances carried forward from prior years. If this is done, it will leave the superintendent with a negative vacation balance of one and one-half days as of September 30, 2006.

2. The superintendent was paid for unused vacation days without the approval of the board. The superintendent was paid $27,551 for 45 vacation days in June 2005 and $26,122 for 40 vacation days in February 2006. The payments were approved by the board president, but were not submitted to the full board for approval.

   The superintendent's employment contract limits the number of vacation days that may be carried forward each year and does not authorize the superintendent to be paid for unused vacation days. Any payment to the superintendent for unused vacation days should be subject to the approval of the board and documented in the board minutes.

3. Most of the superintendent's leave usage was not recorded in the district's leave records. At September 30, 2006, the district's leave records indicated the superintendent had used no vacation days and only one sick day since the inception of his employment contract. At our request, the superintendent prepared a list of his leave usage since the inception of his district employment. He identified one and one-half vacation days and fourteen sick days, including four personal days, that had been used, but had not been recorded in the district's leave records. On October 5, 2006, the district's leave records were updated to record the additional leave usage.

   It appears the leave usage was not recorded in the district's leave records because the superintendent did not properly report his absences, as required by district policy. The School Board should periodically review

the district's leave records to ensure the superintendent's leave usage is recorded in accordance with district policy.

4. The superintendent's employment contract does not indicate whether his sick leave can be accumulated and paid upon termination. The contract only states that paid sick days are to be utilized during the year. District policy allows some district employees to accumulate sick leave up to a specified maximum and sell it back to the district upon termination if certain conditions are met. At June 30, 2006 the superintendent's sick leave balance was 99 days.

   To avoid confusion, the superintendent's contract should clearly state whether sick leave may be accumulated, whether it may be paid upon termination, and if so, the formula for calculating the payment.

C. There were several concerns regarding the annuity and insurance payments made for the superintendent.

1. The district over funded the superintendent's annuity by $15,000 for the year ended June 30, 2006. The superintendent's contract amended in March 2006 indicated the annuity payment increased from $15,000 to $25,000 per year. The district, however, paid a total of $40,000 to the annuity for the year.

2. The district paid more than required for the superintendent's insurance premiums. As indicated above, the superintendent's contract authorized payments of $3,000 per year for insurance premiums at the discretion of the superintendent. However, the district paid premiums totaling approximately $45,000 for this additional insurance during the four years ended June 30, 2006 and approximately $12,500 during the six months ended December 31, 2006. As a result, the district paid approximately $42,500 more than required by the contract. In addition, these payments were not reported as compensation on the superintendent's IRS Form W-2.

The School Board should establish procedures to ensure benefit payments for the superintendent do not exceed the limits documented in his employment contract and should recoup all overpayments.

3. Untaxed contributions to the superintendent's tax sheltered annuities appear to exceed the annual addition limits and elective deferral limits established by the IRS. During the year ended December 31, 2005, the superintendent contributed $23,850 of untaxed vacation pay to his tax sheltered annuity and the district provided untaxed contributions totaling $45,000. During the year ended December 31, 2006, the superintendent contributed $22,000 of untaxed vacation pay and the district provided

untaxed contributions totaling $50,000. These amounts exceed limitations established by IRS Publication 571

The School Board should establish procedures to ensure untaxed contributions to the superintendent's annuities do not exceed IRS limits.

4. The superintendent's contract requires annual payments to the superintendent's tax sheltered annuity. The $25,000 annual payment for the 2006-2007 school year was paid in July 2006. As a result, the benefit was provided before most of the service was received.

   To achieve a better matching of benefits earned with benefits paid, contributions to the superintendent's tax sheltered annuity should be made each pay period.

D. The $550 monthly car allowance included in the superintendent's contract does not appear reasonable. Per the contract, the car allowance is for mileage within the district (12 square miles). At the district mileage rate of $ .365 per mile, the superintendent would have to drive 1,507 miles per month or more than 72 miles per day to earn a $550 reimbursement.

   The School Board should set the superintendent's car allowance at a reasonable rate, based on the estimated number of miles driven within the district.

E. The district did not provide the superintendent with the amount of term life insurance required by his contract. In October 2006, the district was providing $32,500 of term life insurance for the superintendent.

   As indicated above, the superintendent's employment contract states he is to be provided $150,000 of term life insurance.

WE RECOMMEND the School Board:

A. Discontinue the practice of issuing salary advances, recoup overpayments made to the superintendent and interest payments made on his behalf, and ensure all future compensation complies with the superintendent's signed employment contract. In addition, all modifications to the contract should be approved by the board and documented in the board meeting minutes.

B.1. Establish procedures to ensure the superintendent's accumulated vacation balance complies with his contract, unless exceptions are approved by the board. All exceptions authorized by the board should be documented in the board meeting minutes. In addition, the School Board should deduct 30 days from the superintendent's current vacation balance to correct unauthorized excess balances carried forward from prior years.

2. Require board approval prior to paying the superintendent for unused vacation days. Approval of any such payments should be documented in the board meeting minutes.

3. Periodically review the district's leave records to ensure the superintendent's leave usage is recorded in accordance with district policy.

4. Amend the superintendent's employment contract to clearly state whether sick leave may be accumulated, whether it may be paid upon termination, and if so, the formula for calculating the payment.

C.1 &2. Establish procedures to ensure benefit payments for the superintendent do not exceed the limits documented in his employment contract. In addition, the School Board should recoup all benefit overpayments. All taxable compensation should be reported properly to the IRS.

3. Establish procedures to ensure untaxed contributions to the superintendent's annuities do not exceed IRS limits.

4. Amend the superintendent's contract to require future tax sheltered annuity payments to be made each pay period.

D. Set the superintendent's car allowance at a reasonable rate, based on the estimated number of miles driven within the district.

E. Establish procedures to ensure the superintendent is provided the amount of term life insurance indicated in his employment contract.

AUDITEE'S RESPONSE

A. The District has stopped making salary advances to any employees, including the superintendent, and agrees to ensure that all future compensation complies with the superintendent's signed employment contract. The Board agrees that all modifications to the contract should be approved by the board and documented in the board meeting minutes. The District has recouped all salary advances made to the superintendent as of December 31, 2006. The Board will meet immediately following the public release of the audit to address additional responses to this recommendation with regard to the payment of interest payments and overpayment of salary.

B.1. The Board of Education agrees to ensure the superintendent's accumulated vacation balance complies with his contract, unless exceptions are approved by the board. Any exceptions will be authorized by the board and be documented in board meeting minutes. The Board has directed that thirty (30) days be deducted from the superintendent's

current vacation balance to correct unauthorized excess balances carried forward from prior years.

B.2. *The School Board has implemented this recommendation. Any payments for unused vacation days will be authorized by the Board of Education and documented in the board meeting minutes.*

B.3. *The School Board has implemented this recommendation. The School Board has directed the superintendent to call all board members, the chief financial officer and human resources director via an "all call" so that the superintendent's leave is recorded accurately and in compliance with district policy.*

B.4. *The Board has implemented this recommendation by clarifying that the superintendent is to follow the same policy and procedure set forth for all district administrators concerning sick leave accumulation and pay upon termination.*

C.1 &2. *The School Board has established procedures to ensure benefit payments for the superintendent do not exceed the limits documented in his employment contract and has reported all taxable compensation to the IRS. The Board will meet immediately following the public release of the audit to address additional responses to this recommendation with regard to the benefit overpayments.*

C.3. *The School Board has implemented this recommendation.*

C.4. *The School Board has directed the chief financial officer to arrange with the superintendent's annuity company to pay a pro rated amount per pay period rather than one lump sum each year.*

D. *The School Board plans to implement this recommendation upon executing the next contract with the district's superintendent.*

E. *The School Board will address this issue immediately following the public release of the audit.*

4. Procurement of Technology Equipment and Services

The district paid a vendor approximately $1.5 million for Internet and wireless access, network maintenance, and technology support and equipment during the two years ended June 30, 2006. Concerns were noted regarding how this vendor was selected for various services and the lack of approved contracts with this vendor.

The district has used this vendor for over 10 years. Bids or proposals have not been solicited for technology support or equipment. Prior to 2006, the vendor submitted the only proposals for Internet and wireless access service and network maintenance. These

services are a part of the e-rate program which is a cooperative purchasing program with the federal government and vendors to provide discounted rates to participating school districts. In January 2004, the previous Director of Research and Evaluation signed contracts with this vendor for network maintenance services through June 2007. These contracts were not signed by the school board.

During 2005, problems were noted concerning this vendor including charging the district $1,993 for a refurbished switch the vendor had purchased over the Internet for $199 and overcharging the district by $14,000 by installing smaller server cabinets than those listed on the invoice. It appears that because of these problems, the previous Director of Research and Evaluation requested new proposals for network maintenance services in January 2006. The vendor and another company both submitted proposals. The previous Director of Research and Evaluation evaluated the two proposals using the e-rate criteria and format and determined that the second company's proposal was the best, and entered into a written contract with the second company. This contract was also not submitted to or approved by the board; however, as discussed in MAR 5, many contracts were not approved by the board. A total of $6,800 was paid to this company for services.

In March 2006, the board approved amendments to the contracts with the original vendor to address some of the problems noted. In addition, the $14,000 overpayment was refunded to the district. The school board did not honor the contract with the second company signed by the previous Director of Research and Evaluation.

To ensure the district is getting the best possible goods and services at the best price, proposals or bids should be requested for all computer services and equipment and all proposals and bids should be submitted to the school board along with documented evaluations of the bids or proposals. The Board should enter into written contracts with all service and equipment providers detailing the responsibilities of each party involved, any specific requirements and responsibilities, such as expecting all goods purchased to be new, and to provide protection to all parties. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing.

WE RECOMMEND the School Board request bids or proposals for all computer services and equipment. All proposals and evaluation documentation should be submitted to the board for their decision. The Board should enter into written contracts with all service and equipment providers detailing the responsibilities of each party involved. In addition, the contracts should contain the district's specific requirements for the equipment and services to be provided.

AUDITEE'S RESPONSE

The School Board has implemented this recommendation by receiving proposals for the 2007/2008 school year through the e-rate process, which were presented to the Board for their decision prior to submitting to the federal government for approval.

5. Bidding and Contracts

Competitive bids or competitive requests for proposals were not obtained for several purchases and the board meeting minutes did not document the reasons for rejecting the lowest bid for a construction project. In addition, the district did business with a company which gave the appearance of a conflict of interest. The business office does not review compliance with the district's bidding policy and contractual terms prior to paying invoices. Written contracts were not obtained from some vendors and some contracts were not approved by the board, as required by board policy. The district issued requests for proposals that were not thorough or adequately planned and contract amendments and change orders were not properly documented and approved by the board.

A. Several purchases were not competitively bid or competitive requests for proposals were not obtained. The district's bidding policy only requires competitive bidding for construction of facilities that are projected to exceed $15,000, insurance contracts, and bank depository services, as required by state law. In addition, the Facilities Department has an informal policy of soliciting bids or requesting proposals for projects that are expected to exceed $25,000. The district's current bidding procedures could be made more effective by formally adopting a more comprehensive policy. The following are examples of purchases during the two years ended June 30, 2006, for which the district did not follow a competitive bid process or request competitive proposals:

Item	Cost
Alternative education services	$ 2,020,188
Custodial equipment and supplies	410,743
School renovations at various locations	343,557
Educational software	250,000
Asphalt paving	191,588
Construction management services for the multipurpose building	181,026
Maintenance services for heating, ventilation, and air conditioning systems	137,538
Audit services	81,464
Church property renovations	79,253
Professional development services for high school personnel	46,375
Software training sessions	41,625
Security guard services for middle schools	24,800

In each example above, the district indicated they only obtained a proposal from one vendor and no other vendors were considered.

In addition, during the 06-07 school year, the district did not request competitive proposals for classroom learning material purchases totaling $364,034.

Competitive bidding helps ensure the school district receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the district's business.

A more comprehensive policy would require bidding or competitive requests for proposals and would identify specific procedures that are required for all types of disbursements. Bids could be handled by telephone quotation, sealed bids, or advertised sealed bids. Different approaches may be appropriate depending on the dollar amount of the purchase. Written documentation of bids also provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

B. Board meeting minutes did not document the reasons for rejecting the lowest bid for a construction project. The board received two bids for the construction of a new building at the high school. In October 2004, the board accepted the higher bid of $1,574,000, which was $135,000 more than the lower bid. Although the original contract amount was lowered, it still exceeded the lower bid and was then not sufficient to cover the total cost, as discussed in G below.

Bidding procedures for major purchases provide a framework for economical management of district resources and help assure the board that it receives fair value by contracting with the lowest and best bidders. If other than the lowest bid is selected, the reasons should be adequately documented.

C. The district paid approximately $43,000 to a moving company owned by a board member's father during the year ended June 30, 2006. The district requested bids from two vendors for a portion of this work, but only one vendor responded. Board minutes do not indicate that the related board member abstained from votes approving payments to the related party business.

To help prevent conflicts of interest or the appearance of conflict of interest, the district should obtain competitive bids. In addition, board members should abstain from votes to approve payments to related parties.

D. The business office does not always review for compliance with the district's bidding policy and contractual terms prior to paying invoices. Bids are solicited and contracts are signed by the various departments which are then responsible for maintaining bid and contractual documentation and ensuring invoices comply with contract terms. Copies of the bids and contracts are not provided to the business office for review prior to paying invoices. As a result, the district has no

assurance that the bidding policy and contractual terms are being enforced. The Board should ensure that the business office compare invoices to bids and contractual terms prior to paying invoices to ensure the district's bid policy is enforced, payments comply with contractual terms, and amounts paid for goods and services are reasonable. If business office personnel had compared invoices to contractual terms, the conditions at E, F, and G. below may have been detected and corrected on a timely basis.

E. Written contracts were not properly executed with some vendors used by the district. Examples of services purchased without written contracts during the two years ended June 30, 2006, include the following:

Services		Cost
Maintenance services	$	137,538
Software training sessions		41,625

The board approved payments to some of these vendors for over a year without having a written contract. Additionally, the invoices were not always detailed and some were not located (see MAR 6.)

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. The written agreements should be prepared and signed before services are rendered.

F. Some contracts were not approved by the board. Examples of contracts that were not approved by the board during the two years ended June 30, 2006, include:

Contract		Contract Amount
Alternative education services	$	2,020,188
School renovations		343,557
Security services		24,800
Moving services		18,357

Board policy DJF explicitly states no contract will be made without an affirmative vote from a majority of the whole board. The policy does not authorize anyone other than the board to approve contracts. To improve efficiency, the board should consider modifying the policy to establish a dollar limit for contracts requiring board approval and guidelines for approving contracts below the limit. All contracts exceeding the established limit should be approved by the majority of the board and included in the board minutes to document compliance with board policy.

G. The district issued requests for proposals that were not thorough or adequately planned and contract amendments and change orders for various projects were not properly documented and approved by the board. Numerous projects required change orders or contract amendments because the district omitted services from the original requests for proposals. Examples of projects for which change orders or contract amendments were necessary due to inadequate planning and/or the change orders were not documented and approved by the board during the two years ended June 30, 2006, are as follows:

Project	Original Contract Amount	Amount Disbursed
Energy management	$ 1,296,795	2,407,702
Construction of multipurpose building	1,558,400	1,680,144
Moving services	18,357	29,605
Asphalt paving at Gibson Elementary School	24,335	26,470
Asphalt paving at Glasgow Elementary School	22,885	23,970
Asphalt paving at Central Middle School	17,385	18,470

On February 23, 2005, the board approved a $1,296,795 contract with the energy management vendor to install and monitor energy management equipment for the high school, Central Middle School, and Moline Elementary. Eleven days later, a change order for $736,600, was approved by the board to add the Danforth, Gibson, Glasgow, Lemasters, Meadows, and Highland schools and the administration and transportation buildings to the contract. In total, there were five change orders to this contract that increased the amount paid to $2,407,702.

There were three change orders totaling $121,744 for various modifications regarding the construction of the multipurpose building. The change orders were not approved by the board.

The moving service vendor originally submitted a bid of $15,000, but the bid did not include all services required by the request for proposal. Five days after the bid submission deadline, the vendor submitted an addendum which included more of the services required and increased the bid by $3,357 (23 percent). The proposal listed three weeks of work. After the work was completed, the company performed moving services for an additional two weeks costing an additional $11,248.

Additional services were solicited from the paving vendor, but the contracts were not amended.

During the two years ended June 30, 2006, the district's lawn care vendor was paid $4,142 for work performed at the Danforth Intermediate Academy and Westview Middle School. The district acquired the properties after the original lawn care contract went into effect in April 2003; however, the contract was not amended to authorize the additional work.

The district should thoroughly plan all projects and review requests for proposals for completeness to minimize the need for change orders. The district should also obtain contract amendments or change orders for all significant changes to contracts to ensure any additional disbursements represent valid and appropriate costs to the district. If the scope of a project changes substantially, consideration should be given to rebidding the project. Board approval of the contract amendments and change orders should be documented in the board meeting minutes.

WE RECOMMEND the School Board:

A. Adopt a more comprehensive bid policy which requires bidding and establishes bidding guidelines for other types of disbursements. Such bid polices should include criteria on how bids are to be solicited and when formal advertising should be used. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of these circumstances.

B. Maintain complete documentation for all bids received, including reasons for accepting other than the lowest bid.

C. Obtain competitive bids prior to contracting with possible related parties and ensure board members abstain from voting to approve payments to related parties.

D. Require the business office to review compliance with bid and contract terms prior to paying invoices.

E. Ensure formal written agreements are prepared for services rendered or obtained. The agreements should be prepared and signed before services are rendered.

F. Establish a dollar limit for contracts requiring board approval and guidelines for approving contracts below the limit. The School Board should ensure all contracts exceeding the established limit are approved by the majority of the board and included in the board meeting minutes to document compliance with board policy.

G. Plan all projects more thoroughly and review requests for proposals for completeness to minimize the need for change orders. In addition, the School Board should obtain contract amendments or change orders for all significant changes to contracts and consider rebidding projects that change substantially in

scope. Approval of contract amendments and change orders should be documented in the board meeting minutes.

AUDITEE'S RESPONSES

A,B, D,E, &F. The District will draft a procurement handbook to be approved by the Board of Education to go into effect July 1, 2007 which will address these recommendations.

C. The School Board agrees that it is important to avoid conflicts and appearances of conflicts and will immediately implement this recommendation.

G. The district has implemented this recommendation.

6. Disbursements

Several problems were noted concerning disbursements. The Business Office Procedures Manual has not been approved by the school board. In addition, credit card payment procedures are lacking, cash advances are not substantiated, supporting documentation was not retained for some disbursements, and some invoices did not contain sufficient detail. Several disbursements did not appear reasonable and necessary. Policies need to be established to limit local food and beverage purchases and out of state travel. Invoices are not adequately reviewed for mathematical accuracy, some invoices have been paid twice, and expense accounts are not compared to the district's credit card bills to prevent overpayment.

A. The school board has not approved the Business Office Procedures Manual. The manual includes guidelines for preparing and submitting purchasing, payment, and budget transfer documents, explains payroll procedures and employee benefits, defines accounting codes and allowable and unallowable expenses, and establishes policies regarding the use of district credit cards and requesting payments prior to board approval. While these policies could assist the district in several areas, they have not been approved and, as indicated below, often have not been adhered to.

To ensure policies and procedures will be consistently enforced, the Business Office Procedures Manual should be approved by the board and provided to district employees.

B.1. Credit card payment procedures need improvement. Charges totaling approximately $240,000 were made on the district's four credit cards during the two years ended June 30, 2006. During this time period the district paid late fees, finance charges, and over limit fees totaling approximately $1,100. District policy does not require credit card receipts to be submitted to the business office

until after the credit card statements are received. As a result, it is difficult to monitor the compliance with the card limits and to reconcile the statements with the receipt slips before the payment is due.

Credit card receipts should be submitted to the business office immediately after each card use. This would enable the business office to effectively monitor the balance on each card and to ensure the statements are supported, can be reconciled with the receipts, and paid on a timely basis.

2. Supporting documentation was not retained for some credit card purchases. In addition, some payment documentation was not itemized. Receipts were missing for 42 of the 48 monthly credit card statements reviewed. For example, a May 2005 credit card statement included charges of $9,336 for which no supporting documentation was provided. The charges were for registration fees, airfare, motels, and expenses at local merchants and restaurants. In addition, three restaurant receipts supporting the statement were not itemized.

   Without itemized supporting documentation, the district cannot determine whether the credit card purchases were reasonable and necessary uses of public funds.

C. Board members and the superintendent did not account for cash advances and did not return or account for unused funds. In addition, the district did not report the unsubstantiated advances on the board members' 1099 forms or the superintendent's W-2 form. Board members and the superintendent can receive cash advances of $300 and $500, respectively, per trip for travel expenses to attend training. Cash advances to board members and the superintendent totaled $3,300 and $2,800, respectively, for the two years ended June 30, 2006.

   Receipts were not submitted and unused funds were not returned for any of the cash advances paid to board members. We reviewed two of six advances paid to the superintendent and found that receipts submitted did not equal the advance and no unused balances were returned to the district. In one instance, all receipts submitted for a $500 cash advance were credit card slips for expenses charged to the district credit card assigned to him. For another $500 advance, $324 was substantiated by receipts; however, additional receipts submitted had already been paid with the district credit card. The unsubstantiated balances were not returned. Furthermore, receipt slips were not submitted by the superintendent on a timely basis. In November 2005 and 2004, the superintendent submitted receipt slips for advances he received in July 2005 and 2004, respectively. Also, the superintendent waited until August 2006 to return $100 of unused funds from a June 2004 cash advance.

   Although district policy requires receipt slips to be submitted for all cash advances, the policy is not enforced. In addition, Section 105.272.3, RSMo, provides that the voucher for expenses actually and necessarily incurred and any

balance of the advance not used be submitted to the district within ten days after the expense was incurred. IRS regulations provide that if business expenses are not substantiated or the amounts in excess of expenses are not returned within a reasonable period of time, the amount paid is treated as paid under a nonaccountable plan and is subject to applicable withholdings and taxes.

D. Supporting documentation was not retained for some disbursements and some invoices did not adequately explain the work performed. For example, there was no supporting documentation for a $73,000 payment to a maintenance company and invoices for other payments to the company indicated the locations served, but did not indicate what services were provided. The vendor was paid a total of approximately $137,000 during the year ended June 30, 2006. Furthermore, the district could not provide a copy of the contract with the vendor. District employees indicated the vendor cleans the heating and cooling units and replaces filters at various school buildings, because the district does not have enough maintenance employees to do this work on a timely basis.

Other payments without supporting documentation included some checks issued for alternative education services, catering services, construction, security services, theater tickets, and employee benefits. Also, the district contracted with a vendor to audit the transportation department and perform an employee survey, but the district could not provide a copy of the audit or the survey results. During the year ended June 30, 2006, this vendor was paid $20,900 for internal audits, surveys, and training.

Without detailed supporting documentation, the district cannot determine whether the disbursements were reasonable and necessary uses of public funds.

E. Some disbursements did not appear reasonable and necessary.

1. The district paid approximately $7,000 for artwork and framing of 17 prints with non-educational themes located in individual offices, including 11 prints, costing $5,253, observed in the superintendent's office. Most of the framing costs exceeded the cost of the artwork. In addition, the district credit card assigned to the superintendent was used to make a $102 purchase at an art gallery in Africa, but no supporting documentation was retained for the purchase and no one could identify what was purchased.

2. The district paid approximately $4,900 for lodging, meals, and refreshments and approximately $700 to rent a vehicle driven 183 miles for a two-day board retreat held at a lodge near Hermann, Missouri. In addition, the district credit card was used to pay a $141 bill at a winery in Hermann, Missouri during the retreat.

3. The district made two payments totaling $600 for eight spots in a charity golf tournament. Only four of the eight golf tournament participants were identified and the business purpose of the payments was not documented.

4. The district paid $1,151 in state sales taxes on a $15,759 payment to a hotel for the 2006 prom. The district did not present proof of its tax exempt status to the vendor and the invoice was not closely reviewed before the payment was made.

5. The district paid $585 for the superintendent's four subscriptions to the 2004-2005 season of a local theater company. The district also paid $595 to renew the subscriptions for the following season.

6. The district paid $1,466 for 15 unused motel rooms for various conferences because the reservations were not canceled on a timely basis.

7. The district reimbursed an employee $430 for a five-day car rental and $60 for gas to travel approximately 360 miles round trip to attend a conference at the Lake of the Ozarks. At the district's rate of $.365 per mile, mileage reimbursement would have been only $131. The reason for renting a car instead of reimbursing mileage was not documented.

8. The district paid $315 to rent a convertible driven 55 miles in a 3-day period for the board to be in a parade.

9. The district credit card assigned to the superintendent was used to pay $320 to a local YMCA. There was no receipt for the payment and the business purpose of the payment was not documented.

10. For the 48 credit card statements reviewed, meals contained charges for alcoholic beverages totaling approximately $100. District policy indicates alcohol purchases are unacceptable expenses.

11. Software training sessions totaling $41,625 were provided by the superintendent's fiancée and were not supported by a written contract. It is unclear why these training sessions were needed as the contract with the software vendor included three site visits per building to conduct training sessions. The site visits were not tracked by the district; therefore, it is unknown if all site visits were used before using an outside vendor to provide training on the same software.

The district should ensure all disbursements are reasonable, necessary, and comply with district policies. The least expensive option should be used whenever possible, unnecessary costs should be avoided, and the business purposes of all disbursements should be clearly documented.

F. District credit cards were frequently used to purchase meals at local restaurants and the district often provided food and beverages for meetings involving district personnel. Meals at local restaurants were charged on district credit cards every month during the two years ended June 30, 2006. The purposes of the meals and those attending were not always documented. In addition, checks totaling approximately $53,000 were issued to local vendors for banquets and catered meals during the same time period. The meals were for holiday luncheons, awards ceremonies, training sessions, administrator or staff meetings, new teacher orientations, a coordinator's retreat, a back-to-school luncheon for administrators, and clergy coalition meetings. For two clergy coalition meetings, the number of meals purchased was not supported by the signed attendance list. The district does not have any written policies indicating when food will be provided for meetings or imposing any limits on such purchases. Furthermore, some meal expenses indicated multiple guests that were not identified. For example, an employee was reimbursed $32 for a meal receipt that stated there were four guests, but the guests were not identified. As a result, the business purpose of some of the costs could not be verified.

To ensure public funds are spent wisely, food and beverage expenses paid by the district should be reasonable and necessary for conducting district business and limits should be established for such purchases. In addition, attendance lists and business purposes should be documented for all food and beverage purchases.

G. The district has no clear guidelines or limits on out-of-state travel. During the two years ended June 30, 2006, disbursements for travel and conventions, board training, and the superintendent's training totaled $865,780, $85,780, and $62,383, respectively, according to the district's accounting records. In addition, as indicated in MAR number 2, some additional travel and training costs were recorded incorrectly in the accounting records, so they are not included in these totals.

Over one-half of the district's credit card statements for the two years ended June 30, 2006, contained charges for out of state travel. For example, a May 2005 district credit card statement contained out of state airfare and motel charges totaling $12,318 and $10,497, respectively. During the two years ended June 30, 2006, school board members and/or employees traveled to conferences in many cities including Atlanta, Georgia; Orlando, Florida; Dallas and San Antonio, Texas; Las Vegas, Nevada; San Diego, San Francisco, and Los Angeles, California; Jackson, Wyoming; Santa Ana, Arizona; and Washington, DC,. In addition, trips were made to Johannesburg, South Africa and Ottawa, Ontario, Canada. The school board normally sends representatives to five annual conferences. The superintendent and each board member can attend any or all of the five conferences and the superintendent also attends other conferences. Administrative employees also attend these conferences and other employees are allowed to attend out of state conferences if approved by the professional development committee for their school.

To ensure public funds are spent wisely, travel expenses paid by the district should be reasonable and necessary for conducting district business and limits should be established for such purchases.

H. Invoices are not adequately reviewed for mathematical accuracy and some invoices have been paid twice.

1. An invoice from a custodial supply vendor was submitted and paid twice. The initial invoice totaling $4,085 was paid on November 28, 2005; however, the initial invoice contained a mathematical error, so the vendor submitted a second invoice with the correct total of $4,275 and the district paid the full invoice amount, instead of paying the difference.

2. A $481 invoice from the custodial supply vendor mentioned in 1. above was paid twice on the same check. The check request form listed the invoice number and amount twice, so the vendor was overpaid by $481.

3. A $490 invoice from a general contractor was submitted and paid twice. The invoice was included in payments made on August 20, 2004, and August 25, 2004.

4. The district did not receive the entire refundable deposit amount back for the 2006 high school prom. The district was required to pay a $1,000 deposit; however, the final invoice submitted to the district was only reduced by $500 for the refundable deposit. There was no documentation explaining why the vendor kept the remaining $500.

The district should review invoices for mathematical accuracy and ensure that invoices are not paid twice. The district should also attempt to recoup any overpayments.

I. Expense accounts are not compared to the district's credit card bills. A board member was reimbursed for a motel bill paid with the district's credit card. The board member's expense account paid on December 17, 2004, included a motel receipt for $835. However, the receipt and the district's credit card statement paid on December 17, 2004, indicate the expenses were paid on November 21, 2004, with a district credit card. The board member reimbursed the district after we brought the matter to the district's attention. In addition, as noted in C above, the superintendent submitted receipts paid with a district credit card to substantiate some of his travel advances.

Expense accounts should be compared to the district's credit card bills prior to payment to ensure the expenses have not already been paid.

WE RECOMMEND the School Board:

A. Approve the Business Office Procedures Manual and distribute it to employees as necessary.

B. Require credit card receipts be submitted to the business office immediately after each card use, monitor the balance of each card, and ensure credit card statements are reconciled to the receipts and paid on a timely basis.

C. Establish procedures to ensure cash advances are properly accounted for and reported to the district. Otherwise, the cash advance should be reported on the individual's 1099 form or W-2 form and subject to applicable withholdings and taxes. In addition, a policy should be established to disallow future cash advances to individuals that do not comply with the district's cash advance policies and procedures. Any cash advances not adequately supported should be repaid to the district.

D. Require detailed supporting documentation be submitted and retained for all disbursements. In addition, the district should retain documentation of all audit and survey results.

E. Ensure all disbursements are reasonable, necessary, and in compliance with district policies. In addition, the School Board should use the least expensive option whenever possible, avoid unnecessary costs, and ensure the business purpose of all disbursements is clearly documented.

F. Establish a policy to specify when food and beverages will be provided for meetings, to set limits on such purchases, and to require attendance lists and business purposes to be documented for such purchases.

G. Establish a policy to set limits on out of state travel.

H. Ensure invoices are reviewed for mathematical accuracy and are not paid twice. In addition, the district should attempt to recoup any overpayments.

I. Establish procedures to ensure expense accounts are compared to the district's credit card bills prior to payment.

AUDITEE'S RESPONSE

A. The School Board will implement this recommendation on or before July 1, 2007.

B,D, H&I. The School Board has implemented these recommendations.

C. The School Board directs that no cash advances be allowed, with the exception of per diems for meals, if deemed necessary.

E. The District has implemented this recommendation. The School Board directs the administration to consider making one employee responsible for all district travel arrangements for all employees and board members.

F. The School Board agrees with this recommendation and directs the administration to develop procedures to regulate when providing food and/or beverages is appropriate; to require attendance lists and business purposes to be documented when providing food and beverages for meetings; and to outline reasonable limits on costs when appropriate to provide food and/or beverages.

G. The School Board agrees with this recommendation and will implement it when addressing the 2007/2008 budget.

7. Personnel Policies and Procedures

The School Board has not approved the Human Resources Handbook. Personnel policies and procedures are in need of improvement. The district has not developed a master staffing plan and adequate procedures for identifying related parties. Procedures for hiring employees and maintaining employment documentation are in need of improvement, job descriptions have not been developed for some positions, procedures for setting some salaries are not in compliance with board policy, salary scales and percentage raises were not approved by the board, unused vacation leave was carried over or paid in violation of district policy and absences are not always reported as they occur. Procedures for documenting and monitoring compliance with Family Medical Leave Act (FMLA) requirements and processing employee terminations are in need of improvement. The School Board does not review and approve annual extra duty salary schedules and has not adopted a policy regarding extra duty contract payments during long-term absences.

A. The school board has not approved the Human Resources Handbook. The handbook outlines policies and procedures regarding hiring and termination procedures, leave policies, employee benefits, and other personnel matters. As indicated below, the policies and procedures are not always enforced.

To ensure policies and procedures will be consistently enforced, the Human Resources Handbook should be approved by the board and distributed to all employees.

B. The district has not developed a master staffing plan as part of the annual budget. A master staffing plan would identify each position in the district, as well as the amount and source of funding budgeted for each position. The Director of Human Resources relies on information obtained from various principals and department supervisors to identify existing positions and vacancies. New

positions are subject to the approval of the superintendent and are not approved by the board until the position has been filled. The information provided by the principals and department supervisors can not be compared to the annual budget and staffing plan to ensure sufficient funding and positions are available. The lack of a master staffing plan may have contributed to the need for budget amendments.

A master staffing plan should be developed and maintained to identify all positions and vacancies and the funding budgeted for each position. It should be reviewed and approved by the board annually in conjunction with the adoption of the annual budget. Any positions added to the plan should be approved by the board with corresponding budget amendments to fund the new positions.

C. The district has not developed adequate procedures for identifying related parties.

1. The district hired relatives of a board member and an administrator in violation of board policy. During the two years ended June 30, 2006, the district hired a sister and a nephew of a board member and a niece of a director. The board member did not participate in the votes to approve hiring her relatives. However, board policy BBFA states the board shall not hire an employee who is related within the fourth degree to any board member or administrator in the district.

2. The district has not established adequate procedures for identifying related parties. The district's employment applications require applicants to identify any relationships with administrators, supervisors, or school board members. However, the Human Resources Department has not established procedures for updating related party information periodically. In addition, the department does not gather and maintain information from prospective and current employees regarding businesses owned by employees or their family members.

   Related party information is necessary to ensure compliance with district hiring policies regarding employment of relatives. In addition, relationships with vendors need to be identified, documented, and reported to the business office to prevent conflicts of interest when purchasing goods and services and to ensure any related party transactions are identified and disclosed in the district's annual audit report. At our request, the district gathered related party information in June 2006 and identified the related parties listed in 1. above and at MAR number 5.

   Procedures should be established to ensure related party information is obtained, updated as changes occur, and verified with each employee periodically.

D. Procedures for hiring employees and maintaining employment documentation need improvement.

- Several new and vacant positions were not posted or advertised. Board policies GCD and GDC indicate new or vacant positions will be posted for at least five business days in the district's buildings and publicized externally by other means as determined appropriate by the superintendent or designee.
- Some employment applications were completed after the employees were hired.

- Transcripts and/or teaching certificates were not always on file for employees in positions that require college credit and/or teaching certificates.

- Employment interviews are not always performed and/or documented.

- Reference lists are not always provided by applicants and reference checks are not always performed and/or documented.

- Criminal background checks and/or child abuse/neglect record checks were not completed for some employees. Board policies GCD and GDC indicate employment of professional and support staff, respectively, is contingent upon satisfactory outcome of a complete criminal and child abuse/neglect records check.

- Hiring recommendations were not always documented, so it was not always clear how hiring decisions were made. The Human Resources Handbook requires the use of a standardized form to document hiring recommendations, but this policy has not been enforced.

- Several hiring decisions were not approved by the board. Lists of new hires, terminations, promotions, and transfers are normally submitted to the board at the next meeting and approved as part of the consent agenda, as required by board policies GCD and GDC, but this procedure was not always followed.

To ensure all candidates for employment are qualified and treated equitably, all new or vacant positions should be posted or advertised, all candidates for employment should be required to complete an application and provide transcripts or teaching certificates (if applicable) and references prior to employment, all candidates should be screened by the Human Resources Department and suitable candidates should be interviewed, all interviews and reference checks should be documented and used to support written employment recommendations, and all candidates recommended for employment should submit to a criminal background check and a child abuse/neglect record check. In addition, all employment

documentation should be retained by the Human Resources Department and all hiring decisions should be approved by the board and documented in the board minutes.

E. The district does not have written job descriptions for some positions. During the 06-07 school year, the district hired an Instructional Technology Specialist, but the district does not have a written job description for the position. In addition, during the 05-06 school year, an Assistant Principal was promoted to Associate Principal and given a $6,000 salary increase. However, the district does not have a job description for the position, the employee's 06-07 contract indicates the employee's title is Assistant Principal, and the promotion was not approved by the school board.

Board policy GCA requires the superintendent to maintain a comprehensive and up-to-date set of job descriptions for the school system. Written job descriptions are necessary to document job qualifications and duties and to ensure all candidates for employment are evaluated against the same criteria. In addition, board policies GCD and GDC require all positions to be filled by the board only after receiving the recommendation of the superintendent or designee. Therefore, it appears all promotions decisions should be approved by the school board and documented in the board minutes.

F. The following concerns were noted regarding pay rates:

1. Procedures for setting salaries of administrative and central office employees are not in compliance with board policy. Administrative employees and various central office employees are allowed to negotiate for their salaries based on the median salary for the position in the area, as reported in a survey issued by Cooperating School Districts. It is not clear whether all administrative employees have been informed that negotiations are allowed and the School Board has not approved salary ranges for the positions. Some employees received substantial salary increases. For example, one employee's salary increased by $10,820 (24 percent) in July 2005 and increased by an additional $10,000 (18 percent) in November 2005, based on the salary survey. While the board approves each individual salary for these employees, the board does not compare salaries for similar positions for consistency.

2. The instructional staff salary scale and the percentage raises for instructional staff, administrative staff, and support staff for the 05-06 school year were not approved by the board. The board minutes for May 10, 2005, indicate these issues were discussed, but do not indicate a vote was taken to approve the proposed salary scale and percentage raises.

Board policy GCBA indicates the superintendent shall prepare instructional staff salary schedules for approval of the Board of Education and implement the salary

schedules approved by the board. The policy also indicates the board will annually determine the salaries for administrative staff and will establish a range of salaries for each administrative position each year based on the median salary for similar positions in St. Louis County school districts. This policy should be enforced to ensure all employees are treated equitably. In addition, all salary scales and percentage raises should be approved by the board and documented in the board minutes before the annual budget is approved to ensure sufficient funding is available for all positions.

3. In August 2005, a secretary's salary increased approximately $6,600 and the increase was not properly approved by the board and the reason was not adequately documented. Secretaries are paid from a salary scale based on their level and years of employment. The personnel file contained no explanation or approval for the increase and the employee is related to a board member.

   All salary increases in excess of annual step increases should be properly approved and documented in the employee's personnel file.

G. The following concerns were noted regarding leave records and procedures:

1. Unauthorized payments of vacation leave were made and liabilities established because the superintendent and former CFO authorized some employees to carry over unused vacation leave, in violation of district policy.

   The Human Resources Handbook indicates employees must use vacation before July 1 and unused vacation days do not carry over from year to year. In addition, board policy does not indicate that vacation time may be carried over from year to year, converted to annual leave, or paid when the employee does not terminate employment. Furthermore, the board meeting minutes do not indicate the board authorized vacation leave carryovers or payments of unused leave for ongoing employees. To ensure all employees are treated equitably, the vacation policy should be enforced consistently. The board should review the vacation leave carryovers and unused leave payments and determine whether corrective action is necessary.

2. District policy requires all employees except cooks, custodians, and bus drivers to report absences by contacting the district's automated absence reporting system one hour before the building start time. However, employee absences are not always reported as they occur. For example, leave usage for one employee absent for 11 days was not recorded until the employee returned to work because the employee had not contacted the district's reporting system and the employee's supervisor had not reported the absence. In addition, as discussed in MAR number 3, only

one hour of the superintendent's leave usage was reported and deducted from his leave balances during the four years ended June 30, 2006.

Failure to report absences as they occur violates district policy and increases the risk that the absences and leave usage will not be recorded, which could result in salary overpayments for employees that have already used all of their leave.

3. The district has not adopted procedures to ensure FMLA-qualified absences are supported by a medical certification, documented, and tracked for compliance with FMLA requirements. Although FMLA medical certification forms can be obtained from the Human Resources Department, procedures have not been established to ensure the forms are completed and returned to the department. In addition, procedures have not been established to document and track FMLA-qualified absences.

   Under the FMLA, employees are entitled to a total of up to 12 work weeks of unpaid leave during any 12-month period for specified purposes. The district should establish procedures to ensure medical certifications are obtained to verify eligibility for FMLA protection and all FMLA-qualified absences are documented and monitored for compliance with the 12-week requirement.

H. The district has not implemented standardized procedures for documenting and processing employee terminations and exit interviews are not performed. As a result, erroneous payments have been made to terminated employees. District records indicate 171 employees, excluding substitute teachers, left district employment during the year ended June 30, 2006. This represents approximately 17 percent of total employees at June 30, 2006. An employee separation form has been developed to document each termination; however, use of the form has not been enforced. Three former employees continued to receive salary payments from the district after leaving district employment, including one employee that received two extra payments. One of the overpayments, totaling approximately $1,700 has not been recouped by the district. These former employees were not removed from the district's payroll because the Payroll Specialist was not aware of the terminations.

   All terminations should be thoroughly documented and reported to the Human Resources Department and the Payroll Specialist to ensure all terminated employees are removed from the payroll. This could be facilitated by requiring the use of the employee separation form that has already been developed. Completed forms should be submitted to the Human Resources Department and copies should be provided to the Payroll Specialist. In addition, exit interviews should be performed and documented by the Human Resources Department to identify factors contributing to employee turnover.

I. The following concerns were noted regarding extra duty contracts:

1. During the year ended June 30, 2006, the district entered into 190 extra duty contracts totaling approximately $485,000. The contracts are for extra duties which make major demands on the employee's time, such as coaching athletic teams, chairing an academic department, or sponsoring an activity or organization. Contract amounts are determined by the Director of Human Resources. The contract amounts ranged from $250 to $11,343. For each extra duty contract, the employee name and contract amount are submitted to the board for approval.

   Board Policy GCKA indicates an extra-duty allowance salary schedule is to be established annually by the board. To ensure all employees are treated equitably and salaries are calculated consistently, the salary schedule for all extra duty contracts should be prepared and approved by the board annually, as required by board policy.

2. The school board has not adopted a policy regarding extra duty contract payments during periods of long-term absences and suspensions. An employee with two extra duty contracts totaling approximately $8,000 was suspended with pay. In addition to his regular pay, he was paid approximately $7,200 of the extra duty contract amounts during the suspension. In addition, an employee that did not work from March 2006 to the end of the school year received five extra duty payments totaling approximately $250 in April 2006.

   To ensure all employees are treated consistently, the School Board should adopt a policy indicating whether extra duty payments can be earned during periods of long-term absences and suspensions.

WE RECOMMEND the School Board:

A. Approve the Human Resources Handbook and distribute it to all employees.

B. Develop and maintain a master staffing plan. The plan should be reviewed and approved by the board annually and any positions added to the plan should be approved by the board with corresponding budget amendments.

C.1. Ensure board hiring policies are strictly enforced.

2. Require the Human Resources Department to gather and maintain related party information and establish procedures to ensure the information is updated periodically. Information regarding related vendors should be provided to the business office.

D. Ensure all new and vacant positions are posted or advertised. Require all candidates for employment to complete an application and provide transcripts or teaching certificates (if applicable) and references prior to employment. Reference checks and interviews should be documented and used to support written employment recommendations. All candidates hired should submit to a criminal background check and child abuse/neglect record check. All employment documentation should be retained by the Human Resources Department and all hiring decisions should be approved by the board and documented in the board meeting minutes.

E. Ensure a written job description is prepared for each position prior to filling the position and all promotion decisions are approved by the board, as required by board policy. The approval should be documented in the board minutes.

F.1 &2. Approve an administrative salary schedule annually as required by board policy and ensure board approval is obtained for all salary schedules and percentage raises prior to approving the annual budget. The approval should be documented in the board minutes.

3. Ensure all salary increases in excess of annual step increases are properly approved and reasons documented in the employee's personnel file.

G.1. Require board approval for vacation leave carryovers and payments of unused leave to ongoing employees. In addition, the Board should review past vacation leave carryovers and unused leave payments and determine whether corrective action is necessary.

2. Enforce the district policy regarding disciplinary action for failure to report absences as they occur.

3. Establish procedures to ensure FMLA-qualified absences are supported by a medical certification, documented, and tracked for compliance with FMLA requirements.

H. Standardize procedures for documenting and processing employee terminations, require the Human Resources Department to perform and document exit interviews, and recoup salary overpayments.

I.1. Review and approve extra duty salary schedules annually.

2. Adopt a policy to indicate whether extra duty payments can be earned during periods of long-term absences and suspensions.

AUDITEE'S RESPONSE

A. The District will draft a human resources handbook to be approved by the Board of Education to go into effect July 1, 2007 which will address this recommendation.

B. This recommendation was been implemented as of January 31, 2007.

C.1. The District has implemented this recommendation. Additionally, the District will draft a human resources handbook to be approved by the Board of Education to go into effect July 1, 2007 which will address this recommendation.

C.2. The District has implemented this recommendation by creating a new application for employment with a question regarding relationships to board members or current district employees. Additionally, a data base is being constructed to track relationships and update any changes.

D,G.1, 3&H. The District has implemented these recommendations.

E. The District agrees with this recommendation. Written job descriptions will be presented to the Board for approval on or before July 1, 2007. The administration is directed to present new hires and promotions to the Board for approval, which will be documented in the Board minutes, effective immediately.

F.1 &2. The Board agrees with these recommendations and directs the administration to work with the Board to develop an administrative salary schedule to be approved by the Board on or before July 1, 2007.

F.3. The District agrees and will implement this recommendation on or before July 1, 2007.

G.2. The District agrees with this recommendation and will present a proposal for Board of Education approval on or before July 1, 2007.

I.1. The District agrees with this recommendation and will present an extra duty salary schedule to the Board of Education for approval and to be effective on or before July 1, 2007.

I.2. The District agrees with this recommendation and will present a revised extra duty contract for the Board of Education's approval that addresses this recommendation for extra duty contracts in effect for the 2007/2008 school year.

8.	**Payroll Records and Procedures**

Controls over payroll records and procedures are in need of improvement. The payroll calculations performed by the Payroll Specialist are not reviewed to ensure they are correct. The paying of lump sum amounts in May of each year has strained the district's cash flow and caused problems with fringe benefit vendors. Salaried employees are paid in advance of days actually worked and are not required to prepare timesheets. Some leave payments were not calculated correctly and documentation was not maintained to support an employee's final salary payment. Several concerns were noted regarding bus driver pay. Car allowances paid to two directors were not approved by the School Board. Overtime is not approved in advance and the district needs to review staffing needs to determine if overtime is necessary. Insurance billings are not reconciled to employee insurance payroll deductions.

A. No one reviews the payroll calculations performed by the Payroll Specialist to ensure they are correct. Payroll calculations are performed when establishing new employees, granting raises, and for final, unused leave, and overtime payments. The CFO does not review the calculations prepared by the Payroll Specialist to ensure the compensation is calculated in accordance with board policy. The conditions noted in E. and F. below could have been detected and corrected on a timely basis if the CFO had reviewed and approved the payroll calculations prior to payment.

B. The following concerns were noted regarding the timing of salary payments:

1. Teacher contracts indicate payments will be made in equal installments from August through May; however, the district has a long-standing tradition of paying teachers in twenty-four equal installments with five of the installments being paid at the end of May. The corresponding withholdings and fringe benefits are paid at the same time. As a result, the district needs to have a substantial cash balance on hand to meet the obligations and, in May 2007, may have to issue tax anticipation notes to fund the payments due to the financial condition of the district as noted in MAR 1. In addition, issuing five installments to fringe benefit providers at one time has caused problems in the past. Some of the providers were apparently not equipped to process payments received in advance causing problems that had to be resolved.

2. On July 5, 2006, the Director of Safety and Security/Enrollment and Residency was paid a $7,000 lump sum salary payment, in addition to one twenty-fourth of his annual salary amount, for supervising the Transportation Department when the director was ill. His salary for the remainder of the fiscal year was reduced to offset the lump sum payment.

The district should consider paying all employees in equal installments to avoid large fluctuations in cash flow needs, to avoid problems with advanced payments to fringe benefit providers, and to ensure all employees are treated equitably.

C. Salaried employees are paid in advance. District employees are paid on approximately the fifth and twentieth of each month. The payment received on the fifth of the month is for time worked from the first to the fifteenth day of the month and the payment received on the twentieth is for time worked from the sixteenth through the end of the month. As a result, absences in excess of leave balances that occur after the pay date may not be properly deducted from the employee's salary and employees that terminate before the end of the pay period may be overpaid. The conditions noted in E.2. below could have been prevented if the employees had been paid after the work period ended.

To reduce the risk of salary calculation errors and overpayments, the district should consider paying all employees after the work is performed.

D. Salaried employees are not required to prepare time sheets. District policy requires most employees to report absences using the district's automated absence reporting system, while absences for cooks, custodians, and bus drivers must be reported daily by the employee's supervisor.

Timesheets are necessary to document hours actually worked, substantiate payroll disbursements, and provide the district with a method to monitor hours worked. Each salaried administrative employee should prepare and sign a time sheet. The employee's supervisor should document review and approval of the timesheet and the timesheet should be reconciled to the employee's leave records. Any differences should be investigated and corrected on a timely basis.

E. The following concerns were noted regarding compensation paid to terminated employees:

1. Annual (sick) leave payments to terminated employees are sometimes not calculated in accordance with board policy, which requires payment of leave at $90 per day. Employees were paid for 12 days of unused leave at their current daily rate of pay and the remaining balance was paid at a rate of $90 per day. For example, a principal was paid $5,547 for 12 days of unused leave, but should have been paid $90 per day, or $1,080, resulting in an overpayment of $4,467.

   Board policy GCBDAB indicates certified staff members that remain with the district until 50 years of age that have been employed by the district for 15 years may sell all unused leave back to the district at $90 per day upon termination. Certified staff members employed by the district for five consecutive years or more may sell all unused leave in excess of 50 days back to the district at $90 per day upon termination. The district was unable to provide us with any documentation authorizing employees to be paid for some unused annual leave at the employee's daily rate.

2. Some employees were overpaid for unused annual (sick) leave and/or vacation leave. The payments for the unused leave were calculated

several days prior to the termination date, based on the unused leave balances at the time of the calculation. The balances were not rechecked prior to payment and, as a result, some employees were improperly paid for days that were used after the payment amounts were calculated. For example, on July 20, 2006, an employee was paid for 87 days of unused annual leave, but her final leave balance was only 80 days, resulting in an overpayment of $210.

To prevent overpayments, unused leave balances should be calculated and paid after the term of employment ends. In addition, the board should review payments for unused leave and recoup any overpayments.

3. The final salary calculation for a terminated employee was not documented and/or retained. When the employee terminated on the eighth of the month, she had already been paid through the fifteenth of the month. Two days after the termination, the employee was issued another payment for a partial month of work and 23 unused vacation days. We found no documentation indicating the employee was entitled to severance pay or supporting the final pay calculation. It appears the employee was overpaid by approximately $2,000.

   All payroll calculations should be documented and retained to substantiate the amounts paid.

F. The following concerns were noted regarding compensation paid to bus drivers:

1. Some bus drivers are scheduled to work more than 40 hours per week. Bus drivers are paid for two and one-half hours for each morning and evening run to deliver students to/from home, for a total of 25 hours per week. Drivers can also request to be assigned additional runs each day. The additional runs are assigned based on seniority; however, no limits have been set on the number of runs each driver can request per week. As a result, some drivers are scheduled to work more than 40 hours per week while other drivers are only scheduled to work 25 hours per week. All hours in excess of 40 hours per week must be paid at time and one-half, so the district is incurring overtime.

2. Time sheets for bus drivers do not clearly indicate the actual time worked for each run and drivers can be paid for multiple runs during the same time period. As a result, it is not clear how many hours were actually worked.

   The various run times paid for each type of trip have been part of written agreements between the district and the bus drivers' union for many years. However, these terms have caused some employees to be paid for more hours than they may have actually worked and to be paid overtime when they may have actually worked less than 40 hours per week. The district

does not have records to indicate how much time the various runs actually take to compare to the hours paid per the agreement.

3. Bus drivers are paid a flat rate of $25 per trip for runs to an after school program operated by a vendor instead of being paid at the hourly rate. Each trip takes approximately 45 minutes. The hours for these trips are not counted when calculating overtime pay for the drivers and the rate for the trip is higher than the hourly rate for the drivers.

   To ensure the district is in compliance with the Fair Labor Standards Act, all runs performed by bus drivers should be compensated at the employee's hourly rate. In addition, all hours worked should be counted to ensure hours worked in excess of 40 hours per week are compensated at time and one-half.

G. Car allowances paid to two directors were not approved by the School Board. In March 2006, the Director of Facilities and the Director of Safety and Security/Residency and Enrollment were awarded car allowances of $2,500 per year and $3,000 per year, respectively, retroactive to December 1, 2005. Since the School Board had approved annual employment contracts for these employees, it appears any additional compensation for these employees should have been subject to the approval of the School Board; however, these allowances were approved by the Superintendent and not the Board.

   Any additional compensation provided to employees after their annual employment contracts are signed should be approved by the School Board.

H. During the six months ended December 31, 2006, and the years ended June 30, 2006 and 2005, the district paid overtime totaling approximately $122,000, $174,000 and $117,000, respectively. The district has paid significant amounts of overtime to bus drivers, mechanics, custodians, maintenance employees, secretaries, and the payroll and leave/core data specialists. Some of these costs may be reduced by adjusting work assignments or hiring part-time employees. In addition, overtime is not being approved in advance as required by district policy.

   Overtime was not approved in advance by the Director of Human Resources for four of five overtime payments reviewed. The Human Resources Handbook indicates principals/supervisors must obtain prior approval from the Director of Human Resources before allowing an employee to work additional time or overtime. The policy does not contain any exceptions for emergencies. To improve efficiency, the district should consider establishing guidelines defining emergency situations and allowing overtime for emergencies to be approved after the time is worked. All overtime that does not meet the criteria for an emergency situation should be approved in advance by the Director of Human Resources or his designee. In addition, the district should review staffing and workloads for positions that incur frequent overtime payments to determine whether workloads need to be adjusted and whether more full or part-time personnel should be hired.

I. The district is billed monthly for insurance benefits purchased by employees through payroll deductions; however, the payroll deduction amounts are not reconciled to the amounts billed to and paid by the district. For two of four withholdings reviewed, the amounts withheld were less than the amounts billed to and paid by the district. As a result, the district has subsidized the costs for some insurance benefits that should have been paid by employees.

Insurance billings should be reconciled to employee payroll deductions for insurance and any differences should be investigated and resolved on a timely basis. In addition, the district should reconcile past billings and deductions and make any necessary corrections.

WE RECOMMEND the School Board:

A. Require the CFO to review and approve payroll calculations.

B. Stop the practice of paying lump sum amounts and consider paying all employees in equal installments.

C. Consider changing payroll cycles to pay all employees after the work is performed.

D. Require administrative employees to prepare timesheets. The time sheets should be signed by the employee, reviewed and approved by the employee's supervisor, and reconciled to the employee's leave records. Any differences should be investigated and resolved on a timely basis.

E.1. Ensure all annual leave payments to terminated employees are paid in accordance with district policy.

2. Ensure unused leave balances are calculated and paid after the term of employment ends. In addition, the Board should review leave payments and recoup any overpayments.

3. Ensure all payroll calculations are documented and retained to substantiate the amounts paid.

F.1. Attempt to limit overtime paid to bus drivers.

2. Require bus drivers to document the time period for each run completed and compare the actual time to the standard run times to determine if adjustments are needed.

3. Ensure all bus driver hours are paid at the employee's hourly rate and all hours worked are counted when calculating overtime payments.

G. Require board approval of any additional compensation provided to employees after their annual employment contracts are signed.

H. Establish an overtime policy that defines emergency situations and allows overtime for emergencies situations to be approved after the time is worked. All overtime for non-emergencies should be approved in advance by the Director of Human Resources. In addition, the School Board should review staffing and workloads to identify ways to reduce overtime and areas where additional personnel may be needed.

I. Reconcile insurance billings to employee payroll deductions for insurance and resolve any differences on a timely basis. In addition, the district should review past billings and deductions and make any necessary corrections.

AUDITEE'S RESPONSE

A. The District has implemented this recommendation as of January 31, 2007.

B. The Board agrees with this recommendation and directs the administration to offer employees a choice of receiving a lump sum payment for the summer months or equal installments through June, July and August on the regular pay dates. Beginning with the 2007/2008 school year, all employees will be paid in 24 equal installments.

C&D. The District agrees with these recommendations and will present a proposal addressing these recommendations for Board of Education approval on or before July 1, 2007.

E,F.3. &I. These recommendations have been implemented.

F.1 &2. The District agrees with these recommendations and will present a proposal regarding these recommendation to the Board of Education for approval on or before July 1, 2007. This is currently a subject of the meet and confer process.

G. The Board will implement this recommendation and directs the administration to require employees receiving reimbursement for mileage to complete travel logs that detail specific travels and purposes. The procedure for reimbursement will be outlined in the human resources manual to be presented to the Board for approval on or before July 1, 2007.

H. The District agrees with this recommendation, which will be addressed in the human resources handbook to be presented to the Board of Education for approval on or before July 1, 2007.

9.	**Capital Improvements and Property Purchases**

A formal long-term capital improvement plan has not been prepared since 1996 and appraisals were not obtained for two properties purchased by the district. Energy cost savings resulting from energy management improvements are not monitored.

A. The most recent formal long-term capital improvement plan was prepared in 1996 and was for growth within the district through the 2000-2001 school year. Since 2001, the district has constructed a middle school for approximately $14.2 million and a new building at the high school for $1.8 million, purchased two properties on St. Cyr Road and Chambers Road for $3.7 million, renovated various buildings, and installed energy management systems in most of the district buildings. The properties purchased have been renovated and are being used for classrooms, offices, gymnasiums, meeting rooms, auditoriums, kitchens, cafeterias, and storage. In addition, the district vacated an old middle school building which remains unused.

   Long-term planning is necessary to ensure the district can provide and maintain sufficient facilities to address increases or decreases in enrollment. In 1996, when the last plan was prepared, district-wide enrollment was 5,646 students. In the fall of 2006, enrollment was 8,032 students. A long-term capital improvement plan should be prepared in conjunction with the annual fiscal budget, reviewed and updated, if necessary, each year, and approved by the board.

B. The district did not obtain appraisals for two properties purchased. Before obtaining the properties, the district leased space in several buildings from the property owner. In 2005, the property owner informed the district of their intent to sell the properties, also stating that all tenants had to vacate their properties by June 30, 2005. Due to having limited space in district-owned buildings, the district considered several properties available for sale by the property owner before settling on the two properties purchased. The two properties' combined original asking price was approximately $4.2 million. After negotiations, the properties were purchased for a total of approximately $3.7 million. After closing on the first purchase, the district contracted with a vendor to assess the condition of the buildings on both properties. Although the buildings were assessed as structurally sound, the vendor estimated the buildings needed approximately $3 million of improvements.

   Without an independent appraisal of property purchased, the district has less assurance the price paid is reasonable and represented the fair value of the property. To provide assurance that a reasonable price is paid for land and buildings and that the best property is selected, the board should document all sites that are considered, obtain appraisals prior to purchase for all potential sites under serious consideration, and maintain documentation of other information considered in the site selection process.

C. Energy cost savings associated with the district's original energy management contract are not monitored. The district originally entered into an energy management contract with a vendor in 2000 for lighting upgrades throughout the

district. The contract cost over $4.3 million and 20-year bonds totaling $3.9 million were issued to finance it. The contract indicated the vendor was responsible for monitoring the cost savings associated with the installation of the new equipment; however, the district has not required the vendor to provide monitoring reports. To ensure that the district is actually saving on energy costs due to the installation of the equipment, the district should require monitoring reports from the vendor documenting the savings in energy costs.

WE RECOMMEND the School Board:

A. Adopt a formal, long-term capital improvement plan. The plan should be prepared, reviewed, and updated annually in conjunction with the preparation of the annual budget.

B. Consider alternative sites for future land and building acquisitions and obtain appraisals prior to purchase for any sites under serious consideration for purchase. Documentation of all pertinent information related to land and building purchases, including the reasons for selecting a particular site for purchase, should be maintained and made available to the public upon completion of the purchase.

C. Require the vendor of the 2000 energy management contract to provide monitoring reports to ensure the district is actually saving money on energy costs.

AUDITEE'S RESPONSE

A. The District agrees with this recommendation and will present a formal, long-term capital improvement plan for Board of Education approval on or before September 30, 2007.

B. The District agrees with this recommendation. While no land or property purchases will be considered any time in the near future, the procurement handbook, to be presented to the Board of Education for approval on or before July 1, 2007, will address these recommendations.

C. The District agrees with this recommendation. The Chief Financial Officer is directing his staff to contact the vendor and request monitoring reports, as per the contract. In addition, the current vendor will be required to produce quarterly reports to the Board of Education regarding energy costs as a result of the energy management contract.

10. Cellular Phones

The district has not developed written policies and guidelines regarding cellular phone usage and its list of cellular phones is not kept up-to-date. In addition, the district is paying for both a cellular phone and personal digital assistant with cellular phone capabilities for the superintendent. For the year ended June 30, 2006, the district paid $52,300 in cellular phone charges for 122 phones.

A. The district has not developed written policies and guidelines regarding cellular phone usage to determine whether a cellular phone or wireless device is needed or of benefit to the district. While the district indicated they do review phone bills, this review is not documented and the district is not reviewing billings to determine if the plans provided are the most economical for the required usage. Several problems were noted in reviewing the cellular phone bills that may have been prevented or discovered if a policy or guidelines had been in place:

1. Only one board member is provided with a district owned cellular phone and it is not clear why such a benefit is necessary for board members. In addition, it appears the phone may have been used inappropriately. The phone number for the district-owned cellular phone was listed as the board member's contact number on a website promoting her campaign for city alderwoman. In addition, the district paid $2,053 from July 2005 to December 2006, for 742 hours, or 41 hours per month, of usage.

2. In July 2006, 10 emergency phones were activated for use during power outages caused by a storm. Each phone was placed on a $60 per month plan with 1000 minutes. From July 2006 to December 2006, the 10 phones were used a total of only 177 minutes and accumulated charges of $3,041, after adjustments for e-rate discounts. While the need for extra phones in case of an emergency is understandable, having the phones on $60 per month plans with 1000 minutes appears to be excessive considering the amount of usage over a six month period.

3. A maintenance technician was assigned a phone with a $14 per month plan for 50 minutes. From July 2005 to December 2006, average charges for the phone were $110 per month. In another example, a department director was assigned a phone with a $40 per month plan for 300 minutes. During the time the director used the phone, July 2006 to December 2006, average charges were $220 per month. It appears that either the number of minutes provided by these plans was not sufficient or the phones may have been misused.

4. A district employee made a 132 minute phone call to Michigan with a district owned cellular phone, accumulating charges of $53. The employee made numerous calls to Jamaica with the same phone, accumulating an additional $257 in charges. There was no documentation that these calls were for official district business and there was no documentation showing that the district asked to be reimbursed for these charges.

5. A department director was reimbursed $116 for use of her personal cellular phone, while in possession of a district owned cellular phone. The director requested that $116 of her $188 August 2006 personal cellular phone invoice be paid by the district without identifying which calls were

for business purposes. During the same period, the director's district owned cellular phone was used 146 minutes under a plan that provides 1000 minutes. No reason was documented or provided to explain why it was necessary for the district to pay for the personal phone.

While cellular phones can help increase employee productivity, they are also costly. A policy is needed to ensure that cellular phones are used only for business purposes. Such a policy should address which employees and board members need a cellular phone, proper use of the phone, and a reimbursement policy if the board authorizes the phone to be used for personal purposes. Effective procedures should be implemented to monitor cellular phone usage to ensure the best plan is used for each phone and review invoices for propriety.

B. A list of district-owned cellular phones, showing each number and the person assigned the phone, is not kept up-to-date. The most recent list of cellular phones, dated August 2006 did not include the 10 emergency phones mentioned in part A.2 above. An up-to-date list is necessary to secure better internal control over district property. The district should periodically reconcile the phone numbers listed on the monthly invoices to the numbers on the list, with any differences investigated.

WE RECOMMEND the School Board:

A. Develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor their use.

B. Periodically reconcile the cellular phone list to the phone numbers listed on monthly invoices.

AUDITEE'S RESPONSE

A. The District agrees with this recommendation and will implement a new policy by July 1, 2007. The District is pursuing refunds and billing corrections/refunds for issues surrounding cell phone misuse.

B. This recommendation has been implemented.

11.	Disbursement Controls and Procedures

Controls and procedures over district disbursements need improvement. The duties of approving and recording food service disbursements are not adequately segregated and the work performed is not reviewed. Normal district procedures are not followed for the distribution of some checks, the list of checks presented to the board each month is not complete, and several checks are issued prior to board approval.

A. The duties of approving and recording food service disbursements are not adequately segregated and the work performed is not reviewed. During the year ended June 30, 2006, purchases from the Food Service Fund totaled approximately $2.9 million. The food service director orders all goods and services for the food service department, approves the payment of invoices, enters the invoices into the accounting system to initiate payment, and files the invoices without submitting them to the Chief Financial Officer (CFO) for review and approval. All other district disbursements are subject to the review and approval of the CFO. The business office does not match checks generated for food service disbursements to the invoices.

Good business practice requires all disbursements to be reviewed by someone independent of the purchasing function. The lack of an independent review of food service invoices increases the possibility of inappropriate disbursements occurring. Controls could be improved by requiring the CFO to review and approve all food service disbursements before checks are issued.

B. Normal district procedures are not followed for the distribution of some checks. Most checks issued to vendors are mailed; however, the CFO allowed some employees to hand-deliver checks to Facility Department vendors and a software training vendor to provide more timely payments. The employees are not required to sign a log when they take possession of the check, nor is the vendor required to sign a log acknowledging receipt of the payment. This practice increases the risk of loss or misuse of funds.

To minimize the risk of loss or misuse of funds, the School Board should establish a policy requiring the business office to mail all vendor checks or require the vendor to pick up the check and sign a log acknowledging receipt of the payment.

C. The list of checks presented to the board each month is not complete and several checks are issued to vendors prior to or without board approval. During the month of April 2006, 161 checks totaling over $1.7 million were issued to vendors prior to the monthly board meeting. Although many of the checks were for payroll deductions, employee benefits, or utilities, several were for contracted services, purchase of goods, and employee reimbursements. The reasons for issuing these checks prior to the monthly board meeting were not always documented and approved by the CFO. In addition, 84 of the 161 checks were never approved by the board, because they were not on the list of checks submitted for approval. The list of checks is prepared 10-14 days before the monthly board meeting. Checks issued in the time between the preparation of the list and the board meeting do not appear on the current list or on the list for the next month's meeting; therefore, they are never approved. In addition, the list of checks is not signed or initialed to indicate approval by the board and the list is in alphabetical order by vendor, which makes it difficult to account for the numerical sequence of checks issued.

District policy allows checks to be issued prior to the monthly board meeting for the payment of utility bills and emergencies as authorized by the CFO. Several of the checks reviewed did not appear to meet this criteria. The practice of issuing checks prior to board approval diminishes the board's ability to prevent unreasonable and unnecessary disbursements. The board should evaluate the need for issuing checks prior to the monthly board meeting and determine whether a second payment cycle should be implemented. If an additional payment cycle is necessary, the list of checks should be reviewed and approved by the board president and board treasurer prior to issuance, followed by full board approval at the next board meeting.

The list of checks presented to the board should be in numerical sequence by check number and the board should follow up on any missing check numbers to ensure all payments were properly approved by the board. The list should be signed by the board president and board treasurer to document their approval.

WE RECOMMEND the School Board:

A. Require the CFO to review and approve food service invoices prior to payment.

B. Establish a policy requiring the business office to mail all vendor checks or require the vendor to pick up the check and sign a log acknowledging receipt of the payment.

C. Evaluate the need for issuing checks prior to monthly board meetings and determine whether a second payment cycle should be implemented. The School Board should review the numerical sequence of checks issued each month and follow up on any missing check numbers to ensure that all disbursements are approved. In addition, the board president and board treasurer should sign or initial a list of all check issued each month to document their approval.

AUDITEE'S RESPONSE

A. This recommendation has been implemented, effective December 1, 2006.

B&C. These recommendations have been implemented.

12. Receipt Records and Procedures

Several areas were noted where controls and procedures over cash receipts need improvement. The duties of receiving and recording receipts are not adequately segregated and a supervisory review of the work is not performed. A log is not maintained for monies received by mail, receipts are not deposited intact and on a timely basis, the composition of receipts is not reconciled to the composition of deposits and some receipts were withheld to maintain petty cash or change funds. The Early Childhood Education Center's petty cash fund balance is excessive and is not maintained

on an imprest basis. Controls over central office beverage sales and sport concession stand sales need improvement.

The majority of district revenues come from the state and county and are direct deposited into the district's bank accounts. Receipts for child care, food service, student activities, retiree insurance, tuition, facility rental, beverages sales, and other miscellaneous receipts are collected at various district facilities. Employees at each collection point maintain records of the amounts received and remitted to the business office to be deposited and recorded in the district's accounting records. The business office deposited approximately $2 million for the year ended June 30, 2006.

A. The duties of receiving and recording receipts are not adequately segregated. The bookkeeper at the business office receives the monies remitted from various district facilities, counts the receipts, prepares the deposit slip, and records the amount in the district's accounting system. However, the bookkeeper's work is not reviewed.

   To reduce the risk of loss or misuse of funds, the duties of receiving and recording receipts should be segregated. If segregation of duties is not possible, a supervisory review of the bookkeeper's work should be performed and documented.

B. An immediate record of receipts is not prepared for monies received by mail. These monies include retiree insurance premiums, tuition, facility rental fees, and various other receipts.

   To reduce the risk of loss or misuse of funds, all mail should be opened prior to distribution and all monies received by mail should be recorded on a mail log, before being remitted directly to the business office for deposit. Supporting documentation for the payments should be sent to the employees that update the accounts receivable records. The mail log should be remitted to the business office and reconciled with deposits to ensure all monies received are accounted for properly.

C. Receipts are not deposited on a timely basis. Receipts are deposited on two consecutive days per week during the school year and weekly during the summer. During April 2006, receipts averaged approximately $34,000 and $13,000 for the first and second deposit days, respectively.

   To adequately safeguard receipts, reduce the risk of loss or misuse of funds, and maximize interest revenue, receipts should be deposited daily or when accumulated receipts exceed $100.

D. Receipt records prepared at various collection points are not reconciled to deposits. As a result, the district was not aware that some monies were not being remitted and deposited but instead were withheld from transmittals and used as petty cash and change funds. For example, all $20 registration fees collected at

the Early Childhood Education Center are retained to maintain a petty cash fund and a $200 change fund. Business office personnel were not aware of these funds. In addition, the high school secretary retained $5 student identification (ID) replacement fees to establish a $100 change fund for athletic events. Business office personnel were aware of the change fund, but did not know the source of the funding. In addition, the district allows undeposited receipts to be used to cash checks for employees.

Registration and student ID fees are accountable fees and should be remitted to the business office. To provide assurance all monies received have been accounted for properly, the district should require all receipts to be deposited intact and the composition of receipts recorded at each collection point should be reconciled to the composition of deposits. Furthermore, the establishment of any petty cash or change funds should be approved by the school board and checks should not be cashed.

E. The balance of the petty cash fund maintained at the Early Childhood Education Center appears excessive, the fund is not maintained on an imprest basis, and the cash on hand does not agree to the fund ledger. As indicated in D above, $20 registration fees collected are added to the petty cash fund and on September 12, 2006, the cash on hand was $3,394. The fund is used to purchase food and supplies and disbursements for July and August 2006 were less than $300 per month. A ledger is maintained to document the fund's receipts, disbursements, and the remaining balance; however, the ledger balance exceeded the balance on hand by $80 at the time of our cash count. The Center's Director determined the difference was a disbursement that had not been recorded in the ledger. Center personnel indicated reconciliations between the ledger and the balance on hand are performed periodically, but are not documented.

Having an excessive amount of petty cash on hand increases the risk of loss or misuse of funds. The petty cash needs of the center should be evaluated and the balance set at a reasonable amount and the fund should be operated on an imprest basis, meaning that cash and the invoices should always total to an established balance. The district should replenish the fund by issuing checks equal to the invoices paid from the fund and submitted to the business office. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect errors, and to reduce the risk of misuse. The reconciliations should be documented and retained.

F. Controls over central office beverage sales need improvement. The district maintains a stock of beverages at the central office to be consumed through the central office vending machine or at various district events. During the two years ended June 30, 2006, central office beverage receipts were $1,376 and disbursements were $8,211 for a loss of $6,835.

1. The district does not maintain inventory records for beverages stored at the central office. Beverages are reordered by a district employee when the amount of beverages on hand appears to be low. Inventory records should be maintained on a perpetual basis, with all purchases being added and all amounts used being deducted from the record. In addition, beverages on hand should be physically inventoried on a periodic basis and agreed to the perpetual inventory records.

   Adequate inventory records are necessary to secure better internal controls and safeguard items which are susceptible to loss or theft. Periodic physical inventories are necessary to ensure the records are accurate, identify any unrecorded additions and deletions, and detect possible loss or theft.

2. Receipts collected from the central office beverage machine are not deposited on a timely basis. Central Office beverage receipts are collected from a vending machine by a district employee and, during the two years ended June 30, 2006, only three deposits were made, totaling $1,376.

   To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be deposited periodically or when accumulated receipts exceed $100.

3. Beverage costs are not properly allocated. When beverages are purchased, the cost is charged to an account named District Paid Costs. When beverages are provided for consumption at district meetings and events, such as the convocation for new teachers and Clergy Coalition meetings, the costs are not allocated to the account for the applicable event. As a result, the event costs are understated and the cost of soda purchased for resale is overstated.

   Allocation of expenses is necessary to provide an accurate record of district operating costs and to ensure beverage revenue is sufficient to cover the costs of beverages sold.

4. The district subsidizes the cost of beverages sold at the central office. The beverages are sold for $.60 each. Beverage invoices for the audit period indicate the district was purchasing soda for $.71 per unit, tea for $.78 per unit, and juice for $.80 per unit. As a result, other revenues are being used to subsidize the costs.

   The district should refrain from subsidizing the cost of beverages sold by setting beverage prices at a level sufficient to recover the costs.

G. Controls over sport concession stand receipts need to be improved and it appears that some monies received may not have been properly deposited. During the

2006 football season a total of $3,164 in concession stand receipts was deposited; however, district personnel calculated that based on items sold and ending inventory counts, the total receipts should have been $5,867 for a loss in receipts of $2,703. Possible causes of the loss of revenue include theft of goods or receipts and giving away goods for free. The concession stand at football games is worked mainly by food service employees and students. The high school principal collects receipts after the game has ended and remits them to the business office for deposit one to three days after the game. In addition, the cost of operating the concession stand, including $520 of labor, totaled $3,655 or $491 more than receipts deposited. Controls over the concession stand should be improved to ensure all receipts are deposited and to reduce the risk of loss or theft of concession items.

WE RECOMMEND the School Board:

A. Segregate the duties of receiving and recording receipts. If segregation of duties is not possible, at a minimum, a supervisory review of the bookkeeper's work should be performed and documented.

B. Require an immediate record of receipts to be prepared for all monies received by mail. The mail log should be reconciled to deposits and the district's accounting records.

C. Deposit daily or when accumulated receipts exceed $100.

D. Deposit receipts intact and reconcile the composition of receipts to the composition of bank deposits. In addition, the School Board should approve the establishment of any petty cash or change funds. The cashing of checks for employees should be discontinued.

E. Establish a reasonable balance for the Early Childhood Education Center's petty cash fund and maintain the fund on an imprest basis. Periodic independent reconciliations of the fund should be performed and documented.

F.1. Maintain perpetual inventory records of beverages stored at the central office and periodically perform physical inventories of the beverages on hand.

2. Deposit receipts periodically or when accumulated receipts exceed $100.

3. Establish procedures to ensure beverage costs are properly allocated and beverage revenue is sufficient to cover the cost of beverages sold.

4. Set beverages prices at a level sufficient to recover the costs.

G. Improve controls over concession stands to ensure all monies received are deposited and to reduce the risk of loss or theft of concession items.

AUDITEE'S RESPONSE

A,B,
F&G. These recommendations have been implemented.

C. The Board agrees with this recommendation and directs the CFO to increase the deposits to three times per week.

D. The District is currently recording deposits to identify composition of receipts. The Board of Education will amend policy DJB to address the issue of petty cash funds on or before April 1, 2007.

E. The District agrees with this recommendation. The Board of Education will amend policy DJB to address this recommendation.

13. Capital Assets

Records relating to capital assets are not complete or accurate. The district maintains records for vehicles, buildings, and technology equipment; however, the list of Central Office computers has not been updated in four years. An annual inventory of capital assets is not performed and items owned by the district are not tagged or otherwise identified as district owned property. The district could provide no records of furniture and other equipment. In addition, the district does not reconcile asset purchases to additions to the asset inventory.

Because the district has not kept records of capital assets, it was difficult to locate several pieces of artwork purchased by the district. One piece titled "The Spirit of Learning" and valued at $250 was not located. Six additional pieces of artwork could not be initially located on January 19, 2007, but were observed on February 1, 2007. If the district had maintained records on these assets, the artwork should have been easily located.

Many pieces of artwork are located in individual offices and numerous pieces of furniture and equipment are stored in a vacant school building. Without a record of these items, the risk of undetected theft or misuse increases.

In addition, a lack of detail on some invoices for computer equipment and artwork makes it difficult to reconcile assets received to the assets listed on the invoices. Computer invoices only list the total of computers purchased and a general description of the type of computers. Requiring details such as serial numbers for each asset would help ensure assets received are the same as assets listed on the invoices. The detailed information should be used for updating capital asset records.

Property records should be maintained on a perpetual basis, accounting for property acquisitions as they occur. Additions should be reconciled to purchases annually.

Complete and accurate capital asset records are necessary to ensure better internal control over district property and provide a basis for determining proper insurance coverage. Physical inventories are necessary to ensure asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Prenumbered tags when affixed to property items, allow for identification of the property in the records and limit the potential for personal use of school district assets.

WE RECOMMEND the School Board establish property records for all capital assets and require annual physical inventories of the assets. The School Board should require additions to the asset list be reconciled to purchases and ensure prenumbered inventory tags are attached to district property and equipment.

AUDITEE'S RESPONSE

The Board agrees with this recommendation and directs the administration to pursue this recommendation by preparing a request for proposals and/or bids for the inventory of capital assets and the creation of a data base of said assets. The proposals/bids are to be presented to the Board for consideration and/or approval on or before July 1, 2007.

14. Board Meeting Minutes

The board meeting minutes are not always signed to attest to their completeness and accuracy. In addition, the open session minutes do not state the specific reasons for closing meetings and some items discussed in those closed meetings do not appear to be allowed under the provisions of the Sunshine Law.

A. Although board meeting minutes are approved at the following meeting, the minutes are sometimes not signed to attest to their completeness and accuracy. During the two years ended June 30, 2006, there were seven closed meetings and thirteen open meetings for which the minutes were not signed by the board president and/or recording secretary. Minutes serve as the only official permanent record of decisions made by the board. Therefore, board meeting minutes should be signed by the recording secretary as preparer and by the board president to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

B. The open meeting minutes did not document the specific reasons for closing 17 of 18 meetings during the two years ended June 30, 2006. In addition, the district did not document how some items discussed in closed session complied with the Sunshine Law. For example, on June 6, 2006, the board discussed district employment procedures and passed a motion to remove a hiring freeze.

Section 610.022, RSMo, requires the specific reason for closing public meetings be entered into the minutes. In addition, Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real

estate transactions, bid specifications and sealed bids, specific personnel matters, and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to specific topics listed in Chapter 610 of the state statutes.

WE RECOMMEND the School Board:

A. Ensure the board meeting minutes are signed by the board president and recording secretary to attest to their completeness and accuracy.

B. Ensure open meeting minutes state the specific reasons for going into a closed session and limit closed meetings to only those purposes specifically allowed by state law.

AUDITEE'S RESPONSE

A&B. These recommendations have been implemented.

15. Internal Audit

Although the district has an internal auditor position, the duties assigned to this employee have involved working with the budget and various accounting issues. No internal audit reviews have been performed. Internal audits can be a valuable management tool by identifying ineffective or inefficient operations and ensuring that established policies and procedures are followed. An internal audit function can also help to ensure the necessary operating regulations and policies are in place and provide assurances that maximum use of resources is being made. A properly functioning internal auditor could have helped in discovering and resolving several of the areas commented on in this report including budgeting and financial monitoring, contract and bid compliance, travel policies and procedures, long-term capital improvement planning, and capital asset management.

WE RECOMMEND the School Board fully utilize the district's internal auditor to identify and review ineffective or inefficient operations and ensure established policies are followed.

AUDITEE'S RESPONSE

The Board agrees with this recommendation and will pursue implementation.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

RIVERVIEW GARDENS SCHOOL DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Riverview Gardens School District is located in St. Louis County, Missouri and covers 12 square miles in Dellwood, Bellefontaine Neighbors, Moline Acres, Ferguson, Riverview and unincorporated St. Louis County.

The district operates a senior high school (grades 9-12), two middle schools (grades 6-8), nine elementary schools (one school is grade K-2 and eight schools are grades K-5), an intermediate academy (grades 3-6), and an early childhood center. Enrollment was approximately 7,879 for the 2005-2006 school year. The district employed approximately 977 full- and part-time employees, including 39 administrators, 384 teachers, and 554 support staff.

The Riverview Gardens School District has been classified under the Missouri School Improvement Program (MSIP) as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education. A provisionally accredited district has not met enough of the MSIP standards and indicators to be accredited.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2006, and the positions held at June 30, 2006, were:

School Board	Dates of Service During the Year Ended June 30, 2006
Gilda Hester, President	July 2005-June 2006
Marlene Terry, Vice President	July 2005-June 2006
Jennifer Erby, Secretary	July 2005-June 2006
Michael Person, Treasurer	July 2005-June 2006
Rev. Tommie Pierson, Member	July 2005-June 2006
Mary Oswald, Member	July 2005-June 2006
Selena Melton, Member	April 2006-June 2006
Bobbie Small	July 2005-April 2006

The district's other principal officials during the year ended June 30, 2006, are identified below. The compensation of these officials is established by the school board.

Other Officials	Dates of Service During the Year Ended June 30, 2006	Compensation Paid for the Year Ended June 30, 2006
Dr. Henry P. Williams, Superintendent (1)	July 2005-June 2006	$ 238,160
Dr. Kay Royster, Chief Academic Officer (2)	July 2005-June 2006	117,404
Dr. Natalie Feder-Thomas, Assistant Superintendent for Instructional Support/Secondary (3)	July 2005-June 2006	105,280
Dr. Bobby Gines, Assistant Superintendent for Instructional Support/Elementary (4)	July 2005-June 2006	128,442
Roger Reese, Chief Financial Officer (5)	April 2006-June 2006	26,096
Louis Deavens, Chief Financial Officer (6)	July 2005-April 2006	121,476
Dr. Howard M. Spencer, Assistant Superintendent for Human Resources (7)	July 2005-June 2006	114,200
Rosie Woods, Director of Federal Programs	July 2005-June 2006	88,729
Dr. Christopher Baldwin, Director of Research and Evaluation (8)	July 2005-June 2006	98,448
Bridgett Willis, Assistant to the Superintendent/Public Information Officer	July 2005-June 2006	65,520
Chris Kulla-Branz, Early Childhood Director	July 2005-June 2006	73,975
David Bobo, Director of Safety and Security/Residency & Enrollment (9)	July 2005-June 2006	64,209
Joan Hubbard, Facilities Director (10)	July 2005-June 2006	86,458
Kim Bryant, Food Services Director	July 2005-June 2006	54,373
James Thomas, Transportation Director	June 2006	2,077
Sharon Shoults, Transportation Director (11)	July 2005-May 2006	49,653

(1) Includes a car allowance of $700 per month ($8,400 total), retroactive car allowance adjustments totaling $3,600, annuity contributions totaling $40,000, and accrued vacation payments totaling $26,122.

(2) Resigned in June 2006 and was replaced by Jeanette Pullium in July 2006. Her final pay included $7,407 for accrued vacation.

(3) Reassigned as Executive Director-Student Support Services in July 2006 and was replaced by Dr. Rhonda Key as Executive Director of Instructional Support-Secondary in July 2006.

(4) Retired in June 2006 and was replaced by Darlynn Bosley as Executive Director of Instructional Support-Elementary in July 2006. His final pay included $13,287 for accrued vacation.

(5) Replaced Louis Deavens as Chief Financial Officer in April 2006. Roger Reese resigned in July 2006 and was replaced by Cedric Lewis in August 2006.

(6) His final pay included $16,197 for accrued vacation.

(7) Resigned in June 2006. The final pay included $10,200 for accrued vacation. The position was changed to Director of Human Resources and was filled by Phillip Mosley in July 2006.

(8) The final pay included $11,088 for accrued vacation. The position was changed to Director of Technology and Data Management and was filled by Richard Miller in July 2006.

(9) Includes a car allowance of $250 per month ($1,750 total) for December 2005 to June 2006.

(10) Includes a car allowance of $208 per month ($1,458 total) for December 2005 to June 2006. Resigned in October 2006 and was replaced by Robert Barney in January 2007.

(11) Includes $1,006 for additional duties performed when her support staff was absent. Her final pay included $4,380 for accrued vacation.

Assessed valuations and tax rates for 2006 and 2005 were as follows:

		2006	2005
Assessed valuation	$	253,771,330	252,310,510
Tax rate(s):			
Incidental	$	4.1177	3.6597
Debt service		1.5900	1.5900
Capital projects		0.0000	0.2300
Total	$	5.7077	5.4797

Susan Montee, CPA
Missouri State Auditor

March 2007

State of Missouri

Single Audit

Year Ended June 30, 2006

Report No. 2007-09

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee

March 2007

YELLOW SHEET

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Single Audit includes the federal awards expended by all state agencies, except for the public universities and various financing authorities that provide their financial information directly to the federal government. State agencies expended $8.65 billion of federal grant funds during the year ended June 30, 2006. Expenditures of federal awards have increased significantly over the past five years. Although nineteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent). These six departments are: Social Services, Transportation, Labor and Industrial Relations, Elementary and Secondary Education, Health and Senior Services, and Public Safety. Overall, the state expended federal awards in 318 different programs.

The Department of Social Services (DSS) does not perform any analysis of the expenditures of Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) to ensure the funds are used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline. Since we could not determine the amount of funds that may have been improperly used, our office questions the total $21,705,174 transferred.

The State Emergency Management Agency (SEMA) does not have written policies and procedures for on-site monitoring of subrecipients to ensure federal Homeland Security Grant monies are expended for allowable activities and costs. As a result, we question costs totaling $588,035 for expenditures in Miller and DeKalb counties.

The Department of Mental Health has also not adequately monitored all subrecipients to ensure an A-133 audit has been performed and submitted on a timely basis, or that problems reported in previous audits have been addressed.

The Department of Natural Resources also does not sufficiently monitor and ensure program subrecipients obtain and submit audits when applicable. In addition, the department has not established adequate procedures to ensure that required quarterly construction site inspections are performed.

A Department of Health and Senior Services internal review is currently underway to investigate concerns regarding how federal funds may have been improperly charged for services of the Information Technology Support Division. According to the review team, some possible discrepancies have been identified where federal grants may have been

improperly charged. Further review of these discrepancies is ongoing and formal findings, if any, have not yet been finalized.

Eligibility and payment documentation could not be located for some childcare cases at the Department of Social Services (DSS). Overpayments were made to some providers and management of case records and monitoring of providers are not adequate. We questioned a total of $31,683 in federal childcare payments.

In addition, the DSS does not ensure entities paid more than $25,000 are not suspended or debarred, or otherwise excluded from receiving federal funds. Also, certifications of salaries of employees working solely on a single federal program are not always prepared. We questioned $63,887 in salaries and fringe benefits charged to various federal programs.

The DSS – Division of Budget and Finance (DBF) prepared a schedule of expenditures of federal awards (SEFA) which showed expenditures overstated by a net amount of approximately $56 million. The majority of the errors resulted from the incorrect compilation of data from the programs' federal reports. In addition, expenditures to several entities from the SSBG, Child Care and Development Block Grant (CCDF), and Child Care Mandatory and Matching Funds of the CCDF programs appear to be to subrecipients. However, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs. In addition, it appears the DSS monitors these entities as if they were subrecipients. A similar condition was also noted in our prior report.

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. We questioned $13,542 paid on these cases.

Auditors also identified expenditures totaling $12,811 charged to the child support grant that were either unallowable or unnecessary, including attorney fees, judgments, and interest.

Also, included in the single audit report are recommendations related to the DSS- Children's Division Integrated Payment System, the Office of Attorney General's billing of Child Support Enforcement and Medical Assistance Program costs, and the DSS - Children's Division Random Moment Time Study.

All reports are available on our website: www.auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

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STATE OF MISSOURI
SINGLE AUDIT

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INTRODUCTION AND SUMMARY

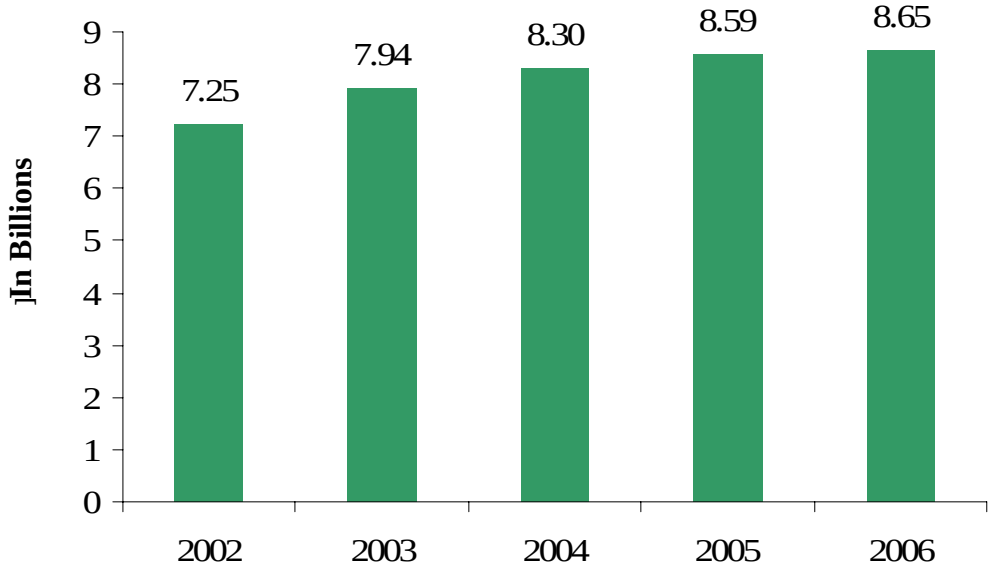
INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

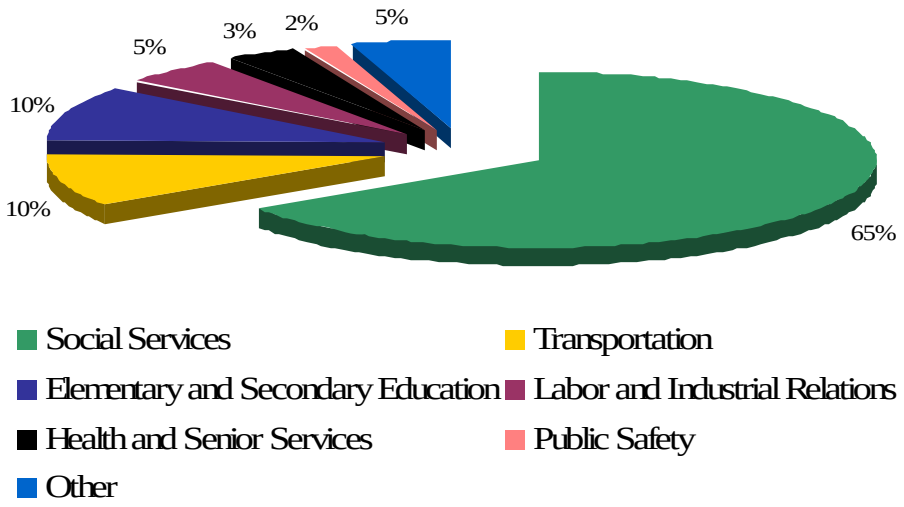
The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $8.65 billion in federal awards during the year ended June 30, 2006. Expenditures of federal awards have increased over the past five years.

Total Expenditures of Federal Awards
Five Year Comparison



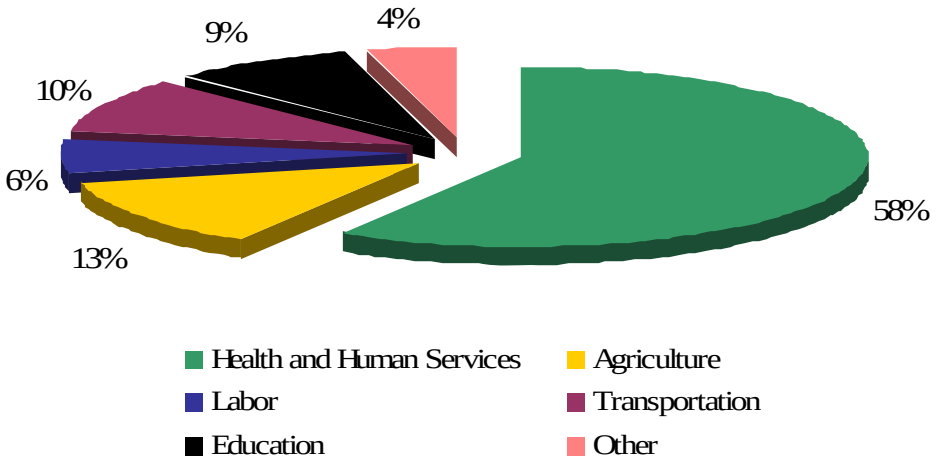
Although six state departmen

Expenditures of Federal Awards by State Department



The state received federal awards from 21 different federal agencies. Most of the federal awards (96 percent) came from five federal agencies.

Expenditures of Federal Awards by Federal Department

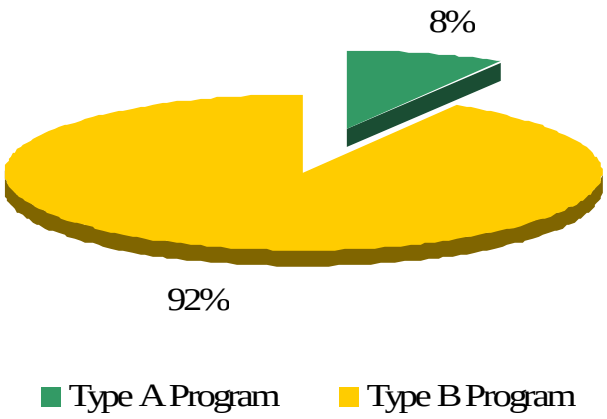


Overall, the state expended federal awards in 318 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold to distinguish between Type A programs and Type B programs at three-tenths of one percent (.003) of total awards expended.

Determination of Type A Programs	
Total expenditures of federal awards	$ 8,645,433,023
Three-tenths of one percent	.003
Dollar Threshold	$ 25,936,299

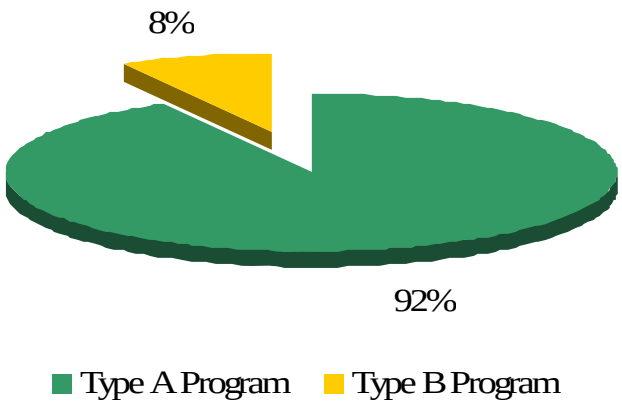
Programs with federal expenditures over $25,936,299 are Type A programs and the programs under $25,936,299 are Type B programs. Of the 318 different federal award programs, 27 were Type A programs and 291 were Type B programs.

Type A and Type B Programs
Number of Programs



The 27 Type A programs had expenditures of federal awards totaling $7.9 billion, which was 92 percent of the total expenditures for all programs. The 291 Type B programs had expenditures of federal awards totaling $705 million, which was only 8 percent of the total expenditures for all programs.

Type A and Type B Programs
Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to use a risk-based approach to determine which federal award programs to audit as major programs. We performed a risk assessment on each Type A program and determined that 10 of the 27 Type A programs were low risk and did not need to be audited as major, based on the guidance in OMB Circular A-133.

OMB Circular A-133 requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs that are not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended ($8.65 billion times .0003 = $2,593,630). We performed risk assessments on the 66 larger Type B programs that were over $2,593,630 and determined that 16 of them were high risk. In accordance with OMB Circular A-133, we audited 10 (greater than one-half) of these 16 high risk Type B programs as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 17 Type A programs and 10 Type B programs as major.

Major and Non-major Programs

Audit Coverage by Type of Program	Number of Programs	Expenditures	Percentage of Expenditures
Type A major programs	17	$ 6,321,661,551	
Type B major programs	10	134,165,721	
Total major programs	27	$ 6,455,827,272	75%
Type A non-major programs	10	1,618,312,411	
Type B non-major programs	281	571,293,340	
Total non-major programs	291	2,189,605,751	25%
Total all programs	318	$ 8,645,433,023	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	$ 731,398,761
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	42,040,048
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	38,689,763
10.555	National School Lunch Program	Agriculture	132,292,056
10.556	Special Milk Program for Children	Agriculture	460,060
10.559	Summer Food Service Program for Children	Agriculture	7,707,332
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	70,593,252
10.558	Child and Adult Care Food Program	Agriculture	39,080,312
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	28,227,637
17.225	Unemployment Insurance	Labor	439,225,337
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	14,990,061
17.259	Workforce Investment Act - Youth Activities	Labor	15,919,259
17.260	Workforce Investment Act - Dislocated Workers	Labor	21,397,411
20.205	Highway Planning and Construction	Transportation	764,401,879
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency	27,422,991
84.010	Title I Grants to Local Educational Agencies	Education	190,092,617
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	216,555,549
84.173	Special Education - Preschool Grants	Education	11,462,395
84.032	Federal Family Education Loans	Education	84,347,287
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	54,721,245
84.367	Improving Teacher Quality State Grants	Education	49,983,794
93.268	Immunization Grants	Health and Human Services	29,700,803
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Health and Human Services	28,069,517
93.558	Temporary Assistance for Needy Families	Health and Human Services	183,877,776
93.563	Child Support Enforcement	Health and Human Services	45,348,246
93.568	Low-Income Home Energy Assistance	Health and Human Services	71,070,767
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	67,187,683
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	51,420,417
93.658	Foster Care - Title IV-E	Health and Human Services	57,101,230
93.659	Adoption Assistance	Health and Human Services	31,435,407
93.667	Social Services Block Grant	Health and Human Services	54,806,016
93.767	State's Children's Insurance Program	Health and Human Services	82,060,376
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,115,863
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	12,907,026
93.778	Medical Assistance Program	Health and Human Services	4,180,980,148
96.001	Social Security - Disability Insurance	Social Security Administration	29,339,321
	Homeland Security Cluster:		

STATE OF MISSOURI

SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
16.007	State Homeland Security Grant Program	Department of Justice	10,277,132
97.004	State Domestic Preparedness Equipment Support Program	Department of Homeland Security	19,034,790
97.067	Homeland Security Grant Program	Department of Homeland Security	3,232,398
	Total Type A Programs (expenditures greater than $25,936,299)		7,939,973,962
	Total Type B Programs (expenditures less than $25,936,299)		705,459,061
	Total Expenditures of Federal Awards		$ 8,645,433,023

STATE AUDITOR'S REPORTS

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2006, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 31, 2007. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities. Other auditors audited the financial statements of the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 34 percent and 60 percent of the assets and revenues, respectively, of the business-type activities. Other auditors audited the financial statements of the component units. Other auditors audited the financial statements of the pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds, as described in our report on the state of Missouri's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 179 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Springfield, MO State Highway Improvement Corporation, the Wentzville Parkway Transportation Corporation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Conservation Employees' Insurance Plan, the Missouri Development Finance Board, Northwest Missouri State University, and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries;* Statement No. 44, *Economic Condition Reporting: The Statistical Section*; and Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*. In addition, the state of Missouri will no longer present the agency funds State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit. Also, the state of Missouri will no longer discretely present the component units Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 31, 2007, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

January 31, 2007

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Honorable Matt Blunt, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The state's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

Our compliance audit, described below, did not include the operations of the component units and related organizations that received federal financial assistance during the year ended June 30, 2006, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the state's compliance with those requirements.

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As described in item 2006-5 in the accompanying schedule of findings and questioned costs, the state of Missouri did not comply with requirements regarding earmarking that are applicable to the Social Services Block Grant programs. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-4, 2006-6, 2006-8, 2006-13 and 2006-14.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-7 and 2006-13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-1, 2006-2, 2006-4 through 2006-7, and 2006-13 to be material weaknesses.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

February 16, 2007

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2006, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 31, 2007. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities. Other auditors audited the financial statements of the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 34 percent and 60 percent of the assets and revenues, respectively, of the business-type activities. Other auditors audited the financial statements of the component units. Other auditors audited the financial statements of the pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds, as described in our report on the state of Missouri's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 179 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Springfield, MO State Highway Improvement Corporation, the Wentzville Parkway Transportation Corporation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Conservation Employees' Insurance Plan, the Missouri Development Finance Board, Northwest Missouri State University, and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying schedule of expenditures of federal awards. The information in the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities and other component units, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

January 31, 2007

SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.	HIDTA	2,271,191	1,509,742
Total Office of National Drug Control Policy		2,271,191	1,509,742
Department of Agriculture			
10.	School Lunch Commodity Refund	8,306	8,306
10.025	Plant and Animal Disease, Pest Control, and Animal Care	906,749	0
10.072	Wetland Reserve Program	500,000	0
10.153	Market News	10,847	0
10.156	Federal-State Marketing Improvement Program	2,500	0
10.163	Market Protection and Promotion	7,798	0
10.435	State Mediation Grants	27,455	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	425,386	0
10.477	Meat, Poultry, and Egg Products Inspection	28,936	0
10.550	Food Donation	17,725,723	17,255,844
10.551	Food Stamps	731,398,761	0
10.553	School Breakfast Program	38,689,763	38,689,763
10.555	National School Lunch Program	132,292,056	130,969,925
10.556	Special Milk Program for Children	460,060	460,060
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	70,593,252	15,797,246
10.558	Child and Adult Care Food Program	39,080,312	38,631,031
10.559	Summer Food Service Program for Children	7,707,332	7,389,650
10.560	State Administrative Expenses for Child Nutrition	2,697,684	965,798
10.561	State Administrative Matching Grants for Food Stamp Program	42,040,048	0
10.565	Commodity Supplemental Food Program	480,823	393,679
10.568	Emergency Food Assistance Program (Administrative Costs)	1,136,109	936,318
10.569	Emergency Food Assistance Program (Food Commodities)	4,674,160	4,674,160
10.574	Team Nutrition Grants	89,729	15,893
10.664	Cooperative Forestry Assistance	1,719,588	274,814
10.665	Schools and Roads - Grants to States	3,146,207	3,146,207
10.902	Soil and Water Conservation	90,139	0
10.912	Environmental Quality Incentives Program	23,147	0
10.916	Watershed Rehabilitation Program	150,784	0
Total Department of Agriculture		1,096,113,654	259,608,694
Department of Defense			
12 AAG	Drug Interdiction and Counter Drug Activities (Note 4)	74,885	74,885
12.	Troops to Teachers	127,239	80,675
12.112	Payments to States in Lieu of Real Estate Taxes	1,083,174	1,083,174
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	923,718	56,491
12.401	National Guard Military Operations and Maintenance Projects	17,456,591	0
Total Department of Defense		19,665,607	1,295,225
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	28,227,637	27,271,087
14.231	Emergency Shelter Grants Program	1,331,732	1,331,732
14.238	Shelter Plus Care	5,736,432	5,736,432
14.241	Housing Opportunities for Persons with AIDS	391,604	391,604
14.401	Fair Housing Assistance Program - State and Local	669,646	0
Total Department of Housing and Urban Development		36,357,051	34,730,855
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	166,834	0
15.252	Abandoned Mine Land Reclamation Program	587,549	41,544
15.605	Sport Fish Restoration	8,348,751	0
15.611	Wildlife Restoration	6,886,562	0
15.615	Cooperative Endangered Species Conservation Fund	91,880	0
15.616	Clean Vessel Act	36,000	36,000
15.617	Wildlife Conservation and Appreciation	14,127	0
15.623	North American Wetlands Conservation Fund	583,000	0
15.633	Landowner Incentive	107,900	0
15.634	State Wildlife Grants	2,009,420	0
15.807	Earthquate Hazards Reduction Program	38,769	0
15.808	U.S. Geological Survey - Research and Data Collection	198,324	0
15.810	National Cooperative Geologic Mapping Program	205,612	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.904	Historic Preservation Fund Grants-In-Aid	760,086	46,018
15.916	Outdoor Recreation - Acquisition, Development and Planning	2,224,111	1,191,094
15.921	Rivers, Trails and Conservation Assistance	1,357	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	275,000	0
15.FFB	Webless Migratory Game Bird Research Program	84,342	0
15.FFC	Fish and Wildlife Coordination Act	20,336	0
Total Department of the Interior		22,639,960	1,314,656
Department of Justice			
16.	Domestic Cannabis Eradication	399,963	0
16.007	Homeland Security Grant Program	10,277,132	9,287,740
16.011	Urban Areas Security Initiative	8,918,733	8,918,733
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	441,890	0
16.523	Juvenile Accountability Incentive Block Grants	1,970,856	83,533
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,101,159	143,568
16.542	Part D - Research, Evaluation, and Technical Assistance and Training	822,110	0
16.548	Title V - Delinquency Prevention Program	302,437	0
16.549	Part E - State Challenge Activities	64,962	0
16.550	State Justice Statistics Program for Statistical Analysis Centers	95,451	0
16.554	National Criminal History Improvement Program (NCHIP)	1,261,425	288,931
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	513,872	0
16.575	Crime Victim Assistance	7,153,585	105,166
16.576	Crime Victim Compensation	2,726,446	0
16.579	Edward Byrne Memorial Formula Grant Program	9,587,379	831,556
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	485,073	90,269
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	6,952,369	0
16.588	Violence Against Women Formula Grants	2,376,054	87,037
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	53	0
16.592	Local Law Enforcement Block Grants Program	341,763	1,503
16.593	Residential Substance Abuse Treatment for State Prisoners	1,155,390	0
16.606	State Criminal Alien Assistance Program	289,930	0
16.610	Regional Information Sharing Systems	4,747,214	4,747,214
16.710	Public Safety Partnership and Community Policing Grants	1,741,206	0
16.727	Enforcing Underage Drinking Laws Program	752,896	694,709
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	192	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	413,680	79,128
16.741	Forensic DNA Capacity Enhancement Program	135,351	0
16.743	Forensic Casework DNA Backlog Reduction Program	216,582	0
Total Department of Justice		65,245,153	25,359,087
Department of Labor			
17.002	Labor Force Statistics	2,409,123	0
17.005	Compensation and Working Conditions	174,919	0
17.203	Labor Certification for Alien Workers	109,695	0
17.207	Employment Service	21,222,453	1,817,648
17.225	Unemployment Insurance	439,225,337	0
17.235	Senior Community Service Employment Program	1,948,967	1,924,738
17.245	Trade Adjustment Assistance - Workers	10,743,194	0
17.258	Workforce Investment Act - Adult Program	14,990,061	14,260,816
17.259	Workforce Investment Act - Youth Activities	15,919,259	14,331,414
17.260	Workforce Investment Act - Dislocated Workers	21,397,411	19,303,801
17.261	WIA Pilots, Demonstrations, and Research Projects	5,319	0
17.267	Incentive Grants - WIA Section 503	1,003,169	1,003,169
17.504	Consultation Agreements	955,183	0
17.505	OSHA Data Initiative	38,032	0
17.600	Mine Health and Safety Grants	279,165	0
17.801	Disabled Veterans' Outreach Program	1,290,931	0
17.804	Local Veterans' Employment Representative	2,091,657	0
Total Department of Labor		533,803,875	52,641,586
Department of Transportation			
20.	Federal Highway Administration	6,642	0
20.106	Airport Improvement Program	18,652,547	18,247,195
20.205	Highway Planning and Construction	764,401,879	105,199,872

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.217	Motor Carrier Safety	328,561	0
20.218	National Motor Carrier Safety	2,938,540	1,290,332
20.219	Recreational Trails Program	959,238	884,409
20.500	Federal Transit - Capital Investment Grants	6,231,141	6,231,141
20.505	Federal Transit - Metropolitan Planning Grants	6,288,543	6,116,102
20.509	Formula Grants for Other Than Urbanized Areas	8,168,673	7,522,812
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	3,104,331	3,001,677
20.516	Job Access - Reverse Commute	2,702,265	2,702,265
20.600	State and Community Highway Safety	5,487,684	3,160,893
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,402,800	1,227,586
20.602	Occupant Protection	250,985	0
20.603	Federal Highway Safety Data Improvements Incentive Grants	2,141	0
20.604	Safety Incentive Grants for Use of Seatbelts	1,146,922	824,544
20.605	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	204,231	204,231
20.607	Alcohol Open Container Requirements	18,609,200	17,136,035
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	166,661	166,661
20.700	Pipeline Safety	286,280	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	254,131	240,605
Total Department of Transportation		841,593,395	174,156,360
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	563,926	0
Total Equal Employment Opportunity Commission		563,926	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	1,598,859	1,428,459
39.011	Election Reform Payments	8,402,390	8,402,390
Total General Services Administration		10,001,249	9,830,849
National Foundation of Arts and the Humanities			
45.024	Promotion of the Arts - Grants to Organization and Individuals	8,000	8,000
45.025	Promotion of the Arts - Partnership Agreements	574,750	236,320
45.026	Leadership Initiatives	20,000	20,000
45.310	LSTA State Grants	3,263,869	1,850,451
Total National Foundation of Arts and the Humanities		3,866,619	2,114,771
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	2,199,496	0
64.015	Veterans State Nursing Home Care	24,572,131	0
64.123	Vocational Training for Certain Veterans Receiving VA Pension	495,795	0
64.203	State Cemetery Grants	800,183	0
Total Department of Veterans Affairs		28,067,605	0
Environmental Protection Agency			
66.032	State Indoor Radon Grants	167,694	13,266
66.034	Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	660,298	141,986
66.202	Congressionally Mandated Projects	806,472	421,189
66.419	Water Pollution Control State and Interstate Program Support	25,793	0
66.433	State Underground Water Source Protection	122,639	0
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements	113,955	0
66.438	Construction Management Assistance	236	0
66.454	Water Quality Management Planning	127,194	8,561
66.458	Capitalization Grants for Clean Water State Revolving Funds	17,549,065	17,549,065
66.460	Nonpoint Source Implementation Grants	5,045,441	1,568,136
66.461	Regional Wetland Program Development Grants	174,512	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	27,422,991	25,595,368
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification	280,468	211,953
66.474	Water Protection Grants to the States	187,185	0
66.500	Environmental Protection - Consolidated Research	707,812	642,846
66.605	Performance Partnership Grants	11,554,973	1,105,714
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	96,994	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	14,007	0
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	259,734	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
66.708	Pollution Prevention Grants Program	70,769	18,066
66.709	Multi-Media Capacity Building Grants for States and Tribes	139,000	19,492
66.714	Pesticide Environmental Stewardship Regional Grants	19,496	0
66.717	Source Reduction Assistance	642	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	2,165,219	358,316
66.805	Leaking Underground Storage Tank Trust Fund Program	718,934	95,474
66.813	Alternative or Innovative Treatment Technology Research, Demonstration, Training, and Hazardous Substance Research Grants	67,162	48,439
66.817	State and Tribal Response Program Grants	1,236,279	288,778
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	22,449	3,628
66.951	Environmental Education Grants	5,047	0
Total Environmental Protection Agency		69,762,460	48,090,277
Department of Energy			
81.039	National Energy Information Center	4,817	0
81.041	State Energy Program	293,652	8,828
81.042	Weatherization Assistance for Low-Income Persons	6,239,498	5,766,043
81.092	Weldon Springs Site Remedial Action Project	380,628	30,189
81.104	Office of Environmental Cleanup and Acceleration	109,620	1,692
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	5,468	0
81.119	State Energy Program Special Projects	177,955	86,372
81.902	State Enviromental Oversite and Monitoring	48,941	0
Total Department of Energy		7,260,579	5,893,124
Department of Education			
84.	Cooperative System Grant	18,730	0
84.002	Adult Education - State Grant Program	9,849,082	9,330,365
84.010	Title I Grants to Local Educational Agencies	190,092,617	189,976,851
84.011	Migrant Education-State Grant Program	1,216,158	1,214,347
84.013	Title I Program for Neglected and Delinquent Children	1,131,107	1,107,233
84.027	Special Education - Grants to States	216,555,549	213,868,471
84.032	Federal Family Education Loans	84,347,287	0
84.048	Vocational Education - Basic Grants to States	24,528,579	23,367,419
84.069	State Student Incentive Grant Program (Gallagher)	594,194	594,194
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	54,721,245	22,648
84.169	Independent Living - State Grants	324,312	284,745
84.173	Special Education - Preschool Grants	11,462,395	11,462,395
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	549,502	0
84.181	Special Education - Grants for Infants and Families with Disabilities	3,932,895	3,932,895
84.184	Safe and Drug-Free Schools and Communities - National Programs	440,153	440,153
84.185	Byrd Honors Scholarships	777,000	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	8,250,614	7,705,230
84.187	Supported Employment Services for Individuals with Severe Disabilities	435,652	0
84.196	Education for Homeless Children and Youth	887,569	887,319
84.213	Even Start - State Educational Agencies	3,043,056	2,950,933
84.215	Fund for the Improvement of Education	531,496	531,496
84.235	Rehabilitation Services Demonstration and Training Programs	478,760	0
84.243	Tech-Prep Education	2,159,909	2,119,585
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	87,403	0
84.282	Charter Schools	67,807	59,999
84.287	Twenty-First Century Community Learning Centers	14,400,581	14,120,601
84.298	State Grants for Innovative Programs	3,877,591	3,673,574
84.318	Education Technology State Grants	7,463,115	6,960,403
84.323	Special Education - State Personnel Development	1,140,698	1,140,698
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	215,646	215,646
84.330	Advanced Placement Program	17,490	17,490
84.331	Grants to States for Incarcerated Youth Offenders	509,657	0
84.332	Comprehensive School Reform Demonstration	3,544,873	3,544,873
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	917,118	697,216
84.336	Teacher Quality Enhancement Grants	690,176	690,176
84.357	Reading First State Grants	17,280,009	17,009,222
84.358	Rural Education	2,941,003	2,708,791
84.365	English Language Acquisition Grants	4,614,421	4,614,421

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.366	Mathematics and Science Partnerships	1,639,219	1,633,046
84.367	Improving Teacher Quality State Grants	49,983,794	49,044,965
84.369	Grants for State Assessments and Related Activities	11,055,713	563,732
84.938	Hurricane Relief - Temporary Emergency Impact Aid for Displaced Students	4,150,483	4,150,483
Total Department of Education		740,924,658	580,641,615
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	17,748	0
Total National Archives and Records Administration		17,748	0
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	16,247,473	11,440,008
Total Elections Assistance Commission		16,247,473	11,440,008
Department of Health and Human Services			
93.000	Mammography Inspections	184,399	0
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	26,426	24,961
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	83,606	83,606
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	306,409	52,718
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	428,479	428,479
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,449,904	6,392,414
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	10,855,361	10,855,361
93.051	Alzheimer's Disease Demonstration Grants to States	221,811	219,763
93.052	National Family Caregiver Support	3,037,279	3,037,279
93.053	Nutrition Services Incentive Program	3,481,019	3,481,019
93.103	Food and Drug Administration Research	104,966	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	3,424,225	3,236,169
93.110	Maternal and Child Health Federal Consolidated Programs	273,545	67,502
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	745,321	201,501
93.127	Emergency Medical Services for Children	65,047	0
93.130	Primary Care Services - Resource Coordination and Development	208,530	62,000
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	59,174	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	787,172	649,935
93.150	Projects for Assistance in Transition from Homelessness (PATH)	775,000	775,000
93.165	Grants to States for Loan Repayment Program	144,066	144,066
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	725,212	438,165
93.204	Surveillance of Hazardous Substance Emergency Events	79,597	0
93.206	Human Health Studies - Applied Research and Development	6,791	0
93.226	Research on Healthcare Costs, Quality and Outcomes	21	0
93.230	Consolidated Knowledge Development and Application (KD&A) Program	878,597	714,391
93.234	Traumatic Brain Injury - State Demonstration Grant Program	81,024	52,459
93.235	Abstinence Education	938,392	938,392
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	20,000	0
93.240	State Capacity Building	503,507	59,569
93.241	State Rural Hospital Flexibility Program	424,653	289,128
93.242	Mental Health Research Grants	93,225	74,549
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	8,903,846	7,856,905
93.251	Universal Newborn Hearing Screening	160,732	0
93.256	State Planning Grant - Health Care Access for the Uninsured	137,981	120,964
93.259	Rural Access to Emergency Devices Grant	178,644	153,864
93.260	Family Planning - Personnel Training	6,052	0
93.268	Immunization Grants	29,700,803	26,746,706
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	28,069,517	11,785,888
93.283-95-0026	Uniform Alcohol and Drug Abuse Grants	94,585	94,585
93.301	Small Rural Hospital Improvement Grants	233,294	221,466
93.556	Promoting Safe and Stable Families	9,103,911	0
93.558	Temporary Assistance for Needy Families	183,877,776	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.563	Child Support Enforcement	45,348,246	14,549,161
93.566	Refugee and Entrant Assistance - State Administered Programs	2,463,498	0
93.568	Low-Income Home Energy Assistance	71,070,767	31,228,697
93.569	Community Services Block Grant	17,838,824	17,678,637
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	62,217	0
93.575	Child Care and Development Block Grant	67,187,683	1,528,764
93.576	Refugee and Entrant Assistance-Discretionary Grants	797,972	754,161
93.584	Refugee and Entrant Assistance - Targeted Assistance	1,772,976	0
93.586	State Court Improvement Program	318,829	0
93.590	Community-Based Child Abuse Prevention Grants	545,178	544,014
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	51,420,417	0
93.597	Grants to States for Access and Visitation Programs	171,130	0
93.599	Chafee Education and Training Vouchers Program (ETV)	275,591	0
93.600	Head Start	465,642	254,753
93.603	Adoption Incentive Payments	425,438	0
93.617	Voting Access for Individual with Disabilities - Grants to States	327,551	327,551
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,491,189	901,743
93.643	Children's Justice Grants to States	462,980	0
93.645	Child Welfare Services - State Grants	5,829,764	0
93.658	Foster Care - Title IV-E	57,101,230	0
93.659	Adoption Assistance	31,435,407	0
93.667	Social Services Block Grant	54,806,016	0
93.669	Child Abuse and Neglect State Grants	579,515	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,642,397	0
93.674	Chafee Foster Care Independent Living	2,801,334	0
93.767	State Children's Insurance Program	82,060,376	0
93.769	Demonstration to Maintain Independence and Employment	1,024,832	0
93.775	State Medicaid Fraud Control Units	1,115,863	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	12,907,026	0
93.778	Medical Assistance Program	4,180,980,148	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	939,926	155,874
93.786	State Pharmaceutical Assistance Programs	1,128,952	703,566
93.865	Child Health and Human Development Extramural Research	88,685	85,520
93.889	National Bioterrorism Hospital Preparedness Program	8,864,400	7,789,133
93.913	Grants to States for Operation of Offices of Rural Health	128,235	0
93.917	HIV Care Formula Grants	10,395,862	9,942,992
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	121,084	44,814
93.940	HIV Prevention Activities - Health Department Based	3,856,433	2,205,552
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	1,113,452	478,954
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,235,855	661,494
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	23	0
93.958	Block Grants for Community Mental Health Services	7,015,916	6,685,357
93.959	Block Grants for Prevention and Treatment of Substance Abuse	25,119,506	22,794,236
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,594,021	694,051
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	487,673	81,234
93.991	Preventive Health and Health Services Block Grant	2,585,538	701,649
93.994	Maternal and Child Health Services Block Grant to the States	14,312,318	7,356,188
Total Department of Health and Human Services		5,071,597,814	207,406,899
Corporation for National Service			
94.003	State Commissions	256,786	0
94.004	Learn and Serve America - School and Community Based Programs	268,237	195,119
94.006	AmeriCorps	2,292,862	2,292,861
94.007	Planning and Program Development Grants	9,747	0
94.009	Training and Technical Assistance	78,083	16,143
Total Corporation for National Service		2,905,715	2,504,123
Social Security Administration			
96.001	Social Security - Disability Insurance	29,339,321	0
96.008	Social Security - Work Incentives Planning and Assistance Program	280,889	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Total Social Security Administration		29,620,210	0
Department of Homeland Security			
97.004	State Domestic Preparedness Equipment Support Program	19,034,790	17,688,396
97.008	Urban Areas Security Initiative	11,231,157	11,231,157
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	299,021	299,021
97.023	Community Assistance Program - State Support Services Element	252,743	53,867
97.032	Crisis Counseling Assistance - Regular Services	60,677	51,512
97.034	Disaster Unemployment Assistance	62,635	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	5,476,124	5,423,184
97.039	Hazard Mitigations Grant	2,163,314	2,160,218
97.041	National Dam Safety Program	43,808	0
97.042	Emergency Management Performance Grants	3,437,857	3,437,857
97.045	Cooperating Technical Partners	620,132	0
97.047	Pre-Disaster Mitigation	119,215	119,215
97.063	Pre-Disaster Mitigation Disaster Resistant Universities	16,687	16,687
97.067	State Homeland Secuirty Grant Program	3,232,398	2,799,056
97.070	Map Modernization Management Support	99,352	0
97.074	Law Enforcement Terrorism Prevention Program	599,950	593,006
97.078	Buffer Zone Protection Program (BZPP)	156,709	156,710
97.091	Homeland Security Biowatch Program	512	0
Total Department of Homeland Security		46,907,081	44,029,886
Total Expenditures of Federal Awards		$ 8,645,433,023	1,462,567,757

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2006, Type A programs are those which exceed $25,936,299 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling $31,267,904 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants and Children Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures

Expenditures of federal awards for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $406,992,446 and $24,391,840 funded by federal grants. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling $5,761,455, have been excluded from total expenditures.

4. Nonmonetary Assistance

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $25,789,810.

The State Agency for Surplus Property distributes federal surplus property (CFDA No. 39.003) to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled $6,862,055 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost ($1,598,859), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program (CFDA No. 12.AAG). Property distributions totaled $321,395 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost ($74,885), which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

The auditor's report on the financial statements was qualified.

The audit did not note any reportable conditions in the internal control over financial reporting.

The audit did not note any noncompliance material to the financial statements.

Federal Awards

The auditor's report on compliance on the major programs was qualified.

The audit identified reportable conditions in the internal controls over major programs.

Some of these reportable conditions were considered to be material weaknesses.

The audit identified findings related to compliance on major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

The state of Missouri did not qualify as a low-risk auditee under the provisions of OMB Circular A-133.

The dollar threshold to distinguish between Type A programs and Type B programs was **$25,936,299**.

The following programs were audited as major programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
17.225	Unemployment Insurance
20.205	Highway Planning and Construction
39.011	Election Reform Payments
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.010	Title I Grants to Local Education Agencies

	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.032	Federal Family Education Loans
84.048	Vocational Education - Basic Grants to the States
84.181	Special Education - Grants for Infants and Families with Disabilities
84.186	Safe and Drug-Free Schools and Communities - State Grants
84.287	Twenty-First Century Community Learning Centers
84.357	Reading First State Grants
84.367	Improving Teacher Quality State Grants
90.401	Help America Vote Act Requirements Payments
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
	Child Care Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
	Homeland Security Cluster:
16.007	State Homeland Security Grant Program
97.004	State Domestic Preparedness Equipment Support Grant
97.042	Emergency Management Performance Grant
97.067	State Homeland Security Grant Program
97.008/16.011	Urban Areas Security Initiative

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

2006-1.	**Review of Information Technology Support Division**

Federal Agency: Department of Health and Human Services
Department of Agriculture

Federal Program:
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
2006 - 06WIC
2005 – 05WIC
2005 – 3MO700754
2004 – 04WIC

93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs
2006 – CCU700495-24
2005 – CCU700495-23

93.268 Immunization Grants
2006 – CCH722543-04
2005 – CCH722543-03

93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance
2006 - CCU716971-06
2005 - CCU722433-03
2004 - CCU716971-4A

93.777 State Survey and Certification of Health Care Providers and Suppliers
2006 - 06TITLEXVIII
2005 - 05TITLEXVIII

93.889 National Bioterrorism Hospital Preparedness Program
2006 - 3RHS05937-01
2005 - MC03938-01

93.991 Preventive Health and Health Services Block Grant
2006 – 06PHS
2005 - 05PHS
2004 - 04PHS

93.994 Maternal and Child Health Services Block Grant to the States
2006 - 06MCH
2005 - 05MCH

State Agency: Department of Health and Senior Services (DHSS)

A DHSS internal review is currently underway to investigate concerns regarding how federal funds were used by its Information Technology Support Division (ITSD).

The ITSD provides information technology and information systems support to all divisions of the DHSS. The ITSD is funded largely through various federal grants. Thus, problems in the manner that these grant monies are charged could represent material noncompliance with various federal regulations/requirements. According to department records, ITSD operating costs for fiscal year 2006 totaled approximately $13.2 million, involving both state and federal funds. The following table shows how state and federal dollars were expended (in millions) for ITSD personal service and expense and equipment for fiscal year 2006:

	STATE	FEDERAL	TOTALS
Personal Service	$2.0	3.9	$5.9
Expense and Equipment	1.6	5.7	7.3
Totals	$3.6	9.6	$13.2

During 2005, the Governor's office ordered the state-wide consolidation of information technology staff and resources, which resulted in the DHSS's ITSD reorganizing under the state's Office of Administration effective July 1, 2006. According to department officials, to promote an orderly transition, the DHSS conducted a financial review of the ITSD's fiscal operations and project management systems. This review began in May 2006, with some initial results being reported in July 2006. That initial review reported some areas of interest or concern including:

- Risk of incorrect funding for contractual expenditures and a lack of a centralized project management system and reporting;
- Time accounting and employee timesheets not corresponding to actual work performed in some instances;
- Risk of incorrect funding used for expense and equipment expenditures; and
- Inconsistency in funding used on employee expense accounts as compared to payroll records.

Because of the seriousness of these concerns, DHSS management decided to expand the review to determine the extent that amounts should have been charged to federal funds or other appropriate fund sources. This expanded review began in late July 2006 and covered fiscal years 2005 and 2006. The DHSS advised the State Auditor's Office of this situation and the expanded review in September 2006.

This review has focused on the following areas/issues:

- Contractual services - In this area, transactions involving the main contractor used by the ITSD were reviewed to determine if the proper federal grants were being charged based upon the scope of the project and/or work that was contracted.

- Personal services - In this area, ITSD personnel time sheets and employee individual status reports were compared to identify and investigate discrepancies.

- Equipment purchases - In this area, disbursements greater than $10,000 were analyzed to determine whether the appropriate federal grant was charged for the cost of the equipment.

- Expense accounts - In this area, payroll funding sources for individual employees were compared to funding sources for corresponding employee expense accounts to identify any differences.

As of February 2007, this expanded review was still ongoing. During this review, the State Auditor's Office monitored its progress and provided some input to the review team. These monitoring procedures included, but were not limited to, attending the review team's weekly progress meetings and having detailed discussions with individual review team members regarding the work/procedures being performed and the results being noted for selected transactions. According to the review team, some possible discrepancies have been identified where federal grants may have been inappropriately charged. Further review of these discrepancies is ongoing and formal findings, if any, have not yet been reported.

In August 2006, the federal Department of Health and Human Services, Office of Inspector General directed the DHSS (by subpoena) to provide copies of all documents relevant to its initial review of ITSD operations. Copies of these records were provided to this federal agency shortly thereafter. As of February 2007, DHSS officials indicated the department has had no further contact with this federal agency.

The State Auditor's Office will continue monitoring this review and ensure its results are properly communicated to the appropriate federal authorities. Further, the State Auditor's Office will report the results of the review, along with the resolution of any findings and questioned costs, in future Single Audit reports.

WE RECOMMEND the DHSS complete the expanded review of ITSD operations and funding which is currently in progress. Any findings and questioned costs should be properly reported to the applicable federal authorities. In addition, the DHSS should implement appropriate corrective action(s) to ensure proper controls and procedures are in place to prevent any reported problems from reoccurring in the future.

AUDITEE'S RESPONSE

We agree with the auditor's finding. However, because the expanded review is in progress, our corrective action plan will only address the planned completion of the expanded review and resolution of any noted findings. When the review is complete, any findings noted in the final report will necessitate the development of a full corrective action plan, which will be submitted to the Office of Administration.

2006-2.	**Subrecipient Monitoring**

Federal Agency: Department of Health and Human Services
Federal Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
St. Louis Transitions Grant - #5 U79 SM56220-04,
Contract periods – October 1, 2004 to September 30, 2005 and October 1, 2005 to September 30, 2006
State Agency: Department of Mental Health (DMH) - Division of Comprehensive Psychiatric Services

The DMH has not adequately monitored all subrecipients related to the above referenced program to ensure an A-133 audit has been performed and submitted to the DMH on a timely basis, as required, or that problems reported in previous audits have been addressed.

As of December 31, 2006, one of the department's two subrecipients under this program had not filed an A-133 audit with the department for its fiscal year ended December 31, 2005, even though it expended over $1.3 million under this program during that fiscal year. The A-133 audit of this subrecipient for the two fiscal years ending December 31, 2004 and 2003, was not received by the DMH until June 2006, approximately nine months after it was due. Further, the DMH has not issued a management decision regarding some audit findings and questioned costs reported in that audit, nor has it made any other documented efforts to ensure the applicable subrecipient has taken appropriate and timely corrective action to address the problems reported.

OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain an A-133 audit when grant expenditures exceed $500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within nine months of the end of the subrecipient's fiscal year. In addition, the recipient agency is required to make a management decision on audit findings within six months after receipt of a subrecipient's audit report and ensure the subrecipient takes appropriate and timely corrective action.

WE RECOMMEND the DMH ensures it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring that all subrecipients submit an A-133 audit on a timely basis, as required, issuing a management decision on audit findings within six months after receipt of a subrecipient audit report, and ensuring subrecipients take appropriate and timely corrective action related to any problems reported.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2006-3.	State Revolving Funds

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for Clean Water State Revolving Funds
2004-CS290001-09 and 2005-CS290001-08
66.468 Capitalization Grants for Drinking Water State Revolving Funds
FS997629-04, FS997629-03, FS997629-02, FS997629-01, FS997629-00, FS997629-99, FS997629-98, and FS997629-97
State Agency: Department of Natural Resources (DNR)

The DNR does not sufficiently monitor and ensure program subrecipients obtain and submit audits to the DNR when applicable. In addition, the DNR has not established adequate procedures to ensure that required quarterly construction site inspections are performed. During the year ended June 30, 2006, approximately $45 million of State Revolving Funds were expended, with $43 million of this amount distributed to subrecipients.

A. The DNR has a system for tracking federal awards paid to subrecipients, which includes information on audit requirements for the subrecipients; however, the monitoring reports generated by the system are not sufficiently reviewed. As a result, the DNR does not adequately monitor to ensure applicable subrecipients obtain audits and submit copies of the audit reports. The DNR did not have audit reports on file for 11 of the 24 subrecipients that were required to obtain audits during the year ended June 30, 2006. In addition, we contacted three of the subrecipients that didn't submit audits, and all three indicated that they did obtain audits but apparently did not submit copies to the DNR. The DNR does not normally contact subrecipients to ensure the required audits are submitted.

   OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain audits when a subrecipient's grant expenditures exceed $500,000 during a fiscal year. Monitoring the use of federal awards by obtaining and reviewing audit reports provides reasonable assurance that the subrecipients administer Federal awards in compliance with applicable laws and regulations.

B. The State Revolving Funds are primarily used by subrecipients throughout the state for new construction and improvements to drinking water and wastewater systems. The DNR does not always perform and/or document quarterly construction site inspections as required by its written policy. Of the 23 projects tested, 11 had no documentation of the required quarterly inspections. As a result, the DNR has less assurance these construction projects met the approved plans and specifications, or whether the subrecipients complied with applicable state and federal regulations.

WE RECOMMEND the DNR:

A. Establish procedures to better monitor subrecipients and ensure subrecipients obtain and submit audit reports as required by OMB Circular A-133.

B. Ensure quarterly construction site inspections are performed as required by department policy, and the results of those inspections are documented.

AUDITEE'S RESPONSE

A&B. We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2006-4.	**Homeland Security Grants**

Federal Agency:	Department of Homeland Security
Federal Program:	16.007 State Homeland Security Grant Program – 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003
	16.011 Urban Areas Security Initiative – 2003-EU-T3-0030
	97.004 State Domestic Preparedness Equipment Support Grant Program – 2004-GE-T4-0049
	97.008 Urban Areas Security Initiative – 2004-TU-T4-0007
	97.042 Emergency Management Performance Grant – 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003
	97.067 State Homeland Security Grant Programs – 2005-GE-T5-0022
State Agency:	Department of Public Safety (DPS) – State Emergency Management Agency (SEMA)
Questioned Costs:	$588,035

The SEMA has not established adequate policies or procedures for on-site monitoring of subrecipients to ensure federal monies expended are for allowable activities and costs.

Currently, the SEMA performs on-site monitoring to ensure subrecipients are properly trained on homeland security equipment, but performs no on-site monitoring of expenditures. The SEMA indicated they were planning to begin on-site subrecipient monitoring of expenditures; however, as of January 2007, written policies and procedures have not been developed and on-site monitoring had not been started. Without proper policies and procedures in place, the SEMA cannot ensure that subrecipients are spending federal funds for allowable activities and costs, or that proper purchasing and bidding requirements were followed.

Had onsite monitoring been performed by the SEMA, the following problems noted in audits performed by the State Auditor's Office may have been noted and corrected on a more timely basis.

1. In December 2006, the Missouri State Auditor's Office issued audit report No. 2006-71, **Miller County**. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.) The report indicated that Miller County did not have an internal control system in place to adequately monitor the procurement and installation of equipment and services funded through the State Homeland Security grant program. As a result, $284,493 in federal expenditures were questioned. The report included the following findings, which have been summarized:

   Bid documentation for a Computer Aided Dispatch (CAD) system was inadequate and the equipment installed did not agree to the bid or to the paid invoice. In addition, bid documentation for an upgrade to the county's mapping system could not be located. Furthermore, the county commission minutes indicated that only one bid was received and accepted for the purchase of both systems, and payments were not made to vendors before reimbursement was requested from the state. The county submitted copies of checks to the SEMA as proof of payment to receive reimbursement; however, the checks were subsequently voided and reissued once federal monies were received. The cost of the CAD system and the mapping system upgrade was approximately $249,598 and $34,895, respectively.

2. In December 2006, the Missouri State Auditor's Office issued audit report No. 2006-74, **DeKalb County**. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.) The report indicated that the multi-county ACCD 911 Board, which includes Andrew, Caldwell, Clinton, and DeKalb counties, did not have adequate procurement procedures and did not closely follow the terms of the State Homeland Security grant program for emergency communications equipment received. As a result, $303,542 in federal expenditures were questioned. The report included the following findings, which have been summarized:

   The multi-county ACCD 911 Board received a grant award in the amount of $677,084 for equipment, installation, and consulting and engineering items. Due to favorable pricing on its initial bid for equipment and installation, the board purchased additional equipment with the remaining grant funding, totaling $235,542. The board could not provide documentation of approval from the SEMA for these additional purchases, nor were the additional purchases bid as required. In addition, the board contracted for consulting and engineering services, totaling $68,000, without soliciting requests for qualifications. Lastly,

the board did not ensure these vendors met federal suspension and debarment requirements.

To ensure subrecipients are following the terms and conditions of the State Homeland Security Grant program and federal monies are only spent for allowable activities and costs, the SEMA should ensure adequate subrecipient monitoring policies and procedures are in place and operating effectively.

WE RECOMMEND the Department of Public Safety, through the State Emergency Management Agency, establish written policies and procedures for on-site monitoring and perform such monitoring to ensure subrecipients are expending federal monies for allowable activities and costs, and following proper purchasing and bidding requirements.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the finding.

2006-5. Earmarking — Social Services Block Grant

Federal Agency:	Department of Health and Human Services
Federal Program:	93.667 Social Services Block Grant 2005 - G0501MOSOSR and 2006 - G0601MOSOSR
State Agency:	Department of Social Services (DSS)
Questioned Costs:	$21,705,174

The DSS has not established procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) are being used for programs and services to eligible individuals. The State may transfer up to ten percent of its TANF funds for a given fiscal year to carry out programs under the SSBG. According to department records, during the year ended June 30, 2006, TANF funds totaling $21,705,174 were expended to carry out programs under the SSBG.

The department does not track or perform any analysis of the expenditures of TANF funds transferred to the SSBG to ensure the funds are used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline. As a result, TANF funds transferred to the SSBG could be used for programs and services that are not allowed. Because these expenditures are not tracked or analyzed, we could not determine the amount of funds that may have been improperly used. As a result, we question the $21,705,174 transferred.

42 United States Code Section 604(d)(3)(A) and 9902(2) provides that the State shall use all of the amount transferred into the SSBG from TANF only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the DHSS.

WE RECOMMEND the DSS resolve the questioned costs with the grantor agency and implement procedures to ensure that TANF funds transferred to the SSBG are used for programs and services to children or their families whose income meets program guidelines.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2006-6.	**Child Care Payments**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Budget and Finance (DBF)
Questioned Costs:	$31,683

Eligibility and payment documentation could not be located for some child care cases reviewed, and overpayments were made to some providers. In addition, management of the case records is poor and provider monitoring procedures are not adequate. During the year ended June 30, 2006, the DSS paid over 13,000 child care providers approximately $151.4 million for over 82,000 children.

The DSS provides monies to child care providers who serve eligible clients. Federal regulation 45 CFR 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. Also, 45 CFR 98.54 provides that, with regard to services to students enrolled in grades 1 through 12, no funds may be used for services provided during the regular school day, services for which the students receive academic credit toward graduation, or instructional services that supplant or duplicate the academic program of any public or private school.

To comply with federal requirements, the DSS's Income Maintenance manual requires authorizations for the amount of care that best meets the family's need, and case file documentation including the child care application or a signed system-generated interview summary and copies of income verifications to support eligibility determinations. In addition, the manual and provider agreements require that providers

submit a monthly invoice and maintain attendance records signed by the parent/caregiver to verify the child received the services.

Parents/caregivers apply to the FSD or CD case workers to participate in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider to provide child care services. Case workers assess the child care needs and set maximum authorized service units for each provider and child. Child care providers can be either licensed by the state or unlicensed, depending on the number of children cared for. Providers bill the DSS monthly for services, either by the DSS's on-line invoicing system or by a manual invoice. Unlicensed providers are required to submit an attendance sheet that is signed by the parent/caregiver to verify the child received the services. Although licensed providers are required to keep attendance records, the DSS does not require them to submit these records.

A. To test compliance with these requirements, we reviewed eligibility documentation, provider agreements, and expenditure documentation for 60 children on whose behalf child care payments were made to child care providers. Eligibility documentation, such as a signed child care application or system-generated interview summary, for 6 of 60 (10 percent) cases reviewed could not be located by the DSS, nor could the DSS locate case files for two other children. The total child care payments made on behalf of these children during the year ended June 30, 2006, totaled $33,868. We question the federal share of $27,189 (80.28 percent).

   In addition, some child care payments were not supported by adequate documentation. Attendance records were not always signed by the parent/caregiver, some provider invoices did not agree to the corresponding attendance records, some provider invoices could not be located, some attendance records did not include all applicable children and dates of service, and an agreement with one provider could not be located. Also, overpayments were made because the DSS sometimes authorized more than one provider for a child during the same time period or authorized full time child care services during months the child attended school. Finally, the DSS was inconsistent in authorizing the maximum number of days of child care per month for a child. Sometimes 22 days were authorized and other times 23 days were authorized. The payments related to the inadequate documentation and overpayments total $5,598. We question the federal share of $4,494 (80.28 percent).

   Overall for the cases reviewed, case records supporting eligibility, provider invoices, attendance sheets, and other records appeared disorganized and incomplete. Without complete and accurate case records, adequate documentation is not available to verify the eligibility of the clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen its policies and procedures regarding case record documentation and retention of records. In addition, the DSS needs to ensure that child care payments are made on behalf of eligible children, invoices

agree to the corresponding attendance records, and appropriate child care services are authorized.

B. The policies and procedures for monitoring child care providers need improvement. Beginning in February 2006, the DBF started performing on-site contract compliance reviews of 160 providers each month. Results of the reviews are referred to the CD for follow-up. Weaknesses in the monitoring process include:

- The compliance review instructions do not require the comparison of invoice dates and times to attendance records. Our review of the compliance review documentation for two providers revealed some billing errors which were not identified by the DBF monitoring staff. Without comparing the dates and times billed to the supporting attendance records, the DSS cannot ensure payments made to providers are appropriate.

- Child care providers in a ten-county region surrounding and south of the metro-St. Louis area have been excluded from monitoring by the DBF. The DBF divided the state into nine regions, and conducts reviews in eight of those regions. According to DBF personnel, the DSS planned to have various caring communities partnerships review providers in the other region; however, the DSS did not follow through with the plan. The DBF needs to ensure all providers are included in the population to be monitored.

- The DBF has not established a risk-based approach to selecting providers to monitor. Providers are selected on a random basis. A risk-based approach would evaluate risk factors, such as amount of the agreement, prior experience with the provider, type of information submitted by the provider, and expected level of compliance with DSS policies. This type of approach could be used to determine the type and extent of monitoring to perform, including whether a site visit is necessary.

- The DBF supervisor responsible for reviewing contract compliance review reports does not document her review and approval. Initialing or signing and dating the compliance review documentation denotes proper review and approval of the monitoring report.

WE RECOMMEND the DSS through the CD, FSD, and DBF:

A. Resolve the questioned costs with the grantor agency, and review and strengthen the policies and procedures regarding child care case record documentation and retention of records. The DSS should ensure child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, and appropriate child care services are authorized.

B. Expand provider monitoring procedures to compare invoices to attendance records to ensure all providers are included in the population, and to utilize a risk-based approach to selecting providers to review. In addition, the DBF supervisor responsible for reviewing the monitoring visit report should initial and date the report to indicate review and approval.

AUDITEE'S RESPONSE

A. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

B. We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2006-7. Procurement and Suspension and Debarment

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2005 - G0504MO4004 and 2006 - G0604MO4004
93.575 Child Care and Development Block Grant
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.667 Social Services Block Grant
2005 - G0501MOSOSR and 2006 - G0601MOSOSR
State Agency: Department of Social Services (DSS)

The DSS does not ensure all entities paid more than $25,000 are not suspended or debarred, or otherwise excluded from receiving federal funds. For contracts procured by the department, the DSS has established procedures to ensure certifications are obtained from the vendor and/or that contracts contain a clause regarding suspension and debarment. However, for contracts that the Office of Administration (OA) negotiates on behalf of the DSS, the DSS does not always notify the OA when contracts are funded with federal funds and of the need to ensure that the vendor/subrecipient is not suspended or debarred.

Our review of 37 contracts exceeding $25,000 and procured through the OA found 21 contracts (57 percent) which 1) did not have the required suspension and debarment provision in the contracts, or 2) the vendor had not certified that they were not suspended or disbarred, or 3) neither the DSS or OA reviewed the Excluded Parties List System (EPLS) maintained by the General Services Administration. OA officials indicated they had not been informed by the DSS that these contracts were funded with federal funds.

On the date of our review of the EPLS, none of the entities were found to be suspended or debarred.

Federal Regulation 45 CFR 76.300, requires recipients of federal awards to verify vendors/subrecipients paid more than $25,000 are not suspended or debarred by adding a clause or condition to the contract with the entity, collecting a certification from the entity, or reviewing the EPLS.

The DSS should implement procedures to notify the OA when contracts exceeding $25,000 are funded with federal funds and of the need to include the suspension and debarment certification and/or clause, or to review of the EPLS in the procurement process.

WE RECOMMEND the DSS implement procedures to ensure all vendors/subrecipients paid more than $25,000 are not suspended or debarred from participation in federal government programs.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2006-8.	**Salary Certifications**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2005 - G0504MO4004 and 2006 - G0604MO4004 93.658 Foster Care - Title IV-E 2005 - G0501MO1401 and 2006 - G0601MO1401 93.674 Chafee Foster Care Independent Living 2004 - G0401MO1420 and 2005 - G0501MO1420
State Agency:	Department of Social Services (DSS) – Family Support Division (FSD) and Children's Division (CD)
Questioned Costs:	$63,887

Certifications supporting salaries of employees working solely on a single federal program are not always prepared and are not prepared by the employee or supervisor having specific knowledge of the employee's work.

Salary certifications are only prepared for those employees working solely on a single program in the last pay period of the reporting period. As a result, employees who worked on a single program for periods other than the last payroll of the reporting period are not certified. According to payroll reports, 26 CD employees worked solely on the Foster Care - Title IV-E or the Chafee Foster Care Independent Living programs for the period April to June 2006. However, for 8 (31 percent) of these employees, a

certification was not prepared. We question the federal share of the salaries and fringe benefits, totaling $56,673, for these employees for this period. It appears these employees were either terminated or repositioned during the certification period, causing them not to be included in the certification.

Additionally, certifications were not prepared for 2 (2 percent) of 94 FSD employees working on the Child Support Enforcement (CSE) program for the period July to September 2005. We question the federal share of the salaries and fringe benefits, totaling $7,214, for these employees for this period. According to DSS officials, CSE employees always work solely on the CSE program. Without accurate and complete certifications, the DSS has not fully substantiated the salary costs charged to the various federal programs.

We also noted that the certifications are prepared and signed by an official in the FSD/CD Financial Management and Operational Services unit, rather than the employees and/or supervisors that have knowledge of the employees' duties and responsibilities during the period. Without having certifications prepared by the employees and/or supervisor having specific knowledge of the employees' work during the period, there is limited assurance those employees did work solely on the program.

The Office of Management and Budget (OMB) Circular A-87 requires that charges for salaries and related salary costs of employees who work solely on a single federal award or cost objective be supported by periodic certifications that the employees worked solely on that program. These certifications are required to be prepared at least semi-annually, and signed by either the employee or a supervisor having specific knowledge of the work performed by the employee.

WE RECOMMEND the DSS resolve the questioned costs with the grantor agency and ensure salary certifications are prepared for all employees who work solely on a single program in accordance with OMB Circular A-87.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2006-9. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
2005 - G0501MO00FP and 2006 - G0601MO00FP
93.558 Temporary Assistance for Needy Families
2005 - G0501MOTANF and 2006 - G0601MOTANF
93.575 Child Care and Development Block Grant
2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.658 Foster Care - Title IV-E
2005 - G0501MO1401 and 2006 - G0601MO1401
93.667 Social Services Block Grant
2005 - G0501MOSOSR and 2006 - G0601MOSOSR
93.778 Medical Assistance Program
2005 - 05-0505MO5028 and 2006 – 05-0605MO5028

State Agency: Department of Social Services (DSS) and Office of Administration - Information Technology Services Division (ITSD)

In October 2006, the Missouri State Auditor's Office issued audit report No. 2006-61, ***Social Services, Children's Services Integrated Payment System – Data Accuracy and Integrity.*** (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the internet at www.auditor.mo.gov.)

The Children's Services Integrated Payment System (CSIPS), managed by the ITSD, processes child welfare payments for various DSS programs. The DSS plans to replace the CSIPS with a new system in 2008. The report included the following findings which have been summarized:

A. The CSIPS did not record or track the exact calendar days services were provided. In fiscal year 2005, the DSS overpaid vendors at least $31,898 due to exact service dates not being recorded on the payment transactions. In addition, other potential overpayments were identified.

B. Established data validation and edit controls were not working effectively and some edit controls had not been included in the system. In fiscal year 2005, the DSS overpaid vendors $19,730 due to weaknesses in controls over duplicate payments. Other potential overpayments were also identified.

C. The DSS did not perform post-payment reviews or authorize payment source documents electronically after input to ensure the amount approved on the source document equals the amount input on the payment transaction.

D. The DSS did not monitor the use of overrides on the CSIPS payment transactions.

E. The DSS had not formally documented procedures for tracking overpayments and processing deductions, processing transaction errors, or for the retention of payment source documents.

WE RECOMMEND

The DSS:

Recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.

The DSS through the ITSD:

A. Include the capability to document exact service dates instead of only the service month and year for children services payment transactions in the CSIPS and/or include this functionality in the design and development of the new system.

B. Establish procedures to ensure all payment data is checked for accuracy, propriety, and completeness by proper data validation and edit controls before and during processing. Specifically, the DSS should review the following edits to consider adding them to the CSIPS and/or to the design and development of the new system:

- Require service units and service rates on all payment transactions with the appropriate minimum and maximum units and rates.
- Place data validation rules on service codes to ensure payment data is compliant with the service code restrictions and to ensure the appropriate rate is used.
- Limit the payments for clothing to ensure compliance with the Child Welfare Manual.
- Revise the duplicate payment edit to review the entire payment history instead of just the pending payment file.
- Revise the child care edit to review payment history to ensure only 23 days are allowed in a month.
- Establish edits limiting absences and holidays for child care payments.
- Differentiate between weekend and evening child care payments and establish appropriate edits limiting the days allowed.

C. Establish procedures for reviewing payments to ensure the amount input agrees to the amount approved. The DSS should consider adding a workflow requirement to apply electronic signatures to authorize or approve source documents before the system will allow payments to process and/or include this functionality in the design and development of the new system.

D. Develop policies and procedures for monitoring override transaction usage to ensure payments are being properly processed.

E.1. Develop procedures for tracking child service overpayments to ensure monies are recouped from future vendor payments or are repaid by the vendor. DSS and ITSD officials should evaluate the cost of modifying the current child welfare

payment system or including specifications in the future system to adequately track vendor overpayments and deductions with automated procedures.

2. Establish documented policies and procedures for handling source document errors and the resubmission of corrected data. In addition, develop error logs so officials can monitor and follow-up on the correction and resubmission of payment transaction errors.

3. Revise the source documentation retention policy to include how documents are retained and stored for all CSIPS payments.

AUDITEE'S RESPONSE

A-E. We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2006-10.	**Office of Attorney General Billings**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2005 - G0504MO4004 and 2006 - G0604MO4004 93.778 Medical Assistance Program 2005 - 05-0505MO5028 and 2006 - 05-0605MO5028
State Agency:	Office of Attorney General (AGO) - Financial Services Division (FSD) and Department of Social Services (DSS) - Division of Budget and Finance (DBF)

In December 2006, the Missouri State Auditor's Office issued audit report No. 2006-85, ***Office of Attorney General.*** (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the internet at www.auditor.mo.gov.)

Some FSD attorneys and support staff provide various legal services to the DSS, primarily related to the Child Support Enforcement and Medical Assistance programs. A monthly bill is prepared by the AGO fiscal unit and submitted to the DSS for salaries, fringe benefits, expense and equipment, and indirect costs associated with the services provided. The DBF initiates a drawdown into the AGO's federal fund and includes the billing information in the DSS's Cost Allocation Plan for federal reimbursement. The report included the following finding, which has been summarized, regarding the AGO billings to the DSS:

A. The AGO did not follow its cooperative agreement when billing the DSS. The AGO did not bill salary and fringe benefits for individuals who worked exclusively on one federal program directly to that program and did not include all attorneys and staff in the billing calculation.

The cooperative agreement between the AGO and DSS provides the salary and fringe benefits for individuals who work solely on a single federal program be direct billed and that all costs of the unit providing the services for federal programs be included in the allocation calculation when individuals work on federal and non-federal activities.

B. Time records were not adequate to determine the extent that billings to the DSS may have been incorrect. Also, some timesheets were not signed by the employees.

Office of Management and Budget (OMB) Circular A-87 requires that where employees work on multiple programs or cost objectives, the distribution of their salaries or wages needs to be supported by personnel activity reports or equivalent documentation which reflect total actual activity of each employee. This circular also requires these time records be signed by the employee. The cooperative agreement provides that the AGO comply with the provisions of OMB Circular A-87.

C. All allowable FSD expense and equipment expenditures were not included in the billing calculation.

The cooperative agreement provides that all FSD allowable costs under OMB Circular A-87 be included in the billing.

WE RECOMMEND the AGO:

A. Revise its policies and procedures to ensure compliance with the cooperative agreement with the DSS. The salaries and fringe benefits for employees working solely on one federal program should be billed directly to the program and all FSD employees should be included in the billing allocation calculation.

B. Ensure all time records used in the allocation calculation are complete and accurate. Also, the time records should be signed by the employee.

C. Ensure all FSD allowable costs are included in the billing calculation.

AUDITEE'S RESPONSE

A&C. We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

B. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2006-11.	Random Moment Time Study

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF 93.658 Foster Care - Title IV-E 2005 - G0501MO1401 and 2006 - G0601MO1401 93.659 Adoption Assistance 2005 - G0501MO1407 and 2006 - G0601MO1407 93.667 Social Services Block Grant 2005 - G0501MOSOSR and 2006 - G0601MOSOSR 93.778 Medical Assistance Program 2005 - 05-0505MO5028and 2006 – 05-0605MO5028
State Agency:	Department of Social Services (DSS) – Children's Division (CD) and Division of Budget and Finance (DBF)

The CD has a low response rate for its random moment time study (RMTS). During the year ended June 30, 2006, the RMTS's response rate ranged from 65 percent to 72 percent per quarter. According to officials of the DHHS, Division of Cost Allocation, the response rate for the RMTS should be at least 90 percent. The results of the time study are used to determine how employees spend their time, and the study's sampling plan provides for a sample of 2,160 moments each quarter. To obtain this number of moments, the number of requests sent each quarter ranged from 3,200 to 3,700 during the year ended June 30, 2006.

During each quarter, selected caseworkers are contacted by email at random moments and are requested to record what program/activity they are engaged in at that moment. The caseworkers are required to submit the information electronically to the DSS's intranet web-site within 72 hours. Based on the sample results, the DBF allocates various costs to its federal and state programs.

Although the CD has specific policies and procedures explaining the use of the study, many CD employees failed to complete and submit the RMTS request. According to CD personnel, some requests may go to terminated employees because the employee is selected from payroll records at the beginning of the quarter and have terminated employment during the quarter. Additionally, since some employees travel, they are unable to respond within the 72 hours.

The CD needs to better communicate to employees the necessity of responding to the RMTS requests and provide training on the use of the RMTS.

WE RECOMMEND the DSS-CD implement procedures to achieve a 90 percent response rate from employees for the RMTS.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2006-12. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Agriculture
Department of Education
Department of Health and Human Services

Federal Program:
10.561 State Administrative Matching Grants for Food Stamp Program
2005 and 2006 - IE251843, IS251443, and IS252043
84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
2005 and 2006 H126A040037
93.556 Promoting Safe and Stable Families
2005 - G0501MO00FP and 2006 - G0601MO00FP
93.558 Temporary Assistance for Needy Families
2005 - G0501MOTANF and 2006 - G0601MOTANF
93.566 Refugee and Entrant Assistance - State Administered Programs
2003 - G03AAMO7110, 2004 - G03AAMO7110, 2005 - G05AAMO7100, and 2006 - G06AAMO7100
93.568 Low-Income Energy Assistance
2005 - G05B1MOLIEA and 2006 – G0561MOLIEA
93.575 Child Care and Development Block Grant
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.658 Foster Care - Title IV-E
2005 - G0501MO1401 and 2006 - G0601MO1401
93.659 Adoption Assistance
2005 - G0501MO1407 and 2006 - G0601MO1407
93.667 Social Services Block Grant
2005 - G0501MOSOSR and 2006 - G0601MOSOSR
93.778 Medical Assistance Program
2005 - 05-0505MO5028and 2006 – 05-0605MO5028

State Agency: Department of Social Services (DSS) – Division of Budget and Finance (DBF), Family Support Division (FSD), and Children's Division (CD)

A. Expenditures reported on the original schedule of expenditures of federal awards (SEFA) prepared by the DBF were overstated by a net amount of approximately $56 million. Listed below are the misstatements applicable to each program:

CFDA #	Program	Overstated/ (Understated)
93.558	Temporary Assistance for Needy Families	$ 44,139,613
93.575	Child Care and Development Block Grant	11,973,442
93.659	Adoption Assistance	45,118
93.778	Medical Assistance Program	(33,717)

The majority of the errors resulted from the incorrect compilation of data from the programs' federal reports. The DBF uses these reports, which are records of expenditures of federal programs, to prepare the SEFA. Temporary Assistance for Needy Families (TANF) monies, totaling over $44 million, transferred to the Social Services Block Grant (SSBG) and the Child Care and Development Block Grant (CCDF) during the year were shown as expenditures in both TANF and the two programs in which the funds were transferred. Monies transferred should be shown in expenditures of the program in which they were spent. In addition, TANF monies totaling almost $12 million transferred to and spent in the CCDF program were inadvertently included in the CCDF expenditures twice. Also, incorrect amounts from the federal reports were used for the Adoption Assistance and Medical Assistance Programs.

A reconciliation of the federal reports to the prepared SEFA would have detected these misstatements and helped ensure the SEFA was accurate. The DBF made revisions to the schedule after our review.

Section .310(b) of Office of Management and Budget (OMB) Circular A-133 requires the DSS to prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. The DBF needs to establish effective procedures to ensure the schedule is complete and accurate. To be effective, the procedures should include a detailed supervisory review.

B. Our review of expenditures from the SSBG, CCDF, and Child Care Mandatory and Matching Funds of the CCDF programs noted payments to several entities which appear to be subrecipients. However, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs and these entities are not furnished applicable federal regulations and are not required to obtain A-133 audits, when needed.

For example, the DSS does not identify local community partnerships, receiving funding from various federal programs (listed in the federal programs above) as subrecipients. The DSS provides funding to local community partnerships, for the state's Caring Communities Program, through various federal grants in coordination with several other state agencies. The DSS paid these partnerships

approximately $19.6 million during the year ended June 30, 2006. The partnership contracts explicitly state the partnerships are not considered subrecipients within the meaning of the Office of Management and Budget (OMB) Circular A-133. The DSS believes the partnerships do not meet the definition of a subrecipient under OMB Circular A-133.

However, we believe, based upon the substance of the arrangements, the arrangements with the partnerships represent a subrecipient relationship. OMB Circular A-133, section .210, indicates the partnerships should be considered subrecipients because: 1) the partnerships have their performance (core results) measured against contract objectives, and some of these objectives directly relate to the federal program objectives, 2) the partnerships make programmatic decisions related to their core results, 3) the allowable costs under the contracts are evaluated by the DSS based upon allowable costs under the federal grants, 4) the partnerships administer a large portion of some of the state's various federal grants, and 5) the DSS establishes the expectations, terms, and conditions of the arrangement with the partnerships.

In addition, it appears the DSS monitors these partnerships as if they were subrecipients. The DSS has developed a written monitoring program to evaluate the partnerships' activities and requires financial statement audits of the partnerships be submitted to the DSS, for their review. However, the DSS does not require audits of federal funds under OMB Circular A-133. Section .210 also states that when evaluating whether a subrecipient relationship exits, the "substance of the relationship is more important than the form of the agreement."

To meet the DSS's responsibilities under OMB Circular A-133, section .400, the DSS should identify and classify appropriate entities as subrecipients and provide all required information to the entities including the requirement that subrecipients obtain A-133 audits, when applicable.

A similar condition was also noted in our prior report, and there has been no resolution of this issue provided by the applicable federal agency.

WE RECOMMEND the DSS-DBF:

A. Implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

B. Classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

AUDITEE'S RESPONSE

A. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

B. We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2006-13. Temporary Assistance For Needy Families Compliance

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF
State Agency:	Department of Social Services – Family Support Division (FSD)
Questioned Costs:	$13,451

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. During the year ended June 30, 2006, TANF assistance payments totaled approximately $123.8 million, of which approximately $69.1 million was claimed as federal expenditures.

Our audit noted that the FSD did not maintain documentation to support the recipients' need and eligibility for the TANF program assistance for 11 of 60 cases tested. We randomly sampled 60 TANF payments totaling $13,542 made to TANF recipients. The purpose of this test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation and performing required verifications. Our test of TANF payments disclosed the following:

- For nine cases reviewed, the FSD did not maintain documentation of the recipient's signed assistance application/eligibility statement or system-generated interview summary. The application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements.

- For three cases reviewed (one of which was included above), the FSD did not maintain documentation of the verification of employment, income, and/or unemployment compensation.

45 CFR 206.10(a)(ii) requires that applications for program participation be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. 45 CFR 205.55 requires that agencies obtain wage and unemployment compensation verification information at the first opportunity following receipt of the application and

periodically while the recipient is receiving benefits. In addition, 45 CFR 205.60(a) requires the agency to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because DSS did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. The payments related to the above mentioned errors totaled $2,757, and the payments to these clients during the year ended June 30, 2006, totaled $24,075. We question the federal share of the total payments, or $13,451 (55.87 percent).

WE RECOMMEND the FSD improve internal controls to ensure complete case files are maintained to adequately support applications, eligibility determinations, case decisions, and expenditures. In addition, the FSD should resolve questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2006-14.	**Child Support Allowable Costs**

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2005 - G0504MO4004 and 2006 - G0604MO4004
State Agency: Department of Social Services – Family Support Division (FSD)
Questioned Costs: $12,811

We identified expenditures totaling $12,811 (federal share) charged to the child support grant that were either unallowable or unnecessary.

Costs totaling approximately $11,826 for attorney fees, judgments, and interest were claimed for reimbursement, but are not allowable costs. Attorney fees of $600 were paid to a non-custodial parent's attorney because the division willfully and continuously ignored a decree of the court, causing the non-custodial parent to take further legal action against the department. In addition, another attorney's fee of approximately $8,887 plus interest of $489 was paid as a condition of settlement of a suit against the State of Missouri. Another $1,850 was paid as compensation to the attorney of another non-custodial parent when it was determined the division had taken wrongful actions.

Other unallowable costs identified include a $300 donation to a national, charitable, community-based organization, $280 for employee retirement plaques, $9 for state sales tax, and overpayments totaling $396 resulting from an error when allocating shared costs and approving expenses which exceeded the department meal reimbursement policy.

Division personnel code and accumulate costs based on expenditure categories. The questioned costs related to attorney fees and interest discussed above were the only expenditures coded to those expenditure categories in fiscal year 2006. Therefore, it does not appear there are additional similar expenditure items that would result in questioned costs.

OMB Circular A-87 (A-87) and its Attachments A and B establish principles and standards for determining allowable costs for Federal awards. A-87 identifies selected items of cost determined to be unallowable, which include, but are not limited to, donations and contributions, fines and penalties, and taxes. Basic guidelines in A-87 require costs be necessary and reasonable for proper and efficient performance and administration of Federal awards, and not be prohibited under state or local laws or regulations. A-87, Attachment B, Sections 12, 16, and 40, address donations, fines and penalties, and taxes which are unallowable for federal reimbursement. While A-87, Attachment B, Section 13, allows costs related to employee morale, it is not clear that retirement plaques improve working conditions, employer-employee relations, or employee morale and/or employee performance.

WE RECOMMEND the FSD resolve the questioned costs with the grantor agency. In addition, the division should establish procedures to ensure costs charged to the grant are allowable and necessary to administer the child support program.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

STATE OF MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the year ended June 30, 2005, included no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2005, and the findings from the prior audits for the years ended June 30, 2004 and 2003, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and report, as a current year finding, when the auditor concludes that the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2004, is as follows:

Findings numbered 1, 2, 4, 6, 9, 10, and 11G were corrected.

Findings numbered 3, 5, 7, 8, and 11A-F&H are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2003, all of the findings were corrected, no longer valid, or did not warrant further action.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2004-3A.1. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 80.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The loan servicer had not developed a system to ensure all cash transactions had been posted to the computerized accounting system and reconciled to a cash balance. In addition, DHE had not developed a system to monitor the posting and reporting of all transactions.

Recommendation:
The DHE ensure the loan servicer develops a system to ensure all transactions are posted to the accounting system and reconciled to a cash balance. In addition, DHE should monitor the posting of transactions to ensure unposted and unidentified transactions are resolved in a timely manner and accounted for fully.

Status of Finding:
The DHE's loan servicer has implemented procedures to ensure all cash transactions are posted to the computerized accounting system and reconciled to a cash balance. The DHE is closely monitoring unposted and unidentified transactions by reviewing daily reports, participating in bi-weekly status calls, and tracking a retroactive audit of payment posting.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-3A.2. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 84.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The loan servicer had not developed adequate written policies and procedures for processing cash receipts and issuing refunds.

Recommendation:
The DHE ensure the loan servicer develops adequate policies and procedures for processing cash receipts and issuing refunds.

Status of Finding:
The DHE has worked closely with its loan servicer to implement written policies and procedures that have greatly improved controls. The procedures include the utilization

of a lockbox account that dramatically decreased the number of checks the loan servicer handles. The DHE will continue to work with its loan servicer to enhance the existing policies and procedures as necessary.

In addition, the DHE loan servicer has implemented procedures for issuing refunds. The DHE will continue to monitor the refund process by reviewing weekly and monthly overpayment reports and tracking the issuance of borrower refund checks.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-3B. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 84.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

DHE did not ensure the new loan servicer developed a quality control review process to verify that claims paid (such as for defaults, disability, bankruptcy, and death) were valid and met federal program requirements for reinsurance. In addition, DHE did not randomly test claims paid for validity, other than a limited sample performed during the September 2004 onsite review.

Recommendation:
The DHE ensure the loan servicer develops a quality control review process to verify the validity of claims paid. DHE should also monitor the process to ensure it is operating effectively.

Status of Finding:
The DHE's loan servicing system automatically verifies the timeliness, validity, and accuracy of each claim. In addition, in September 2004, the DHE's loan servicer updated its loan processing procedures to include a secondary, independent review of each claim. Finally, during 2006, the DHE implemented a monthly sampling process to confirm the timeliness and validity of claims approved for payment.

The DHE believes that no further action is necessary.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-3C. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 84.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The new loan servicer did not develop written policies and procedures and adequate supporting documentation for the preparation and review of required federal reports (known as Form 2000 reports). Additionally, due to the lack of supporting information, DHE had not yet developed its own written policies and procedures for vouching the reasonableness and accuracy of the federal reports.

Recommendation:
The DHE continue working with the loan servicer to develop written policies and procedures and produce adequate supporting documentation for the preparation and vouching of the federal reports. In addition, DHE should develop written policies and procedures for verifying the reasonableness and accuracy of the federal reports.

Status of Finding:
Both the DHE and the DHE's loan servicer have implemented written policies and procedures for the preparation and review of the federal reports. During 2005, the US Department of Education (USDE) performed a review of the DHE's federal reporting and in 2006 issued a review report in which the USDE did not note any areas of non-compliance relating to the DHE's federal reporting (Form 2000) process.

The DHE believes that no further action is necessary.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-5A. Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security
Federal Program: 97.004 – State Domestic Preparedness Equipment Support Program
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

The SEMA had not established a tracking system to monitor and ensure program subrecipients obtain and submit A-133 audits to the SEMA, when applicable. As a result, the SEMA did not obtain and review A-133 audits from applicable subrecipients.

Recommendation:
The SEMA ensure all subrecipients submit an A-133 audit, when applicable.

Status of Finding:
We implemented the Auditor's suggestion. We have established a subrecipient monitoring system to address the audit finding.

Contact Person: Craig Rodick
Phone number: (573) 526-9106

2004-5B.1. Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security
Federal Program: 97.004 – State Domestic Preparedness Equipment Support Program
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

A lack of clear, written minimum staffing level requirements had resulted in understaffing on some response teams.

Recommendation:
The SEMA establish and enforce clear, written minimum staffing level requirements for the teams. In addition, the SEMA should take the necessary steps to ensure existing teams meet minimum staffing level requirements.

Status of Finding:
We agree with the Auditor's finding and have taken the following action. The Department of Public Safety-State Emergency Management Agency has developed a standard operating guideline which will insure that all teams will meet the staffing requirements. Regionalization of the teams will address this issue by combining some teams and resources of the teams.

Contact Person: Bob Dopp
Phone number: (573) 526-9237

2004-5B.2. Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security
Federal Program: 97.004 – State Domestic Preparedness Equipment Support Program
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

SEMA had not established an adequate monitoring system for the State Domestic Preparedness Equipment Support Program. SEMA did not possess complete or accurate information regarding team equipment and personnel resources because some teams had not submitted their statistical information, some teams submitted incomplete reports, and some inaccuracies appeared to exist on other reports.

Recommendation:
The SEMA continue to work on establishing an adequate system to monitor the program, including the development of equipment and personnel resource listings and ensuring compliance with team contract provisions.

Status of Finding:
We agree with the Auditor's finding. The Department of Public Safety- State Emergency Management Agency has assigned a full-time Homeland Security Response team

coordinator. We have developed a monitoring system and a checklist to monitor the response team's capability and equipment as well as personnel resources.

Contact Person: Bob Dopp
Phone number: (573) 526-9237

2004-7. Eligibility for Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 – Adoption Assistance
State Agency: Department of Social Services – Children's Division (CD)
Questioned Costs: $12,112

Subsidy contracts, adoption decrees, and supporting documentation for some payments could not be located and some payments exceeded contract limits. We reviewed eligibility documentation, subsidy contracts, and expenditure documentation for 60 Adoption Assistance recipients. We could not locate adoption decrees for 3 of 60 (5 percent) cases reviewed. In addition, for cases that an adoption decree was available, we could not locate subsidy contracts for 2 of 57 (3 percent) cases reviewed. We could not locate invoices or other supporting documentation for some payments on five of twenty-eight (18 percent) cases reviewed. We did not question costs for the missing adoption decrees because the case files contained other information supporting the adoptions. The expenditures relating to the remaining errors totaled $19,856, and we questioned the federal share of $12,112 (61 percent).

Recommendation:
The CD resolve the questioned costs with the grantor agency. In addition, the CD should ensure subsidy contracts are signed prior to the adoption, all subsidy contracts and adoption decrees are retained, payments do not exceed contract limits, and all payments are supported by adequate documentation. In addition, the CD should pursue reimbursement of the over payment and ensure that duplicate payments do not occur.

Status of Finding:
Missing documentation has been located.

Status of Questioned Costs:
ACF did not sustain the questioned costs. This finding is resolved.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-8A. Foster Care Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 – Foster Care – Title IV-E
State Agency: Department of Social Services – Children's Division (CD)
Questioned Costs: $6,857

Eligibility and payment documentation could not be located for some cases reviewed. We reviewed eligibility documentation and expenditure documentation for 60 Foster Care benefit recipients. In four cases selected, there was no placement of a child outside of the family and, as a result, the family was the benefit recipient. Judicial determinations or voluntary placements agreements were not located for 3 of 56 (5 percent) applicable cases reviewed. Efforts to pursue termination of parental rights or compelling reasons for not pursuing the termination were not documented for 2 of 22 (9 percent) cases reviewed. In addition, we could not locate invoices or other adequate supporting documentation for some payments on 37 of 60 (62 percent) cases reviewed. The expenditures relating to the abovementioned errors totaled $11,241, and we questioned the federal share of $6,857 (61 percent).

Recommendation:
The CD resolve the questioned costs with the grantor agency and ensure Foster Care placements are supported by a judicial determination or a voluntary placement agreement, petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented, and all payments are supported by adequate documentation.

Status of Finding:
Missing documentation has been located.

Status of Questioned Costs:
ACF did not sustain the questioned costs. This finding is resolved.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-8B. Foster Care Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 – Foster Care – Title IV-E
State Agency: Department of Social Services – Children's Division (CD)

The CD did not verify residential facility and day care contractors paid more than $25,000 were not suspended or debarred from participating in federal government programs.

Recommendation:
The CD implement procedures to ensure all Foster Care contractors paid more than $25,000 are not suspended or debarred from participation in federal government programs.

Status of Finding:
This recommendation has been implemented. Debarment language was added to affected CD contracts.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11A. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)

FSD caseworkers were not performing annual eligibility re-determinations as required by federal and state regulations.

Recommendation:
The Department of Social Services ensure case re-determinations are performed in accordance with federal regulation. If staffing limits compliance with these requirements, procedures should be established to ensure cases with the most risk for potential ineligibility are reviewed timely.

Status of Finding:
This recommendation has been implemented. As of July 31, 2006, staff has achieved a 99.67% statewide reinvestigation currency rate for the Medicaid population, compared to the 84.5% reported at the end of July 2005.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11B. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)
Questioned Costs: $11,767

Audit tests on food stamp cases closed during the year ended June 30, 2003, indicated 9 of 35 recipients (26 percent) had active Medicaid cases which should have closed at the time the food stamp cases closed. These recipients received medical care and had claims of approximately $19,000 paid after they should have lost their eligibility. We questioned costs of $11,767 which was the federal share of Medicaid payments.

Recommendation:
The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should ensure policies established for caseworkers to use relevant information obtained during other assistance eligibility re-determinations to evaluate a recipient's continued Medicaid eligibility are complete. The DSS should establish monitoring procedures to ensure those policies are complied with.

Status of Finding:
This recommendation has been implemented. FSD implemented an automated method to update Medicaid eligibility (in Legacy) based on interfacing with the Food Stamps case through FAMIS in 2005.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11C. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)

Caseworkers were not obtaining valid social security numbers on all applicable recipients. In addition, as of June 30, 2003, the FSD's computer system indicated 10,236 recipients' social security numbers were not verified by the Social Security

Administration as required by federal regulations.

Recommendation:

The Department of Social Services review the available options to obtain recipient social security numbers from the Social Security Administration. Procedures should be established to obtain social security numbers for all recipients and to submit those social security numbers to the Social Security Administration for verification as federally required. In addition, the DSS should resume receiving the monthly social security number exception report.

Status of Finding:

This recommendation has been implemented. As the Family Support Division does redeterminations, Social Security numbers are updated. The Division is 99.67% current with redeterminations as of July 31, 2006. In addition, we continue to work with the Department of Health and Senior Services (DHSS) to interface and provide Social Security numbers to the Department of Social Services.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11D. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)
Questioned Cost: 93.767 – $173,236 and 93.778 – $644,639

Procedures to close cases with age ineligible children were not effective. Audit tests identified that as of July 2003, $1,040,915 in Medicaid payments and $237,864 in SCHIP payments were made for 950 recipients and 263 recipients, respectively, age 19 or older after the recipients became ineligible. We questioned costs of $644,639 and $173,236, which was the federal share of Medicaid payments and SCHIP payments, respectively.

Recommendation:

The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should establish procedures to ensure recipients reaching age eligibility limits are reviewed for potential ineligibility and age exception reports are being received by caseworkers in a timely manner.

Status of Finding:

The status of this finding has not changed since the last update. Although we agree with the statement in the finding, we still disagree with the Auditor's analysis of questioned costs. The questioned costs as shown in the Single Audit are for children who have reached the age of 19 but are not removed from Medicaid coverage. Federal rules

require the Division to review the eligibility of children at the point at which the child ages out of the MC+ or SCHIP program to see if they are eligible under any other category. At the point these cases were reviewed by the auditor, they were still categorized as children. However, the Division was still reviewing their eligibility for other categories as required by the federal government. A limited review of recipients with the highest questioned costs in this category showed that they were indeed eligible for Medicaid coverage in another category, yet the audit shows them as ineligible.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11E. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)
Questioned Cost: 93.767 – $1,457 and 93.778 – $87,941

Procedures to identify recipients who have died were not as effective as possible. Medicaid payments totaling at least $142,000 and SCHIP payments totaling at least $2,000 were made for 64 recipients and 2 recipients, respectively, after their death. We questioned costs of $87,941 and $1,457, which was the federal share of Medicaid payments and SCHIP payments, respectively.

Recommendation:
The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should revise procedures used to match Medicaid recipients to DHSS records to include a history of prior and current month death records and allow the match criteria to be more flexible to identify more possible matches of deceased recipients. Also, the DSS should ensure caseworkers are aware of and use all available inquiries which provide death information to assist in determining an applicant's initial and continued eligibility.

Status of Finding:
The current procedures of the Family Support Division regarding the match for deceased recipients involve a monthly file match with DHSS of FSD clients that the Bureau of Vital Statistics reports as dying in Missouri. FSD matches on the first two letters of the first name and the first three letters of the last name, the date of birth, and the Social Security number. If the case is a single person case or a case with only one active client the case will automatically close and a monthly report of closing will be sent to the county worker.

If the case has multiple active clients the information is put on a report of death and sent to the county worker for necessary action within 30 days. The Division of Medical Services (DMS) is notified of the date of death and DMS proceeds with any necessary action to stop or recoup payments for services after the date of death.

In the April 27, 2004 audit, it was indicated that the division would review the match criteria. After careful review of the current process, the Family Support Division, still believes relaxing data match criteria as recommended in the audit report would result in an unacceptable number of incorrect case closings.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11F. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)
Questioned Cost: $1,247

Cases where children were active on Medicaid simultaneously in the FSD and the CD were not being appropriately monitored. The CD removed children from a home and the only adult on the case was kept active on Medicaid. The adult on this case should have lost her Medicaid eligibility but did not. The state paid $2,014 in claims during the time the adult was ineligible. We questioned costs of $1,247, which was the federal share of Medicaid payments.

Recommendation:
The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should establish procedures to ensure recipients who are dually eligible under a separate CD case are reviewed for potential ineligibility. The children taken from the home report should be adjusted so the output is cumulative with cases from previous periods continuing to be reported until closed or resolved. Also, the DSS should establish policies to ensure costs are recovered on applicable cases when a CD recipient is determined to be ineligible.

Status of Finding:
This recommendation has been implemented. A report is generated monthly, with a cumulative output, to the FSD/Income Maintenance caseworker alerting of a child opened in Alternative Care or Division of Youth Services and also open in the IM

Medicaid system – this is triggered by an in-common identifier cross (Departmental Client Number or "DCN") match. In addition the worker gets a daily alert when the child is opened in the Children's Division (Alternative Care) or the Division of Youth Services.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-11H. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)
Questioned Cost: $21,676

Audit tests identified 111 recipients who were active on Medicaid as of June 30, 2003, whose Medicaid eligibility start date preceded their birth date. Of these 111 recipients, unnecessary costs totaling at least $35,000 were noted for seven of these recipients. We questioned costs of $21,676, which was the federal share of Medicaid payments.

Recommendation:
The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should correct the edit which ensures a Medicaid recipient's eligibility cannot precede his or her birth date.

Status of Finding:
This recommendation has been implemented. An edit was initiated on January 26, 2004, to keep caseworkers from entering a Title XIX Medicaid date prior to the date of birth.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-1A. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS did not adequately monitor subrecipients or advise them of applicable grant administration requirements. Formal written policies and procedures for monitoring subrecipients were not developed prior to distributing grant funds to subrecipients, and monitoring policies and procedures were still being developed. In addition, the SOS had not developed a system to ensure subrecipients obtain A-133 audits, when applicable, and submit these audit reports to the SOS for review. Also, applicable compliance requirements, such as cash management, financial, or performance reporting requirements, equipment and property management requirements, and A-133 audit requirements were not adequately communicated to subrecipients.

Recommendation:
The SOS develop formal written policies and procedures to monitor subrecipient activities. Specific compliance requirements including cash management, reporting, and equipment/property management should be fully communicated to the subrecipients. In addition, the SOS needs to ensure subrecipient monitoring is performed and documented.

Status of Finding:
Corrective Action Taken and Improvements On-going.

The SOS has developed written policies and procedures for its subrecipient monitoring program and improved the documentation of subrecipient compliance with HAVA requirements and reporting, including the following:

- *Developed a grant monitoring handbook that addresses fiscal and programmatic activities.*
- *Developed an on-site equipment monitoring handbook, with training materials, action plan, and 116 local election authority specific notebooks.*
- *Developed a risk assessment procedure for subrecipient monitoring of fiscally high-risk local election authorities (LEA).*

Additional actions and procedures to enhance review of subrecipient performance have been developed by the SOS and include the following:

- *Conducted on-site visits to monitor HAVA compliant, election voting equipment in all 116 local election jurisdictions (LEA).*

- *Developed a Financial Status Report (FSR) that has been sent to all LEAs for completion, then collected, organized, and analyzed for needed follow-up with LEAs. This process is on-going.*
- *Developed a Status Report of the Counties, a survey of LEA progress toward meeting performance goals for grant programs, that has been transmitted to all LEAs for completion, then collected, organized, and began analysis and follow-up with LEAs for additional information.*
- *Developed A-133 surveys that have been transmitted to all LEAs for completion, then collected, organized, and analyzed for needed follow-up with LEAs. On-going activities include monitoring the type and cycle of local audits and scheduling reminders to LEAs to obtain A-133 audits and submit the completed audit reports to the SOS.*
- *Developed an Election Improvement Grant survey that has been transmitted to all LEAs for completion, then collected, organized, and analyzed to supplement other information and to determine the use of grant funds distributed in the fall of 2004 for general improvement of elections.*
- *Developed and conducted on-site training and technical visits for purposes of the HAVA compliant Missouri Centralized Voter Registration (MCVR) database computer equipment and internet connectivity grants.*
- *Began high-risk assessment composed of desk reviews and/or on-site reviews. This will remain on-going as the activities above and others identify LEAs that warrant additional monitoring.*

Furthermore, the SOS has improved communication to subrecipients by employing several communication strategies including the following:

- *Conducted a survey of the LEAs to determine the most effective and preferred method(s) of communication to ensure that LEAs receive compliance information.*
- *Increased the use of email and fax dissemination of information of high importance as well as traditional forms of communication.*
- *Increased direct interaction (phone and on-site visits) with LEAs in regards to survey, fiscal matters, MCVR and other compliance issues.*

The SOS has informed subrecipients of the federal requirements through grant applications, subrecipient agreements, purchase orders, letters, and website references. To again ensure subrecipients were aware of the requirements, the SOS issued in July, 2006, a Federal Information Summary with specific references to law, circulars, guidelines, and reporting requirements. The SOS website has references and links to these also.

Finally, several internal tools have been created to better track and monitor subrecipient compliance with grant specific activities including the following:

- *Established shared access to HAVA related files, surveys, fiscal reports, and other related documents maintained on the office network.*
- *Created a central filing system for all HAVA files.*
- *Created an electronic duplicate of the central filing system for all HAVA files.*

- *Created uniform grant monitoring notebooks to provide easier access to LEA specific information.*

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1B. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS did not require subrecipients to implement procedures for minimizing the time elapsing between the transfer of funds from the state and subsequent disbursement by the subrecipients.

Recommendation:
The SOS establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.

Status of Finding:
Corrective Action in Progress.

The SOS believes that, in most cases, 30 days is a reasonable interpretation of minimizing time elapsed between transfer of funds from the state and subsequent distributions by the LEA. The Missouri statutes, for example, apply a 30 day timeframe for interest for late payment penalties. The LEA's have been frequently reminded to minimize the time elapsing between the receipt of funds and expenditure. Each LEA has unique fiscal status and often contractual obligations related to HAVA grants that may dictate fiscal responsibility that would carry the time elapse beyond the 30 days. As such the SOS has implemented the following:

- *Frequently reminded the LEA's to minimize the time elapsing between the receipt of funds and expenditure.*
- *Required submission of a Financial Status Report by each LEA, on a minimum of an annual basis, prior to future HAVA awards.*
- *Required submission of a series of surveys on grant management and performance by each LEA to ascertain the appropriate, timely, and allowable use of grant funds, prior to future HAVA awards.*

- *Monitoring of equipment purchases by vendor and type to ascertain contractual status and equipment compliance.*
- *Transitioning, where appropriate, from grant fund distribution based on award amount to grant fund reimbursement.*

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1C.1. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS had not performed a physical inventory of its capital assets on an annual basis as required by state regulations. Physical inventories had not been performed for over two years.

Recommendation:
The SOS conduct an annual physical inventory of the capital assets, reconcile the physical inventory to the capital asset records, and resolve any discrepancies. Also, the documentation of the physical inventories should be retained to show compliance with state regulations.

Status of Finding:
Corrective Action Taken and Improvements on-going.

The SOS has conducted a physical inventory of capital assets.

- *Verification of assets has been conducted. In August 2006, two people, one fiscal and one non-fiscal personnel, physically observed items listed on the fixed asset subsystem.*
- *A physical inventory confirmation of computer equipment purchased from the Election Administration Improvement Fund was made by Information Technology personnel in February 2006.*
- *The reconciliation of fixed asset subsystem records, the physical verification, and the resolution of discrepancies has been completed.*
- *Documentation of physical inventories has been retained and will show compliance with state regulations.*

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1C.2. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services
Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003
State Agency: Office of Secretary of State (SOS)

Capital assets, totaling over $800,000 were not recorded in the capital asset records. In addition, the SOS reconciliation of the general ledger capital assets account to the capital asset subsystem for June 30, 2005, had not been completed as of December 31, 2005.

Recommendation:
The SOS ensure all capital assets are recorded in the capital asset records. Additionally, the annual reconciliation between the general ledger capital assets and the capital assets subsystem should be completed in a timely manner.

Status of Finding:
Corrective Action Taken and Improvements On-going.

The SOS has ensured that valid capital asset records are recorded. The SOS has reconciled the general ledger with the capital assets subsystem for fiscal years 2005 and 2006.

- *Verification of capital assets has been ensured. Purchase orders corresponding with payment documentation have been completed with itemization of assets listed.*
- *Addition of qualifying fixed assets to the capital asset subsystem has been completed.*
- *Capital asset general ledger amounts have been reviewed and corrected as necessary.*
- *Reconciliation between general ledger assets and the fixed asset subsystem listing has been performed in a timely manner for the fiscal year ended June 30, 2006.*
- *Continuation of timely reconciliation has been conducted.*

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1D.1. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Although the maintenance of effort base year calculation was prepared on the state fiscal year, the 2004 calculation for maintenance of effort was prepared and reported on a calendar year basis. According to SOS personnel, federal guidance did not specify if the state was to calculate the base year expenditures on the state fiscal year or the federal fiscal year or how and when to report maintenance of effort. The SOS had not clarified these issues with the federal program staff.

Recommendation:
The SOS clarify procedures for calculating and reporting maintenance of effort with the federal program staff and submit amended financial status reports if necessary.

Status of Finding:
C*orrective Action Taken and Improvements On-going.*

The State Auditor's staff and SOS staff discussed the reporting questions with the Election Assistance Commission (EAC) on December 20, 2005. The SOS followed up in writing to the EAC on December 28, 2005, asking for clarification of the Maintenance of Effort base year calculation. The SOS again followed-up with the EAC in February so that the Fiscal Year (FY) 2004 reports could be amended prior to filing the FY 2005 (October 1, 2004-September 30, 2005) annual reports due at the end of March 2006. The SOS did not receive clarification from the EAC until May 31, 2006, following another SOS request to the EAC on May 23, 2006, so the SOS filed amended FY 2004 reports to correct a reporting error but did not adjust the maintenance of effort base year calculation. The May 31, 2006 guidance received from the EAC was incomplete resulting in additional requests to the EAC over the summer of 2006 for further clarification.

On July 12, 2006, the EAC staff informed the SOS that the EAC commissioners were scheduled to vote on a uniform HAVA report review policy and we were given the option to wait on EAC inquiries for other corrections or clarifications. Since we had other questions and wanted to be able to report accurately, we opted to wait on further clarifications. We received additional information from the EAC on August 1, 2006. The SOS asked for more clarifications on September 18, 2006. We were advised by the EAC

on September 22, 2006, that they were backlogged. On October 11, 2006, the SOS received the remaining information from the EAC necessary to start gathering data to amend the FY 2004 and FY 2005 reports. The SOS has submitted these amended reports, dated November 14, 2006.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1D.2. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Although SOS personnel indicated they check vendors and subrecipients on the Excluded Parties List System (EPLS) maintained by the General Services Administration for suspension or debarment before payments are approved for federal grant programs, the review was not documented.

Recommendation:
The SOS document the reviews of vendors and subrecipients for suspension and debarment.

Status of Finding:
Corrective Action Taken.

A SAMII Financial Data Warehouse report was run to determine how many contractor payments were made by the SOS during this period. Seven contractor payments were identified on the report. All seven were awarded by the Office of Administration. Since the state agency awarding the bid is responsible for verifying if the contractor is suspended or debarred prior to awarding the contract, the Office of Administration was responsible for doing so in those seven instances.

For contracts bid by the SOS but excluding those bid through the Office of Administration, the SOS has instituted procedures as requested by the State Auditor. The SOS Procurement Officer checks the EPLS on the federal website for suspensions and debarment before contracts are awarded by the SOS for federal grant programs. These reviews are documented on the purchase orders in the PTEX (Purchasing Text) table in SAMII Financial.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1D.3. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Federal reports were not always complete, and the supervisory review of the reports was not documented. In addition, the annual financial status report for the requirements payments (CFDA No. 90.401) was prepared as of December 31, 2004; however, the grant award document requires an annual financial status report as of September 30 of each year.

Recommendation:
The SOS document reviews of federal grant reports, ensure that reports are complete and accurate, and ensure that reporting is performed in compliance with the terms of the grant awards.

Status of Finding:
C*orrective Action Taken.*

Federal grant reports are reviewed to ensure that the reports are complete, accurate, and in compliance. The review by a member of SOS management is documented by initial.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-2A. Subrecipient Monitoring

Federal Agency: Department of Agriculture
Department of Education

Federal Program:
84.287 Twenty-First Century Community Learning Centers – 2005-S87C040025, 2004-S87C030025, and 2003-S87C020025
84.357 Reading First State Grants – 2005-S357A040026A, 2004-S357A030026A, and 2005-S357A020022006A.
84.027 Special Education-Grants to States – 2005-H027A040040A, 2004-H027A030040A, and 2003-H027A020040A
84.173 Special Education – Preschool Grants – 2005-H173A040103, 2004-H173A030103, and 2003-H173A020103
84.181 Special Education – Grants for Infants and Families with Disabilities – 2005-H181A040025A and 2004-H181A030022

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not adequately monitor the Twenty-First Century Community Learning Centers grant and the Reading First grant to ensure subrecipients were in compliance with federal guidelines nor had they established internal controls to ensure the subrecipients' expenditures for these two grants and the Special Education grant were allowable in accordance with federal guidelines.

Recommendation:
The DESE implement procedures to obtain and review, on a test basis, the invoices of the subrecipients to ensure grants are spent in accordance with federal guidelines. In addition, the DESE should perform periodic monitoring for the Twenty-First Century Community Learning Centers grant and the Reading First grant subrecipients to ensure schools and community-based organizations are providing programs that are in compliance with federal guidelines.

Status of Finding:
The DESE has implemented procedures to monitor subrecipients and is beginning to perform periodic monitoring for various federal grant subrecipients.

Contact Person: Andrea Beck
Phone number: (573) 751-4681

2005-2B. Subrecipient Monitoring

Federal Agency: Department of Agriculture
Department of Education

Federal Program: 84.048 Vocational Education – Basic Grants to States – 2005-V048A040025A and 2004-V048A030025A
84.010 Title I-Grants to Local Educational Agencies – 2005-S010A0400225B, 2004-S010A0300225B, and 2003-H027A020040A
84.186 Title IV-Safe and Drug-Free Schools and Communities – 2005-S186A040025A, 2004-S186A030026, and 2003-S186A020026
84.367 Title II-Improving Teacher Quality – 2005-S358B040025, 2004-S3566B030026, and 2003-S35B020026

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not adequately document the subrecipient monitoring visits for the Vocational Education grant. In addition, the DESE did not require all Title grant subrecipients to submit action plans nor did they ensure Vocational Education grant subrecipients take corrective actions on the findings noted during the monitoring visits.

Recommendation:
The DESE ensure subrecipient monitoring is adequately documented and subrecipients take corrective action on the findings in the monitoring report.

Status of Finding:
The DESE has created procedures to adequately document subrecipient monitoring and has ensured that corrective action is taken in the monitoring report.

Contact Person: Andrea Beck
Phone number: (573) 751-4681

2005-2C. Subrecipient Monitoring

Federal Agency: Department of Agriculture
Department of Education

Federal Program: 10.553 School Breakfast Program – 2005, 2004, 2003-3MO300304
10.555 National School Lunch Program – 2005, 2004, 2003-3M0300304
10.556 Special Milk Program for Children – 2005, 2004, 2003-3MO300304
84.010 Title I-Grants to Local Educational Agencies – 2005-S010A0400225B, 2004-S010A0300225B, and 2003-H027A020040A
84.027 Special Education-Grants to States – 2005-H027A040040A, 2004-H027A030040A, and 2003-H027A020040A
84.173 Special Education – Preschool Grants – 2005-H173A040103, 2004-H173A030103, and 2003-H173A020103

84.181 Special Education – Grants for Infants and Families with Disabilities – 2005-H181A040025A and 2004-H181A030022
84.048 Vocational Education – Basic Grants to States – 2005-V048A040025A and 2004-V048A030025A
84.186 Title IV-Safe and Drug-Free Schools and Communities – 2005-S186A040025A, 2004-S186A030026, and 2003-S186A020026
84.287 Twenty-First Century Community Learning Centers – 2005-S87C040025, 2004-S87C030025, and 2003-S87C020025
84.357 Reading First State Grants – 2005-S357A040026A, 2004-S357A030026A, and 2005-S357A020022006A.
84.367 Title II-Improving Teacher Quality – 2005-S358B040025, 2004-S3566B030026, and 2003-S35B020026

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not review independent CPA audit reports for subrecipients on a timely basis.

Recommendation:
The DESE establish procedures to ensure all CPA audit reports are reviewed in a timely manner in accordance with the DESE policy.

Status of Finding:
The DESE has implemented this recommendation.

Contact Person: Andrea Beck
Phone number: (573) 751-4681

2005-3. Costs Questioned by Internal Auditors

Federal Agency: Department of Health and Human Services
Federal Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
St. Louis Transitions Grant - #6 U79 SM56220-01-1, Contract periods – October 1, 2003 to September 30,2004 and October 1, 2004 to
September 30, 2005
Show-Me Kids Grant - #1 U79 SM54505-01, Contract periods – October 1, 2003 to September 30, 2004 and October 1, 2004 to September 30, 2005
State Agency: Department of Mental Health (DMH) – Division of Comprehensive Psychiatric Services
Questioned Costs: $18,731

In December 2005, the DMH's Office of Audit Services issued a revised report recommending the DMH recoup a total of $23,370 in questioned costs from the Missouri Statewide Parent Advisory Network (MO-SPAN), a service provider. The questioned

costs reported by the internal auditors related to various problems, including: services not being properly documented, employee time being charged and billed to more than one funding agency, the payment of conference expenses that were not approved as well as instances where such expenses were paid for individuals who did not attend the applicable conference, and instances where the person receiving the service was not identified. At least $18,731 of the questioned costs pertained to the above referenced grant program.

Recommendation:
The DMH take steps to address the documentation and other problems identified by its internal auditors related to this program, and recoup the questioned costs from the applicable service provider.

Status of Finding:
Effective September 9, 2005, the department's administrative agent cancelled their contract with the Missouri Statewide Parent Advisory Network (MO-SPAN), halting the payment of federal funds through the Show Me Kids Project/Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances cooperative agreement. In addition, the Department of Mental Health cancelled its contract with MO-SPAN on January 23, 2006.

Status of Questioned Costs:
The Department of Mental Health notified MO-SPAN on January 6, 2006, of the recoupment for the questioned costs as identified in the internal audit report. On February 6, 2006, the department received a letter from the Chairperson of the Board of Directors indicating that the Board had voted to dissolve the corporation and that there were no funds remaining in the corporation to pay the amount owed. To date, the department has not recovered these funds.

Contact Person: Janet Gordon
Phone number: (573) 751-8067

2005-4A. Homeland Security Grants

Federal Agency: Department of Homeland Security
Federal Program: 16.007 State Homeland Security Grant Program – 2003-TE-CX-0159 and 2003-MU-T3-0003
16.011 Urban Areas Security Initiative – 2003-EU-T3-0030
97.004 Homeland Security Grant Program – 2004-GE-T4-0049
97.008 Urban Areas Security Initiative – 2004-TU-T4-0007
State Agency: Department of Public Safety (DPS) – State Emergency Management Agency (SEMA)

The SEMA did not establish a tracking system to monitor and ensure program subrecipients obtain and submit audits to the SEMA, when applicable.

Recommendation:

The DPS, through the SEMA, ensure all subrecipients submit an A-133 audit, when applicable.

Status of Finding:

We implemented the Auditor's suggestion. We have established a subrecipient monitoring system to address the audit finding.

Contact Person: Craig Rodick
Phone number: (573) 526-9106

2005-4B. Homeland Security Grants

Federal Agency: Department of Homeland Security
Federal Program: 16.007 State Homeland Security Grant Program – 2003-TE-CX-0159 and 2003-MU-T3-0003
16.011 Urban Areas Security Initiative – 2003-EU-T3-0030
97.004 Homeland Security Grant Program – 2004-GE-T4-0049
97.008 Urban Areas Security Initiative – 2004-TU-T4-0007
State Agency: Department of Public Safety (DPS) – State Emergency Management Agency (SEMA)

The SEMA has not established adequate procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Recommendation:

The DPS, through the SEMA, implement adequate procedures, including supervisory review of grant tracking spreadsheets, to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Status of Finding:

We implemented the Auditor's suggestion. We now have a process to monitor the drawdown of federal funds.

Contact Person: Craig Rodick
Phone number: (573) 526-9106

2005-4C. Homeland Security Grants

Federal Agency: Department of Homeland Security
Federal Program: 16.007 State Homeland Security Grant Program – 2003-TE-CX-0159 and 2003-MU-T3-0003
16.011 Urban Areas Security Initiative – 2003-EU-T3-0030
97.004 Homeland Security Grant Program – 2004-GE-T4-0049
97.008 Urban Areas Security Initiative – 2004-TU-T4-0007
State Agency: Department of Public Safety (DPS) – State Emergency Management Agency (SEMA)
Questioned Costs: $72,004

Unallowable costs were charged to the State Homeland Security Grant Program (SHSGP). Costs totaling $33,320 for the 2004 Governor's Meth Summit were improperly charged to the Federal Fiscal Year 2003 SHSGP, Part II – Critical Infrastructure Protection (CIP) allocation during the year ended June 30, 2005. In addition, cellular phone, wireless personal digital assistant, and satellite phone monthly service fees totaling $38,684 were improperly charged to the Federal Fiscal Year 2003 SHSGP Part II during the year ended June 30, 2005, by the city of St. Louis. These activities were not authorized expenditures of the program.

Recommendation:
The DPS, through the SEMA, resolve the questioned costs with the grantor agency. In addition, the SEMA should comply with the DHS-ODP program guidelines.

Status of Finding:
Fiscal reclassified the conference charges from CIP to the Homeland Security Grant Program for the training.

Status of Questioned Costs:
All subgrantees were notified that costs were not eligible for FY03, part II, and FY04. In FY05, grant services are now an eligible expense.

Contact Person: Tom Mohr
Phone number: (573) 526-9245

2005-5. Foster Care Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care – Title IV-E
2005-G0501MO1401 and 2004-G0501MO1401
State Agency: Department of Social Services (DSS)
Children's Division (CD)
Questioned Costs: $23,748

Eligibility and payment documentation could not be located for some cases reviewed, and payments were made on behalf of ineligible individuals in four cases. Total expenditures related to these errors totaled $38,931. We questioned the federal share of $23,748 (61 percent).

Recommendation:
The CD resolve the questioned costs with the grantor agency. The CD should ensure efforts to finalize a permanency plan are completed within 12 months from when the child enters care, documentation of the effort is retained, and eligibility re-determinations are performed on an annual basis. Also, documentation for licenses and background checks of Foster Care providers needs to be retained in appropriate files. Additionally, all payments should be properly calculated and funded, made on behalf of eligible clients, and supported by adequate documentation.

Status of Finding:

- *The CD should ensure efforts to finalize a permanency plan for Foster Care placements are performed within 12 months from when the child enters care and the documentation of the effort is retained.*

  In addition to the original response and actions already taken stated in the corrective action plan, a memo was sent to all Children's Division staff to clarify and enhance policy regarding parental rights.

- *License and background check documentation should be retained in the proper files.*

  The new policy to address this issue was sent to staff on June 21, 2006.

- *CD should ensure that all payments are correctly computed, paid from appropriate funding sources on behalf of eligible clients only, and supported by adequate documentation.*

Financial Management training, which included SAM II and CSIPS training, for all Circuit Managers and Regional Managers has been completed. Also included in this training was information on filing and tracking support documents for all payments. The Payment Handbook has also been distributed to staff. Additionally, the Children's Division has located several of the missing support documents.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-6. Subrecipients – PSSF Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families – 2005-G0501MO00FP and 2004-G0501MO00FP
State Agency: Department of Social Services (DSS)
Children's Division (CD)

The DSS did not identify local community partnerships receiving funding from the Promoting Safe and Stable Families (PSSF) grant as subrecipients. As a result, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DSS did not report any amounts provided to partnerships as funding to subrecipients.

Recommendation:
The DSS classify the local community partnerships as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

Status of Finding:
Our Corrective Action Plan remains unchanged. DSS disagrees with this finding. The State Auditor concluded that because a large portion of the Promoting Safe and Stable Families (PSSF) grant is used as a funding source to pay the twenty-one Community Partnerships, that each was a sub-recipient of the PSSF grant. We disagree that the funding source used by the state agency creates a sub-recipient relationship.

DSS believes the guidance provided in OMB Circular A-133 is intended to ensure audit standards are applied to the entity ultimately responsible for carrying out the objectives of a grant and the guidance provided must be viewed in that light. DSS has and wants to maintain the responsibility for carrying out the objectives for various grants at its disposal and approves or structures vendor contracts that meet the department goals. Those contract expenditures are then matched to the appropriate grant or grants. DSS does not generally act as a pass-thru agency and allow other entities to decide how specific grants should be utilized.

The contract oversight activities described are indicative of our vendor relationship. They ensure DSS contracted services are carried out and that contract expenditures DSS charges to a grant meet the grant requirements. These activities are vastly different from sub-recipient relationships where DSS passes thru a specific grant and the responsibility for programmatic and fiscal grant compliance to a sub-recipient.

Community Partnerships make programmatic decisions related to their operation and responsibilities necessary to meet their contractual obligations but they do not have the responsibility for making programmatic decisions to carry out the objectives of the PSSF grant.

The Department of Health and Human Services has not addressed this finding.
Contact Person: Roger Backes
Phone number: (573) 751-2170

2005-7A. Cost Allocation Procedures

Federal Agency: Department of Agriculture (USDA)
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for Food Stamp Program
2004 and 2005 – IS251443, 2004 and 2005 – IE251843, and 2004 and 2005 – IS252043
93.558 Temporary Assistance for Needy Families
2004 and 2005 – G0501MOTANF
93.575 Child Care and Development Block Grant
2004 and 2005 – G0501MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2004 and 2005 – G0501MOCCDF
93.778 Medical Assistance Program
2004 and 2005 – 05-0505 MO 5048

State Agency: Department of Social Services (DSS) - Division of Budget and Finance (DBF) and Family Support Division (FSD)

Some employees failed to complete and submit the Income Maintenance time study information which was used by the DBF to allocate various costs among the Income Maintenance programs. The DSS-FSD did not require employees selected for the time study to actually submit the time study information to the DBF.

Recommendation:
The DSS-FSD require all caseworkers selected in the random sample process to prepare and submit the Income Maintenance time study information.

Status of Finding:
This recommendation has been implemented. The FSD has implemented an oversight plan to help ensure compulsory statewide time-study completion returns on a monthly basis.

Time-study return data reveals a statewide return rate of 99.43% for the month of July 2006 (compared to 89.43% in July 2005) and 99.14% for the month of August 2006 (compared to 95.71% in August 2005).

Additionally, it should be noted that the return rates for the months of July and August 2006 for St Louis City was 100% (compared to 90.2% and 91.8 respectively for the same period in 2005).

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-7B. Cost Allocation Procedures

Federal Agency: Department of Agriculture (USDA)
Department of Health and Human Services

Federal Program:
10.561 State Administrative Matching Grants for Food Stamp Program
2004 and 2005 – IS251443, 2004 and 2005 – IE251843, and 2004 and 2005 – IS252043
93.558 Temporary Assistance for Needy Families
2004 and 2005 – G0501MOTANF
93.575 Child Care and Development Block Grant
2004 and 2005 – G0501MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2004 and 2005 – G0501MOCCDF
93.778 Medical Assistance Program
2004 and 2005 – 05-0505 MO 5048

State Agency: Department of Social Services (DSS)
Division of Budget and Finance (DBF)
Family Support Division (FSD)

A USDA – Food and Nutrition Service (USDA-FNS) post-implementation review found

that the DBF was incorrectly allocating Family Assistance Management Information System (FAMIS) operational costs to various programs. DBF had not addressed the recommendations related to FAMIS operational cost allocations and continued to apply the FAMIS development cost allocation method to both FAMIS developmental and operational costs without federal approval.

Recommendation:
The DSS-DBF comply with the provisions of OMB Circular A-87 and allocate costs based on the actual time spent on FAMIS operations for the various programs, or another substitute methodology approved by the cognizant Federal agency

Status of Finding:
The DSS received a position from the resolution agency (HHS, Financial Management Service, Division of Cost Allocation, Central States Field Office) 01-08-07:

***"**Recommendation Code 033000100 – The FAMIS costs will continue to be allocated using the approved Advanced Planning Document (APD) statistics through the September 30, 2007 quarter. By then, all programs should be operational and current usage statistics will be compiled and available to allocate the FAMIS operational costs. Any development costs would continue to be allocated based on the approved APD. USDA has been working directly with your staff and has agreed with this, thereby reversing their recommended actions in their December 2004 report."*

The FSD subsequently considers this finding addressed.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-7C. Cost Allocation Procedures

Federal Agency: Department of Agriculture (USDA)
Department of Health and Human Services

Federal Program:
10.561 State Administrative Matching Grants for Food Stamp Program
2004 and 2005 – IS251443, 2004 and 2005 – IE251843, and 2004 and 2005 – IS252043
93.558 Temporary Assistance for Needy Families
2004 and 2005 – G0501MOTANF
93.575 Child Care and Development Block Grant
2004 and 2005 – G0501MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2004 and 2005 – G0501MOCCDF
93.778 Medical Assistance Program
2004 and 2005 – 05-0505 MO 5048

State Agency: Department of Social Services (DSS)
Division of Budget and Finance (DBF)

Family Support Division (FSD)

The DBF failed to properly record allowable Food Stamp nutrition education program expenditures on the quarter ended September 30, 2004 cost allocation plan (CAP), resulting in expenditures totaling approximately $230,000 not being claimed for federal reimbursement.

Recommendation:

The DSS-DBF pursue collection of the unreimbursed amount with the grantor agency.

Status of Finding:

This recommendation has been implemented. The un-reimbursed program expenditures for the quarter ended September 30, 2004, have been collected.

Contact Person: Roger Backes
Phone number: (573) 751-2170

2005-8A. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2004 and 2005 – G050MO4004
State Agency: Department of Social Services (DSS)
Family Support Division (FSD)

While the Missouri Automated Child Support System (MACSS) had been programmed to automatically initiate the computerized search function to find a non-custodial parent's new address, similar programming had not been done for custodial parents**.** In addition, the division had not expanded MACSS data matches to other available databases and had not investigated the possibility of utilizing the U.S. Postal Service's automated "address change service" to forward mail, electronically update address changes, and remove undeliverable addresses.

Recommendation:

The FSD establish a higher priority and sustained efforts to disburse undistributed collections by maximizing existing resources by reprogramming MACSS to automatically search for custodial parent addresses and keeping all cases with payments on hold open longer so MACSS' computerized address search functions can be utilized. In addition, previous recommendations to expand MACSS ability to match with other available databases should be implemented to maximize the potential effectiveness of the computerized search function. The FSD should investigate services available from the U.S. Postal Service to automate the process of updating address changes.

Status of Finding:

The FSD reiterates it does not agree with the recommendation as applicable within the scope of a financial compliance Statewide Single Audit.

The FSD has, however, further endeavored to more effectively ensure location of custodial parents for support payment disbursements.

On June 16, 2006, the Family Support Division (FSD) implemented new system functionality and procedures related to location and case closure when money is on hold under disbursement-hold types AH (address hold) and VH/BADD (void hold-bad address) in the Missouri Automated Child Support System (MACSS). This change provided for the automation of:

- *Location attempts for IV-D members with money on address-related hold; and*
- *Closing of IV-D cases for non-Temporary Assistance for Needy Families (NTANF) custodial parents (CPs) with money on AH or VH/BADD hold, if location attempts are unsuccessful.*

Upon closing a IV-D case under any closing code when money is on AH or VH/BADD disbursement hold for the CP, in early January 2007, MACSS began generating a report that permits Financial Resolution Section staff to transfer the un-disbursable funds to the State Treasurer's Unclaimed Property Division.

Effective July 1, 2006, the contract for the Family Support Payment Center required that the contractor attempt to locate the payee when a disbursement is returned undeliverable (check or electronic payment card). SMI, our contractor, is using the services of Accurint to locate payees.

The FSD further notes that a position has not yet been received from the federal agency, Administration for Children and Families (ACF), this finding was forwarded to by the federal A-133 audit oversight entity (DHHS) as to whether this is an applicable finding and recommendation in context.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-8B. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2004 and 2005 – G0504MO4004
State Agency: Department of Social Services (DSS)
Family Support Division (FSD)

The division had not established a target goal for undistributed collections. In addition, recommendations made in a 2001 report issued by the federal oversight agency had not been fully implemented. The recommendations were designed to more effectively assess and manage undistributed collections by setting target goals, organizing strategies, and

monitoring and measuring progress.

Recommendation:

The FSD establish a higher priority and sustained efforts to disburse undistributed collections by setting goals and establishing and using additional management reports to focus staff efforts on cases needing timely follow-up and to monitor progress in reducing undistributed collections.

Status of Finding:

The FSD disagrees with the finding in context to a Statewide Single Audit, as this finding was reported in Performance Audit 2005-56.

In the commentary response, however, to the finding in the performance audit, the FSD/CSE reported that "… the division has proactively monitored and initiated efforts to reduce undistributed collections. From June 2001 through December 2004, the division reduced undistributed collections by 70%.", and that "… the division's undistributed collections balance is slightly lower than the national average."

As an update, the division reports that now, between December 2004 and December 2006, undistributed collections have been reduced by 15 percent, reflecting a total-period reduction of 74 percent. For FFY 2005, undistributed collections are approximately 3 percent of collections nationally, and 2 percent of collections in Missouri.

The FSD notes that a position from ACF, as the granting agency, has not been received back yet as to whether the finding is sustained.

Contact Person: D. Wayne Osgoode
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2005-8C. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2004 and 2005 – G050MO4004
State Agency: Department of Social Services (DSS)
Family Support Division (FSD)

A review of 106 cases with child support on hold as of August 2004 disclosed that various errors were made in case management and appropriate action was not always taken, resulting in monies remaining in a hold status. Division personnel did not always review cases completely prior to closing them, payouts of intercepted tax refunds were delayed because caseworkers did not follow up to resolve issues, recalculate unpaid child support (arrears), and release payments to custodial parents or refund over-collections to non-custodial parents once the refund was determined. In addition, incorrect balances of arrears on some cases resulted in non-custodial parent tax refunds being inappropriately intercepted.

Recommendation:
The FSD establish a higher priority and sustained efforts to disburse undistributed collections by ensuring FSD personnel are adequately trained and knowledgeable of FSD policy for resolving undistributed collections and making refunds in a timely manner. This should include a clear understanding of the importance of making certain arrears balances are correct and inappropriate enforcement activity does not occur.

Status of Finding:
Since the auditor's findings related to program performance and not to specific federal requirements or regulations, the FSD did not agree with the finding, considering the finding more of a performance matter as originally issued.

However, as discussed in the response to the initial finding (originally produced in Performance Audit 2005-56), the FSD has completed its switch to a new enforcement structure that provides for financial specialists. The division developed and is providing specialized training focusing on maintaining and monitoring financial records for these specialists.

The FSD notes, incidentally, that a position has not yet been received from the Federal Agency (ACF) this finding was forwarded to by the Federal A-133 audit oversight entity (DHHS) as to whether the FSD is out of compliance.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-8D. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2004 and 2005 – G050MO4004
State Agency: Department of Social Services (DSS)
Family Support Division (FSD)

In November 2004, the division's Program and Policy Deputy Director stated the division decided to start using an electronic payment card, on a voluntary basis, and expected the card would greatly reduce future payments held because of invalid addresses. However, as of April 2005, the division still had no timeline for implementing an electronic card process.

Recommendation:
The FSD establish a higher priority and sustained efforts to disburse undistributed collections by establishing a plan to implement a voluntary program to deliver child support payments using an electronic payment card, which could reduce future payments being held due to missing or invalid addresses.

Status of Finding:
The FSD believes this finding to be addressed.

The FSD/CSE began piloting the use of electronic payment cards (the SecuritE Card) on July 31, 2006, and completed statewide implementation in November, 2006. The SecuritE Card is now the default method for disbursing child support payments to payees who are not having support payments deposited directly into their bank accounts. As of February 2, 2007, a total of 98,209 SecuritE Cards have been issued.

The FSD notes the granting agency, ACF, has not, to date, issued a position as to whether the finding is upheld.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-8E. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2004 and 2005 – G050MO4004
State Agency: Department of Social Services (DSS)
Family Support Division (FSD)

Court clerk errors caused some reports of undistributed collections to be overstated. In addition, case testing disclosed two court clerks incorrectly recorded non-cash credits for IV-D cases on MACSS although state law requires only the division to record these credits. Also, automated functions the division relies on to release payments to families have not always worked as intended and the Division of Budget and Finance (DBF) has not reconciled accounting records of undistributed child support with cash in the State Treasurer's account, despite a prior recommendation by our office.

Recommendation:
The FSD establish a higher priority and sustained efforts to disburse undistributed collections by ensuring records of undistributed collections are correct and accurately reflect the amount of child support payments in a hold status by:

- Limiting the circuit clerks' ability to alter financial records to those duties required by statute,

- Promptly correcting computer system malfunctions when they are identified to ensure automated functions the FSD relies on work as intended, and

- Working with the Division of Budget and Finance to develop summary reports of undistributed collections to be reconciled with cash balances at least periodically to ensure records are in balance and sufficient cash is available to pay all liabilities.

Status of Finding:
The division disagreed with bullet point #1 in the response commentary to this (identical) finding in Performance Audit 2005-56-recommendation #4 and holds to an unchanged position in referencing Missouri Revised Statute subsections 454.536.2, and 454.432.5.

The division holds to the same response offered for bullet point #2 (as identical in Performance Audit 2005-56-recommendation #4) that "Upon identification, automated system problems are evaluated and assigned a priority for completion."

As to the third bullet point, the division's response remains unchanged in reiterating the comment supplied in response to this finding as an identical point in Performance Audit 2005-56, recommendation #4 -- reconciliation reports are supplied to the Division of Budget and Finance.

The division notes that a position has not been received back from ACF as to whether the finding is sustained.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-9. Food Stamps Quality Control Review

Federal Agency: Department of Agriculture
Federal Program: 10.551 Food Stamps – 2004 and 2005
State Agency: Department of Social Services (DSS)
Family Support Division (FSD)

The FSD Quality Control/Quality Assurance Unit performs reviews of food stamp cases to meet federal requirements for self-assessment; however, no documentation was retained to support the Central Office supervisor's review.

Recommendation:
The FSD ensure the Central Office supervisor's monitoring of quality control reviews of food stamp cases is documented.

Status of Finding:
The FSD does not agree with the recommendation simply because it does not believe the recommendation is within the scope of this financial audit. Where this audit concerns federal award expenditures for program operations, it is considered there is no federal requirement or condition to have hard-copy documentation of supervisory reviews.

Currently, however, the FS QC case review data is inputted into the Federal data base, along with the field supervisor's accuracy review results. That re-review information is also saved to discs and available locally. This automated process was effected shortly after the audit that produced this finding was conducted. In August 2006, the FS unit underwent a Federal State Agency Operations Review, and findings were received back

late 2006 -- there were no findings (criticisms or concerns) or recommendations made by the Feds regarding the in-place review and re-review process.

Additionally, there has not yet been an official position rendered from the Federal resolution agency (Agriculture) as to whether this current approach to reviews is an adequate practice. The finding itself was not even commented on by the Federal Oversight agency who initially received the SAO's report.

Contact Person: D. Wayne Osgoode
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2005-10A. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families – 2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce Development (DWD)

Impediments existed in referring eligible non-custodial parents (NCPs) to the Parents' Fair Share (PFS) Program resulting in a decrease in referrals and program participation. Department of Social Services (DSS) staff indicated that high caseloads, DSS policy changes, and relocation of PFS program workforce specialists contributed to this problem.

Recommendation:
The Director of the DSS evaluate barriers to PFS program referrals and make any changes needed to improve the referral process.

Status of Finding:
As was the previous position, the FSD holds that the finding and recommendation is not valid upon the contention it is not relevant to the scope of a financial SWSA; we disagree. There is no finding of non-compliance with federal law or regulation, and thusly no corrective action is required.

Regardless, in addition to the (prior) response to this matter as a (duplicate) finding reported in the SAO Performance Audit Report No. 2004-90, the FSD/CSE is pleased to note that it has been able to broaden the range of it's service capability in assisting non-custodial parents to achieve self-sufficiency and in enabling them to become better financially able to help care for their children through DWD's PFS work activities option. The FSD/CSE has culminated and effected the referenced collaborative arrangement with the Division of Probation and Parole (P & P) to readily supply essential information it has available to aide P & P in making PFS referrals to DWD for NCPs leaving the prison system.

The FSD further notes that a position has not yet been received from the Federal Agency

(ACF) this finding was forwarded to by the Federal 133-A audit oversight entity (DHHS as to whether this is a valid finding and recommendation in context.

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2005-10B. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families – 2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce Development (DWD)

Software limitations in the DWD's computerized system resulted in the DWD officials not adequately tracking or determining whether the program had improved non-custodial parents (NCPs) ability to pay child support. In addition, program officials lacked data on job-related training by participants because of software limitations. As a result, officials could not easily track or analyze costs, determine reasonableness of those costs, and analyze trends.

Recommendation:
The Director of the Department of Economic Development make software changes to the computerized system that would ensure the division had the capability to accumulate statistical information on the success of participants, as well as information on training received by participated.

Status of Finding:
Several updates to Toolbox (DWD's internet-based case management system) were implemented on April 4, 2005. These updates allow the DWD/PFS Case Manager to complete multiple assessments and Individual Employment Plans (IEPs) on-line and review and update that information as needed. A monthly production report is now on-line that reports both Career Center specific and statewide program information. DWD front-line and program management staff and the Family Support Division's (FSD's) PFS Program Coordinator have access to view the report. Toolbox now has the ability to indicate if a participant is exited as "successful", "unsuccessful", or "other". This information is obtained from system alerts generated by DWD/PFS Case Managers or FSD/PFS Technicians. The type of exit, in part, is tied to the participant's ability to pay child support.

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2005-10C. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families – 2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce Development (DWD)

The DWD has not complied with key provisions of its cooperative agreement with DSS for management of the program resulting in (1) statistical data not being provided to DSS as part of program monitoring and reporting, and (2) access to program information not being restricted to program staff.

Recommendation:
The Director of the Department of Economic Development ensure compliance with the cooperative agreement with DSS including:

- Preparing or compiling statistical data used as part of program monitoring and reporting, and

- Limiting access to participant information to only those individuals with a legitimate need to know the information.

Status of Finding:
The PFS monthly production report contains, but is not limited to, information regarding:

- *Employment obtained each month, including hourly rate of pay;*
- *Consecutive months of employment with the same employer;*
- *Number receiving training authorized by PFS; and*
- *Number receiving Transportation-Related Expenses (TRE) and Work-Related Expenses (WRE).*

Discussion has been ongoing since April 2005 regarding the need to have data elements from the Missouri Automated Child Support System (MACSS) interfaced with Toolbox. This data interface should contain information regarding child support payments made, new hire information, arrears information, and case Ids.

Toolbox changes were implemented in May 2004 to limit access to participant information to only PFS and supervisory staff with legitimate need to access the information.

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Phone number: (573) 751-7897

2005-10D. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families – 2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce Development (DWD)

The computer software used to manage the Parents' Fair Share (PFS) program was missing critical data entry validation checks needed to prevent intentional or unintentional errors and ensure the program operates effectively. In addition, the computer software did not permit transportation-related expense payments to be entered accurately due to payment recording limitations. The software did not allow different payment amounts on different days during the same payment period.

Recommendation:
The Director of the Department of Economic Development ensure the computer software used to manage the program meets program needs and limits data entry mistakes. Areas to be improved include:

- Reviewing the computer software to ensure all critical data entry validation checks are included, and
- Improving the flexibility of data entry for transportation-related expenses payments.

Status of Finding:
Corrective action has been fully implemented.

Contact Person: Roger Baugher
Phone number: (573) 751-7897

2005-10E. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families – 2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce Development (DWD)

The DWD program supervisors performed limited or no review of transportation-related expenses and work-related expenses during fiscal year 2004 because DWD procedures did not require it.

Recommendation:
The Director of the Department of Economic Development establish case file review procedures for the PFS program. Those procedures should cover review of transportation- and work-related expenses authorized, and require program workforce specialists verify a sample of reported work searches and document the review.

Status of Finding:
Both a PFS Case Management Review Checklist and a PFS Enrollment Checklist were devised in May 2004. The supervision of DWD/PFS case Managers was transferred to Missouri Career Center Regional Managers and Supervisors in July 2004. Corrective action has been fully implemented.

Contact Person: Roger Baugher
Phone number: (573) 751-7897

2005-10F. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families – 2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce Development (DWD)

Procedures were not in place to allow the DWD fiscal staff to verify program coordinator approvals of work-related expenses before making the payment

Recommendation:
The Director of the Department of Economic Development create a system that allows fiscal staff to verify program coordinator approvals of work-related expenses before making the payment

Status of Finding:
Policy and procedures were put in place the week of October 11, 2004. Corrective action has been fully implemented.

Contact Person: Roger Baugher
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2005-11A.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Supplemental Security Income (SSI) claims were not always filed on a timely basis, and some claims may not be paid because they were not filed during the allowable timeframe.

Recommendation:
The DSS-FSD, through the RSB ensure SSI reimbursement claims are filed within one year, as required by federal regulation.

Status of Finding:
RSB is now in compliance with this regulation. The Social Security Administration reviewed the situation, established there is "good cause" for late filing and has temporarily waived the filing deadline. All future closures will be filed on a timely basis.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The Vocational Rehabilitation (VR) financial records shows that supplemental Security Income (SSI) reimbursements were not always disbursed in the year in which they were received. In addition, the balance of unspent program income from SSI reimbursements was not known.

Recommendation:
The DSS-FSD, through the RSB establish procedures to ensure receipts, disbursements, and the unspent balance of SSI reimbursement monies are properly accounted for and accurately reported on federal financial reports. Also, the RSB should work with the DBF to identify the unspent balance of SSI reimbursement monies and should ensure program income is disbursed prior to spending grant funds and state monies.

Status of Finding:
This recommendation has been implemented. RSB developed a detailed tracking system that tracks all amounts submitted for SSI reimbursements and how much RSB receives once the case has been reviewed by the Social Security Administration. Through codes already established in SAM II, RSB will be able to monitor how much of the funds received were spent during the fiscal year. RSB now meets quarterly with the Division of Budget and Finance to ensure we are in agreement on the balance of reimbursement funds.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.3. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

A case file for a RSB district supervisor's case could not be located. As a result, we were unable to determine whether the employee was eligible for Vocational Rehabilitation (VR) services, whether the services provided were reasonable and necessary to meet the case goals, and whether the case was reviewed annually.

Recommendation:
The DSS-FSD, through the RSB ensure all case files are retained in accordance with federal regulation.

Status of Finding:
This was an isolated incident occurring under a previous administration. Duplicate case files of agency employees are now kept at the State Office.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.4. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

An unqualified RSB employee was appointed to serve as a Vocational Rehabilitation (VR) counselor.

Recommendation:
The DSS-FSD, through the RSB ensure counseling duties are only assigned to individuals meeting the qualifications specified in the VR state plan.

Status of Finding:
Previous agency administration allowed this to happen one time. All staff are now aware that only qualified Vocational Rehabilitation Counselors can perform these functions.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.5. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Some inactive cases were not closed because annual reviews were not performed as required by federal regulation.

Recommendation:
The DSS-FSD, through the RSB establish procedures to ensure all open cases are reviewed annually and cases are closed on a timely basis.

Status of Finding:
Each case file is expected to be reviewed at a minimum annually. District Supervisors will track this for each office. Employee Performance Appraisals are being revised to include these annual reviews as a check point in determining the success of a Counselor in their job duties. This will be completed by November 1, 2006.

Contact Person: Kevin Faust
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2005-11A.6. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Equipment expenditures exceeding program limits were not always properly authorized. Additionally, although invoices for the equipment purchase were maintained in the case file, a cumulative total of equipment purchase was not prepared.

Recommendation:
The DSS-FSD, through the RSB require the cumulative equipment expenditures be documented in the client's case file. The RSB should also establish procedures to ensure proper authorization is received prior to exceeding cumulative equipment expenditure limits.

Status of Finding:
RSB has developed and implemented appropriate financial data collection policies and procedures that ensure that cumulative recording of equipment expenditures is maintained in individual case files. This was completed in December 2005.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.7. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services -Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Policies regarding payment of dental services were not adequately documented and enforced. For 2 of 60 Vocational Rehabilitation (VR) cases reviewed, the payments for dental services exceeded rates established by the Department of Elementary and Secondary Education, Division of Vocational Rehabilitation.

Recommendation:
The DSS-FSD, through the RSB should document all policy changes related to dental services and ensure these policies are consistently applied to all clients.

Status of Finding:
RSB has established and implemented a comprehensive policy and fee schedule for dental services that mirrors that of the general VR agency. This was completed in January 2006.

Contact Person: Kevin Faust
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2005-11A.8. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Some Vocational Rehabilitation (VR) services and/or expenditures were not approved by appropriate personnel.

Recommendation:
The DSS-FSD, through the RSB ensure disbursements for services and other expenditures are only approved by authorized personnel.

Status of Finding:
The previous administration allowed this practice to take place in two instances. RSB has already modified the Authorization for Services form to ensure that services and other expenditures are authorized by appropriate personnel.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.9. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)
Questioned Costs: $1,700

The RSB overpaid a client $2,160 for personal incidental expenses. From September 2002 to April 2004, this client was paid $500 a month for housing and meal expense plus up to $120 per month for personal incidental expenses while attending college. We questioned the federal share of $1,700 (78.7 percent) for the overpayments.

Recommendation:
The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and ensure payments for maintenance and personal incidental expenses do not exceed the limit set by state regulation.

Status of Finding:
RSB established new policy and procedures regarding maintenance effective December 20, 2004, which ensure that payments do not exceed those limits in state regulation. The audit revealed one case under the previous administration that exceeded that limit.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.10. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Some information reported on quarterly cumulative caseload status reports was incorrect. The RSB was not using the status code assigned to identify cases for clients that had an approved individualized plan for employment (IPE) but had not started receiving services. As a result, some cases were counted twice on these reports, under two different case status categories.

Recommendation:
The DSS-FSD, through the RSB use case status codes to track all case status information necessary to prepare quarterly cumulative caseload status reports and ensure each case is only reported under one status category.

Status of Finding:
We agree with this recommendation. RSB has received input from our federal partner and has corrected the reporting errors that resulted from incorrectly reporting cumulative caseload data. RSB has revised the time study information which leads to the development of the FNS-269 report which includes caseload data.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11A.11. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Some expenditures reported on the quarterly federal financial reports for innovation and expansion activities did not appear to be used for these purposes. These amounts included travel costs for conducting on-site monitoring visits of personal vocational adjustment (PVA) facilities that provide services to RSB's Vocational Rehabilitation (VR) clients.

Recommendation:
The DSS-FSD, through the RSB discontinue reporting routine PVA facility monitoring costs as innovation and expansion expenditures.

Status of Finding:
RSB has already corrected the coding which incorrectly categorized PVA monitoring travel expenses as innovation and expansion activities.

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2005-11B.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)
Questioned Costs: $36,065

We identified expenditures totaling $45,826 that did not appear reasonable and necessary to prepare for, secure, retain, or regain employment. We questioned the federal share of $36,065 (78.7 percent).

Recommendation:
The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and ensure services provided to VR clients are appropriate. The services should enable clients to prepare for, secure, retain, or regain employment and meet applicable department policy.

Status of Finding:
The Rehabilitation Act has many areas that are left for interpretation by the State Agency. While it might appear to persons untrained in the public rehabilitation program that some payments were inappropriate, they might be in keeping with the consumer's Individualized Plan for Employment (IPE) and the Act. Also, some of the instances cited were beyond the scope of state policy, but did not violate Federal regulatory guidance. In fact the consumers were determined to have met the three criteria of eligibility and the services provided to address the identified impediments to employment for the individual was done under the signed IPE.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11B.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

In April 2002, the RSB purchased a copier which was no longer being used by a client and placed the copier in storage and it was not put to use. As a result, the purchase was not reasonable or necessary.

Recommendation:
The DSS-FSD, through the RSB ensure purchases are reasonable and necessary. In addition, the used copier purchased in 2002 should be put into service or surplused.

Status of Finding:
The copier in question has been surplused.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11B.3. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services – vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)
Questioned Costs: $2,513

Some costs for a staff meeting, held at a resort at the Lake of the Ozarks in November 2004, did not appear reasonable or necessary. Lodging costs for 26 staff members domiciled in Jefferson City were $2,517, and $676 was charged for 13 unused rooms that were not canceled on a timely basis. We questioned the federal share of $2,513 (78.7 percent).

Recommendation:
The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and review expenditures for future staff meetings and ensure the costs are reasonable and necessary.

Status of Finding:
The staff meeting was necessary for the agency to set out a plan for the future, and did not violate federal guidance on the use of grant funds.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11B.4. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

It was not clear that Vocational Rehabilitation (VR) cases for RSB employees were appropriate. In addition, some VR counselors and district supervisors were approving expenditures for employees in their district office and for members of the State Rehabilitation Advisory Council.

Recommendation:
The DSS-FSD, through the RSB review the practice of allowing RSB employees to have VR cases. In addition, the RSB should require its assistant deputy director to review and approve all VR expenditures for its employees and council members.

Status of Finding:
RSB implemented a policy in September 2005 allowing vocational rehabilitation cases for newly hired RSB employees to remain open until completion of their probationary period. Current RSB employees may only open a vocational rehabilitation case in keeping with specific criteria authorized by federal regulations and with the approval of the Deputy Director. The Assistant Deputy Director will review and approve all authorizations for services for RSB employees and State Rehabilitation Council for the Blind members.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11C.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The onsite monitoring visits for out-of-state personal vocational adjustment (PVA) facilities were not always performed during each annual contract period or within six months after the end of the contract period, as required by the RSB's policy.

Recommendation:
The DSS-FSD, through the RSB establish procedures to ensure PVA facility onsite monitoring visits are conducted on a timely basis. Also, to help reduce costs, the RSB should consider contracting with the vocational rehabilitation (VR) agency in the facility's home state to perform the monitoring visit.

Status of Finding:
We have established an agreement to have the state agency in one of the four out-of-state facilities do annual reviews for RSB. We are attempting to do the same with the Cleveland facility. We will continue to do annual visits ourselves to the Kansas and Arkansas facilities as the proximity is not over-burdensome and we routinely have staff at these sites.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11C.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The RSB did not ensure all deficiencies, including any unallowable costs, were properly resolved prior to approving new contracts or renewing contracts with the personal vocational adjustment (PVA) facilities.

Recommendation:
The DSS-FSD, through the RSB establish procedures to ensure all deficiencies cited in the PVA facility monitoring reports are adequately addressed. In addition, the RSB should ensure all concerns are resolved prior to approving or renewing contracts with the facilities.

Status of Finding:
RSB has established procedures as part of the contracting process that will require that monitoring reports reflecting deficiencies must be addressed by the PVA facility in a timely fashion. These procedures will ensure that any deficiencies noted in a monitoring report must be corrected to RSB's satisfaction prior to the issuance of a new or renewed contract.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11D.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)
Questioned Costs: $85,574

The RSB used the vocational rehabilitation (VR) grant to pay salary and fringe benefits of an employee that worked for a state program totaling $99,971 for the three years ended June 30, 2004. In addition, the state used these payments to claim indirect costs totaling $8,764 for the three years ended June 30, 2004. We questioned the federal share of $85,574 (78.7 percent) for salary, fringe benefit, and indirect costs improperly charged to the VR grant.

Recommendation:
The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and establish procedures to ensure funding for employees' salaries and benefits is appropriate, based on the employees' job duties.

Status of Finding:
RSB has worked closely with the Division of Budget and Finance to revise our time study. The revised study will ensure the appropriateness of where salaries and benefits are charged in terms of Federal Grants by attributing the correct percentage of work hours to the Vocational Rehabilitation program. This was completed effective December 2005.

Status of Questioned Costs:
Questioned costs have been resolved with the grantor agency.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11D.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The Deputy Director of RSB was not serving the RSB on a full-time basis, as required by federal regulation.

Recommendation:
The DSS-FSD, through the RSB ensure the Deputy Director serves the RSB on a full-time basis, as required by federal regulation.

Status of Finding:
The Deputy Director of RSB has always served full-time as required by Federal regulation.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11E.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The RSB was not completing a physical inventory of its capital assets on an annual basis as required by state regulations.

Recommendation:
The DSS-FSD, through the RSB conduct an annual physical inventory of the capital assets, reconcile the physical inventory to the capital asset records, and resolve any discrepancies. Also, the documentation of the physical inventories should be retained to show compliance with state regulations.

Status of Finding:
All of the above was completed as of July 1, 2006.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

2005-11E.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services – vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Some purchases were not recorded in the capital asset records, and invoices were not always itemized to provide the cost of each item purchased.

Recommendation:
The DSS-FSD, through the RSB establish procedures to ensure all capital assets are tagged and recorded in the capital asset records. Additionally, disbursements for capital assets should be supported by itemized documentation.

Status of Finding:
RSB has tagged and recorded all capital assets. This was completed in July 2006.

Contact Person: Kevin Faust
Phone number: (573) 751-4249

Susan Montee, CPA
Missouri State Auditor

February 2007

Compilation of 2006 Criminal Activity Forfeiture Act Seizures

Report No. 2007-08

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee

February 2007

YELLOW SHEET

As required by state law the State Auditor's Office compiled the 2006 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to our office by prosecuting attorneys and the Attorney General. This compilation was limited to the presentation of information submitted.

The State Auditor received a total of 97 (83%) of the 116 CAFA seizure reports, from prosecuting attorneys and the Attorney General for property seized in calendar year 2006 as required by Section 513.607, RSMo. Ninety-two (79%) of the reports were received prior to the January 31, 2007 deadline.

A comparison of 2006 report filings to those of prior years shows fewer seizures in 2006; however, these seizures have a higher dollar value.

To accomplish our objectives, we compiled all seizure information submitted to the State Auditor for calendar year 2006 and reviewed the compiled information previously submitted for the calendar years 2005 and 2004 so that a comparison would be available.

A letter dated January 11, 2007 was mailed to prosecuting attorneys and the Attorney General, notifying them of the deadline for submission of the CAFA seizure and forfeiture reports. This letter listed the information that should be included in their report according to Section 513.607 RSMo., and that the report should be submitted to both the State Auditor and to the Director of the Department of Public Safety. The letter also indicated that if there were no seizures, a report was still needed indicating that information.

Due to statutory deadline to submit this report, only seizure reports received by February 22, 2007 are included in the compilation.

All reports are available on our website: www.auditor.mo.gov

COMPILATION OF 2006 CRIMINAL ACTIVITY FORFEITURE ACT SEIZURES

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
Jefferson City, MO 65102

As required by Section 513.607, RSMo, we have compiled the 2006 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to the State Auditor by prosecuting attorneys and the Attorney General. A compilation is limited to presenting information that is submitted. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them. The primary objectives of this compilation were to:

(1) Identify those officials who submitted 2006 CAFA seizure reports to the State Auditor.

(2) Summarize and evaluate the 2006 CAFA seizure information reported.

Section 513.607 RSMo, requires prosecuting attorneys and the Attorney General to report CAFA seizures for the previous calendar year by January 31 to both the Director of the Department of Public Safety and the State Auditor. We received 79% of the CAFA seizure reports by the required due date of January 31, 2007. The work for this report was substantially completed by February 2007.

Susan Montee, CPA
State Auditor

The following staff participated in the preparation of this report:

Director:	Thomas J. Kremer, CPA
In-Charge Auditor:	Becky Webb, CPA
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background

The State Auditor's report number 99-97 titled *Review of Forfeited Property* identified weaknesses in the state's Criminal Activity Forfeiture Act (CAFA) law. Subsequently, revisions to the state's CAFA law (Sections 513.600 to 513.653 RSMo) were addressed requiring the prosecuting attorneys and the Attorney General to whom seizures were reported to submit a copy of the seizure report to the State Auditor at the time the report is submitted to the Director of the Department of Public Safety (DPS). The legislation added the requirement for the State Auditor to make an annual report compiling the data received regarding the seizures. A penalty provision for intentional or knowing failure to comply with any reporting requirements was also included.

Other revisions in the CAFA included more restrictions on transfers of seized property by state or local agency to any federal agency. These restrictions were not reviewed, as they are not within the scope of our report.

Compliance with Submitting Criminal Activity Forfeiture Act (CAFA) Seizures Reports

The State Auditor received a total of 97 (83 percent) of the 116 CAFA seizure reports, from prosecuting attorneys and the Attorney General for property seized in calendar year 2006 as required by section 513.607, RSMo. Ninety-two (79 percent) of the reports were received prior to the January 31, 2007 deadline. Table 1.1 lists the total number of CAFA seizure reports submitted to the State Auditor for 2006, 2005, and 2004. Additionally, for 2006, 44 (38 percent) of the total reports, reported zero seizures.

Table 1.1: Summary of CAFA Seizure Reports Submitted By Date

Reporting Status	2006 Seizures		2005 Seizures *		2004 Seizures	
By January 31	92	79.3%	94	81.0%	95	81.9%
After January 31	5	4.3%	16	13.8%	17	14.7%
Total Reported	97	83.6%	110	94.8%	112	96.6%
Failed to Report	19	17.4%	6	5.2%	4	3.4%
Total Reports Required	116	100.0%	116	100.0%	116	100.0%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

* Includes 9 CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the 2005 report was issued. Only Barry, Dunklin, Madison, Perry, Texas, and Wayne county prosecuting attorneys failed to submit a 2005 CAFA seizure report to the State Auditor.

Prosecutors that Failed to Report 2006 CAFA Seizures or Submitted Report Late

Table 1.2 lists the prosecuting attorneys that either submitted the 2006 CAFA seizure report after January 31, 2007 or failed to report a 2006 CAFA seizure report at all. Section 513.607.10 RSMo states intentional or knowing failure to comply with any reporting requirement shall be a class A misdemeanor, punishable by a fine of up to one thousand dollars.

Table 1.2: Summary of Prosecuting Attorneys that Failed to Report 2006 CAFA Seizures or Submitted 2006 CAFA Seizure Reports Late

	Failed to Report		Submitted Late	
Prosecuting Attorney	**2006**	**Prior Years**	**2006**	**Prior Years**
Bates	X			
Bollinger			X	
Callaway			X	
Camden	X			
Cape Girardeau			X	2005
Carter	X			
Daviess	X			
Dunklin		2005	X	2004
Harrison	X			
Jefferson	X			
Lincoln	X			
Madison	X	2005		2004
McDonald	X			
Ozark	X			
Perry	X	2005		2004
Pike			X	2004 & 2005
Pulaski	X			2005
Ste. Genevieve	X			
Shannon	X			2004
Vernon	X			2004
Wayne	X	2004 & 2005		
Webster	X			
Worth	X			
Wright	X			
Totals	19		5	

Source: Review of CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

Disposition of the Seizures Reported

The disposition of the CAFA seizures reported was obtained from the reports submitted by the prosecuting attorneys and the Attorney General. The compilation includes only the information reported by the prosecuting attorneys and the Attorney General. Table 1.3 lists the dollar value of the disposition of seizures reported by the prosecuting attorneys and the Attorney General.

Table 1.3: Summary of Required Information Reported

Reported Disposition	**2006 Seizures**		**2005 Seizures***		**2004 Seizures**	
Pending	$ 1,539,781	30%	$ 2,319,802	57%	$ 1,212,352	41%
Returned	638,013	12%	388,673	10%	893,546	30%
Transferred to Federal Agency	2,810,763	55%	1,272,420	32%	669,331	23%
Transferred to State	74,223	2%	71,225	2%	45,273	2%
Disposition Not Reported	51,942	1%	0	0%	12,953	0%
Other	14,446	0%	1,653	0%	112,467	4%
Total	$ 5,129,168	100%	$ 4,053,773	100%	$ 2,945,922	100%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

See Appendix I for a listing of the 2006 CAFA seizures disposition reported by each prosecuting attorney and the Attorney General.

Compliance with Reporting the Required Information

Section 513.607.8, RSMo, requires the prosecuting attorneys and the Attorney General to report the following information: date, time, and place of the seizure, the property seized, the estimated value of the property seized, the criminal charges filed, and the disposition of the seizure, forfeiture, and criminal actions. Table 1.4 lists the required information for the CAFA seizure reports received and the number of cases that reported each required item. Some reports did not include all of the required information; therefore our compilation includes only the information reported.

Table 1.4: Summary of Required Information Reported

Required Information	2006 Seizures		2005 Seizures *		2004 Seizures	
Date	599	99.8%	1,667	99.9%	2,041	99.9%
Time	406	67.7%	334	20.0%	1,607	78.7%
Place of Seizure	592	98.7%	1,639	98.3%	2,028	99.3%
Property Seized	594	99.0%	1,571	94.2%	2,034	99.6%
Estimated Value of Property Seized	578	96.3%	629	37.7%	825	40.4%
Person(s) Property Seized From	591	98.5%	1,665	99.8%	2,043	100.0%
Criminal Charges Filed	318	53.0%	252	15.1%	393	19.2%
Disposition of Seizure	600	100.0%	1,668	100.0%	2,043	100.0%
Disposition of Criminal Actions	409	68.2%	427	25.6%	1,919	93.9%
Total Cases Reported	** 600	100.0%	1,668	100.0%	2,043	100.0%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

** The decrease in the number of seizures from 2005 to 2006 appears due to a decrease in seizures reported from St. Louis City. In 2005, St. Louis City reported 1,146 seizures including 930 vehicles. In 2006, St. Louis City reported only 90 seizures with no vehicles.

See Appendix II for a listing of the number of 2006 CAFA seizure cases that contained the required information reported for each prosecuting attorney and the Attorney General.

OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this compilation were to: (1) identify those officials who submitted 2006 CAFA seizure reports to the State Auditor and (2) summarize and evaluate the 2006 CAFA seizure information reported.

Scope and Methodology

To accomplish our objectives we:

- Reviewed the compiled seizure information submitted to the State Auditor for calendar year 2005 and 2004 for comparison purposes only.
- Mailed a letter to prosecuting attorneys and to the Attorney General, dated January 11, 2007, reminding them of the deadline for submission of the CAFA seizure and forfeiture reports.
- Compiled all seizure information submitted to the State Auditor for calendar year 2006.
- Identified the reports that were submitted on a timely basis.
- Identified the reports that did not contain the required information.
- Compiled the dollar value of the disposition of all seizures reported.
- Contacted the Missouri Department of Public Safety to identify the 2006 CAFA seizure reports submitted to both the State Auditor and to the Director of the Missouri Department of Public Safety or to one office.
- Compiled only seizure reports received by February 22, 2007, due to the February 28, 2007 statutory deadline for the State Auditor to submit this report.

Limitations

The data presented in the appendixes was compiled from information submitted by the various prosecuting attorneys and the Attorney General and were not verified by us via additional audit procedures. In analyzing these appendixes, some disparity may result due to the different methods used by the various prosecuting attorneys and the Attorney General of presenting essentially the same information.

APPENDIXES

2006 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2006					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Adair	$ 8,496	8,496					
Andrew	0						
Atchison	0						
Attorney General	0						
Audrain	11,596	11,236			360		
Barry	12,377	10,783		1,594			
Barton	0						
Bates	DNF						
Benton	0						
Bollinger	0						
Boone	92,972	75,597	5,498	9,377			2,500
Buchanan	62,687	18,296	841		10,919	32,631	
Butler	0						
Caldwell	0						
Callaway	3,000	3,000					
Camden	DNF						
Cape Girardeau	37,479	8,364	25,000	3,026	1,089		
Carroll	0						
Carter	DNF						
Cass	6,701	6,701					
Cedar	7,550	7,550					
Chariton	0						
Christian	16,787					16,787	
Clark	0						
Clay	14,430	12,030			2,400		
Clinton	43,166		43,166				
Cole	28,163	7,196	14,801		4,980	1,186	
Cooper	3,940	1,790	2,150				
Crawford	4,818	4,818					
Dade	7,900		7,900				
Dallas	0						
Daviess	DNF						
Dekalb	0						
Dent	0						
Douglas	0						
Dunklin	11,050	6,600		4,450			
Franklin	26,635	25,124	1,511				
Gasconade	228,620	88,620		140,000			
Gentry	0						
Greene	29,675	26,336		3,339			
Grundy	0						
Harrison	DNF						
Henry	4,654	4,654					
Hickory	0						
Holt	0						
Howard	0						
Howell	7,901	7,901					

2006 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2006					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Iron	0						
Jackson	618,417	467,406	142,063		2,520	0	6,428
Jasper	14,495	14,495					
Jefferson	DNF						
Johnson	4,530	4,530					
Knox	0						
Laclede	0						
Lafayette	73,057	45,617	13,245		11,073		3,122
Lawrence	706	706					
Lewis	0						
Lincoln	DNF						
Linn	8,882	8,882					
Livingston	12,000				12,000		
Macon	0						
Madison	DNF						
Maries	0						
Marion	0						
McDonald	DNF						
Mercer	0						
Miller	72,900	72,900					
Mississippi	730	730					
Moniteau	0						
Monroe	0						
Montgomery	9,690	4,845		4,845			
Morgan	18,341	15,985		2,356			
New Madrid	7,160	7,160					
Newton	7,329	7,329					
Nodaway	0						
Oregon	0						
Osage	1,200		1,200				
Ozark	DNF						
Pemiscot	0						
Perry	DNF						
Pettis	12,929	5,943	4,590				2,396
Phelps	1,129,293		43,440	1,085,853			
Pike	0						
Platte	94,482	27,049	66,108		1,325		
Polk	0						
Pulaski	DNF						
Putnam	0						
Ralls	0						
Randolph	6,086	6,086					
Ray	76,834	76,834					
Reynolds	0						
Ripley	0						
Saline	5,860	5,860					
Schuyler	0						

2006 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2006					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Scotland	0						
Scott	27,468	24,878		2,590			
Shannon	DNF						
Shelby	0						
St. Charles	1,235,731	37,554	25,342	1,172,835			
St. Clair	0						
St. Francois	11,620	9,500			2,120		
St. Louis City	267,098	5,101	138,292	122,105	1,600		
St. Louis County	681,851	296,900	102,721	258,393	23,837		0
Ste. Genevieve	DNF						
Stoddard	0						
Stone	1,787	1,787					
Sullivan	0						
Taney	32,022	30,539	145			1,338	
Texas	20,600	20,600					
Vernon	DNF						
Warren	4,810	4,810	0				
Washington	663	663					
Wayne	DNF						
Webster	DNF						
Worth	DNF						
Wright	DNF						
	$ 5,129,168	1,539,781	638,013	2,810,763	74,223	51,942	14,446

DNF - Did not file a 2006 CAFA seizure report with the State Auditor's Office
Other - Paid to child support enforcement, county school fund, or was destroyed

This appendix compiles only the information reported to the State Auditor's Office by prosecuting attorneys and the Attorney General. Not all seizure reports included an estimated value of the property seized and not all the reports included the disposition of all seizures reported.

2006 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information								
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Property Seized From	Criminal Charges Filed	Disposition	
										Seizure	Criminal Actions
Adair	2	$ 8,496	2	2	2	2	2	1	2	2	2
Andrew	0	0									
Atchison	0	0									
Attorney General	0	0									
Audrain	7	11,596	7	7	7	7	7	7	7	7	7
Barry	6	12,377	6		6	6	6	6	6	6	6
Barton	0	0									
Bates	DNF										
Benton	0	0									
Bollinger	0	0									
Boone	28	92,972	28	28	28	28	27	28	28	28	28
Buchanan	17	62,687	17	17	17	17	17	17	17	17	17
Butler	0	0									
Caldwell	0	0									
Callaway	1	3,000	1	1	1	1	1	1	1	1	1
Camden	DNF										
Cape Girardeau	5	37,479	5	5	5	5	5	5	5	5	5
Carroll	0	0									
Carter	DNF										
Cass	5	6,701	5	5	5	5	5	5	4	5	5
Cedar	1	7,550	1		1	1	1	1	1	1	1
Chariton	0	0									
Christian	11	16,787	11		11	11	11	11	7	11	7
Clark	0	0									
Clay	8	14,430	8	6	8	8	8	8	3	8	8
Clinton	1	43,166	1	1	1	1	1	1	1	1	1
Cole	13	28,163	13	11	13	13	12	13	13	13	13
Cooper	2	3,940	2	2	2	2	2	2	2	2	2
Crawford	3	4,818	3	3	3	3	2	3	3	3	3
Dade	1	7,900	1	1	1	1	1	1	1	1	1
Dallas	0	0									
Daviess	DNF										
Dekalb	0	0									
Dent	0	0									
Douglas	0	0									
Dunklin	3	11,050	3		3	3	3	3	1	3	3
Franklin	15	26,635	15	10	15	15	11	15	9	15	1
Gasconade	2	228,620	2		2	2	2	2	2	2	2
Gentry	0	0									
Greene	8	29,675	8	8	8	8	7	8	8	8	8
Grundy	0	0									
Harrison	DNF										
Henry	5	4,654	5	5	5	5	3	5		5	
Hickory	0	0									
Holt	0	0									
Howard	0	0									

2006 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information								
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Property Seized From	Criminal Charges Filed	Disposition	
										Seizure	Criminal Actions
Howell	3	7,901	3	2	3	3	3	3	2	3	3
Iron	0	0									
Jackson	99	618,417	98		96	96	92	96	15	99	12
Jasper	6	14,495	6		6	6	6	6	6	6	6
Jefferson	DNF										
Johnson	5	4,530	5	3	5	5	5	5	5	5	5
Knox	0	0									
Laclede	0	0									
Lafayette	13	73,057	13	11	13	12	13	13	12	13	12
Lawrence	1	706	1		1	1	1	1	1	1	1
Lewis	0	0									
Lincoln	DNF										
Linn	1	8,882	1	1	1	1	1	1	1	1	1
Livingston	1	12,000	1	1	1	1	1	1	1	1	1
Macon	0	0									
Madison	DNF										
Maries	0	0									
Marion	0	0									
McDonald	DNF										
Mercer	0	0									
Miller	1	72,900	1		1	1	1	1	1	1	1
Mississippi	1	730	1	1	1	1	1	1	1	1	1
Moniteau	0	0									
Monroe	0	0									
Montgomery	1	9,690	1	1	1	1	1	1	1	1	1
Morgan	3	18,341	3	3	3	3	3	3	3	3	3
New Madrid	1	7,160	1	1	1	1	1	1	1	1	1
Newton	3	7,329	3		3	3	3	3	3	3	2
Nodaway	0	0									
Oregon	0	0									
Osage	1	1,200	1		1	1	1	1	1	1	1
Ozark	DNF										
Pemiscot	0	0									
Perry	DNF										
Pettis	7	12,929	7		7	7	7	7		7	5
Phelps	7	1,129,293	7	7	7	7	7	7		7	7
Pike	0	0									
Platte	13	94,482	13	12	13	13	13	13	9	13	13
Polk	0	0									
Pulaski	DNF										
Putnam	0	0									
Ralls	0	0									
Randolph	7	6,086	7		7	7	6	7	7	7	7
Ray	6	76,834	6	5	6	6	6	6	6	6	6
Reynolds	0	0									
Ripley	0	0									

2006 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information								
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Property Seized From	Criminal Charges Filed	Disposition	
										Seizure	Criminal Actions
Saline	2	5,860	2	2	2	2	2	2	2	2	2
Schuyler	0	0									
Scotland	0	0									
Scott	5	27,468	5		5	5	5	5	4	5	4
Shannon	DNF										
Shelby	0	0									
St. Charles	35	1,235,731	35	35	35	35	35	35	6	35	7
St. Clair	0	0									
St. Francois	2	11,620	2		2	2	2	2	2	2	2
St. Louis City	90	267,098	90	73	90	90	90	89	90	90	43
St. Louis County	119	681,851	119	119	115	117	116	115		119	119
Ste. Genevieve	DNF										
Stoddard	0	0									
Stone	3	1,787	3		3	3	3	3	3	3	3
Sullivan	0	0									
Taney	14	32,022	14	12	13	14	14	14	10	14	14
Texas	2	20,600	2	2	2	2	2	2	2	2	2
Vernon	DNF										
Warren	3	4,810	3	3	3	3	2	3	1	3	3
Washington	1	663	1		1	1	1	1	1	1	
Wayne	DNF										
Webster	DNF										
Worth	DNF										
Wright	DNF										
	600	$ 5,129,168	599	406	592	594	578	591	318	600	409

DNF - Did not file a 2006 CAFA seizure report with the State Auditor's Office

This appendix compiles the total number of 2006 CAFA seizure cases, the total estimated value of all cases reported, and the number of cases that reported the required information for each county prosecuting attorney, the city of St. Louis, and the

SUSAN MONTEE, CPA

Missouri State Auditor

January 11, 2007

TO: Prosecuting Attorneys

RE: Annual Seizure Report due **January 31, 2007**

****

Purpose…

This letter is a reminder of the upcoming deadline for the submission of annual seizure and forfeiture reports.

Responsibility of the State Auditor...

Under Section 513.607.9, RSMo, of the Criminal Activity Forfeiture Act (CAFA), the State Auditor has the responsibility to compile and issue an annual report of the data received from law enforcement, prosecuting attorneys and the Attorney General. The report is considered an open record**.**

Responsibility of the Prosecuting Attorney and Attorney General...

Under Section 513.607.8, RSMo, of CAFA, the prosecuting attorneys or Attorney General to whom seizures are reported shall report annually **to the State Auditor and to the Director of Public Safety** by January 31, information on all reported seizures for the previous calendar year. This report shall include the following information:

- date, time and place of the seizure, the property seized, the estimated value of the property seized, the person(s) from whom the property was seized, the criminal charges filed, and the disposition of the seizure, forfeiture and criminal actions.

Procedures...

Please use the enclosed form to report the seizures that were reported to your office by local law enforcement personnel. If you would like the enclosed form in an excel spreadsheet, please call or e-mail our office at moaudit@auditor.mo.gov. Indicate the total number of seizures, **even if the number is zero**, that were reported to your office and the dollar value of the seized property. Make copies of the enclosed form to accommodate the number of seizures reported to your office and mail a copy to each of the following:

State Auditor of Missouri
PO Box 869
Jefferson City, MO 65102

Department of Public Safety
PO Box 749
Jefferson City, MO 65102

Questions or Suggestions...

Thank you for your immediate attention to this matter. If you have any suggestions to make this process more efficient, please direct them to Becky Webb.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

Thomas J. Kremer, CPA
Director of Audits

Enclosure

Missouri Revised Statutes

Chapter 513
Executions and Exemptions
Section *513.607*

Property subject to forfeiture--procedure--report required, when, contents--annual state auditor's report, contents--violations, penalty.

513.607. 8. The prosecuting attorney or attorney general to whom the seizure is reported shall report annually by January thirty-first for the previous calendar year all seizures. Such report shall include the date, time, and place of seizure, the property seized, the estimated value of the property seized, the person or persons from whom the property was seized, the criminal charges filed, and the disposition of the seizure, forfeiture and criminal actions. The report shall be made to the director of the Missouri department of public safety and shall be considered an open record. The prosecuting attorney or attorney general shall submit a copy of the report to the state auditor at the time the report is made to the director of the department of public safety.

9. The state auditor shall make an annual report compiling the data received from law enforcement, prosecuting attorneys and the attorney general, and shall submit the report regarding seizures for the previous calendar year to the general assembly annually by February twenty-eighth.

10. Intentional or knowing failure to comply with any reporting requirement contained in this section shall be a class A misdemeanor, punishable by a fine of up to one thousand dollars.

MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006

On the Cover:

Upper Left - Walt Disney boyhood home, Marceline
Upper Right - Mark Twain House and Museum, Hannibal
Center - Governor's Mansion, Jefferson City
Lower Left - Truman's birthplace, Lamar
Lower Right - Mississippi County Historical Society, Charleston

Photos courtesy of the Missouri Division of Tourism

This report can be viewed on the internet at http://www.oa.mo.gov/acct/cafrfy2006/index.htm

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006

MATT BLUNT

Governor

MICHAEL N. KEATHLEY
Commissioner
Office of Administration

THOMAS]. SADOWSKI
Director
Division of Accounting

Prepared by
Office of Administration, Division of Accounting

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006

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*The **Introductory Section** includes material to familiarize the reader with the organizational structure of the State, the nature and scope of services the State provides, and a summary of the financial activities of the State and the factors that influence these activities.*

Matt Blunt
Governor

Michael N. Keathley
Commissioner

State of Missouri
OFFICE OF ADMINISTRATION
Division of Accounting
570 Truman Building, 301 West High Street
Post Office Box 809
Jefferson City, Missouri 65102
(573) 751-2971
INTERNET: http://www.oa.mo.gov/acct
E-MAIL: acctmail@mail.mo.gov

Thomas J. Sadowski
Director

January 31, 2007

The Honorable Matt Blunt
The Honorable Members of the Legislature
Citizens of the State of Missouri

In accordance with generally accepted accounting principles, I submit to you the Comprehensive Annual Financial Report of the State of Missouri for the fiscal year ended June 30, 2006. This report was prepared by the Office of Administration, Division of Accounting, whose management is responsible for its contents.

The report is prepared to show the financial position and operating results of the State. The State's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial activities have been included.

An annual audit of the basic financial statements is completed each year by the State of Missouri Auditor's Office. The State Auditor conducts the audit in accordance with generally accepted government auditing standards, and her opinion has been included in this report. The State Auditor conducts a "Single Audit" of all federal funds in accordance with the Federal Single Audit Act of 1984, and the U.S. Office of Management and Budget Circular A-133, "Audit of State and Local Governments and Non-Profit Organizations."

A narrative introduction, overview, and analysis of the basic financial statements is presented in the *Management's Discussion and Analysis (MD&A)* section of this report. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Missouri was organized as a territory in 1812 and was the second state (after Louisiana) of the Louisiana Purchase to be admitted to the Union. Statehood was granted on August 12, 1821, making Missouri the 24th state. The State encompasses 68,945 square miles.

The State operates under three branches of government: executive, legislative, and judicial. The executive branch consists of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General. The legislative branch consists of 34 members of the Senate, and 163 members of the House of Representatives. The judicial branch is a three-tier court system. The Supreme Court, the State's highest court, has statewide jurisdiction; a court of appeals that consists of districts established by the General Assembly; and a system of circuit courts that has original jurisdiction over all cases and matters, civil and criminal.

The State provides a range of services in the areas of agriculture, education, health and social services, transportation systems, public safety, law enforcement, judicial systems, economic development, conservation and natural resources, labor relations, and general administration.

The State operates on a legally adopted budget in order to ensure compliance with legal provisions embodied in the annual appropriated budget passed by the General Assembly and approved by the Governor prior to the beginning of the fiscal year. If appropriations are not sufficient for a fiscal year, supplemental amounts are requested during the next legislative session by the same process that original appropriations are requested. Budgetary control is maintained at the departmental level. Expenditures cannot exceed the appropriation amount at the individual appropriation level. Also, the Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State is financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

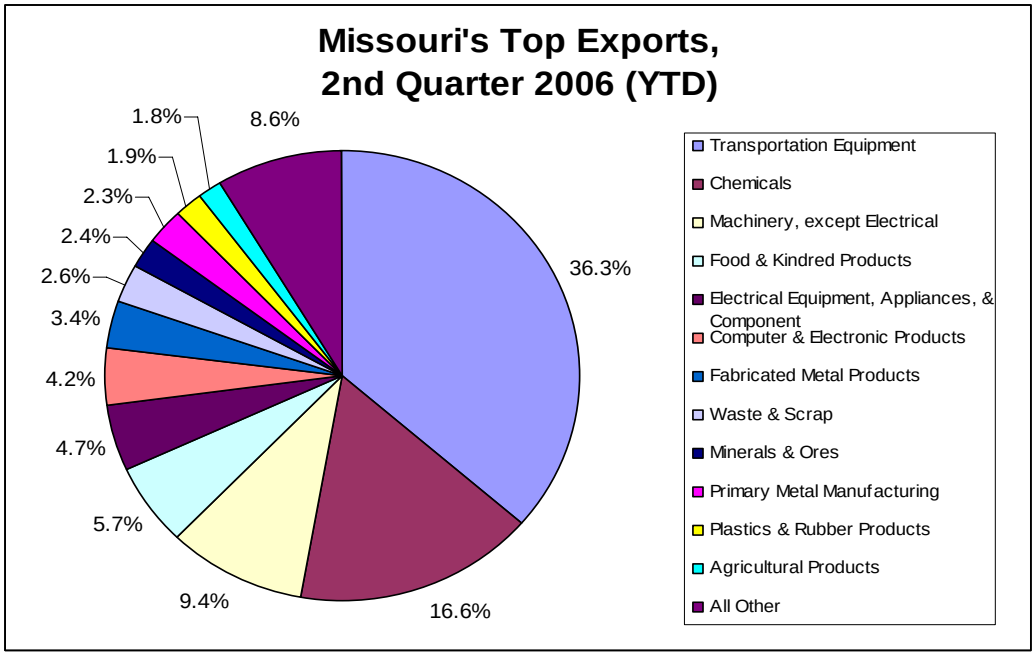
ECONOMIC CONDITION

State Economy

Missouri's economy has continued to remain strong and diverse, with Missouri having one of the most diversified economies in the nation. As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The national economy grew at a vigorous pace during the last half of fiscal year 2006, but is expected to slow to an average pace during the first part of fiscal year 2007.

Missouri's personal income, which directly impacts individual income tax and sales tax, rose at a 5.3% rate during calendar year 2005. Personal income trends indicate that Missouri can expect continued growth during fiscal year 2007. Along with higher personal income, Missourians also enjoy the fifth lowest cost of living in the United States.

Exports by Missouri companies topped $6.0 billion from January through June 2006, up more than 18% compared to the same period in 2005. Missouri set a state record for exports in 2005 with $10.5 billion in total global sales, and looks to exceed that mark in 2006. Twelve product categories had over $100 million in export sales for the second quarter of 2006. The graph below shows Missouri's top categories of exports.



Source: MERIC and the World Institute for Strategic Economic Research (WISER)

Missouri continues to become more competitive in the global marketplace, as can be seen by the upward trend in export totals for the last five years. Figures for Missouri export totals have risen from $6.2 billion in 2001 to $10.5 billion in 2005. Ongoing efforts to identify new international markets and trade opportunities for Missouri products will benefit the State's economy.

Long-Term Financial Planning

Missouri funding priorities include education, healthcare, public safety, and economic development. Continued efforts within State government to provide more efficient and effective customer service while using fewer resources will save money that can be used for education and healthcare programs.

Relevant Financial Policies

Article X of the Missouri Constitution imposes a limit on the amount of taxes that may be imposed by the General Assembly in any fiscal year. This limit is tied to total state revenues for each fiscal year and adjusted annually based on a formula which is tied to increases in the personal income of Missouri for certain designated periods. If the revenue limit is exceeded by 1% or more in any fiscal year, the excess revenue will be refunded based on the liability reported on state income tax returns. If the excess revenue collected is less than 1% of the revenue limit, the excess revenue shall be transferred to the General Revenue Fund.

The revenue limit can be exceeded by a constitutional amendment adopted by the people or if the General Assembly approves by a two-thirds vote an emergency declaration by the Governor. The State has refunded money to income taxpayers for fiscal years 1995 through 1999, but has not exceeded the revenue limit in fiscal years 2000 through 2006. The State does not expect the limit to be exceeded in fiscal year 2007.

Major Initiatives

Missouri will continue to focus on controlling the growth of mandatory programs through various cost-effective alternatives and streamlining government functions.

Education. Funding for education remains a top priority for Missouri. The fiscal year 2007 budget includes a $173.4 million increase for public education as part of the revision to the school funding formula, and also a $20 million increase for Missouri's public two and four year colleges and universities. Missouri's Department of Natural Resources has approved nearly $9.3 million in low interest loans for schools and communities to make energy-efficiency improvements. These energy saving improvements allow school districts to improve classroom conditions for students and redirect the savings toward the priority needs of each school.

Health. The quality of healthcare continues to be a priority for Missouri. The Healthcare Technology Fund was created in 2006 to support projects to explore new and innovative ways that technology can improve the delivery of healthcare, reduce administrative costs, and eliminate waste and fraud. A task force was also established to analyze and develop recommendations to modernize Missouri's healthcare delivery system.

Public Safety. Ground breaking recently occurred for a new women's correctional center to replace one of the oldest facilities in the State system. The new Chillicothe Reception and Diagnostic Center will provide three times the capacity of the existing facility, as well as increase safety for Corrections employees and the public. The new facility is expected to open for operation by late 2008 or early 2009.

Over $1.1 billion was allocated for road and bridge construction and maintenance, as part of a long range plan to improve highways using state gasoline tax revenues, sales tax revenues on motor vehicle sales and matching federal dollars.

Economic Development. The Missouri Energy Task Force was established to make recommendations for lessening Missouri's dependence on oil and other fossil fuels, as well as promote the development of alternative fuel sources in ways that strengthen the farm economy of rural Missouri. Missouri has also enacted legislation which establishes the Missouri Renewable Fuel Standard Act. This act requires most Missouri gasoline to contain at least 10% ethanol by January 1, 2008. Missouri farmers will benefit from the increased demand for their corn that will be used in the creation of ethanol. Missouri currently has four operating ethanol plants that produce approximately 160 million gallons annually.

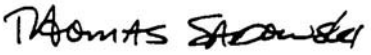
A new initiative has been developed to assist Missouri communities working to revitalize their downtowns and attract new private investment opportunities. The Downtown Revitalization and Economic Assistance for Missouri (DREAM) Initiative will help communities more efficiently and effectively engage in downtown redevelopment and revitalization efforts, thereby spurring growth and new jobs.

ACKNOWLEDGEMENTS

While the Office of Administration, Division of Accounting, is responsible for the contents of this report, no one division could do it alone. Many people were involved in the compilation of materials necessary to complete the report.

We want to issue a special thanks to all the personnel at the State agencies who provided us with information quickly and accurately so that we could issue the CAFR in a timely manner. We also owe thanks to the professionalism and dedication demonstrated by technical and management personnel within the State Auditor's Office, the State Treasurer's Office, Office of Administration, Information Technology Services Division, and the State Printing Center. We are greatly appreciative to all.

Sincerely,

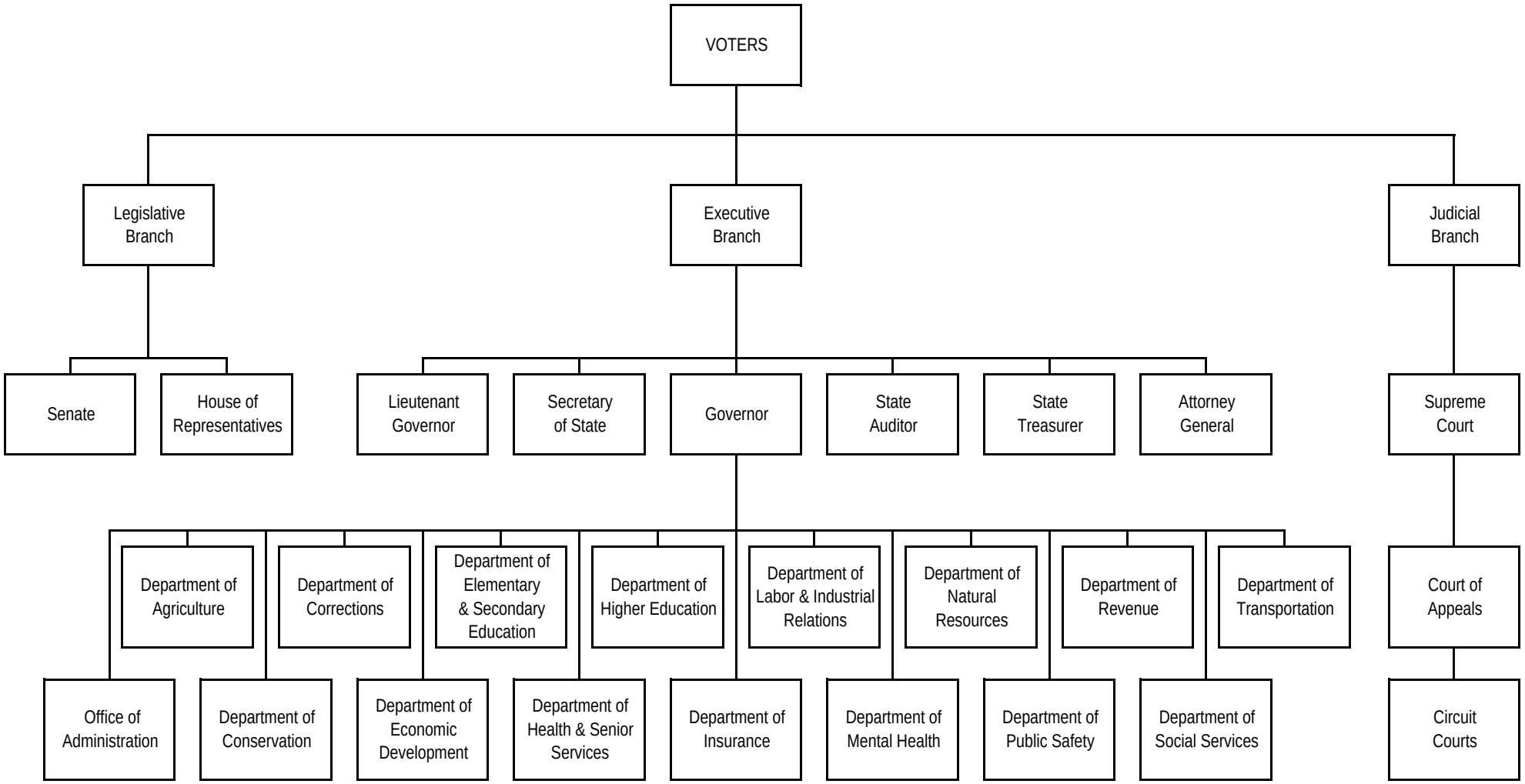


Thomas Sadowski, CGFM, CPA
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2006



STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2006

EXECUTIVE

Matt Blunt
Governor

Peter Kinder
Lieutenant Governor

Robin Carnahan
Secretary of State

Claire McCaskill
State Auditor

Sarah Steelman
State Treasurer

Jeremiah W. (Jay) Nixon
Attorney General

LEGISLATIVE

Michael Gibbons
President Pro Tem of the Senate

Rod Jetton
Speaker of the House of Representatives

JUDICIAL

Michael A. Wolff
Chief Justice of the Supreme Court

*The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Supplementary Information.*

SUSAN MONTEE, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2006, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities. We did not audit the financial statements of the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 34 percent and 60 percent of the assets and revenues, respectively, of the business-type activities. We did not audit the financial statements of the component units. We did not audit the financial statements of the pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to these amounts, are based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied by the Director of Revenue based on her interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues are from this source. We were unable to satisfy ourselves by appropriate audit tests or other means as to the income tax revenue beyond the amounts recorded.

In our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been allowed access to tax returns and related source documents for income taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries;* Statement No. 44, *Economic Condition Reporting: The Statistical Section*; and Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D.* In addition, the state of Missouri will no longer present the agency funds State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit. Also, the state of Missouri will no longer discretely present the component units Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation.

In accordance with *Government Auditing Standards*, our report on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the

United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matter discussed in paragraph three, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information in the introductory section and statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Susan Montee, CPA
State Auditor

January 31, 2007

*The **Management's Discussion and Analysis** provides a narrative overview and analysis of the financial activities of the State.*

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Missouri's (the State's) financial activities for the fiscal year ended June 30, 2006. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

HIGHLIGHTS

Government-Wide:

- Assets of the State's governmental activities exceeded liabilities by $28.0 billion; this resulted in an increase in net assets of $487.2 million or 1.8% from the prior year. This increase can be attributed to more tax revenues being collected due to a more aggressive approach to timely collections and an improved economy. This resulted in an increase in cash and cash equivalents of $403.5 million.

- Assets of the State's business activities exceeded liabilities by $77.5 million, an increase in net assets of $173.2 million or 181.1% from the prior year. This increase can also be explained primarily by a significant increase in cash and cash equivalents due to more unemployment compensation tax collections.

Fund-Level:

- Governmental fund assets exceeded liabilities by $3.9 billion, an increase of $817.3 million or 26.6% from the prior year. The increase was primarily due to a decrease of $568.6 million in liabilities of which $510.3 million was deferred revenue. This was because of more timely collections of taxes, mainly corporate income tax.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable increased $212.4 million or 8.8% over the prior year. The outstanding bonds payable represents 42.6% of financial assets (cash, receivables, and investments) and 7.6% of total assets. The net increase in bonds payable resulted from decreases of $138,310,000 due to bond payments and increases of $350,660,000 due to issuances of State Road Bonds. Additional detail is available in *Note 12*.

Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X or the Hancock Amendment. Excess revenue must be refunded to the taxpayers each year. During fiscal year 2006, the State did not exceed the revenue limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

Governmental Activities are primarily supported by taxes and intergovernmental revenues. They include general government, education, natural and economic resources, transportation and law enforcement, and human services.

Business-Type Activities are intended to recover all or a significant portion of their costs through user fees and charges. They include constructing and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, insurance coverage, and the operation of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds.

Discretely Presented Component Units are operations for which the State has financial accountability, but are legally separate. They include the college and universities, Missouri Development Finance Board, Agricultural and Small Business Development Authority, and Missouri Transportation Finance Corporation.

Fund Financial Statements:

The fund financial statements present more detailed information about the government's operations than the government-wide statements. The State uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the State can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the State. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Major funds include general, public education, conservation and environmental protection, transportation and law enforcement, and the Missouri road fund which are presented in separate columns. Data from other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

In order for the user to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, a reconciliation to facilitate this comparison is provided on the page immediately following each governmental fund financial statement.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees. Generally, the State uses enterprise funds to account for activities that provide goods and services to the general public. These include constructing and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, and the operation of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds. Internal service funds report activities that provide supplies and services for the State's other programs and activities. The State uses internal service funds to account for insurance and health-care plans, as well as administrative services for other state agencies, such as fleet management, data processing, and telecommunication services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds focus on economic resources and utilize the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the State Lottery, Unemployment Compensation, and Petroleum Storage Tank Insurance, which are considered major enterprise funds. All internal service funds are combined into a single column in the proprietary fund financial statements. Non-major enterprise funds are also combined into a single column for aggregated presentation. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements in supplementary information.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside State government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the general fund and major special revenue funds. Other supplementary information includes the combining statements for the general, non-major governmental, non-major enterprise, internal service, fiduciary, and non-major component unit funds. It also includes the statistical section as well as budgetary comparison schedules for the Missouri road fund, non-major special revenue, debt service, and permanent funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

The following table displays the current and prior year government-wide condensed Statement of Net Assets.

STATEMENT OF NET ASSETS
(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005*	2006	2005*	2006	2005*
ASSETS:						
Current and Other Assets	$ 5,728,275	$ 5,470,550	$ 518,706	$ 397,484	$ 6,246,981	$ 5,868,034
Capital Assets, Net	28,012,060	27,514,455	39,607	43,304	28,051,667	27,557,759
Total Assets	33,740,335	32,985,005	558,313	440,788	34,298,648	33,425,793
LIABILITIES:						
Long-Term Liabilities	4,446,002	4,107,517	227,662	233,646	4,673,664	4,341,163
Other Liabilities	1,306,615	1,377,014	253,106	302,754	1,559,721	1,679,768
Total Liabilities	5,752,617	5,484,531	480,768	536,400	6,233,385	6,020,931
NET ASSETS:						
Invested in Capital Assets	25,840,886	25,572,008	39,599	43,304	25,880,485	25,615,312
Restricted	3,813,145	3,250,204	3,942	12,407	3,817,087	3,262,611
Unrestricted	(1,666,313)	(1,321,738)	34,004	(151,323)	(1,632,309)	(1,473,061)
Total Net Assets	$ 27,987,718	$ 27,500,474	$ 77,545	$ (95,612)	$ 28,065,263	$ 27,404,862

*Fiscal year 2005 amounts have been restated.

The State's total net assets increased $660.4 million or 2.4% during fiscal year 2006. This increase resulted primarily from an increase of $378.9 million in current and other assets. Capital assets net of related debt and restricted net assets, which do not represent resources available to pay day-to-day operating expenses, increased by $819.6 million or 2.8%.

Invested in capital assets net of related debt, such as bonds payable or capital lease obligations, is the largest component of the State's net assets at 92.2% or $25.9 billion. These assets include land, infrastructure, buildings, and equipment which are not easily converted to cash or readily available to pay state debts as they come due.

Restricted net assets of the primary government totaled $3.8 billion or 13.6% of total net assets, vs. 11.9% from the prior year. Net assets are restricted for several reasons including constitutional, legal, or external requirements. Examples of restricted net assets include lottery proceeds restricted for public education, funds restricted for debt service, and certain sales taxes restricted for the maintenance of highways or state parks and conservation areas. Also, many federal funds are restricted to funding certain programs.

Changes in Net Assets:

The following table displays the current and prior year government-wide condensed Statement of Activities.

STATEMENT OF ACTIVITIES

(In Thousands of Dollars)

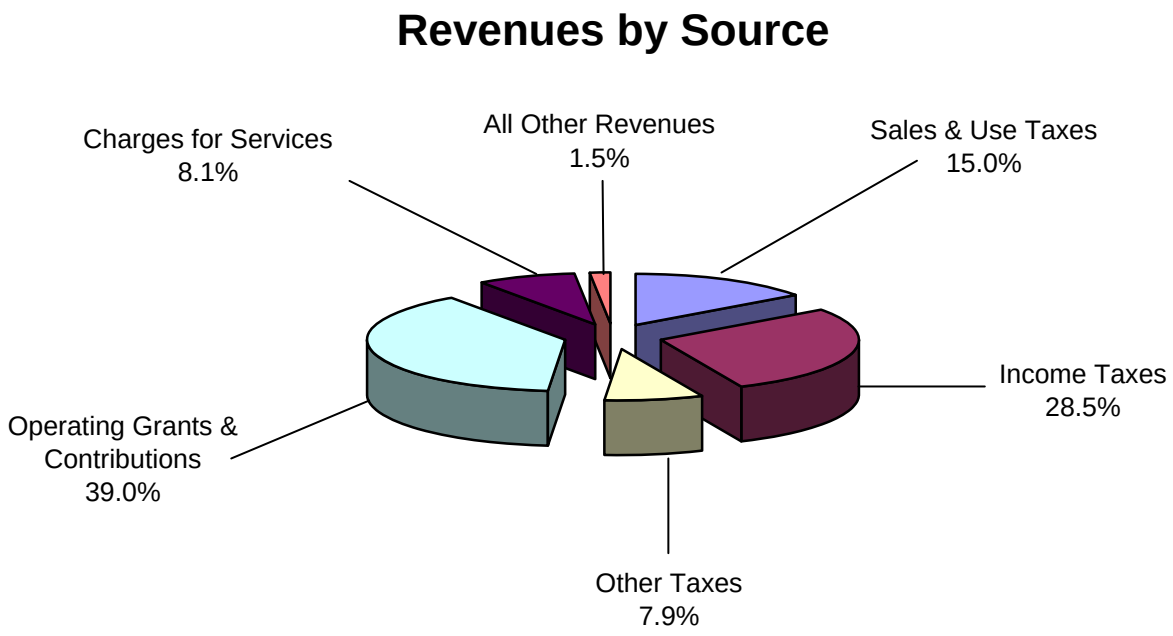
	Governmental Activities		Business-Type Activities		Total	
	2006	2005*	2006	2005*	2006	2005*
REVENUES:						
Program Revenues:						
Charges for Services	$ 1,610,044	$ 1,453,667	$ 989,701	$ 857,674	$ 2,599,745	$ 2,311,341
Operating Grants and Contributions	7,757,468	7,767,831	603,727	542,984	8,361,195	8,310,815
General Revenues:						
Sales and Use Taxes	2,974,842	3,003,405	---	---	2,974,842	3,003,405
Income Taxes	5,654,104	5,172,616	---	---	5,654,104	5,172,616
Unemployment and Other Taxes	1,576,924	1,686,767	---	---	1,576,924	1,686,767
Other Revenues	305,152	238,301	(2,154)	3,213	302,998	241,514
Total Revenues	19,878,534	19,322,587	1,591,274	1,403,871	21,469,808	20,726,458
EXPENSES:						
General Government	980,806	1,035,396	---	---	980,806	1,035,396
Education	5,773,117	5,669,627	---	---	5,773,117	5,669,627
Natural and Economic Resources	849,952	834,269	---	---	849,952	834,269
Transportation and Law Enforcement	2,025,179	2,189,839	---	---	2,025,179	2,189,839
Human Services	9,890,571	9,771,651	---	---	9,890,571	9,771,651
State Lottery	---	---	665,846	575,667	665,846	575,667
Unemployment Compensation	---	---	412,937	501,098	412,937	501,098
Petroleum Storage Tank	---	---	13,243	25,944	13,243	25,944
Veterans' Homes	---	---	46,643	58,760	46,643	58,760
All Other Expenses	130,438	126,202	20,675	13,345	151,113	139,547
Total Expenses	19,650,063	19,626,984	1,159,344	1,174,814	20,809,407	20,801,798
Increase (Decrease) in Net Assets before Contributions & Transfers	228,471	(304,397)	431,930	229,057	660,401	(75,340)
Transfers	258,773	207,159	(258,773)	(207,159)	---	---
Change in Net Assets	487,244	(97,238)	173,157	21,898	660,401	(75,340)
Net Assets - July 1	27,500,474	27,597,712	(95,612)	(117,510)	27,404,862	27,480,202
Net Assets - June 30	$ 27,987,718	$ 27,500,474	$ 77,545	$ (95,612)	$ 28,065,263	$ 27,404,862

*Fiscal year 2005 amounts have been restated.

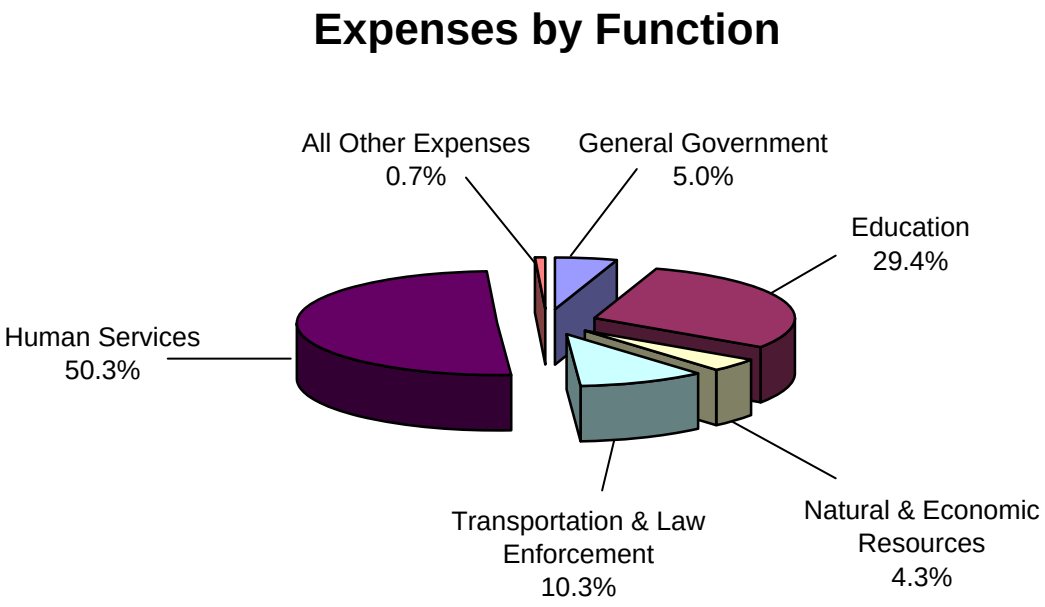
As shown on the above schedule, total revenue collections increased by $743.4 million or 3.6% during fiscal year 2006, while total expenses only increased by $7.6 million. The increase in revenue was due primarily to an increase in income taxes of $481.5 million or 9.3% from the prior fiscal year which was mainly caused by an increase in individual income tax. There was also an increase of $288.4 million or 12.5% in charges for services which was primarily due to Medicaid revenues.

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:



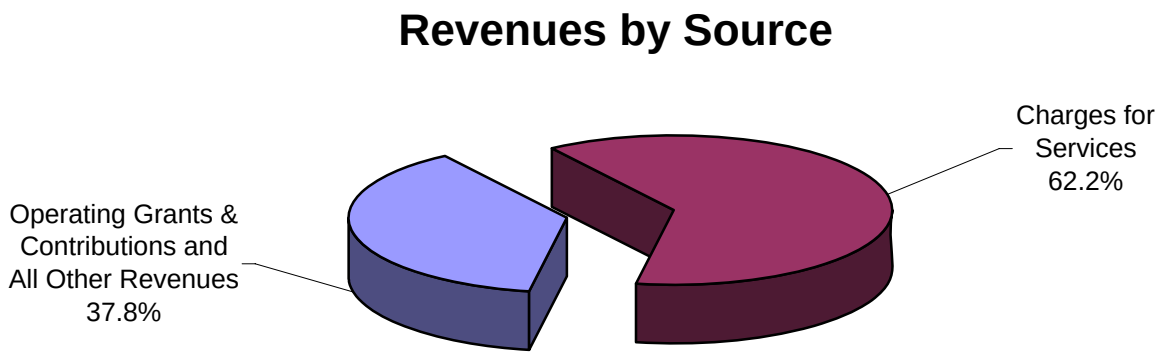
The following chart depicts expenses of the governmental activities for the fiscal year:



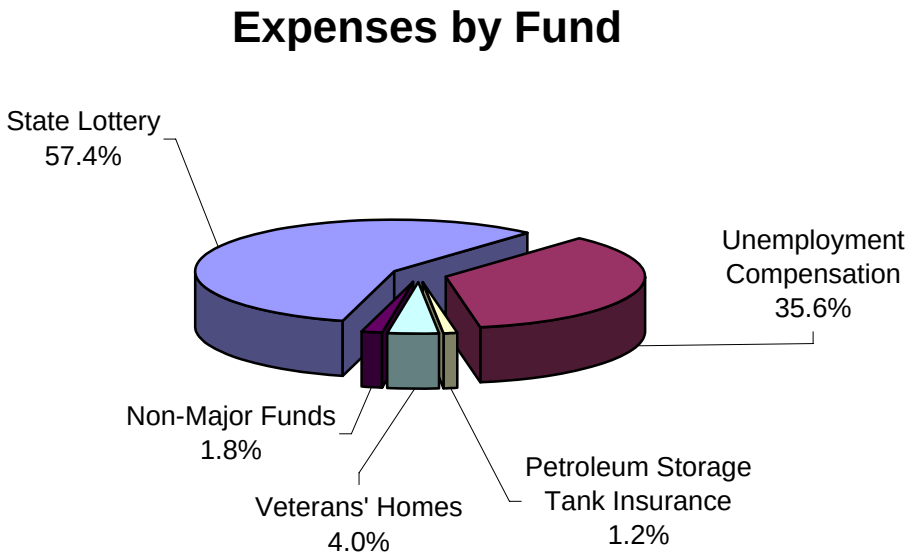
Business-Type Activities:

Net assets of the business-type activities increased by $173.2 million during the fiscal year due primarily to an increase in unemployment compensation revenues and a decrease of unemployment compensation payments.

The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2006, the State's governmental funds reported combined ending fund balances of $3.9 billion, an increase of $817.3 million or 26.6% over fiscal year 2005. Approximately 61.1% is unreserved and available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for budget reserve, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

Fund balances (in thousands) for governmental funds are as follows:

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major	Total
Unreserved	$ 988,240	$ 254,239	$ 358,510	$ 300,428	$ 150,059	$ 327,664	$ 2,379,140
Reserved	526,159	46	714,225	5,382	124,383	144,457	1,514,652
Total	$ 1,514,399	$ 254,285	$ 1,072,735	$ 305,810	$ 274,442	$ 472,121	$ 3,893,792

The general fund is the chief operating fund of the State. At the end of fiscal year 2006, the State's general fund reported a total fund balance of $1.5 billion. The net increase in fund balance during fiscal year 2006 was $609.9 million. Revenues of the general fund totaled $15.8 billion in fiscal year 2006, an increase of $933.4 million from fiscal year 2005. The major contributing factor to this was an increase in revenue from taxes of $783.5 million from fiscal year 2005 to fiscal year 2006. The most significant increase was individual income tax, which increased $492.1 million, and an increase of $174.5 million in revenue from corporate income tax.

The public education fund category provides general and special education services to the children of the State and other related functions such as library services and student loans. Total fund balance increased by $24.4 million. Expenditures of the public education funds totaled $3.9 billion in fiscal year 2006, an increase of $164.7 million from fiscal year 2005. The major factor that contributed to this was an increase of $153.7 million in the education expenditures for an increase in aid to educational institutions and school districts.

The conservation and environmental protection fund category provides for the preservation of the State's wildlife and environment. The fund balance increased by $78.6 million. Revenues of the conservation and environmental protection funds totaled $354.4 million for fiscal year 2006, an increase of $30.6 million from fiscal year 2005. The major contributing factor was an increase of $12.3 million in sales and use tax revenue relating to accounts receivable. Another factor was an increase of $13.6 million in the contributions and intergovernmental revenues due mainly to an increase of $8.6 million in federal receipts from the U.S. Environmental Protection Agency.

The transportation and law enforcement fund category provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The fund balance increased by $111.2 million. Revenues increased $94.3 million during fiscal year 2006. The major factor contributing to this was an increase of $106.1 million in motor vehicle sales tax revenue relating to accounts receivable.

Expenditures of the transportation and law enforcement fund category totaled $376.8 million for fiscal year 2006, a decrease of $387.1 million. At the same time, transfers out from this fund category to the Missouri road fund increased by $436.9 million to accommodate the increase in road construction expenditures under the "Smoother, Safer, Sooner" road construction initiative.

The Missouri road fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. The fund balance increased by $15.9 million in fiscal year 2006. Revenues of the Missouri road fund increased during fiscal year 2006 by $35.0 million primarily due to an increase of $19.3 million in revenues from licenses, fees, and permits. Out of this amount, $12.8 million of the increase is from motor vehicle licenses or permits.

Expenditures for the Missouri road fund totaled $2.0 billion for fiscal year 2006, an increase of $677.9 million. The expenditure increases were $314.3 million in transportation and law enforcement and $367.9 million in capital outlay. The major factor for the increase was significant progress made on the Department of Transportation's "Smoother, Safer, Sooner" road construction initiative.

Proprietary Funds:

The State has three major proprietary funds: State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance Fund. The State Lottery was established in 1986 to account for the sale of lottery tickets and lottery operations. Since 1992, public education has been the sole beneficiary of lottery proceeds. Unemployment Compensation accounts for contributions and payments collected from Missouri employers under the provision of the "Unemployment Compensation Law". This tax finances benefits for workers who become unemployed through no fault of their own. The Petroleum Storage Tank Insurance Fund accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks. The fund pays cleanup expenses from petroleum leaks or spills from underground storage tanks and certain above ground storage tanks as well as third party property damage or bodily injury resulting from such discharges. This fund is one of the largest insurers of tanks in the country.

The State Lottery Fund's net assets decreased by $6.0 million. Expenses increased by $90.2 million during the fiscal year which was partially offset by an increase in revenues. The increase in expenses was mainly due to an $84.5 million increase in prizes expensed.

The Unemployment Compensation Fund's net assets increased by $164.6 million due primarily to a decrease of $88.2 million in unemployment benefit expenses and an increase in employer contributions of $81.2 million.

The Petroleum Storage Tank Insurance Fund's net assets increased by $13.7 million. Expenses decreased by $12.7 million primarily due to a decrease of $12.1 million in environmental cleanup.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget is the first complete appropriated budget that is truly agreed to and finally passed, and signed by the Governor. The final budget includes emergency and supplemental appropriations, transfers, and increases to estimated appropriations.

Budgeted appropriations for fiscal year 2006 from the general fund were $16.8 billion original budget and $17.2 billion revised budget. Actual spending was $16.2 billion. Reasons for the budget variances include:

- Federal grants received were lower than appropriation authority.
- Multiple year grants are appropriated in one year but the expenditures may occur over several years.
- Appropriation authority exceeded cash available for expenditures.

Budgeted revenues/transfers in for fiscal year 2006 for the general fund was $15.4 billion original budget and $15.7 billion revised budget. Actual revenue/transfers in was $16.7 billion. A reason for the budget variances is that revenue growth in fiscal year 2006 outpaced economic growth forecasts for the State. This was due to the 2005 hurricane season and the resulting spike in energy prices not having as severe an impact as feared. Corporate profits also surged nationally and contributed to robust gains in taxable receipts at both the state and national levels. Further, sustained strength of consumer spending, particularly in the housing sector, as well as continued business investment kept the economy growing at a steady pace.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 92 for more information on budgetary variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2006, was $28.1 billion (net of accumulated depreciation). This investment in capital assets includes construction in progress, infrastructure in progress, land, land improvements, buildings and improvements, equipment, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	$ 565,743	$ 4,544	$ 570,287
Infrastructure in Progress	2,797,922	---	2,797,922
Land	2,558,380	6,463	2,564,843
Land Improvements	149,127	6,846	155,973
Buildings and Improvements	2,381,243	26,600	2,407,843
Equipment	1,142,745	47,310	1,190,055
Infrastructure	39,108,601	---	39,108,601
Subtotal	48,703,761	91,763	48,795,524
Less Accumulated Depreciation	(20,691,701)	(52,156)	(20,743,857)
Total Capital Assets, Net	$ 28,012,060	$ 39,607	$ 28,051,667

Additional information on capital assets can be found in *Note 5* of this report.

Long-Term Debt:

At the end of fiscal year 2006, the State had total general obligation and other bonded debt outstanding of $2.6 billion. Of this amount, $739.9 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2006 were $50,975,000 for general obligation bonds and $87,335,000 for other revenue bonds.

The State of Missouri is proud to be one of only six states to maintain a Triple-A credit rating from all three major credit rating agencies (Moody's Investor Services, Inc., Standard and Poor's, and Fitch Ratings, Inc.) on the State's General Obligation Bonds.

Outstanding Bonds Payable of the State include (in thousands):

	Governmental Activities	Component Units	Total
General Obligation Bonds	$ 739,935	$ ---	$ 739,935
Other Bonds	1,873,140	1,075,274	2,948,414
Total	$ 2,613,075	$ 1,075,274	$ 3,688,349

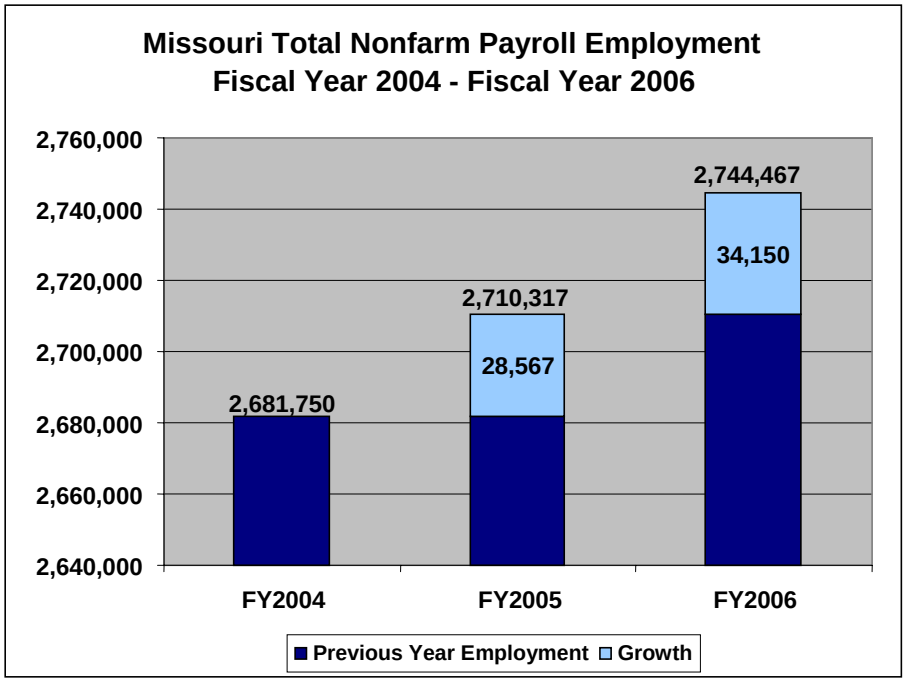
Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State of Missouri completed fiscal year 2006 with a balanced budget. Net general revenue collections increased 9.2% from fiscal year 2005 ending with an amount of $7.3 billion. Also, consumer spending kept the economy growing at a steady pace. The approved budget for fiscal year 2007 anticipates an increase of 0.4% from fiscal year 2006.

Missouri's economic future remains positive as evidenced by economic indicators and statistics. Personal income growth in the second quarter of 2006 was 1.8% compared to a national growth rate of 1.7%. Missouri ranked 9th among the states in quarter-to-quarter personal income growth. Exports increased from $9.7 billion in fiscal year 2005 to $11.4 billion in fiscal year 2006. The Purchasing Manager's Index, which measures key factors such as inventories, prices, and employment, remained above 50 during fiscal year 2006. A score above 50 indicates an expanding economy.

Missouri's unemployment rate continued to drop in fiscal year 2006. At June 2006, the unemployment rate was 4.7% compared to the June 2005 unemployment rate of 5.3%. The national unemployment rate was 4.6% in June 2006.



Sources: MERIC and U.S. Bureau of Labor Statistics

Due to the fact that Missouri is a manufacturing, financial, and agricultural state, its economy tends to mimic that of the nation. The national economy is expected to grow at a steadier pace in fiscal year 2007; consequently Missouri's employment is expected to continue to grow in 2007. The graph above shows total nonfarm employment in Missouri. At the end of fiscal year 2006, total employment was approximately 2.7 million, up 34,000 from fiscal year 2005. The increase in total employment for fiscal year 2006 was greater than the increase in fiscal year 2005. The increase was due to increased employment in all industries except manufacturing, information, and other services.

In spite of continued growth, Missouri faces several funding challenges in mandatory programs such as education, health care, and the prison system.

Funding remains a challenge for Missouri schools. A revision to the school funding formula was made in 2005 in response to a lawsuit filed by 257 of the 524 Missouri schools against the State in January of 2004 over both the equity in funding between schools and the overall adequacy of school funding. The revision in the school funding formula calls for $800 million to be phased in by the 2012-2013 school year. However, an amended lawsuit was filed in November 2005 and is expected to go to trial in January 2007. Plaintiffs seek approximately $2 billion annually. In fiscal year 2007, funding for Missouri Public schools increased by $173.4 million for a total funding level of approximately $1.07 billion.

State universities and community colleges have seen both substantial funding cuts and tuition increases during past years. In fiscal year 2007, funding for higher education in Missouri will increase by nearly $20 million. This includes an increase of $17.2 million for public four-year colleges and universities and $2.7 million for community colleges.

Over 900,000, or 1 in 6, Missourians will receive Medicaid in fiscal year 2007. Expected Medicaid growth over expected revenue growth for the Medicare system in fiscal year 2006 prompted the State to implement changes to sustain the program, including reducing income eligibility levels, annual reverification of Medicaid eligibility, general relief medical assistance programs, and $474 million in funding cuts. The Medicaid Reform Commission was also formed with the purpose of making recommendations to the General Assembly on redesigning, reforming, or restructuring a new Medicaid system to be enacted on June 30, 2008. For fiscal year 2007, the Medicare system is receiving increased funding of $617 million, including increased funding for existing medicare programs and increased funding for pharmacy costs to fund drugs that are excluded under the Medicare Modernization Act – Part D.

The Medicare program is also at risk from potential changes at the federal level, which includes reducing the Medicaid provider rate cap from 6% to 3%, significantly affecting Missouri. This reduction would apply to hospitals, nursing homes, pharmacies, and managed care and could result in a loss of approximately $500 million in provider taxes, plus federal match of approximately $800 million, for a total loss of $1.3 billion. The loss of these funds would have to be replaced by State funds or the Medicaid program would have to be significantly reduced.

Tougher crime laws, rising costs, and budgetary pressures have made it increasingly costly for the State's correctional facilities. The cost of maintaining these facilities will rise to approximately $641 million for fiscal year 2007, up from $589 million in fiscal year 2006. This is due partly to an increase in the prison population. The percentage increase in the male population from December 31, 2004 to December 31, 2005 was 0.008%, while the increase in the female prison population during that time period was 0.046%. In fiscal year 2007, $120 million in revenue bonds were issued to build a new women's prison at Chillicothe.

Despite funding challenges, the State is working to stimulate the economy, increase efficiency, and decrease costs. In the past year, Missouri has passed House Bill 1270 which established the Missouri Renewable Fuel Standard Act, which requires most Missouri gasoline to contain at least 10% ethanol by January 1, 2008. This law benefits consumers, the economy, the environment, and Missouri farmers. Division of Facilities Management and Design & Construction were consolidated in fiscal year 2006, which eliminated the duplication of services that previously existed between the two divisions, increasing efficiency and decreasing costs. Also, Missouri created the Healthcare Technology Fund, which will recommend ways to encourage the implementation of technologies intended to improve the safety, quality, and costs of health care services in the State.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Administration, Division of Accounting, P.O. Box 809, Jefferson City, MO 65102.

*The **Basic Financial Statements** include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Component Unit Financial Statements, and the accompanying notes to the statements.*

STATE OF MISSOURI
STATEMENT OF NET ASSETS
June 30, 2006
(In Thousands of Dollars)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Note 3)	$ 1,179,985	$ 236,515	$ 1,416,500	$ 157,432
Investments (Note 3)	1,991,161	62,855	2,054,016	1,007,319
Receivables, Net (Note 14)	2,334,878	171,564	2,506,442	399,827
Internal Balances	20,584	(20,584)	---	---
Inventories	77,643	1,536	79,179	44,905
Deposits and Prepaid Expenses	130	147	277	19,475
Invested Securities Lending Collateral (Note 3)	---	---	---	100,618
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	25,856	---	25,856	242,031
Investments (Note 3)	58,935	66,558	125,493	931,757
Receivables, Net	---	---	---	6,027
Deferred Costs and Other Assets	39,103	---	39,103	22,908
Assets Held for Resale	---	115	115	---
Capital Assets (Note 5):				
Non-depreciable	5,922,045	11,007	5,933,052	428,654
Depreciable, Net	22,090,015	28,600	22,118,615	2,751,507
Total Assets	33,740,335	558,313	34,298,648	6,112,460
Liabilities				
Bank Overdraft (Notes 3 and 10)	2	---	2	---
Payables (Note 14)	1,188,365	252,458	1,440,823	428,304
Securities Lending Collateral (Note 3)	---	---	---	100,618
Unearned Revenue (Note 1)	69,757	648	70,405	84,799
Escheat/Unclaimed Property	48,491	---	48,491	---
Long-Term Liabilities (Note 11):				
Due within one year	488,003	63,153	551,156	80,646
Due in more than one year	3,957,999	164,509	4,122,508	1,126,266
Total Liabilities	5,752,617	480,768	6,233,385	1,820,633
Net Assets				
Invested in Capital Assets, Net of Related Debt	25,840,886	39,599	25,880,485	2,134,910
Restricted for:				
Budget Reserve	494,613	---	494,613	---
Debt Service	1,406,367	---	1,406,367	---
Loans Receivable	713,830	---	713,830	---
Permanent Trusts:				
Expendable	96	---	96	---
Non-Expendable	50,995	---	50,995	---
College and Universities:				
Expendable	---	---	---	404,878
Non-Expendable	---	---	---	659,903
Other Purposes	1,147,244	3,942	1,151,186	90,234
Unrestricted	(1,666,313)	34,004	(1,632,309)	1,001,902
Total Net Assets	$ 27,987,718	$ 77,545	$ 28,065,263	$ 4,291,827

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	$ 980,806	$ 724,060	$ 24,942	$ ---	$ (231,804)	$ ---	$ (231,804)	$ ---
Education	5,773,117	19,822	989,024	---	(4,764,271)	---	(4,764,271)	---
Natural and Economic Resources	849,952	134,083	315,973	---	(399,896)	---	(399,896)	---
Transportation and Law Enforcement	2,025,179	308,553	1,060,799	---	(655,827)	---	(655,827)	---
Human Services	9,890,571	422,594	5,366,730	---	(4,101,247)	---	(4,101,247)	---
Interest on Debt (Excluding Direct Expense)	130,438	932	---	---	(129,506)	---	(129,506)	---
Total Governmental Activities	19,650,063	1,610,044	7,757,468	---	(10,282,551)	---	(10,282,551)	---
Business-Type Activities:								
State Lottery	665,846	925,079	---	---	---	259,233	259,233	---
Unemployment Compensation	412,937	---	577,540	---	---	164,603	164,603	---
Petroleum Storage Tank Insurance	13,243	24,513	---	---	---	11,270	11,270	---
Missouri Veterans' Homes	46,643	23,503	24,572	---	---	1,432	1,432	---
Non-Major Funds	20,675	16,606	1,615	---	---	(2,454)	(2,454)	---
Total Business-Type Activities	1,159,344	989,701	603,727	---	---	434,084	434,084	---
Total Primary Government	$ 20,809,407	$ 2,599,745	$ 8,361,195	$ ---	(10,282,551)	434,084	(9,848,467)	---
Component Units:								
College and Universities	$ 2,927,302	$ 1,714,819	$ 1,271,090	$ 46,908	---	---	---	105,515
Non-Major Component Units	8,346	5,984	2,600	---	---	---	---	238
Total Component Units	$ 2,935,648	$ 1,720,803	$ 1,273,690	$ 46,908	---	---	---	105,753
General Revenues:								
Taxes:								
Sales and Use					2,974,842	---	2,974,842	---
Individual Income					5,146,153	---	5,146,153	---
Corporate Income					507,951	---	507,951	---
County Foreign Insurance					182,209	---	182,209	---
Alcoholic Beverage					28,377	---	28,377	---
Corporate Franchise					74,753	---	74,753	---
Inheritance					14,955	---	14,955	---
Miscellaneous Taxes					1,276,630	---	1,276,630	---
Grants and Contributions not Restricted to Specific Programs					158,716	---	158,716	---
Unrestricted Investment Earnings					146,436	(2,189)	144,247	133,937
Gain (Loss) on Sale of Capital Assets					---	---	---	(751)
Extraordinary Items					---	35	35	---
Transfers					258,773	(258,773)	---	---
Total General Revenues and Transfers					10,769,795	(260,927)	10,508,868	133,186
Change in Net Assets					487,244	173,157	660,401	238,939
Net Assets - Beginning					27,500,474	(95,612)	27,404,862	4,052,888
Net Assets - Ending					$ 27,987,718	$ 77,545	$ 28,065,263	$ 4,291,827

The notes to the financial statements are an integral part of this statement.

*The **Governmental Funds** focus on current financial resources.*

Governmental Fund Financial Statements

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

See the General Fund Combining Statements presented as part of Supplementary Information for listings of all funds included in the General Fund.

Major Special Revenue Fund Categories:

Public Education – Provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – Provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas. See the following pages for a listing of the individual funds that make up our Major Special Revenue Fund categories.

Major Capital Projects Fund:

Missouri Road Fund – Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. This also includes the following blended component units: Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, Missouri State Highway Improvement Corporation, and the Wentzville Parkway Transportation Corporation.

Non-Major Funds

Non-Major Governmental Funds are presented in the Combining and Individual Fund Statements and Schedules for non-major funds as part of Supplementary Information.

Special Revenue – Public Education: Provides general and special education needs of the State and other related areas such as library services and student loans.

Marguerite Ross Barnett Scholarship – Accounts for moneys refunded from scholarships to be reissued.

School District Bond – Accounts for moneys to be used by the Missouri Health and Educational Facilities Authority for the issuance of school district bonds.

School Building Revolving – Accounts for moneys transferred from the Gaming Proceeds for Education Fund to be used for loans to school districts for specific capital improvement projects.

Gaming Proceeds for Education – Accounts for proceeds of taxes paid and interest earned from taxes paid on the gross receipts of excursion boat gambling to be used for education.

Outstanding Schools Trust – Accounts for moneys to be used to revise the mechanism which distributes basic state aid to schools and for various education programs.

Bingo Proceeds for Education – Accounts for fees and taxes collected relating to bingo to be used for education.

Lottery Proceeds – Accounts for the net proceeds from the State Lottery to be used for public institutions of elementary, secondary, and higher education.

Missouri Community College Job Training Program – Accounts for moneys to be used for the New Jobs Training Program administered by the Department of Economic Development.

Professional and Practical Nursing Student Loan and Nurse Loan Repayment – Moneys will be used to make student loans to nursing students and for the repayment of principal and interest for students who work in specified areas of nursing.

Video Instructional Development and Educational Opportunity – Accounts for sales tax revenues on rental of sound or picture transcriptions and used for instructional television programming.

Missouri Job Development – Accounts for moneys from any source and used for vocational training or retraining.

State School Money – Accounts for funds distributed to public school districts.

Department of Social Services Educational Improvement – Accounts for moneys from the Department of Elementary and Secondary Education, and is used for school foundation money for children placed in Division of Youth Services' custody.

State Seminary Money – Accounts for interest earnings to be spent for maintenance of the State university.

State Guaranty Student Loan – Accounts for funds from any source to assist students in financing their education.

Excellence in Education – Accounts for moneys to be spent for education programs.

Missouri Prospective Teachers Loan – Accounts for funds from any source to assist students in financing their education to become teachers.

Fair Share – Accounts for additional tax on cigarettes for distribution to schools.

School District Trust – Accounts for sales tax moneys to be distributed to the public school districts of the State.

GEAR UP Scholarship – Accounts for moneys to be used for awarding scholarships who meet the requirements of the GEAR UP for Education Program.

Schools for the Future – Accounts for moneys received as a result of the amnesty program to be transferred to the State Schools Money Fund, and subsequently paid out to school districts as part of the monthly school foundation formula.

Veterans' Historical Education Trust – Accounts for moneys received for financing veterans' outreach and education programs.

Library Networking – Accounts for bequests received to be used for library networking expenses.

Student Grant – Accounts for moneys used to provide financial aid to eligible students.

Academic Scholarship – Accounts for moneys to be used to provide scholarships based on academic ability.

U.S. Department of Education/Coordinating Board for Higher Education P.L. 105-33 Recall Account – Accounts for Federal recalled reserve funds. The Coordinating Board for Higher Education will transfer an amount equal to 20% of the total recalled reserve to this fund. These funds cannot be withdrawn without the U.S. Department of Education's written approval.

U.S. Department of Education/Coordinating Board for Higher Education P.L. 105-33 Interest Account – Accounts for moneys earned on and transferred from the U.S. Department of Education P.L. 105-33 Recall Account Fund. The moneys are used for the sole purpose of performing default reduction activities applicable to the Title IV student loan programs.

Advantage Missouri Trust – Accounts for moneys to provide loans and loan forgiveness programs.

Missouri College Guarantee – Accounts for moneys transferred from the Gaming Commission Fund to be used by the Coordinating Board of Higher Education for awarding scholarships to eligible students.

Early Childhood Development Education and Care – Accounts for moneys transferred from the Gaming Commission Fund to be used for programs that prepare children for kindergarten.

Kids Chance Scholarship – Accounts for moneys transferred from the Workers' Compensation Fund to be used for children of job injured workers.

Guaranty Agency Operating – Accounts for moneys transferred from the State Guaranty Student Loan Fund to be used for administrative purposes.

Federal Student Loan Reserve – Accounts for moneys to pay lender claims.

Secretary of State – Wolfner State Library – Accounts for moneys to be used to ensure library services to the eligible blind and physically handicapped residents of the State.

Special Revenue – Conservation and Environmental Protection: Provides for the preservation of the State's wildlife and environment.

Missouri Air Emission Reduction – Accounts for fees collected under the Emissions Inspections Program.

Natural Resources Protection – Accounts for moneys collected for examinations, applications, certifications, and inspections used for the purpose of protecting the air, water, and land resources of the State.

Natural Resources Protection – Water Pollution Permit Fee Subaccount – Accounts for moneys to be used for the protection of State water.

Solid Waste Management – Scrap Tire Subaccount – Accounts for moneys to be used for the protection of the State's public health and safety in regards to the disposition of scrap tires.

Solid Waste Management – Accounts for moneys used to promote the development of markets for recovered materials and other activities to protect the environment.

Metallic Minerals Waste Management – Accounts for moneys collected from any forfeiture of a financial assurance instrument, civil penalties collected and administrative penalties collected for the safe disposal of waste from metallic minerals.

Natural Resources Protection – Air Pollution Asbestos Fee Subaccount – Accounts for moneys to be used to administer requirements relating to asbestos abatement projects that protect public health and the environment.

Underground Storage Tank Regulation Program – Accounts for fees collected for registration of underground storage tanks and used for costs related to their regulation.

Chemical Emergency Preparedness – Accounts for moneys provided to the Missouri Response Commission and Department of Natural Resources for expenses of the commission.

Natural Resources Protection – Air Pollution Permit Fee Subaccount – Accounts for moneys to be used to protect the air, water, and land resources of the State.

Water and Wastewater Loan Revolving – Accounts for loans and loan repayments under the Wastewater Loan Program.

Conservation Commission – Accounts for fees and a special sales tax used to administer laws and regulations pertaining to forestry and wildlife resources.

Parks Sales Tax – Accounts for sales tax moneys spent to control, manage, and regulate state parks.

Soil and Water Sales Tax – Accounts for sales tax moneys used for the conservation and management of the soil and water resources of the State.

Water and Wastewater Loan – Accounts for moneys from any source received for wastewater construction loans.

Groundwater Protection – Accounts for fees collected for permits and is used for the administration and enforcement of water well drillers' laws.

Energy Set-Aside Program – Accounts for moneys appropriated and any gifts, grants, and bequests. These moneys are loaned to public school districts to implement energy conservation projects.

State Land Survey Program – Accounts for fees collected from state recorders and used for land survey programs.

Petroleum Violation Escrow – Accounts for fines collected from petroleum companies for petroleum violations and is used for energy programs.

Hazardous Waste – Accounts for moneys from fees and permits and from any other source for hazardous waste management and cleanup.

Safe Drinking Water – Accounts for fees and grants from any source for the administration of safe drinking water laws.

Coal Mine Land Reclamation – Accounts for fees assessed on the amount of coal processed and is used to restore the land.

Hazardous Waste Remedial – Accounts for moneys from fees, penalties, and from any other source for administering hazardous waste services.

Missouri Air Pollution Control – Accounts for fees collected from automobile emissions inspection stations and is used for air pollution control programs.

Meramec-Onondaga State Parks – Accounts for proceeds from the sale of this land by the federal government and is used for the support and maintenance of these parks by the State.

Oil and Gas Remedial – Accounts for the proceeds from the sale of illegal oil products and used for costs of administering these laws.

Biodiesel Fuel Revolving – Accounts for moneys to be used to pay for incremental cost of biodiesel fuel for use in state vehicles, and for administration costs of the program.

Stormwater Loan Revolving – Accounts for the receipt of repayment for stormwater control project loans to be used for the construction of stormwater control projects.

Rural Water and Sewer Loan Revolving – Accounts for the receipt of repayment for rural water and sewer control project loans to be used for the construction of rural water and sewer loan projects.

Concentrated Animal Feeding Operation Indemnity – Accounts for moneys to be used to close concentrated animal feeding operation waste water lagoons.

Missouri Alternative Fuel Vehicle Loan – Accounts for moneys to be used to issue loans to political subdivisions in order to purchase new vehicles capable of using alternative fuels.

Petroleum Violation Escrow Interest Subaccount – Accounts for interest earnings to be used for administrative costs of energy programs.

Missouri Lead Abatement Loan – Accounts for moneys to be used in carrying out lead abatement projects.

Dry-Cleaning Environmental Response Trust – Accounts for moneys received from surcharges, fees, gifts, bequests, donations, and moneys recovered by the State to be used to protect human health and natural resources.

Mined Land Reclamation – Accounts for fees, forfeiture of bonds, penalties, and gifts and used for the administration and enforcement of these laws.

Babler State Park – Accounts for assets donated, bequeathed, or devised to the State for the benefit of the Doctor Edmund A. Babler Memorial State Park used solely for the maintenance and development of this park.

Special Revenue – Transportation and Law Enforcement: Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Peace Officer Standards and Training Commission – Accounts for fees assessed as court costs to be used for training peace officers or other law enforcement employees.

Transportation Department Grade Crossing Safety Account – Accounts for moneys to be used to improve safety at the crossings of public roads with railroad tracks.

Highway Patrol Inspection – Accounts for fees collected for certificates of inspection and approval used by the State Highway Patrol for administration and enforcement of the various motor vehicle inspection programs.

Firing Range Fee – Accounts for fees collected from law enforcement agencies for use of the firing range operated by the Department of Public Safety to be used for its operations.

Highway and Transportation Department – Accounts for fees paid by highway users to operate the Highway Commission and the Department of Transportation. Also used to administer and enforce state motor vehicle laws or traffic regulations.

Railroad Expense – Accounts for assessments used to administer and enforce railroad regulations.

Motor Fuel Tax – Accounts for motor fuel taxes to be distributed to other governments and to the Department of Transportation Funds.

Highway Patrol Academy – Accounts for fees charged for the training of peace officers and is used solely for the maintenance and operation of the Highway Patrol Academy.

State Transportation – Accounts for moneys from sales taxes and other sources to be used for state transportation purposes other than construction or maintenance of roads.

Highway Patrol's Motor Vehicle and Aircraft Revolving – Accounts for proceeds from government agencies to be used solely for the purchase of Highway Patrol vehicles or aircraft.

Highway Patrol Traffic Records – Accounts for copy fees received by the Highway Patrol for reports, photographs, and other data relating to investigated motor vehicle accidents.

Antiterrorism – Accounts for individual contributions received to be used for antiterrorism and emergency response activities undertaken by State and local law enforcement, fire protection, and public health agencies.

Missouri Public Safety Officer Medal of Valor – Accounts for moneys for members of the Medal of Valor Review Board.

DNA Profiling Analysis – Accounts for money collected from criminal cases in circuit courts for DNA profiling analysis of convicted offender samples.

Department of Revenue Specialty Plate – Accounts for moneys received by the Department of Revenue for the reviewing and development of specialty plates.

Transportation Revenue Collection – Accounts for moneys and transfers for expenses and equipment related to motor vehicles and drivers' licenses.

MoDOT Memorial Highway Sign – Accounts for deposits to designate the bridge or highway, with the fund being used to construct and maintain the sign.

Highway Patrol Expense Fund – Accounts for moneys advanced to employees for expenses, and moneys received for rewards, prizes, and gifts paid to Patrol member.

State Transportation Assistance Revolving – Accounts for moneys to be used for loans for the development of transportation of elderly or handicapped persons or the purchase of rolling stock for transit purposes.

Aviation Trust – Accounts for fuel taxes not refunded to the users of fuel used in aircraft engines. These moneys are used as matching funds for the preventive maintenance of runways, taxiways, aprons, and safety-related items.

STATE OF MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Totals June 30, 2006
ASSETS							
Cash and Cash Equivalents (Note 3)	$ 502,405	$ 66,276	$ 140,581	$ 19,867	$ 155,167	$ 160,832	$ 1,045,128
Investments (Note 3)	1,049,333	132,941	200,584	42,153	106,306	324,980	1,856,297
Accounts Receivable, Net	1,102,498	84,702	37,949	246,867	77,437	21,899	1,571,352
Interest Receivable	12,124	1,269	3,177	550	1,504	2,745	21,369
Due from Other Funds (Note 15)	316	19,085	70	4	1,776	114	21,365
Due from Component Units (Note 15)	---	---	709	---	---	---	709
Inventories	25,063	46	612	3,247	37,673	151	66,792
Advance to Component Units (Note 15)	---	---	3,166	---	---	---	3,166
Loans Receivable	---	---	711,134	2,135	---	561	713,830
Restricted Assets:							
Cash and Cash Equivalents (Note 3)	---	---	---	---	22,489	---	22,489
Investments (Note 3)	---	---	---	---	58,635	---	58,635
Total Assets	$ 2,691,739	$ 304,319	$ 1,097,982	$ 314,823	$ 460,987	$ 511,282	$ 5,381,132
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 825,566	$ 38,075	$ 2,407	$ 2,290	$ 120,900	$ 30,045	$ 1,019,283
Accrued Payroll	55,101	476	4,911	5,011	15,825	3,057	84,381
Due to Other Funds (Note 15)	30,961	248	1,543	834	1,284	1,746	36,616
Deferred Revenue (Note 1)	217,221	11,235	16,386	878	30,585	4,313	280,618
Escheat/Unclaimed Property	48,491	---	---	---	---	---	48,491
Advance from Component Units (Note 15)	---	---	---	---	17,951	---	17,951
Total Liabilities	1,177,340	50,034	25,247	9,013	186,545	39,161	1,487,340
Fund Balances:							
Reserved for:							
Budget Reserve	494,613	---	---	---	---	---	494,613
Inventories	25,063	46	612	3,247	37,673	151	66,792
Forfeited Assets	941	---	2,479	---	---	---	3,420
Taxes	5,542	---	---	---	---	---	5,542
Debt Service	---	---	---	---	86,710	92,750	179,460
Loans Receivable	---	---	711,134	2,135	---	561	713,830
Trust Principal	---	---	---	---	---	50,995	50,995
Unreserved, Reported In:							
General Fund	988,240	---	---	---	---	---	988,240
Special Revenue Funds	---	254,239	358,510	300,428	---	264,601	1,177,778
Capital Projects Funds	---	---	---	---	150,059	62,967	213,026
Permanent Funds	---	---	---	---	---	96	96
Total Fund Balances	1,514,399	254,285	1,072,735	305,810	274,442	472,121	3,893,792
Total Liabilities and Fund Balances	$ 2,691,739	$ 304,319	$ 1,097,982	$ 314,823	$ 460,987	$ 511,282	$ 5,381,132

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006
(In Thousands of Dollars)

Total Fund Balances - Governmental Funds		$ 3,893,792
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental funds are not financial resources and they are not reported in the funds. These assets consist of (Note 5):		
Construction in Progress	421,168	
Infrastructure in Progress	2,797,922	
Land	2,549,945	
Land Improvements	145,932	
Buildings and Improvements	2,111,406	
Equipment	1,063,794	
Infrastructure	39,108,601	
Accumulated Depreciation	(20,479,774)	
		27,718,994
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1).		236,322
Bonds issued by the State have associated cost that are paid from current available financial resources in the funds. However, these costs are deferred on the Statement of Net Assets.		39,103
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Notes 11 and 12):		
Due to Other Entities	(31,261)	
General Obligation and Other Bonds Payable	(2,613,075)	
Obligation under Lease Purchases	(229,898)	
Compensated Absences	(156,668)	
Net Pension Obligation	(103,794)	
Contingent Liabilities	(1,075,893)	
Claims Liability	(21,206)	
Accrued Interest on Bonds	(33,162)	
Unamortized Bond Premium	(104,413)	
		(4,369,370)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities are included in governmental activities in the Statement of Net Assets.		468,877
Net Assets of Governmental Activities		$ 27,987,718

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Totals June 30, 2006
Revenues:							
Taxes	$ 8,124,004	$ 1,161,520	$ 192,092	$ 872,682	$ 139,709	$ 144,755	$ 10,634,762
Licenses, Fees and Permits	73,540	1,357	70,322	179,652	129,512	168,432	622,815
Sales	2,121	---	7,303	52	---	1,845	11,321
Leases and Rentals	30	---	104	9	---	12	155
Services	240,574	---	---	---	---	283	240,857
Contributions and Intergovernmental	7,020,281	56,413	67,164	1,416	768,154	15,625	7,929,053
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	(3,095)	(222)	691	26	(925)	3,412	(113)
Interest	65,068	6,199	13,053	3,733	20,025	29,002	137,080
Penalties and Unclaimed Properties	62,076	2,161	537	115	---	18,284	83,173
Cost Reimbursement/ Miscellaneous	174,510	33,247	3,130	884	46,794	168,504	427,069
Total Revenues	15,759,109	1,260,675	354,396	1,058,569	1,103,269	550,154	20,086,172
Expenditures:							
Current:							
General Government	558,460	1,165	2,372	208,495	---	38,369	808,861
Education	1,874,570	3,891,627	44	14	---	3,273	5,769,528
Natural and Economic Resources	272,437	12,938	232,351	5	---	202,473	720,204
Transportation and Law Enforcement	275,370	223	726	153,088	687,663	37,016	1,154,086
Human Services	9,563,919	18,171	644	63	---	162,793	9,745,590
Capital Outlay:							
Current Expenditures	91,752	4,001	36,868	14,281	1,224,997	43,181	1,415,080
Capital Lease Purchases	37,419	---	1,690	171	2,644	---	41,924
Debt Service:							
Principal	46,288	---	807	430	71,304	51,466	170,295
Interest	32,238	---	374	256	53,589	34,844	121,301
Bond Issuance Costs	---	---	---	---	1,821	---	1,821
Total Expenditures	12,752,453	3,928,125	275,876	376,803	2,042,018	573,415	19,948,690
Excess Revenues (Expenditures)	3,006,656	(2,667,450)	78,520	681,766	(938,749)	(23,261)	137,482
Other Financing Sources (Uses):							
Proceeds from Capital Leases	37,419	---	1,690	171	2,644	---	41,924
Proceeds from Bonds	---	---	---	---	350,660	---	350,660
Bond Premium	---	---	---	---	21,336	---	21,336
Proceeds from Capital Asset Sale	---	---	---	---	6,634	---	6,634
Transfers In (Note 16)	101,645	2,694,541	48	3,857	573,434	147,503	3,521,028
Transfers Out (Note 16)	(2,537,238)	(2,737)	(1,656)	(573,439)	(25)	(146,564)	(3,261,659)
Total Other Financing Sources (Uses)	(2,398,174)	2,691,804	82	(569,411)	954,683	939	679,923
Net Change in Fund Balances	608,482	24,354	78,602	112,355	15,934	(22,322)	817,405
Fund Balances - Beginning (Note 17)	904,481	229,931	994,145	194,615	258,508	494,836	3,076,516
Increase (Decrease) in Reserve for Inventory	1,436	---	(12)	(1,160)	---	(393)	(129)
Fund Balances - Ending	$ 1,514,399	$ 254,285	$ 1,072,735	$ 305,810	$ 274,442	$ 472,121	$ 3,893,792

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

Net Change in Fund Balances - Total Governmental Funds		$ 817,405
Amounts reported for governmental activities in the Statement of Activities are different because:		
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase in Reserve for Inventories on the fund statement has been reclassified as a functional expense on the government-wide statement.		(129)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays of $1,442,810 is exceeded by depreciation of $940,008 in the current period.		502,802
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(505,104)
Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets (Note 12).		
Bonds Issued	(350,660)	
Bond Premiums, Issuance, and Refunding Costs	(19,515)	
Bond Principal Payments	138,310	
Capital Leases Issued	(41,924)	
Capital Lease Payments	41,687	
		(232,102)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (Notes 11 and 12).		
Amortization of Bond Premiums, Issuance, and Refunding Costs	10,439	
Decrease in Restricted Cash	(19,112)	
Decrease in Accrued Interest	(766)	
Decrease in Due to Other Entities	50	
Decrease in Compensated Absences	1,350	
Increase in Contingent Liabilities	(103,928)	
Increase in Claims Liability	(6,589)	
Increase in Net Pension Obligation	(2,528)	
		(121,084)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue and expense of internal service funds are reported with governmental activities.		25,456
Change in Net Assets of Governmental Activities		$ 487,244

The notes to the financial statements are an integral part of this statement.

*The **Proprietary Funds** focus on economic resources and are operated in a manner similar to private business enterprises.*

Proprietary Fund Financial Statements

Major Funds

State Lottery – Accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – Accounts for contributions and payments collected under the provisions of the "Unemployment Compensation Law" to pay benefits.

Petroleum Storage Tank Insurance – Accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

Non-Major Funds

Non-major enterprise funds and all internal service funds are presented in our combining non-major fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds					
	Major Funds				Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2006	Governmental Activities - Internal Service Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3)	$ 21,956	$ 188,196	$ 22,514	$ 3,849	$ 236,515	$ 134,857
Investments (Note 3)	11,162	---	44,091	7,602	62,855	134,864
Accounts Receivable, Net	35,908	129,945	3,832	701	170,386	24,076
Interest Receivable	153	---	473	65	691	371
Due from Other Funds (Note 15)	---	---	---	60	60	20,401
Inventories	---	---	---	1,536	1,536	10,851
Prepaid Items	126	---	---	21	147	130
Loans Receivable	---	---	---	487	487	---
Non-Current Assets:						
Restricted:						
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	3,367
Investments (Note 3)	66,558	---	---	---	66,558	300
Assets Held for Resale	---	---	---	115	115	---
Capital Assets (Note 5):						
Construction in Progress	18	---	---	4,526	4,544	144,575
Land	353	---	---	6,110	6,463	8,435
Land Improvements	---	---	---	6,846	6,846	3,195
Buildings	4,441	---	---	22,159	26,600	269,837
Equipment	15,543	---	228	31,539	47,310	78,951
Less Accumulated Depreciation (Note 5)	(17,286)	---	(196)	(34,674)	(52,156)	(211,927)
Total Capital Assets (Net of Accumulated Depreciation)	3,069	---	32	36,506	39,607	293,066
Total Assets	138,932	318,141	70,942	50,942	578,957	622,283
LIABILITIES						
Current Liabilities:						
Bank Overdraft (Note 3)	---	---	---	---	---	2
Accounts Payable	2,563	247,174	7	616	250,360	17,235
Accrued Payroll	269	---	14	1,469	1,752	1,309
Due to Other Funds (Note 15)	19,190	---	9	680	19,879	716
Unearned Revenue (Note 1)	---	---	554	94	648	25,461
Claims Liability (Note 11)	---	---	15,000	---	15,000	60,928
Grand Prize Winner Liability (Note 11)	46,007	---	---	---	46,007	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	186
Compensated Absences (Note 11)	570	---	54	1,522	2,146	2,694
Notes Payable (Note 11)	---	---	---	---	---	142
Non-Current Liabilities:						
Claims Liability (Note 11)	---	---	101,929	---	101,929	40,666
Grand Prize Winner Liability (Note 11)	62,572	---	---	---	62,572	---
Obligations under Lease Purchase (Note 11)	---	---	8	---	8	875
Compensated Absences (Note 11)	---	---	---	---	---	398
Notes Payable (Note 11)	---	---	---	---	---	3,905
Total Liabilities	131,171	247,174	117,575	4,381	500,301	154,517
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	3,069	---	24	36,506	39,599	292,005
Restricted for:						
Revenue Bonds	---	---	---	---	---	2,911
Other Purposes	3,942	---	---	---	3,942	377
Unrestricted	750	70,967	(46,657)	10,055	35,115	172,473
Total Net Assets	$ 7,761	$ 70,967	$ (46,633)	$ 46,561	$ 78,656	$ 467,766
				Total Net Assets Reported Above	$ 78,656	
				Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds	(1,111)	
				Net Assets of Business-Type Activities	$ 77,545	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds					
	Major Funds				Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2006	Governmental Activities - Internal Service Funds
Operating Revenues:						
Employer Contributions	$ ---	$ 580,462	$ ---	$ ---	$ 580,462	$ 433,087
Employee Contributions	---	---	---	---	---	141,684
Medicare Part D Subsidy	---	---	---	---	---	4,124
Licenses, Fees and Permits	---	---	24,495	7,720	32,215	10,333
Sales	913,518	---	---	5,984	919,502	28,226
Leases and Rentals	---	---	---	2,913	2,913	19,694
Charges for Services	---	---	---	23,294	23,294	104,175
Cost Reimbursement/Miscellaneous	168	---	16	212	396	4,161
Total Operating Revenues	913,686	580,462	24,511	40,123	1,558,782	745,484
Operating Expenses:						
Cost of Goods Sold	16,283	---	---	2,166	18,449	14,360
Personal Service	8,886	---	981	46,886	56,753	49,088
Operations	58,650	---	3,590	13,806	76,046	116,685
Prizes Expense	572,768	---	---	---	572,768	---
Inventories	---	---	---	762	762	1,546
Specific Programs	---	---	8,647	273	8,920	3,213
Insurance Benefits	---	---	---	---	---	524,739
Unemployment Benefits	---	412,937	---	---	412,937	---
Depreciation	819	---	19	2,890	3,728	15,092
Other Charges	8,479	---	3	552	9,034	3,152
Total Operating Expenses	665,885	412,937	13,240	67,335	1,159,397	727,875
Operating Income (Loss)	247,801	167,525	11,271	(27,212)	399,385	17,609
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	---	(2,922)	---	26,187	23,265	238
Interest Expense	---	---	---	---	---	(294)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(6,381)	---	(108)	(23)	(6,512)	2,235
Interest	1,532	---	2,494	297	4,323	6,398
Penalties and Unclaimed Properties	---	---	---	1	1	---
Disposal of Capital Assets	15	---	---	(10)	5	(134)
Miscellaneous Revenues	11,393	---	---	---	11,393	---
Extraordinary Items	---	---	---	35	35	---
Total Non-Operating Revenues (Expenses)	6,559	(2,922)	2,386	26,487	32,510	8,443
Income (Loss) Before Transfers	254,360	164,603	13,657	(725)	431,895	26,052
Transfers In (Note 16)	---	---	---	1,597	1,597	---
Transfers Out (Note 16)	(260,340)	---	---	(30)	(260,370)	(561)
Change in Net Assets	(5,980)	164,603	13,657	842	173,122	25,491
Total Net Assets - Beginning (Note 17)	13,741	(93,636)	(60,290)	45,719	(94,466)	442,275
Total Net Assets - Ending	$ 7,761	$ 70,967	$ (46,633)	$ 46,561	$ 78,656	$ 467,766
				Total Net Change in Net Assets Reported Above	$ 173,122	
				Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	35	
				Change in Net Assets of Business-Type Activities	$ 173,157	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds					
	Major Funds				Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2006	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	$ 918,031	$ 579,701	$ 24,691	$ 39,745	$ 1,562,168	$ 732,166
Payments to Suppliers	(648,397)	---	(3,583)	(16,288)	(668,268)	(129,022)
Payments to Employees	(8,856)	---	(1,028)	(47,140)	(57,024)	(49,534)
Payments Made for Program Expense	---	(462,961)	(12,772)	(273)	(476,006)	(521,389)
Other Receipts (Payments)	(8,311)	---	13	(340)	(8,638)	2,568
Net Cash Provided (Used) by Operating Activities	252,467	116,740	7,321	(24,296)	352,232	34,789
Cash Flows from Non-Capital Financing Activities:						
Due to/from Other Funds	29	---	(12)	13	30	(1,850)
Contributions and Intergovernmental	---	(2,922)	---	26,187	23,265	238
Transfers to/from Other Funds	(260,340)	---	---	1,567	(258,773)	(561)
Other Receipts (Expenses)	11,393	---	---	13	11,406	---
Net Cash Provided (Used) by Non-Capital Financing Activities	(248,918)	(2,922)	(12)	27,780	(224,072)	(2,173)
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	---	---	---	---	---	(294)
Purchases and Construction of Capital Assets	(592)	---	(13)	(1,112)	(1,717)	(10,060)
Bonds and Notes Payable	---	---	---	---	---	4,047
Capital Lease Downpayment/Obligations	---	---	---	---	---	(1,413)
Disposal of Capital Assets	15	---	---	1,719	1,734	29
Net Cash Provided (Used) by Capital and Related Financing Activities	(577)	---	(13)	607	17	(7,691)
Cash Flows from Investing Activities:						
Proceeds from Investment Maturities	---	---	---	444	444	859,322
Purchase of Investments	6,260	---	(2,543)	(2,991)	726	(925,664)
Interest and Dividends Received	1,459	---	2,341	261	4,061	8,280
Other Receipts	---	---	---	1	1	---
Net Cash Provided (Used) by Investing Activities	7,719	---	(202)	(2,285)	5,232	(58,062)
Net Increase (Decrease) in Cash	10,691	113,818	7,094	1,806	133,409	(33,137)
Cash and Cash Equivalents, Beginning of Year	11,265	74,378	15,420	2,043	103,106	171,359
Cash and Cash Equivalents, End of Year	$ 21,956	$ 188,196	$ 22,514	$ 3,849	$ 236,515	$ 138,222
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ 247,801	$ 167,525	$ 11,271	$ (27,212)	$ 399,385	$ 17,609
Depreciation Expense	819	---	19	2,890	3,728	15,092
Changes in Assets and Liabilities:						
Accounts Receivable	4,513	(761)	197	(219)	3,730	(9,012)
Inventories	---	---	---	76	76	450
Prepaid Items	599	---	---	2	601	(79)
Accounts Payable	371	(50,024)	7	368	(49,278)	3,197
Accrued Payroll	9	---	(31)	(48)	(70)	(66)
Unearned Revenue	---	---	(1)	53	52	1,414
Grand Prize Winner Liability	(1,666)	---	---	---	(1,666)	---
Claims Liability	---	---	(4,125)	---	(4,125)	6,564
Compensated Absences	21	---	(16)	(206)	(201)	(380)
Net Cash Provided (Used) by Operating Activities	$ 252,467	$ 116,740	$ 7,321	$ (24,296)	$ 352,232	$ 34,789

Non-Cash Financing Activities:

During fiscal year 2006, the Office of Administration Revolving Fund executed a capital lease buyout for $323,000 less than the original lease agreement.

The notes to the financial statements are an integral part of this statement.

*The **Fiduciary Funds** account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.*

Individual fund financial statements for pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds are presented as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	$ 690,917	$ 15,878	$ 31,993
Investments at Fair Value: (Note 3)			
U.S. Government Securities	958,066	15,855	34
Repurchase Agreements	1,937	3,797	350,446
Stocks	1,573,421	---	43
Bonds	563,171	---	---
International Equities	1,225,696	---	---
Mutual and Index Funds	1,243,107	---	---
Venture Capital Limited Partnership	2,707,522	---	---
Other Investments	972,054	11,523	1,056
Receivables:			
Accounts Receivable	190,844	---	203,731
Interest Receivable	14,641	26	1,119
Due from Other Funds (Note 15)	9,119	---	5,812
Inventories	---	1	---
Invested Securities Lending Collateral (Note 3)	1,271,219	---	---
Prepaid Expenses	56	---	---
Capital Assets:			
Land	351	---	---
Buildings	3,946	---	---
Equipment	1,743	19	---
Accumulated Depreciation	(2,112)	(12)	---
Total Capital Assets, Net	3,928	7	---
Total Assets	11,425,698	47,087	$ 594,234
LIABILITIES			
Accounts Payable	262,828	673	$ 39
Accrued Payroll	---	18	---
Securities Lending Collateral (Note 3)	1,271,008	---	---
Due to Other Entities	---	---	566,757
Due to Individuals	---	---	27,438
Due to Other Funds (Note 15)	---	8	---
Obligations under Lease Purchase	10	---	---
Compensated Absences	326	---	---
Total Liabilities	1,534,172	699	$ 594,234
Net Assets Held in Trust for Benefits and Other Purposes	$ 9,891,526	$ 46,388	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	$ 370,354	$ ---
Plan Member	65,528	---
Other	24,997	---
Investment Earnings:		
Increase in Appreciation of Assets	1,112,180	30
Securities Lending Income	59,166	---
Total Investment Earnings	1,171,346	30
Less Investment Expenses:		
Investment Activity Expense	(92,849)	---
Securities Lending Expense	(54,995)	---
Total Investment Expense	(147,844)	---
Net Investment Earnings	1,023,502	30
Unclaimed Property	---	25,871
Cost Reimbursement/Miscellaneous	547	10,703
Total Additions	1,484,928	36,604
Deductions:		
Benefits	598,989	---
Administrative Expenses	13,122	2,321
Program Distributions	54,730	10,566
Service Transfer Payments	134	---
Depreciation	281	3
Total Deductions	667,256	12,890
Change in Net Assets	817,672	23,714
Net Assets held in Trust - Beginning of Year (Note 17)	9,073,854	22,674
Net Assets held in Trust - End of Year	$ 9,891,526	$ 46,388

The notes to the financial statements are an integral part of this statement.

*The **Component Units** account for all transactions relating to legally separate entities which for reporting purposes are a part of the State.*

Component Unit Financial Statements

Major

College and Universities

Non-Major

Non-Major proprietary component unit statements are found in the combining fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2006
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2006
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)	$ 129,627	$ 27,805	$ 157,432
Investments (Note 3)	229,520	17,764	247,284
Receivables, Net	270,213	3,936	274,149
Invested Securities Lending Collateral (Note 3)	100,618	---	100,618
Inventories	44,905	---	44,905
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	190,494	---	190,494
Investments (Note 3)	119,628	---	119,628
Receivables, Net	43	---	43
Deposits and Prepaid Expenses	18,228	124	18,352
Deferred Costs and Other Assets	1,219	---	1,219
Noncurrent Assets:			
Investments (Note 3)	760,035	---	760,035
Receivables, Net	94,441	13,286	107,727
Advance to Primary Government (Note 15)	---	17,951	17,951
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	4,883	46,654	51,537
Investments (Note 3)	765,524	46,605	812,129
Receivables, Net	5,984	---	5,984
Deposits and Prepaid Expenses	1,123	---	1,123
Deferred Costs and Other Assets	21,684	5	21,689
Capital Assets, Net of Accumulated Depreciation (Note 5)	3,128,993	51,168	3,180,161
Total Assets	5,887,162	225,298	6,112,460
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	277,555	363	277,918
Securities Lending Collateral (Note 3)	100,618	---	100,618
Due to Primary Government (Note 15)	---	710	710
Unearned Revenue (Note 1)	82,194	---	82,194
Deposits	69,169	---	69,169
Claims Liability (Note 21)	33,067	---	33,067
Compensated Absences	14,738	---	14,738
Capital Lease Obligations (Note 6)	769	---	769
Bonds and Notes Payable (Note 12)	32,072	---	32,072
Noncurrent Liabilities:			
Accounts Payable and Accrued Liabilities	45,177	---	45,177
Advance from Primary Government (Note 15)	---	3,166	3,166
Unearned Revenue (Note 1)	2,605	---	2,605
Deposits and Reserves	298	31,866	32,164
Claims Liability (Note 21)	53,783	---	53,783
Compensated Absences	6,374	---	6,374
Capital Lease Obligations (Note 6)	20,506	---	20,506
Bonds and Notes Payable (Note 12)	1,013,753	31,850	1,045,603
Total Liabilities	1,752,678	67,955	1,820,633
NET ASSETS			
Invested in Capital Assets, Net	2,115,592	19,318	2,134,910
Restricted for:			
Expendable	404,878	---	404,878
Non-Expendable	659,903	---	659,903
Other Purposes	---	90,234	90,234
Unrestricted	954,111	47,791	1,001,902
Total Net Assets	$ 4,134,484	$ 157,343	$ 4,291,827

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS/STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2006	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees and Permits	$ ---	$ 3,519	$ 3,519	$ ---	$ 3,519
Student Tuition and Fees (Net of Scholarship Allow.)	623,036	---	623,036	---	623,036
Sales and Services of Educational Departments	36,564	---	36,564	---	36,564
Auxiliary Enterprises	977,540	---	977,540	---	977,540
Leases and Rentals	---	2,346	2,346	---	2,346
Cost Reimbursement/Miscellaneous	75,987	119	76,106	1,692	77,798
Total Charges for Services					1,720,803
Federal Appropriations, Grants and Contracts	267,977	---	267,977	42,899	310,876
State Grants and Contracts	50,278	---	50,278	745,966	796,244
Private Gifts, Grants and Contracts	55,331	---	55,331	69,707	125,038
Additions to Endowments	---	---	---	38,932	38,932
Contributions and Intergovernmental	---	---	---	2,600	2,600
Total Operating Grants and Contributions					1,273,690
Interest Revenue	343	1,480	1,823	(1,823)	---
Total Operating Revenues	2,087,056	7,464	2,094,520	899,973	
Expenses:					
Operating Expenses:					
Personal Service	1,801,226	894	1,802,120	---	1,802,120
Operations	---	1,182	1,182	---	1,182
Specific Programs	---	1,132	1,132	---	1,132
Scholarships and Fellowships	74,741	---	74,741	---	74,741
Utilities	26,887	---	26,887	---	26,887
Supplies and Other Services	763,717	---	763,717	---	763,717
Contracted Services	19,883	---	19,883	---	19,883
Interest Expense	---	---	---	43,391	43,391
Depreciation and Amortization	171,607	743	172,350	---	172,350
Bad Debt Expense	---	3,498	3,498	---	3,498
Miscellaneous	26,653	31	26,684	28	26,712
Transfers Out	---	---	---	35	35
Total Operating Expenses	2,884,714	7,480	2,892,194	43,454	2,935,648
Operating Loss	(797,658)	(16)	(797,674)	856,519	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants and Contracts	42,899	---	42,899	(42,899)	---
State Appropriations, Grants and Contracts	745,966	---	745,966	(745,966)	---
Private Gifts, Grants and Contracts	69,707	---	69,707	(69,707)	---
Contributions and Intergovernmental	---	2,600	2,600	(2,600)	---
Investment Earnings:					
Increase in the Fair Value of Investments	---	982	982	---	982
Interest/Investment and Endowment Income	127,886	3,246	131,132	1,823	132,955
Interest and Bond Related Expenses	(42,588)	(803)	(43,391)	43,391	---
Gain (Loss) on Sale of Capital Assets	(751)	---	(751)	---	(751)
Miscellaneous Revenues	1,692	---	1,692	(1,692)	---
Miscellaneous Expenses	---	(28)	(28)	28	---
Total General Revenues					133,186
Total Non-Operating Revenues (Expenses)	944,811	5,997	950,808	(817,622)	
Income Before Other Revenues (Expenses) Or Gains (Losses)	147,153	5,981	153,134	38,897	
State Capital Appropriations	46,908	---	46,908	---	46,908
Total Capital Grants and Contributions					46,908
Additions to Endowments	38,932	---	38,932	(38,932)	---
Transfers Out (Note 16)	---	(35)	(35)	35	---
Change in Net Assets	232,993	5,946	238,939	---	238,939
Net Assets - Beginning of Year (Note 17)	3,901,491	151,397	4,052,888	---	4,052,888
Net Assets - End of Year	$ 4,134,484	$ 157,343	$ 4,291,827	$ ---	$ 4,291,827

The notes to the financial statements are an integral part of this statement.

*The **Notes to the Financial Statements** provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.*

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Note 1 - Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14 - *The Financial Reporting Entity* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39 - *Determining Whether Certain Entities are Component Units* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it.

In addition to the legislative, executive and judicial branches, the following organizations are included in these financial statements:

Component Units (Blended):

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Capital Projects Funds:

Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation - these are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation
Resource Management
P.O. Box 270
Jefferson City, Missouri 65102

Note 1 - Significant Accounting Policies (cont.)

Internal Service Funds:

Board of Public Buildings - This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and pay the costs of operations. Copies of the Board of Public Buildings' financial statements may be requested from:

Office of Administration
Division of Accounting
P.O. Box 809
Jefferson City, Missouri 65102

Conservation Employees' Insurance Plan - The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of two members determined by the Board and Commission from insurance members, the Business and Support Services Chief, the Human Resources Division Administrator, and the Internal Auditor. Copies of the Plan's financial statements may be requested from:

Missouri Department of Conservation
P.O. Box 180
Jefferson City, Missouri 65102

Transportation Self-Insurance Plan - The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Risk Management Division of the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Missouri Consolidated Health Care Plan (MCHCP) - The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The board consists of two members of the Senate, two members of the House, six members appointed by the Governor, the Director of the Department of Health and Senior Services, the Director of the Department of Insurance, and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

Note 1 - Significant Accounting Policies (cont.)

MoDOT and MSHP Medical and Life Insurance Plan - The Plan provides health and life insurance coverage to eligible employees, retirees and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees and one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) - The System was created by state law and provides retirement, survivor, disability, and life insurance to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and Highway Patrol Employees' Retirement System - The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation), and both uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Highway Patrol employees, and one retired member elected by retirees of the system. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Note 1 - Significant Accounting Policies (cont.)

Missouri State Public Employees' Deferred Compensation Commission - The Commission offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under this Plan, employees are permitted to defer a portion of their current salary until future years. This Plan's fiscal year ends December 31, therefore, financial statements for its reporting period ending December 31, 2005, have been included in this report. In addition, the Commission offers eligible employees the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes $25 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. The Commission consists of one member of the House of Representatives, one member of the Senate, and three other members appointed by the Governor with the advice and consent of the Senate. Copies of financial statements for both Plans may be requested from:

PEBSCO – A Division of Nationwide
Retirement Solutions, Inc.
One Nationwide Plaza, 1-13-G1
Columbus, Ohio 43215-2220

Component Units (Discretely Presented):

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

Major

College and Universities - The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

Central Missouri State University
213 Administration Building
Warrensburg, Missouri 64093

Harris-Stowe State University
3026 Laclede Avenue
St. Louis, Missouri 63103

Lincoln University
207 Young Hall
Jefferson City, Missouri 65101

Linn State Technical College
1 Technology Drive
Linn, Missouri 65051

Missouri Southern State University
3950 East Newman Road
Joplin, Missouri 64801-1595

Missouri State University
901 South National, Room 119
Springfield, Missouri 65804

Missouri Western State University
4525 Downs Drive
St. Joseph, Missouri 64507

Northwest Missouri State University
105 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Southeast Missouri State University
One University Plaza, Mail Stop 3000
Cape Girardeau, Missouri 63701

Truman State University
McClain Hall, Room 105
Kirksville, Missouri 63501

University of Missouri System
118 University Hall
Columbia, Missouri 65211-3020

Note 1 - Significant Accounting Policies (cont.)

Non-Major

Missouri Development Finance Board - The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable and tax-exempt industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain state income taxes in exchange for contributions made to the Board. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development and the Department of Agriculture, who serve as ex-officio voting members, and nine members appointed by the Governor and confirmed by the Senate. Copies of the Board's financial statements may be requested from:

Missouri Development Finance Board
Governor Office Building
200 Madison Street, Suite 1000
Jefferson City, Missouri 65101

Agricultural and Small Business Development Authority - The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation - The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Highway Building, 2nd Floor
105 West Capitol Avenue
Jefferson City, Missouri 65101

Note 1 - Significant Accounting Policies (cont.)

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

Missouri Housing Development Commission – makes, purchases, and insures mortgage loans which are used to develop new or rehabilitate low and moderate income housing.

Missouri Technology Corporation – promotes the modernization of businesses through the development of science and technology applications.

Missouri Public Entity Risk Management Fund – provides liability protection to participating public entities, their officials, and employees.

Public School Retirement System – provides retirement benefits to employees of public school districts except those in St. Louis and Kansas City.

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers Organization, Inc. – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Highway 19 Missouri River Bridge Transportation Corporation – organized to acquire, construct, own, and operate highway projects and facilities.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

Note 1 - Significant Accounting Policies (cont.)

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of enterprise funds.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Indirect costs, such as depreciation expense, are included in the direct expenses reported for individual functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary funds have been excluded from the government-wide financial statements because, by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

The difference between fund assets and liabilities is reported as "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on the governmental fund financial statements.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary fund financial statements, the emphasis is on major individual governmental and enterprise fund categories, with each displayed in a separate column. All remaining governmental and enterprise fund categories are aggregated and reported as non-major funds. Internal service fund categories are also aggregated and reported in a separate column on the proprietary fund financial statements.

Note 1 - Significant Accounting Policies (cont.)

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Material revenues susceptible to accrual include federal grants and sales and income taxes. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method.

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Note 1 - Significant Accounting Policies (cont.)

Missouri Road Fund - accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

State Lottery - accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation - accounts for contributions, payments, and federal loans collected under the provisions of the "Unemployment Compensation Law" to pay benefits.

Petroleum Storage Tank Insurance - accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

Note 1 - Significant Accounting Policies (cont.)

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Proprietary Fund Statement of Cash Flows are also reported under this definition. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3*).

E. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. The majority of investments are reported in pension (and other employee benefit) trust funds, however, investments are held in all fund types. All investments are reported at fair value (see *Note 3*).

F. Interfund Receivables/Payables

The State makes various transactions between funds or between primary government and component units to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" or "due from primary government/component units" on the Balance Sheet and Statements of Net Assets. Payables are classified as "due to other funds" or "due to primary government" on the Balance Sheet and Statements of Net Assets (see *Note 15*).

G. Advances to/from Other Funds

Long-term interfund receivables are classified as "advances to other funds" or "advances to primary government/component units" on the Balance Sheet and Statements of Net Assets. Long-term interfund payables are classified as "advances from primary government/component units" on the Balance Sheet and Statements of Net Assets (see *Note 15*).

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Reserves of fund balance have been established for the inventory balances in governmental funds. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average, weighted average, and first-in, first-out.

I. Restricted Assets

These moneys are restricted by donors and applicable bond indentures:

Reserved for Budget Reserve - An account used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventories - An account used to segregate a portion of fund balance to indicate that inventories do not represent available, spendable resources.

Note 1 - Significant Accounting Policies (cont.)

Reserved for Forfeited Assets – An account used to segregate a portion of fund balance to pay postclosure costs for landfill owners that have defaulted on their obligation to pay postclosure care costs (see *Note 22*) and mining reclamation costs.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

J. Capital Assets

Capital assets, which include construction in progress, infrastructure in progress, land, land improvements, buildings, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Notes 5 and 6*).

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of capital assets are not capitalized.

The capitalization threshold for all capital assets is as follows: land improvements – $15,000, buildings and improvements – $15,000, and equipment – $1,000. No dollar threshold is set for land or infrastructure.

Capital assets are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 years, and infrastructure 12 to 50 years. Construction in progress, infrastructure in progress, and land are not depreciated.

Most works of art and historical treasures are not capitalized or depreciated. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capital grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, and equipment – 5 years.

Note 1 - Significant Accounting Policies (cont.)

K. Deferred/Unearned Revenues

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include $184,158,000 within the General Fund, $27,714,000 within the major special revenue funds, $20,137,000 within the Missouri Road Fund, and $4,313,000 within non-major governmental funds which totals $236,322,000 for governmental funds. Such amounts have been deemed to be measurable but not available. All major sources of revenue, including taxes; licenses, fees, and permits; and governmental contributions; are susceptible to accrual when available within 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues of $33,063,000 within the General Fund, $785,000 within major special revenue funds, $10,448,000 within the Missouri Road Fund.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $25,461,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is $648,000 which includes $554,000 within the Petroleum Storage Tank Insurance Fund, $94,000 within the non-major enterprise funds.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $84,799,000 within the college and universities which is the total unearned revenue amount for component units.

L. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments, contractual obligations to other governments, and loans from other entities. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11*).

2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12*).

3. Outstanding principal for revenue bonds issued by the Board of Public Buildings, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12*).

Note 1 - Significant Accounting Policies (cont.)

4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

   In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11*).

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, and the Missouri Road Fund (see *Notes 6 and 11*).

6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11*).

   Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

   Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

7. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23*).

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

M. Net Assets

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. At June 30, 2006, net assets restricted by enabling legislation equaled $850,878,000 for governmental activities and $1,589,000 for business-type activities.

N. Revenues

The revenues of the General Fund include federal grants and contributions of $7,004,623,000. Revenues for all funds are reported net of refunds of $1,809,239,000.

Note 1 - Significant Accounting Policies (cont.)

O. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, construct assets, and service debt. Interfund transactions basically consist of these two types:

1. Transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.

2. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as transfers (see *Note 16*).

P. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of $1,255,788,000 and $191,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts and for cost reimbursements of $552,428,000 and $832,000, respectively.

Q. Property Taxes

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component unit of social assistance.

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

Note 2 - Reporting Changes and Classifications

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ended June 30, 2006:

- Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*

  Statement No. 42 amends Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and FASB Interpretation No. 30, *Accounting for Involuntary Conversions of Nonmonetary Assets to Monetary Assets*.

  Statement No. 34 requires that capital assets (with the exception of inexhaustible assets and those accounted for using the modified approach) be depreciated over their useful lives and does not have a specific requirement to reduce the carrying value of a capital asset other than through the application of depreciation. Statement No. 42, established accounting and reporting requirements for the impairment of capital assets.

Note 2 - Reporting Changes and Classifications (cont.)

Interpretation No. 30 provides guidance on accounting for insurance recoveries, but only for government-wide and proprietary funds, not governmental funds. Statement No. 42 clarifies guidance for accounting for insurance recoveries for all funds and activities.

- Statement No. 44, *Economic Condition Reporting: The Statistical Section.*

  Statement No. 44 amends NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles.*

  NCGA Statement 1 was issued in 1979 and guides the preparation of the statistical section. It was geared toward general-purpose governments and lacked clarification on the nature of the information contained in the statistical schedules causing a lack of comparability between governments. Statement No. 44 established statistical objectives, five categories of statistical information, and government-wide accrual-based information required by GASB Statement No. 34.

- GASB Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D.*

  GASB Technical Bulletin No. 2006-1 clarifies the application of existing standards of accounting and financial reporting to payments that an employer or a defined benefit other postemployment benefit (OPEB) plan receives from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D, as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

Due to an accounting presentation change, the agency funds State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit are not discretely presented.

Component units Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation, previously discretely presented, are now blended and a part of the Missouri Road Fund due to a change in accounting principle.

Note 3 - Deposits, Investments and Securities Lending Program

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents", "Investments", "Restricted Assets - Cash and Cash Equivalents", and "Restricted Assets – Investments" as reported at June 30, 2006.

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

A. Deposits

The State minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

Primary Government

At June 30, 2006, the reported amount of the primary government's deposits was $683,351,000 and the bank balance was $692,755,000. Of the bank amount, $296,000 was uncollateralized, $470,000 was collateralized with securities held by the counterparty's trust department or agent in the State's name, and $12,000 was collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

Fiduciary

At June 30, 2006, the reported amount of the deposits of the fiduciary funds was $72,641,000 and the bank balance was $84,265,000. Of the bank amount, $2,431,000 was uncollateralized, and $43,000 was collateralized with securities held by the counterparty's trust department or agent in the State's name.

Component Units

At June 30, 2006, the reported amount of the deposits of the component units was $351,971,000 and the bank balance was $358,129,000. Of the bank amount, $5,656,000 was uncollateralized, and $33,126,000 was collateralized with securities held by the counterparty's trust department or agent in the component units' name.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. The internal service funds, the agency and pension (and other employee benefit) trust funds, and the component units, in accordance with statutory authority, invest primarily in U.S. government securities, repurchase agreements, preferred and common stocks, bonds, real estate, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2006.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.

Primary Government

At June 30, 2006, the reported amount of the primary government's investments was $2,938,512,000. No amount was both uninsured and unregistered.

Fiduciary

At June 30, 2006, the reported amount of the fiduciary funds investments was $10,293,875,000. Of the amount, $5,909,000 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the State's name.

Component Units

At June 30, 2006, the reported amount of the component units investments was $1,986,568,000. Of the amount, $130,765,000 was uninsured and unregistered, $51,260,000 was uninsured and unregistered with securities held by the counterparty's trust department or agent in the component units' name, and $7,417,000 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the component units' name.

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturities in Years					
	Less than 1	1-5	6-10	More than 10	No Maturity	Total Fair Value
All Fund Types except Fiduciary Funds and Component Units:						
U.S. Government Securities	$ 909,845	$ 543,828	$ 16,023	$ 8,467	$ 67	$ 1,478,230
Repurchase Agreements	503,271	---	---	---	---	503,271
Stocks	---	---	---	---	3,069	3,069
Commercial Paper	926,307	---	---	---	---	926,307
Mutual Funds	---	---	---	---	27,635	27,635
Subtotal	2,339,423	543,828	16,023	8,467	30,771	2,938,512

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

	Maturities in Years					
	Less than 1	1-5	6-10	More than 10	No Maturity	Total Fair Value
Fiduciary Funds:						
U.S. Government Securities	12,920	229,889	725,825	5,321	---	973,955
Repurchase Agreements	356,180	---	---	---	---	356,180
Stocks	---	---	---	---	1,573,464	1,573,464
Commercial Paper	11,546	---	---	---	---	11,546
Bonds	---	547,376	4,354	11,441	---	563,171
International Equities	1,225,696	---	---	---	---	1,225,696
Mortgages/ Real Estate	---	123,452	1,770	48,274	231,154	404,650
Short-Term Securities	805,895	---	---	---	---	805,895
Deferred Compensation	---	---	---	---	6,601	6,601
Foreign Securities	---	---	---	---	97,654	97,654
Mutual Funds	---	---	---	---	1,243,107	1,243,107
Venture Capital Limited Partnership	---	---	---	---	2,707,522	2,707,522
Absolute Return	---	---	---	---	249,144	249,144
Tactical Fixed Income	---	---	---	---	75,290	75,290
Subtotal	2,412,237	900,717	731,949	65,036	6,183,936	10,293,875
Component Units:						
U.S. Government Securities	242,580	559,225	73,330	46,506	---	921,641
Repurchase Agreements	6,706	---	---	---	---	6,706
Stocks	22	---	---	---	647,677	647,699
Bonds	66,840	124,874	22,578	16,472	---	230,764
Mortgages	---	---	---	---	5,605	5,605
Mutual Funds	1,970	---	---	---	6,794	8,764
Commercial Paper	130,765	---	---	---	---	130,765
Other	---	---	---	---	34,624	34,624
Subtotal	448,883	684,099	95,908	62,978	694,700	1,986,568
Total Investments	$ 5,200,543	$ 2,128,644	$ 843,880	$ 136,481	$ 6,909,407	$ 15,218,955

The State minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15% of the total portfolio invested in repurchase agreements. During fiscal year 2006, the State did not have more than 5% of total investments in a single issuer.

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

The State Treasurer requires investments in commercial paper and bankers' acceptances have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments. The following table (in thousands of dollars) provides information on the credit ratings associated with the State's investments in debt securities.

	Moody's	S & P	Fitch	Fair Value
Primary Government/Fiduciary:				
Bonds	Aaa	AAA		$ 1,279,058
		AAA		370,755
		AA		405,925
		A+		1,195
		A		498,619
		A-		3,252
		BBB+		2,718
		BBB		37,718
		BBB-		2,813
		BB+		1,230
		BB		106,015
		B		168,977
		CCC		15,439
		D		109
		unrated		10,358
Commercial Paper	P-1	A-1+		519,165
	P-1	A-1		410,488
		Tier 1		14,596
		Tier 2		232,878
Mortgage/Real Estate		AAA		35,336
		AA		495
		Agency		178,127
		unrated		8,104
Asset Backed Securities		AAA		186,008
		AA		7,452
		A		135
		BB		1,496
		Agency		13,996
Pooled Investments		unrated		75,290
Repurchase Agreements	P-1	A-1		306,261
U.S. Security		AAA		79,725
Stock		AAA		61,200
		BB		704
		CCC		8
Subtotal				5,035,645

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

	Moody's	S & P	Fitch	Fair Value
Component Units:				
Bonds	AAA	AAA		41,602
	AAA			53
	Aa3	A+		157
	Aa3	AA-		111
	Aa1	AA-		51
	Aa			70
	A2	A		187
	A1	A+		31
	A			92
	Baa			2
			AAA	2
			AA	2
			AA-	3
	unrated	unrated		7
Mutual Funds	unrated	unrated	unrated	27
U.S. Treasury Obligations	AAA	AAA		16,515
	AAA			185
U.S. Agency Obligations	AAA	AAA		20,714
	AAA	A1+		41,782
U.S. Securities	AAA			14,919
	Aa			53
	A			19
	Baa			1
		AAA		34,714
	unrated	unrated	unrated	30
Subtotal				171,329
Total Rated Investments				$ 5,206,974

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table (in thousands of dollars) provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The State Treasurer's Office does not have any deposits or investments in foreign currency, however, the Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System do have foreign currency deposits and investments which may be used for hedging purposes. In addition to the amounts provided in the table, the University of Missouri System had $85,248,000 in government obligations, $15,518,000 in bonds and notes, $119,782,000 in corporate stocks, and $3,563,000 in cash and cash equivalents held in foreign currencies as of June 30, 2006.

	Investment Type			
Currency	Cash	Equities	Fixed Income	Total
Argentina Peso	$ 28	$ ---	$ ---	$ 28
Australian Dollar	1,293	26,621	---	27,914
Brazilian Real	89	22,277	---	22,366
British Pound Sterling	(55,950)	286,344	925	231,319
Canadian Dollar	1,410	67,624	---	69,034
China Renminbi	11,411	---	---	11,411
Columbian Peso	53	---	---	53
Czech Koruna	(705)	2,135	---	1,430

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

Currency	Investment Type Cash	Equities	Fixed Income	Total
Danish Krone	128	14,268	---	14,396
Euro	2,669	395,443	---	398,112
Hong Kong Dollar	907	91,829	---	92,736
Hungarian Forint	1	---	---	1
Indian Rupee	8,884	4,414	---	13,298
Indonesion Rupiah	(1)	512	---	511
Israeli Shekel	---	902	---	902
Japenese Yen	178,679	344,234	---	522,913
Malaysian Ringgit	3,790	---	---	3,790
Maltise Lira	---	219	---	219
Malysian Ringgit	---	7,350	---	7,350
Mexican Peso	10	15,765	---	15,775
New Zealand Dollar	24	462	---	486
Norwegian krone	1,711	2,477	---	4,188
Norweign Krone	---	19,265	---	19,265
Philippine Peso	---	752	---	752
Pilippine peso	---	132	---	132
Polish Zloty	(816)	169	---	(647)
Russian Ruble	---	18	---	18
Singapore Dollar	297	79,962	---	80,259
South African Rand	4	10,296	74	10,374
South Korean Won	21,796	36,299	4,585	62,680
Sri Lanka Rupee	---	2	---	2
Swedish Krona	277	31,009	---	31,286
Swiss Franc	(1,174)	108,305	1,635	108,766
Taiwan New Dollar	18,583	27,173	---	45,756
Thai Baht	1	6,458	---	6,459
Turkish Lira	(427)	5,224	---	4,797
Total	$ 192,972	$ 1,607,940	$ 7,219	$ 1,808,131

C. Securities Lending Program

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5 RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

At June 30, 2006, the State Treasurer's Office had an aggregate fair value of securities lent of $137,688,000 and an aggregate fair value of collateral received of $140,671,000.

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) board of trustees' investment policies permit the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities, without borrower default. On June 30, 2006, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

Credit Suisse/First Boston, New York Branch (CSFBNY) served as the agent for the fixed income domestic equity, and international equity securities lending programs. MOSERS reduces credit risk by allowing CSFBNY to lend these securities to a diverse group of dealers on behalf of MOSERS. CSFBNY provides indemnification against dealer default.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds, managed by CSFBNY. On June 30, 2006, the cash collateral fund had a market value of $1,152,400,000 and a weighted average maturity of 31 days. At June 30, 2006 and 2005, MOSERS earned $3,677,000 and $3,251,000, respectively, on the securities lending program.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities plus any accrued interest; and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities plus any accrued interest.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no known failures by any borrowers to return loaned securities or pay distributions thereon during the year.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. The collateral held at June 30, 2006, was $124,266,000 and the market value of securities on loan for the System was $118,819,000.

At June 30, 2006 and 2005, the System earned $494,000 and $506,000, respectively, on the securities lending program.

Note 3 - Deposits, Investments and Securities Lending Program (cont.)

University of Missouri System:

The University participates in a securities lending program to augment income. The program is administered by the University's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit, or other collateral approved by the University. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The University has minimized its exposure to credit risk from borrower default by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent.

The University continues to receive interest and dividends during the loan period as well as a fee from the borrower. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2006, the University has no credit risk exposure since the collateral held exceeds the value of the securities lent. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default. The University can pledge or sell cash and securities received as collateral absent a borrower default.

At June 30, 2006, letters of credit and security collateral, not meeting the criteria for inclusion on the Combined Statement of Net Assets, totaled $3,993,000. At June 30, 2006, the aggregate fair value of the securities lent was $100,618,000 and the aggregate fair value of the collateral received was $100,873,000.

D. Derivatives

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2006. The investments are reported at fair value and are included on the Statement of Net Assets of the pension trust funds.

Futures Contracts:

Notional Amount	Exposure
$480,893	$505

Swaps:

Notional Amount	Counterparty Exposure
$1,611,336	$(10,677)

Note 4 - Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services and the Department of Health and Senior Services were $185,000 and $4,918,000, respectively, as of June 30, 2006. This inventory is not considered to be an asset of the State and is not included in the financial statements.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows (in thousands of dollars):

	*Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress	$ 858,481	$ 145,937	$ (438,675)	$ 565,743
Infrastructure in Progress	2,748,643	1,100,162	(1,050,883)	2,797,922
Land	2,400,892	160,493	(3,005)	2,558,380
Total Capital Assets not being Depreciated	6,008,016	1,406,592	(1,492,563)	5,922,045
Capital Assets being Depreciated:				
Land Improvements	127,020	22,388	(281)	149,127
Buildings and Improvements	2,056,882	334,843	(10,482)	2,381,243
Equipment	1,120,283	109,129	(86,667)	1,142,745
Infrastructure	38,064,363	1,082,939	(38,701)	39,108,601
Total Capital Assets being Depreciated	41,368,548	1,549,299	(136,131)	42,781,716
Less Accumulated Depreciation for:				
Land Improvements	(61,847)	(4,690)	162	(66,375)
Buildings and Improvements	(768,447)	(70,372)	7,097	(831,722)
Equipment	(764,475)	(97,754)	79,548	(782,681)
Infrastructure	(18,267,340)	(782,284)	38,701	(19,010,923)
Total Accumulated Depreciation	(19,862,109)	(955,100)	125,508	(20,691,701)
Total Capital Assets being Depreciated, Net	21,506,439	594,199	(10,623)	22,090,015
Governmental Activities Capital Assets, Net	$ 27,514,455	$ 2,000,791	$ (1,503,186)	$ 28,012,060
Business-Type Activities:				
Capital Assets not being Depreciated:				
Construction in Progress	$ 7,639	$ 1,520	$ (4,615)	$ 4,544
Land	5,748	715	---	6,463
Total Capital Assets not being Depreciated	13,387	2,235	(4,615)	11,007
Capital Assets being Depreciated:				
Land Improvements	6,765	81	---	6,846
Buildings and Improvements	26,513	87	---	26,600
Equipment	46,842	2,260	(1,792)	47,310
Total Capital Assets being Depreciated	80,120	2,428	(1,792)	80,756
Less Accumulated Depreciation for:				
Land Improvements	(2,837)	(242)	---	(3,079)
Buildings and Improvements	(11,630)	(777)	---	(12,407)
Equipment	(35,736)	(2,705)	1,771	(36,670)
Total Accumulated Depreciation	(50,203)	(3,724)	1,771	(52,156)
Total Capital Assets being Depreciated, Net	29,917	(1,296)	(21)	28,600
Business-Type Activities Capital Assets, Net	$ 43,304	$ 939	$ (4,636)	$ 39,607

*Beginning balances as of July 1, 2005 have been restated (see *Note 17*).

Note 5 - Capital Assets (cont.)

Depreciation expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government	$ 27,344
Education	3,355
Natural and Economic Resources	13,111
Transportation and Law Enforcement	847,802
Human Services	63,488
Total	$ 955,100

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated:			
Construction in Progress	$ 210,058	$ 16,348	$ 226,406
Land	126,387	9,271	135,658
Other Non-Depreciable Assets	66,590	---	66,590
Total Capital Assets not being Depreciated	403,035	25,619	428,654
Capital Assets being Depreciated:			
Land Improvements	18,319	---	18,319
Buildings and Improvements	3,387,414	28,632	3,416,046
Equipment, Fixtures, and Books	956,846	112	956,958
Infrastructure	314,419	---	314,419
Total Capital Assets being Depreciated	4,676,998	28,744	4,705,742
Less Total Accumulated Depreciation	(1,951,040)	(3,195)	(1,954,235)
Total Capital Assets being Depreciated, Net	2,725,958	25,549	2,751,507
Discretely Presented Component Units - Capital Assets, Net	$ 3,128,993	$ 51,168	$ 3,180,161

Capital Asset Impairments

The net gain after insurance recovery of $35,000 is reported as an extraordinary item in the statement of net activities, due to replacement of two vehicles that were destroyed after the Taum Sauk Reservoir breach.

Note 6 - Leases

Capital

The State has entered into various agreements to lease land, buildings and equipment. FASB Statement No. 13, *Accounting for Leases,* requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee (a capital lease).

Capital leases for the internal service and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Internal Service Funds	College and Universities
2007	$ 15,945	$ 210	$ 2,689
2008	13,374	168	2,594
2009	12,640	114	2,513
2010	12,210	112	2,500
2011	11,485	112	2,451
2012-2016	17,181	524	12,130
2017-2021	3,355	---	9,725
2022-2026	89	---	---
Total Minimum Lease Payments	86,279	1,240	34,602
Less Amount Representing Interest	(14,223)	(179)	(13,327)
Present Value of Net Minimum Lease Payments	$ 72,056	$ 1,061	$ 21,275

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under the lease does not constitute a general obligation or other indebtedness of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the Leasehold Revenue Bonds issued by the Board. In November 2005, the Board issued $28,995,000 of Leasehold Revenue Bonds Series 2005 for the purpose of purchasing one building in Florissant, one building in St. Louis, and one building in Jennings. In May 2006, the Board issued $9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. The payments on this lease are subject to annual appropriation by the State legislature.

Note 6 - Leases (cont.)

Following is a summary of the future minimum lease payments for the lease to pay interest and principal of the Leasehold Revenue Bonds (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Enterprise Funds
2007	$ 2,646	$ ---
2008	2,637	---
2009	2,623	1
2010	2,613	1
2011	2,600	1
2012-2016	12,977	3
2017-2021	12,877	3
2022-2026	12,854	3
2027-2031	12,827	2
Total Minimum Lease Payments	64,654	14
Less Amount Representing Interest	(25,802)	(6)
Present Value of Net Minimum Lease Payments	$ 38,852	$ 8

The State issued Refunding Certificates of Participation Series A 2005 dated March 1, 2005, in the amount of $120,490,000. The Refunding Certificates of Participation refunded $13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, $13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, $9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and $83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999.

The State's obligation under the lease does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

Following is a summary of the future minimum lease payments for the Certificates of Participation (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds
2007	$ 13,182
2008	13,179
2009	13,181
2010	13,178
2011	13,183
2012-2016	64,084
2017-2019	25,384
Total Minimum Lease Payments	155,371
Less Amount Representing Interest	(36,381)
Present Value of Net Minimum Lease Payments	$ 118,990

Note 6 - Leases (cont.)

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2006 (in thousands of dollars):

	Governmental Funds	Internal Service Funds	Enterprise Funds	College and Universities
Buildings	$ 225,876	$ 1,321	$ 8	$ 25,831
Equipment	44,579	5,691	---	1,498
	$ 270,455	$ 7,012	$ 8	$ 27,329

Operating

The State has entered into various operating leases for land, buildings, and equipment. Most of these leases are classified as operating because the lease period is one year with multiple renewal options. Future minimum commitments due under operating leases as of June 30, 2006, were as follows (in thousands of dollars):

Year Ending June 30	Primary Government	Component Units
2007	$ 38,308	$ 2,085*
2008	809	1,595
2009	272	1,333
2010	158	879
2011	146	615
2012-2016	745	2,424
2017-2021	760	158
2022-2026	776	---
After 2026	791	---
Total Minimum Commitments	$ 42,765	$ 9,089

*Component units have a contingent lease for 2007 in the amount of $195,767 that is not included in the operating lease total above.

Expenditures for rent under operating leases for the years ended June 30, 2006 and June 30, 2005 were $37,240,000 and $36,187,000, respectively.

Note 6 - Leases (cont.)

Rental Revenue

The State leases certain state owned facilities to entities outside the State. These lessor arrangements are generally long-term commitments which either generate revenue from otherwise idle property or better serve Missouri's citizens by providing convenient access to products and services. Future minimum receivables, payable from lessor arrangements as of June 30, 2006, were as follows (in thousands of dollars):

Year Ending June 30	Primary Government	Component Units
2007	$ 572	$ 920
2008	476	1,122
2009	380	1,122
2010	316	1,100
2011	313	1,097
2012-2016	1,527	4,975
2017-2021	1,527	4,678
2022-2026	1,400	4,436
After 2026	145	14,661
Total Minimum Receivables	$ 6,656	$ 34,111

Note 7 - Retirement Systems

The State has two major retirement systems which cover substantially all state employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The University of Missouri's Retirement Plan is included as the University is a component unit of the State. The Public School Retirement System of Missouri is included in this note disclosure as the State contributes to it.

Plan Descriptions

The Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with the Revised Statutes of Missouri Sections 104.010 and 104.312-104.1215, and 476.445-476.690, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000 (new plan). The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000. Members in the closed plan have the option at retirement to choose between the benefit structure of the closed plan or new plan. Retirement benefits for members of the Judicial Plan are administered and paid by MOSERS.

Note 7 - Retirement Systems (cont.)

MOSERS provides retirement, death, and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). The retirement eligibility requirements are as follows:

MSEP
Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 55 with at least 10 years of service with reduced benefits.

MSEP 2000
Age 62 with 5 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 57 with at least 5 years of service with reduced benefits.

Judicial Plan
Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with reduced benefit that is based upon years of service relative to 12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4% and a ceiling of 5%, until the cumulative amount of COLAs equal 65% of the original benefit, thereafter the 4% floor is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with the Revised Statutes of Missouri Sections 104.010-104.1093.

MPERS membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, death, and disability benefits to its members. Employees are fully vested after 5 years of creditable service. The MPERS has two benefit structures known as the Closed Plan and the Year 2000 Plan. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000.

Note 7 - Retirement Systems (cont.)

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:	Uniformed patrol members:
Age 65 and active with 4 or more years of service	Age 55 and active with 4 or more years of service
Age 65 with 5 or more years of service	Age 55 with 5 or more years of service
Age 60 with 15 or more years of service	Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Age 48 with sum of age and service equaling 80 or more (Rule of 80)	Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI up to a maximum rate of 5%.

Year 2000 Plan

MoDOT and non-uniformed patrol members:	Uniformed patrol members:
Age 62 with 5 years of service	Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Age 48 with sum of age and service equaling 80 or more (Rule of 80)	Mandatory retirement at age 60 with 5 years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Requirement

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 12.59% and 55.76%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all required contributions to MPERS. Current year calculated contribution rates are 44.27% for uniformed members of the Highway Patrol and 30.49% for non-uniformed members of the Highway Patrol and employees of the Missouri Department of Transportation. Actual contribution rates are the same as the actuarially determined rates.

Note 7 - Retirement Systems (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Annual required contribution	$ 227,233	$ 22,402	$ 111,272
Interest on net pension obligation	5,097	3,511	---
Actuarial adjustment to annual required contribution	(3,600)	(2,480)	---
Annual pension cost	228,730	23,433	111,272
Contributions made	(227,233)	(22,402)	(111,272)
Increase in net pension obligation	1,497	1,031	---
Net pension obligation, beginning of year	59,966	41,300	---
Net pension obligation, end of year	$ 61,463	$ 42,331	$ ---

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2004, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include: (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 2.7% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and (d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2006, will set the required contribution rates for the fiscal year ending June 30, 2008. The actuarial value of assets was determined using a 5-year valuation method which fully recognizes expected investment return and averages unanticipated market return. The unfunded actuarial accrued liabilities are amortized on a closed basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current year was determined as part of an actuarial valuation as of June 30, 2004, using the normal entry age actuarial cost method. Significant actuarial assumptions used in the valuation for MPERS include: (a) rate of return on the investment of 8.25%, and (b) projected wage inflation rate of 4.00%.

Note 7 - Retirement Systems (cont.)

As of June 30, 2006, the actuarial valuation of assets was determined using a 3-year smoothed market average. The unfunded actuarial accrued liabilities are amortized as closed, level percentage over 30 years.

Trend Information (in thousands of dollars)

	MSEP			Judicial Plan		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/06	06/30/05	06/30/04	06/30/06	06/30/05	06/30/04
Annual Pension Cost (APC)	$ 228,730	$ 196,980	$ 167,120	$ 23,433	$ 22,770	$ 21,656
Percentage of APC Contributed	99.35%	99.32%	99.11%	95.60%	95.97%	95.29%
Net Pension Obligation	$ 61,463	$ 59,966*	$ 58,635	$ 42,331	$ 41,300	$ 40,383

*Restated

	MPERS		
	Fiscal Year Ending		
	06/30/06	06/30/05	06/30/04
Annual Pension Cost (APC)	$ 111,272	$ 102,240	$ 86,725
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ ---	$ ---	$ ---

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under the Revised Statutes of Missouri, Section 104.342, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed $2,776,000, $2,179,000, and $2,752,000 for the years ending June 30, 2006, 2005, and 2004, respectively, to the System. These were equal to the required contributions for 2006 and 2004. Required contributions for 2005 were $2,218,000.

Copies of the System's June 30, 2006, Comprehensive Annual Financial Report may be requested from:

Public School Retirement System of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65109

Note 7 - Retirement Systems (cont.)

College and Universities:

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer, defined benefit plan for all qualified employees. The University's Board of Curators establishes the terms of the Plan and administers it as authorized by State statute.

All full-time employees are eligible for benefits after five years of credited service. Full benefits are available to members who retire at age 65 or after. Early retirement may be taken, at member's option, after age 55 with at least ten years of credited service, or age 60 with five years of credited service. Benefits are reduced for those who retire early, unless they retire at age 62 or later with at least 25 years of credited service. At retirement, up to 30% of the value of the retirement annuity can be taken in a lump sum; also the single life annuity can be exchanged for an actuarially equivalent annuity option.

Separate financial statements and supplemental schedules are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2006 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
Office of the Controller
118 University Hall
Columbia, Missouri 65211

Funding Requirement

The University's contributions to the Plan are equal to the actuarially determined contribution requirement, as a percent of payroll, which averaged 7.9% for the year ended June 30, 2006. The Plan is funded 100% by University contributions and does not require employee contributions. The contribution rate is updated annually at the beginning of the University's fiscal year on July 1 to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1, and the adoption of any Plan amendments during the interim.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

Annual required contribution	$	63,552
Interest on net pension obligation		---
Actuarial adjustment to annual required contribution		847
Annual pension cost		64,399
Contributions made		(64,399)
Change in net pension obligation		---
Net pension obligation, beginning of year		---
Net pension obligation, end of year	$	---

Note 7 - Retirement Systems (cont.)

The annual required contribution for the University for the current year was determined as part of an actuarial valuation of the System as of October 1, 2004, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) assumed rate of return on investments of 8.0% per year, (b) projected salary increases for academic and administrative employees averaging 5.2% per year, (c) projected salary increases for clerical and service employees averaging 4.5% per year, and (d) assumed no future retiree ad-hoc increases or cost of living adjustments.

Trend Information (in thousands of dollars)

	Fiscal Year Ending		
	06/30/06	06/30/05	06/30/04
Annual Pension Cost (APC)	$ 64,399	$ 49,075	$ 48,521
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ ---	$ ---	$ ---

Note 8 - Other Postemployment Benefits

In addition to the retirement benefits described in *Note 7*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 13,037, 5,203, and 522, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 15,369, 3,293, and 354, respectively. Health care benefits are funded through both employer and employee contributions. MOSERS life insurance benefits are funded through employer and employee contributions. MHPML and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100 of the Revised Statutes of Missouri. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2006 the State's contributions were 55.22% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in each plan is as follows:

	Health Care	Life Insurance
MCHCP	13,037	---
MOSERS	---	15,369
MHPML	5,203	3,293
CEIP	522	354
Total	18,762	19,016

Note 8 - Other Postemployment Benefits (cont.)

During fiscal year 2006, the State contributed the following amounts (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 48,185	$ ---
MOSERS	---	1,769
MHPML	12,280	---
CEIP	1,440	---
Total	$ 61,905	$ 1,769

During fiscal year 2006, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 84,334	$ ---
MOSERS	---	---
MHPML	29,507	1,827
CEIP	2,769	220
Total	$ 116,610	$ 2,047

The MCHCP retained PricewaterhouseCoopers LLP to perform an actuarial valuation of its Post-employment Medical Plan for fiscal year July 1, 2007 through June 30, 2008. The valuation report provides a preliminary estimate of the State's obligations for fiscal year 2008 in accordance with GASB 45. The valuation was performed using census data and plan provisions as of July 1, 2005; the results were projected to June 30, 2008, using open group projection methodology and assuming a stable active employee population. Since the GASB requires that any such valuation must be done within 24 months of the end of the valuation year, the results are labeled "preliminary" and are not the final numbers to be used in fiscal year 2008. The valuation was performed using all six prescribed actuarial cost methods and two prescribed spread methods. The actuarial cost method chosen by the State and MCHCP is the Entry-Age Normal method. This method will produce a relatively stable normal cost as a percentage of payroll. The Annual Required Contribution (ARC) for fiscal year 2008 is projected to be $159 million without pre-funding and $103.3 million with pre-funding. If the obligation is fully funded each year (the State contributes the ARC to a qualified trust), then the Net OPEB Obligation (NOO) is $0. If pre-funding does not occur for fiscal year 2008, the NOO as of June 30, 2008, is projected to be $96.5 million. The State is planning to fully fund the ARC in fiscal year 2008.

College and Universities:

University of Missouri System

In addition to the retirement benefits described in *Note 7*, the University provides postemployment medical care, dental care, and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 5,736 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2006 the University's contributions were 53.01% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the numbers of retirees/long-term disability claimants participating are 4,824 for medical care, 4,504 for dental care, 2,673 for life insurance, and 3,968 for accidental death and dismemberment, dependent life and long-term care insurance. During fiscal year 2006, the University contributed $14,310,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were $31,474,000.

Note 9 - Deferred Compensation

Missouri State Public Employees' Deferred Compensation Plan:

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

Copies of the Plan's financial statements may be requested from:

PEBSCO – A Division of Nationwide
Retirement Solutions, Inc.
One Nationwide Plaza, 1-13-G1
Columbus, Ohio 43215-2220

Missouri State Employees' Deferred Compensation Incentive Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code. It is administered by the Public Employees Benefit Services Corporation (PEBSCO).

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months immediately preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least $25 to the Missouri State Public Employees' Deferred Compensation Plan. The State, subject to appropriation, contributes $25 per month for each employee that meets these requirements. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. During fiscal year 2006, employer contributions to PEBSCO were $9,447,000. No employee contributions are made to the Plan.

Copies of the Plan's financial statements may be requested from:

PEBSCO – A Division of Nationwide
Retirement Solutions, Inc.
One Nationwide Plaza, 1-13-G1
Columbus, Ohio 43215-2220

On December 12, 2005, the Missouri Deferred Compensation Commission awarded the third-party administrator (TPA) contract to CitiStreet and the Fixed Annuity contract to ING Life Insurance and Annuity Company, effective June 1, 2006. The 401(a) deferred compensation plan displayed in the Pension (and Other Employee Benefit) Trust Funds statement presents 11 months of activity ended May 31, 2006, whereas the 457 deferred compensation plan presents 12 months of activity ended December 31, 2005.

Note 10 - Changes in Short-Term Liabilities

The State uses a bank overdraft line of credit to compensate for timing in cash payments and receipts. Budget reserve loans are issued to the General Revenue Fund and other funds to maintain adequate cash balances for anticipated payments.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2006 (in thousands of dollars):

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Governmental Activities:				
Bank Overdraft	$ ---	$ 512,589	$ (512,587)	$ 2
Budget Reserve Loans	---	365,292	(365,292)	---
Total Governmental Activities	$ ---	$ 877,881	$ (877,879)	$ 2

Note 11 - Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006 (in thousands of dollars):

	*Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Due Within One Year
Governmental Activities:					
Due to Other Entities	$ 31,311	$ 5,832	$ (1,835)	$ 35,308	$ 1,036
General Obligation Bonds Payable	790,910	---	(50,975)	739,935	55,420
Other Bonds Payable	1,609,815	350,660	(87,335)	1,873,140	118,705
Unamortized Bond Premium	98,977	21,335	(15,899)	104,413	---
Obligations Under Lease/ Purchases	232,137	41,967	(43,145)	230,959	21,747
Compensated Absences	161,490	135,791	(137,521)	159,760	137,521
Claims Liabilities	109,647	411,278	(398,125)	122,800	83,306
Contingent Liabilities	117,631	1,663	(7,892)	111,402	7,892
2nd Injury Fund Contingent Liabilities	854,334	172,533	(62,376)	964,491	62,376
Net Pension Obligation	101,266	363,435	(360,907)	103,794	---
Total Governmental Activities	$ 4,107,518	$ 1,504,494	$ (1,166,010)	$ 4,446,002	$ 488,003
Business-Type Activities:					
Obligations Under Lease/ Purchases	$ ---	$ 8	$ ---	$ 8	$ ---
Claims Liabilities	121,054	8,722	(12,847)	116,929	15,000
Grand Prize Winner Liability	110,245	39,757	(41,423)	108,579	46,007
Compensated Absences	2,347	3,468	(3,669)	2,146	2,146
Total Business-Type Activities	$ 233,646	$ 51,955	$ (57,939)	$ 227,662	$ 63,153

*Beginning balances as of July 1, 2005 have been restated (see *Note 17*).

Note 12 - Bonds Payable

Bonds are long-term liabilities and are reconciling items from governmental fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Assets, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement.

General Obligation Bonds:

The Board of Fund Commissioners of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund to the debt service funds from which principal and interest payments are made. Four types of general obligation bonds are currently outstanding. Proceeds from the Water Pollution Control Bonds were used to provide funds for the protection of the environment through the control of water pollution. Proceeds from the Third State Building Bonds were used to provide funds for improvements of state buildings and property. Proceeds from the Fourth State Building Bonds were used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds were used to provide funds to protect the environment through the control of stormwater.

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Water Pollution Control Bonds:				
Series A 1987 Refunding	8/1/87	$ 49,715	A 1981	$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991 Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992 Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993 Refunding	8/1/93	109,415	A 1987 Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991 Refunding	11,355
Series B 2002 Refunding	10/15/02	147,710	C 1991 Refunding	21,875
			A 1992	26,560
			B 1992 Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Series A 2003 Refunding	10/29/03	74,655	B 1993 Refunding	76,540
Series A 2005 Refunding	6/29/05	95,100	A 1996	2,160
			A 1998	28,680
			A 1999	17,595
			A 2003 Refunding	51,535

Note 12 - Bonds Payable (cont.)

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Third State Building Bonds:				
Series A 1987 Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991 Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991 Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992 Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993 Refunding	8/1/93	148,480	A 1987 Refunding	113,725
			A 1991 Refunding	22,935
Series A 2002 Refunding	10/15/02	211,630	B 1991 Refunding	47,320
			A 1992 Refunding	181,170
Series A 2003 Refunding	10/29/03	75,650	A 1993 Refunding	79,380
Fourth State Building Bonds:				
Series A 2002 Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485
Series A 2005 Refunding	6/29/05	45,330	A 1996	7,715
			A 1998	40,970
Stormwater Control Bonds:				
Series A 2005 Refunding	6/29/05	17,175	A 1999	17,595

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2006, $544,494,240 of the Water Pollution Control Bonds; $600,000,000 of the Third State Building Bonds; $250,000,000 of the Fourth State Building Bonds; and $45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is $180,505,760 and for Stormwater Control Bonds is $155,000,000. There is no remaining authorization for the Third State Building Bonds or the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2001	4.0 - 7.0%	12/1; 6/1	6/01	6/1/26	$ 20,000	$ 17,485
Series A 2002	3.0 - 5.25%	2/1; 8/1	8/02	8/1/27	30,000	27,815
Series B 2002 - Refunding	3.375- 5.0%	4/1; 10/1	10/02	10/1/21	147,710	132,255
Series A 2003 - Refunding	3.25 - 6.0%	2/1; 8/1	10/03	8/1/16	74,655	20,405
Series A 2005 - Refunding	5.0%	10/1; 4/1	6/05	10/1/16	95,100	95,100
Third State Building Bonds:						
Series A 2002 - Refunding	4.0 - 5.0%	4/1; 10/1	10/02	10/1/12	211,630	153,210
Series A 2003 - Refunding	3.25 - 6.0%	2/1; 8/1	10/03	8/1/12	75,650	53,670
Fourth State Building Bonds:						
Series A 2002 - Refunding	3.375- 5.0%	4/1; 10/1	10/02	10/1/21	154,840	154,840
Series A 2005 - Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	45,330
Stormwater Control Bonds:						
Series A 2001	4.0 - 7.0%	12/1; 6/1	6/01	6/1/26	10,000	8,740
Series A 2002	3.0 - 5.25%	2/1; 8/1	8/02	8/1/27	15,000	13,910
Series A 2005 - Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	17,175
Total General Obligation Bonds					$ 897,090	$ 739,935
Less: Amount in Sinking Fund for payment of Principal						(55,420)
						$ 684,515

Note 12 - Bonds Payable (cont.)

As of June 30, 2006, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ 55,420	$ 33,999	$ 89,419
2008	66,395	31,231	97,626
2009	63,950	28,250	92,200
2010	70,010	24,904	94,914
2011	68,440	21,445	89,885
2012-2016	246,420	68,485	314,905
2017-2021	131,050	21,157	152,207
2022-2026	32,485	4,598	37,083
2027-2029	5,765	292	6,057
Totals	$ 739,935	$ 234,361	$ 974,296

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves and to pay the costs of operations. The total amount authorized for the Board equals $945,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Board of Public Buildings:				
Series A 1983 Refunding	10/1/83	$ 43,445	A 1981	$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001 Refunding	10/10/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2006, the Board of Public Buildings Bonds had issued $751,205,000 of the bond authorization. The remaining authorization is $193,795,000.

Note 12 - Bonds Payable (cont.)

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2001	4.25 - 5.5%	5/1; 11/1	5/01	5/1/26	$ 173,870	$ 153,040
Series B 2001 - Refunding	3.5 - 5.5%	6/1; 12/1	10/01	12/1/12	83,465	48,325
Series A 2003	4.0 - 6.0%	4/15;10/15	4/03	10/15/28	387,425	387,425
Total Board of Public Buildings Bonds					$ 644,760	$ 588,790

As of June 30, 2006, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ 25,715	$ 29,043	$ 54,758
2008	26,535	27,764	54,299
2009	27,500	26,353	53,853
2010	28,560	24,860	53,420
2011	19,900	23,550	43,450
2012-2016	104,650	101,346	205,996
2017-2021	124,265	73,065	197,330
2022-2026	156,710	39,453	196,163
2027-2029	74,955	5,577	80,532
Totals	$ 588,790	$ 351,011	$ 939,801

The Health and Educational Facilities Authority issued $35,000,000 of Educational Facilities Revenue Bonds (University of Missouri-Columbia Arena Project), Series 2001, dated November 1, 2001. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2001	3.0 - 5.0%	5/1; 11/1	11/01	11/1/21	$ 35,000	$ 32,285

Note 12 - Bonds Payable (cont.)

As of June 30, 2006, the debt service requirement of the State for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ 1,430	$ 1,450	$ 2,880
2008	1,485	1,402	2,887
2009	1,545	1,349	2,894
2010	1,610	1,281	2,891
2011	1,685	1,199	2,884
2012-2016	9,605	4,744	14,349
2017-2021	12,120	2,211	14,331
2022	2,805	67	2,872
Totals	$ 32,285	$ 13,703	$ 45,988

The Regional Convention and Sports Complex Authority issued $132,910,000 of Convention and Sports Facility Project Bonds, Series A 1991, dated August 15, 1991. On December 15, 1993, the Authority issued $121,705,000 of Convention and Sports Facility Project Refunding Bonds, Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $101,410,000. On August 1, 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project Refunding Bonds, Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds, Series A 1991 and Series A 1993 Refunding Bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $2,845,000 for the Series A 1991 Bonds and $113,170,000 for the Series A 1993 Refunding Bonds. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Convention and Sports Facility Project Bonds:						
Series A 2003 - Refunding	1.42-5.375%	2/15; 8/15	8/03	8/15/21	$ 116,030	$ 107,520

As of June 30, 2006, the debt service requirements for these bonds are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ 4,565	$ 5,336	$ 9,901
2008	4,755	5,127	9,882
2009	4,985	4,894	9,879
2010	5,225	4,654	9,879
2011	5,465	4,392	9,857
2012-2016	31,860	17,297	49,157
2017-2021	41,110	7,800	48,910
2022	9,555	221	9,776
Totals	$ 107,520	$ 49,721	$ 157,241

Note 12 - Bonds Payable (cont.)

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of $10,000,000 for principal and interest and $2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment are as follows (in thousands of dollars):

Fiscal Year Ended June 30	State Debt Service Payments
2007	$ 10,000
2008	10,000
2009	10,000
2010	10,000
2011	10,000
2012-2016	50,000
2017-2021	50,000
2022	5,000
Total	$ 155,000

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29-34 of the Missouri Constitution and Section 226.133 and 226.134 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the Missouri Road Fund.

The total amount authorized for the Commission equals $2,250,000,000. On December 1, 2000, the Commission issued $250,000,000 of State Road Bonds, Series A 2000. In October 2001, the Commission issued $200,000,000 of State Road Bonds, Series A 2001. State Road Bonds, Series A 2002, were issued by the Commission in June 2002 with a principal amount of $203,000,000. In November 2003, the Commission issued $254,000,000 of State Road Bonds, Series A 2003. The Commission issued $278,660,000 of Series A 2005 First Lien State Road Bonds in July 2005. Also in July 2005, the Commission issued $72,000,000 of Third Lien State Road Bonds, Series B 2005. This is a variable rate bond with interest accruing daily and weekly.

The Senior Bonds are comprised of the Series A 2000, Series A 2001, Series A 2002, and Series A 2003. No new bonds may be added to the Senior Bonds. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. As of June 30, 2006, the Missouri Highways and Transportation Commission had used $1,257,660,000 of the bond authorization.

Note 12 - Bonds Payable (cont.)

The State Road Bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2000	4.30-5.625%	2/1; 8/1	12/00	2/1/20	$ 250,000	$ 206,805
Series A 2001	2.25-5.125%	2/1; 8/1	10/01	2/1/21	200,000	170,365
Series A 2002	3.00-5.25%	2/1; 8/1	6/02	2/1/22	203,000	180,115
Series A 2003	2.00-5.00%	2/1; 8/1	11/03	2/1/23	254,000	235,775
Series A 2005-First Lien	2.50-5.00%	11/1; 5/1	7/05	5/1/15	278,660	254,825
Series B 2005-Third Lien	Variable	Variable	7/05	5/1/15	72,000	72,000
Total Missouri Highways and Transportation Commission					$ 1,257,660	$ 1,119,885

As of June 30, 2006, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest[1]	Totals
2007	$ 73,350	$ 54,011	$ 127,361
2008	69,105	50,943	120,048
2009	71,920	47,840	119,760
2010	75,020	44,469	119,489
2011	78,380	40,856	119,236
2012-2016	405,495	143,511	549,006
2017-2021	293,810	55,823	349,633
2022-2023	52,805	3,376	56,181
Totals	$ 1,119,885	$ 440,829	$ 1,560,714

[1] The annual debt service schedule assumes an interest rate of 3.95%, representing the interest rate at June 30, 2006, for the Series B 2005 bonds.

In addition, several of the blended component units of the Missouri Road Fund had revenue bonds issued and outstanding as of June 30, 2006.

The Fulton 54 Transportation Corporation, a blended component unit of the Missouri Road Fund, issued $8,705,000 of Highway Revenue Bonds, Series 2000 dated November 1, 2000. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

The Missouri Highway 179 Transportation Corporation, a blended component unit of the Missouri Road Fund, issued $22,930,000 of Highway Revenue Bonds, Series 1997 dated December 1, 1997. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

The Wentzville Parkway Transportation Corporation, a blended component unit of the Missouri Road Fund, issued $12,935,000 of Transportation Revenue Bonds, Series 2001 dated May 1, 2001. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

Note 12 - Bonds Payable (cont.)

The revenue bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Fulton 54 Transportation Corporation:						
Highway Revenue Bonds Series 2000	4.60 - 5.00%	9/1	11/00	9/1/07	$ 8,705	$ 4,375
Missouri Highway 179 Transportation Corporation:						
Highway Revenue Bonds Series 1997	3.95 - 5.25%	3/1; 9/1	12/97	9/1/08	$ 22,930	$ 7,960
Wentzville Parkway Transportation Corporation:						
Transportation Revenue Bonds Series 2001	3.4 - 4.9%	2/1; 8/1	5/01	8/1/10	$ 12,935	$ 12,325

As of June 30, 2006, debt service requirements for principal and interest in future years for the bonds of the blended component units of the Missouri Road Fund were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ 13,645	$ 863	$ 14,508
2008	5,325	419	5,744
2009	3,300	202	3,502
2010	535	104	639
2011	1,855	45	1,900
Totals	$ 24,660	$ 1,633	$ 26,293

Under a financing agreement dated September 1, 2000, the City of Fulton will make payments to the Fulton 54 Transportation Corporation in the amount of $1,010,000 to pay a portion of the principal on the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

Fiscal Year Ended June 30	City Payments
2007	$ 15
2008	995
Total	$ 1,010

Note 12 - Bonds Payable (cont.)

Under a funding agreement dated April 6, 2001, the City of Wentzville will make payments to the Wentzville Parkway Transportation Corporation in the amount of $4,119,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	City's Total Payments
2007	$ 119	$ 329	$ 448
2008	485	152	637
2009	515	129	644
2010	535	104	639
2011	1,855	45	1,900
Totals	$ 3,509	$ 759	$ 4,268

Component Units' Long-Term Debt - The following bonds are included in the balance sheet of the college and universities and the non-major component units.

Major

College and Universities:

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2006, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ 30,736	$ 46,308	$ 77,044
2008	31,680	45,205	76,885
2009	32,974	43,930	76,904
2010	34,048	42,530	76,578
2011	34,482	41,065	75,547
2012-2016	177,661	182,331	359,992
2017-2021	188,053	139,989	328,042
2022-2026	231,645	91,323	322,968
2027-2031	184,470	39,604	224,074
2032-2036	97,675	7,294	104,969
Totals [1]	$ 1,043,424	$ 679,579	$ 1,723,003

[1] The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Note 12 - Bonds Payable (cont.)

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued $6,500,000 and $14,600,000 in Facilities Revenue Bonds Series 2000B and 2000C, respectively for the purpose of paying the costs of acquiring land and constructing parking garages. Bonds are payable, both principal and interest, only out of revenues derived from the operation of the parking garages.

In October 2004, the Board issued $9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds; and $7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds.

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2006, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	up to 8.5%	12/1	12/00	12/1/20	$ 6,500	$ 3,910
Series 2000C	up to 6.7%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	9,500
Series 2004B	up to 10%	10/1	10/04	10/1/34	7,000	7,000
Total Missouri Development Finance Board Revenue Bonds					$ 37,600	$ 31,850

As of June 30, 2006, the debt service requirements for principal and interest in future years for the Missouri Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2007	$ ---	$ 660	$ 660
2008	---	660	660
2009	240	4,208	4,448
2010	255	1,348	1,603
2011	270	1,337	1,607
2012-2016	1,630	6,465	8,095
2017-2021	17,605	5,775	23,380
2022-2026	3,095	2,165	5,260
2027-2031	4,270	1,354	5,624
2032-2034	4,485	302	4,787
Totals	$ 31,850	$ 24,274	$ 56,124

In December 2002, the Missouri Development Finance Board purchased a rate cap agreement of 8.5% for Series 2000B bonds and 6.7% for Series 2000C bonds with an expiration date of December 1, 2007. The Board has the option in the future to restructure the bond debt to acquire a fixed interest rate. The annual debt service schedule assumes an interest rate of 4.3%, representing the interest rate at June 30, 2006, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 4.3%, representing the interest rate as of June 30, 2006, for the Ninth Street Garage Series 2004A and 2004B bonds.

Note 12 - Bonds Payable (cont.)

Bond Transactions of the State of Missouri - The following schedule is a summary of bond activity for the fiscal year ended June 30, 2006 (in thousands of dollars):

	Governmental Funds		Component Units	
	General Obligation Bonds	Other Bonds	Revenue Bonds	Totals
Bonds Payable at July 1, 2005	$ 790,910	$ 1,609,815	$ ---	$ 2,400,725
Bond Issuance	---	350,660	---	350,660
Bonds Retired	(50,975)	(87,335)	---	(138,310)
Subtotal	739,935	1,873,140	---	2,613,075
College and Universities[1]	---	---	1,043,424	1,043,424
Missouri Development Finance Board	---	---	31,850	31,850
Bonds Payable at June 30, 2006	$ 739,935	$ 1,873,140	$ 1,075,274	$ 3,688,349

[1] Detailed information for college and universities are not shown.

Note 13 - Defeased Debt

A. Current Year Debt Defeasance

On July 6, 2005, the Missouri Southern State University issued $3,630,000 of bonds as the Series 2005 B. The Series 2005 B bonds refunded $3,555,000 of outstanding 1997 series bonds. The economic gain on the refunding is $114,000. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt. The difference in cash flows between the old debt service requirements and the new debt requirements is $172,000.

On September 29, 2005, Lincoln University issued $9,800,000 of bonds as Series 2005. The Series 2005 bonds refunded $5,100,000 and $3,635,000 of Series 2000 and 2001, respectively. The outstanding balance of the defeased bonds are not reflected on the Statement of Net Assets of the University. The University reduced its total debt service payments over the next 17 years by $357,000 to obtain an economic gain (difference between the present values of the old and new debt service payments) of $275,000.

On February 7, 2006, the University of Missouri issued $300,680,000 of bonds consisting of $260,975,000 in Series 2006 A bonds at interest cost of 3.1% and $39,705,000 of Series 2006 B bonds with variable rates. A portion of the proceeds from the issuance of the Series 2006 A bonds were used to advance refund and defease a portion of the St. Louis campus debt issued in the University of Missouri System Facilities Revenue Bonds, Series 1998 in the amount of $30,150,000 and Health Facilities Series Revenue Bonds, Series 1996 and Series 1998 of $161,685,000 and to finance certain costs of issuance. The University reduced its total debt service payments by $22,597,000 resulting in an economic gain (difference between the present values of the old and new debt service payments) of $15,905,000.

Note 13 - Defeased Debt (cont.)

B. Cumulative Debt Defeasances

Various bond issues have been defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the governmental activities and college and universities Statement of Net Assets.

Governmental Activities - As of June 30, 2006, bonds outstanding of $272,210,000 are defeased.

College and Universities - As of June 30, 2006, bonds outstanding of $309,155,000 are defeased.

Note 14 - Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2006, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2006
Accounts Payable:			
Taxpayers	$ 79,289	$ 7	$ 79,296
Other Governments	126,679	372	127,051
Vendors	849,601	250,326	1,099,927
Employees	85,691	1,752	87,443
Other	47,105	1	47,106
Total Accounts Payable	$ 1,188,365	$ 252,458	$ 1,440,823
Accounts Receivable:			
Taxpayers	$ 1,076,735	$ 3,955	$ 1,080,690
Other Governments	591,202	266	591,468
Vendors	1,284,242	---	1,284,242
Customers	39,613	166,160	205,773
Other	882,803	1,183	883,986
Accounts Receivable	3,874,595	171,564	4,046,159
Amounts not expected to be collected	(1,539,717)	---	(1,539,717)
Accounts Receivable, net	$ 2,334,878	$ 171,564	$ 2,506,442

Note 15 - Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2006, is shown below (in thousands of dollars):

Due From Other Funds, Component Units, and Primary Government

Due to Other Funds and Primary Government	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
General Fund	$ ---	$ 21	$ 25	$ ---	$ 1,400
Public Education	---	---	---	---	---
Conservation and Environmental Protection	3	---	---	---	10
Transportation and Law Enforcement	26	---	---	---	345
Missouri Road Fund	59	---	45	3	---
Non-Major Governmental Funds	192	---	---	---	---
State Lottery	---	19,064	---	---	---
Petroleum Storage Tank Insurance	---	---	---	---	---
Non-Major Enterprise Funds	---	---	---	---	21
Internal Service Funds	36	---	---	1	---
Fiduciary Funds	---	---	---	---	---
Non-Major Component Units	---	---	709	---	---
Totals	$ 316	$ 19,085	$ 779	$ 4	$ 1,776

Continues Below

Due to Other Funds and Primary Government	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
General Fund	$ 4	$ 22	$ 17,217	$ 12,272	$ 30,961
Public Education	62	---	98	88	248
Conservation and Environmental Protection	39	29	562	900	1,543
Transportation and Law Enforcement	1	---	401	61	834
Missouri Road Fund	---	5	293	879	1,284
Non-Major Governmental Funds	6	---	986	562	1,746
State Lottery	---	---	68	58	19,190
Petroleum Storage Tank Insurance	---	2	4	3	9
Non-Major Enterprise Funds	---	---	374	285	680
Internal Service Funds	2	2	393	282	716
Fiduciary Funds	---	---	4	4	8
Non-Major Component Units	---	---	1	---	710
Totals[1]	$ 114	$ 60	$ 20,401	$ 15,394	$ 57,929

[1] Due to a fiscal year inconsistency between the primary government and Deferred Compensation, a blended component unit of the State, Due From's on this schedule was $463,000 more than on the Statement of Fiduciary Net Assets.

Note 15 - Interfund Assets and Liabilities (cont.)

	Advance From Component Units and Primary Government		
	Missouri Road Fund	Non-Major Component Units	Totals
Advance To Component Units and Primary Government			
Conservation and Environmental Protection	$ ---	$ 3,166	$ 3,166
Non-Major Component Units	17,951	---	17,951
Totals	$ 17,951	$ 3,166	$ 21,117

The loans from the component units were for the construction of additional state highways.

During the consolidation process for the Government-Wide Combined Statement of Net Assets, interfund payables and receivables were eliminated as follows: business-type activities in the amount of $2,000 and governmental activities in the amount of $22,230,000.

Note 16 - Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2006, were as follows (in thousands of dollars):

	Transfers In:				
Transfers Out:	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
General Fund	$ ---	$ 2,398,793	$ 48	$ 3,856	$ ---
Public Education	2,737	---	---	---	---
Conservation and Environmental Protection	510	---	---	---	---
Transportation and Law Enforcement	4	---	---	---	573,434
Missouri Road Fund	25	---	---	---	---
Non-Major Governmental Funds	97,744	35,408	---	---	---
State Lottery	---	260,340	---	---	---
Non-Major Enterprise Funds	30	---	---	---	---
Internal Service Funds	560	---	---	1	---
Non-Major Component Units	35	---	---	---	---
Totals	$ 101,645	$ 2,694,541	$ 48	$ 3,857	$ 573,434

Continues Below

Transfers Out:	Non-Major Governmental Funds	Non-Major Enterprise Funds	Totals
General Fund	$ 134,444	$ 97	$ 2,537,238
Public Education	---	---	2,737
Conservation and Environmental Protection	1,146	---	1,656
Transportation and Law Enforcement	1	---	573,439
Missouri Road Fund	---	---	25
Non-Major Governmental Funds	11,912	1,500	146,564
State Lottery	---	---	260,340
Non-Major Enterprise Funds	---	---	30
Internal Service Funds	---	---	561
Non-Major Component Units	---	---	35
Totals	$ 147,503	$ 1,597	$ 3,522,625

Principal reasons for interfund transfers include:

- moving general revenue funds to support elementary and secondary education
- moving State Lottery funds to support elementary and secondary education
- moving general revenue funds to support social assistance programs reported in non-major governmental funds
- moving funds related to the construction of capital assets.

Note 17 - Restatements

During fiscal year 2006, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund categories (in thousands of dollars):

	June 30, 2005 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2005 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	$ 904,468	$ 13	$ 904,481
Conservation and Environmental Protection	991,127	3,018	994,145
Transportation and Law Enforcement	194,649	(34)	194,615
Missouri Road Fund	231,209	27,299	258,508
Non-Major Governmental Funds			
Special Revenue	261,966	(24,181)	237,785
PROPRIETARY FUNDS			
Major Enterprise Funds			
Unemployment Compensation	(64,755)	(28,881)	(93,636)
Non-Major Proprietary Funds			
Enterprise	41,401	4,318	45,719
Internal Service	444,637	(2,362)	442,275
FIDUCIARY FUNDS			
Private-Purpose Trust	13,189	9,485	22,674
DISCRETELY PRESENTED COMPONENT UNITS			
Non-Major Funds	159,281	(7,884)	151,397

Breakdown of restatements by type:

- General Fund, the restatement was a decrease in accounts payable of $13,000.
- Conservation and environmental protection, the restatement was a decrease in accounts payable by $1,000 and a decrease in deferred revenue of $3,017,000.
- Transportation and law enforcement, the restatement was a decrease in inventories of $33,000 and an increase in accounts payable of $1,000.
- Missouri Road Fund, the restatement was the blending of Fulton 54 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation into Missouri Road Fund, as well as adjusting journal entries to account for the eliminations of activity between the newly blended component units.
- Non-major special revenue funds, the restatement was an increase in accounts payable of $24,181,000.
- Unemployment Compensation, the restatement was a decrease to cash of $1,593,000, a decrease to accounts receivable of $27,366,000, and a decrease to accounts payable of $78,000 due to accounting corrections per fiscal year 2006 agency audit.
- Non-major enterprise funds, the restatement was an increase to capital assets (net of accumulated depreciation) of $4,251,000, an increase to investments of $94,000, an increase to inventory of $24,000, a decrease to accounts receivable of $1,000, an increase to accounts payable of $48,000, and an increase to accrued payroll of $2,000.
- Non-major internal service funds, the restatement was an increase in accounts receivable by $12,000, a decrease in capital assets (net of accumulated depreciation) of $1,580,000, an increase in accounts payable of $66,000, an increase in claims liability of $729,000, and a decrease in obligations under lease purchase of $1,000.

Note 17 - Restatements (cont.)

- Private-purpose trust funds, the restatement was a decrease in advance to other funds of $61,607,000 and a decrease to escheat/unclaimed property liability of $71,092,000 due to a change in accounting principle.
- Non-major discretely presented component units, the restatement was the removal of Fulton 54 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation from the non-major component units financial statements. These component units will now be blended and shown with Missouri Road Fund. See *Note 2* for clarification.

Purposes for restatements:

The items on the schedule were restated as a result of additional information received this year related to prior year corrections.

On the Government-Wide Statement of Activities, net assets for governmental activities were restated by the amounts shown on the restatement schedule for governmental funds and internal service funds. In addition, capital assets (net of accumulated depreciation) increased by $119,426,000 mainly due to the completion of the Chillicothe State Prison, the internal balance increased by $19,000, and long-term liabilities increased by $32,772,000.

Note 18 - Fund Deficit

The following funds had deficit balances:

Enterprise Fund – Petroleum Storage Tank – At June 30, 2006, this fund had a net asset deficit of $46,633,000. The deficit at June 30, 2005 was $60,290,000. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will be closed on December 31, 2010, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the General Assembly. Various alternatives are being considered to pay off the claims liability amount of this fund. Per Section 319.131, RSMo, the liability of the petroleum storage tank fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

Internal Service Fund – Transportation Self-Insurance Plan – At June 30, 2006, this fund had a net asset deficit of $5,985,000. This deficit was $5,194,000 at June 30, 2005. The deficit occurred when revenue from insurance premiums were not sufficient to cover the cost of claims. The self-insurance plan is subject to annual actuarial review which is done on a calendar year basis. The fiscal year 2007 appropriations were based on the 2005 actuarial study and budget availability. Increases in appropriations and claims management should eliminate the deficit over time.

Note 19 - Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan was administered by the Public Employees Benefit Services Corporation of Missouri (PEBSCO) under a contract for a term ending May 31, 2006. PEBSCO is a wholly-owned subsidiary of Nationwide Corporation of Columbus, Ohio. Nationwide Life Insurance Company, one of the guaranteed fixed annuity and variable annuity underwriters for the Plan, is also a subsidiary of Nationwide Corporation. At December 31, 2005, total investments of the Plan were $1,004,196,000 and investments in Nationwide Life Insurance Company were $909,573,000.

On December 12, 2005, the Missouri Deferred Compensation Commission awarded the third-party administrator (TPA) contract to CitiStreet and the Fixed Annuity contract to ING Life Insurance and Annuity Company, effective June 1, 2006.

Note 20 - Commitments

Contracts

The Department of Conservation had contracts outstanding of $7,977,000 for construction contracts at June 30, 2006. These contracts are funded through the special revenue funds from specific sales tax, fees and permits.

The Department of Transportation had long-term contracts of $1,036,956,000 outstanding at June 30, 2006. These contracts are paid from capital projects funds with approximately 64% federal reimbursement expected.

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2006, of $24,523,000. Approximately 77% will be paid from the General Fund, 8% from special revenue funds, 10% from capital projects funds, 1% from enterprise funds, and 4% from internal service funds.

The Department of Elementary and Secondary Education had desegregation payments outstanding of $42 million at June 30, 2006. These payments are due to the St. Louis Public School District based upon Court Order L(266)99 approving the 1999 settlement agreement requiring annual payments. The payments are as follows:

July 1, 2006	$ 12 million
July 1, 2007	11 million
July 1, 2008	10 million
July 1, 2009	9 million

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to $10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2006 was $364,000. Payment of principal and interest must be completed by March 2038.

The Department of Natural Resources – State Parks had contracts outstanding of $107,000 for land acquisition and $18,000 for construction contracts at June 30, 2006. These contracts are funded through enterprise funds, with the exception of $4,000 in land acquisition contracts to be funded through special revenue funds and $3,000 in land acquisition contracts to be funded through federal funds.

As of June 30, 2006, the University of Missouri had outstanding commitments for the acquisition, usage, and ongoing support of certain software for its patient clinical systems totaling $16,829,000. The payments are as follows:

2007	$ 3,960,000
2008	3,960,000
2009	3,960,000
2010	3,960,000
2011	989,000

Note 21 - Risk Management and Insurance

The State is exposed to various risks of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. The State assumes its own liability for risks except for the purchase of surety bond, aircraft, and boiler coverage. The State Office of Administration (OA), Risk Management Unit, self-insures its workers' compensation program for all state employees, with the exception of the Missouri Department of Transportation (MoDOT) and the State Highway Patrol. Liability insurance is also provided by OA-Risk Management, pursuant to State statute, through the State's legal expense fund, which is a component of the General Fund in this report. This insurance covers all State employees.

The workers' compensation and legal expense fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. IBNR (incurred but not reported) liability is not included since workers' compensation and liability insurance claims are reported timely, and therefore any potential IBNR liability amount would be considered immaterial. The State has not had any insurance settlements exceed the coverage during the past three fiscal years. OA-Risk Management also procures property insurance for 3% of the total value of the State's property with the remainder uninsured. The buildings that are insured are mainly the buildings backed with bonded debt through the Board of Public Buildings.

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an Internal Service Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 4%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all State employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an Internal Service Fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an Internal Service Fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an Internal Service Fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

The Petroleum Storage Tank Insurance Fund (PSTIF) has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. The PSTIF is presented as a major enterprise fund.

The University of Missouri System provides workers' compensation, liability, and medical insurance for its employees. The University funds this through a combination of self-insurance and commercially purchased insurance. The amount of coverage is based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability is the present value of the claims, using discounted rates ranging between 3% and 4% based on future investment yields. The University of Missouri System is included with college and universities as a major component unit of the State.

Note 21 - Risk Management and Insurance (cont.)

Changes in the balances of claims liability (in thousands of dollars) during the current and prior fiscal years are as follows:

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2005	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2006
OA Workers Compensation	Workers Comp.	$ 13,372	$ 28,888	$ (21,207)	$ 21,053
OA Legal Expense Fund	Liability	1,245	233	(1,325)	153
MoDOT Self-Insurance Plan	Workers Comp. and Liability	45,927	26,707	(16,777)	55,857
MCHCP	Health Care	36,707	259,505	(263,718)	32,494
MHPML	Health Care and Life Insurance	9,119	83,792	(83,350)	9,561
CEIP	Health Care and Life Insurance	3,277	12,153	(11,748)	3,682
Total Governmental Activities		$ 109,647	$ 411,278	$ (398,125)	$ 122,800
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 121,054	$ 8,722	$ (12,847)	$ 116,929
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 78,190	$ 148,993	$ (140,333)	$ 86,850

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2004	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2005
OA Workers Compensation	Workers Comp.	$ 9,735	$ 24,154	$ (20,517)	$ 13,372
OA Legal Expense Fund	Liability	1,341	518	(614)	1,245
MoDOT Self-Insurance Plan	Workers Comp. and Liability	39,948	20,406	(14,427)	45,927
MCHCP	Health Care	14,451	178,077	(155,821)	36,707
MHPML	Health Care and Life Insurance	8,250	73,999	(73,130)	9,119
CEIP*	Health Care and Life Insurance	2,186	11,036	(9,945)	3,277
Total Governmental Activities		$ 75,911	$ 308,190	$ (274,454)	$ 109,647
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 113,666	$ 20,774	$ (13,386)	$ 121,054
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 68,996	$ 155,415	$ (146,221)	$ 78,190

*Restated

Note 21 - Risk Management and Insurance (cont.)

Risk Management Pool:

The State of Missouri participates in the property program of the Midwestern Higher Education Compact (MHEC) as defined in Section 173.700, RSMo. This program was formed to expand coverage, reduce costs, and stabilize property insurance rates over extended time periods at higher education institutions in all member states. The program offers loss limit coverage tailored to individual institutions as well as self-insured retention by institution. The MHEC Risk Management Oversight Committee directs the major operations of the program overseeing the development of program policies, premium allocations, new program memberships, and selection of program administrators and insurance underwriters.

Note 22 - Landfill Closure and Postclosure

The State does not own any municipal solid waste landfills (MSWLF), however in the event the owner/operator refuses or is unable to properly maintain the landfill, the owner/operator forfeits the required financial assurance instrument(s) to fund closure and/or post-closure maintenance activities.

Each landfill owner/operator is required to obtain a financial assurance instrument, which is held by the State as security in the case of a default or forfeiture. Financial assurance instruments can include financial guarantee or performance bonds, letters of credit, insurance policies, corporate guarantees, contracts of obligations, trust funds, and escrow accounts. At June 30, 2006, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be $267,724,000. This amount is disclosed, but not reported in the financial statements, because the State does not perform the investment function and does not have significant administrative involvement. While the State maintains possession of the financial assurance instruments, it does not meet criteria to be reported in a fiduciary fund.

At June 30, 2006, ten MSWLFs and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities, so the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Missouri Revised Statutes Chapter 260, Section 228. The State will monitor and pay post-closure care costs of these facilities for the next 30 years in accordance with Missouri Department of Natural Resources Solid Waste Management Law and Regulations. At June 30, 2006, it is expected that $941,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been reserved on the general fund balance sheet for forfeited assets.

Note 23 - Contingencies

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Assets. Expenditures are recognized as payments are made.

Note 23 - Contingencies (cont.)

At June 30, 2006, the amount of the contingent liabilities was $111 million. Changes in the reported liability since June 30, 2005, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2005-2006	$ 117,631	$ 1,663	$ (7,892)	$ 111,402
2004-2005 *	141,031	(17,164)	(6,236)	117,631
2003-2004	99,280	55,673	(13,922)	141,031

*Restated.

RSMo 287.220.6 requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the Fund. Figures presented below for current year claims and changes in estimates are based on the 2004 actuarial study. At June 30, 2006, the amount of liabilities for the Second Injury Fund was $964 million. Changes in the reported liability since June 30, 2005, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2005-2006	$ 854,334	$ 172,533	$ (62,376)	$ 964,491
2004-2005	749,600	168,124	(63,390)	854,334
2003-2004	201,128	605,454	(56,982)	749,600

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, would be immaterial in the next fiscal year.

Loan Guarantees:

The State appropriates money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from state appropriations. The total loans outstanding at June 30, 2006, for which the Board has guaranteed payment is $391,000. During 2006, no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to $250,000. The total of loans outstanding at June 30, 2006, for which the Authority has guaranteed payment is $2,354,000 and $2,109,000, respectively. During 2006, no loans defaulted.

Note 23 - Contingencies (cont.)

Medicaid Lawsuits:

Overland Park Regional Medical Center and Menorah Medical Center vs. Department of Social Services, Division of Medical Services (DSS/DMS) (Case No. 04CV324878). These out of state hospitals filed cases in Cole County Circuit Court challenging the reimbursement rate paid by Missouri to out of state hospitals on behalf of Missouri Medicaid beneficiaries. The judgment was in favor of the Medical Centers for the total amount of $1,554,000. The case is on appeal.

Department of Social Services vs. Little Hills Healthcare (Cole County Circuit Court Case No. 05AC-CC000693). The Medicaid provider challenged the Division of Medical Services' calculation of FRA assessment for the state fiscal year 2002, where they requested an additional $1.8 million based on an allegation that DSS/DMS should have promulgated a rule explaining its decision making process for estimating Medicaid patient days. Both the Administrative Hearing Commission and the Cole County Circuit Court ruled against the agency. The agency has appealed with the Missouri Court of Appeals Western District of Missouri. Oral arguments were heard on November 8, 2006.

Sales and Use Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441). The Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. This issue may reach to other taxable services as well. Refund claims filed by Southwestern Bell and other related companies as of June 30, 2006, totaled $210 million (including a portion payable by local governments). These claims are pending review and could negatively affect the State's General Revenue Fund by $84 million (exclusive of interest which could be substantial). Additional claims could be filed in future periods.

The State is also involved in tax litigation not included in the fiscal year 2006 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of $4.8 million.

Education Lawsuits:

Four education lawsuits are pending; Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County, Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division, Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County, and the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

Note 24 - Joint Ventures

The Regional Convention and Sports Complex Authority was created by state law for the purpose of financing, constructing, operating, and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a board of commissioners of whom five are appointed by the Governor of the State, three by the County Executive of St. Louis County, and three by the Mayor of the City of St. Louis. The Authority is granted all rights and powers necessary to plan, finance, construct, equip, and maintain the facility.

The Authority is considered a joint venture of the State, County and City because it constitutes a contractual agreement for public benefit in which the State, County and City retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued $258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of $132,910,000 by the State (Series A), $65,685,000 by the County (Series B) and $60,075,000 by the City (Series C). In December 1993, the Authority issued $181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund $101,410,000 and $50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of $121,705,000 by the State (Series A) and $60,180,000 by the County (Series B). In February 1997, the Authority issued $61,285,000 in Series C Refunding bonds to advance refund $47,155,000 of the outstanding 1991 Series C bonds. In August 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project and Refunding Bonds, Series A 2003 to refund $2,845,000 and $113,170,000 of Series A 1991 and Series A 1993 Refunding Bonds, respectively, and for additional construction costs.

Pursuant to a financing agreement entered into in August 1991, and terminating in August 2021, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, County and City under the financing agreement are sufficient to pay the principal and interest on the bonds. In addition, the sponsors provide annual appropriations intended to keep the facility in good repair and competitive with the top twenty-five percent of NFL facilities. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

Summary financial information for the Authority as of, and for the fiscal year ended December 31, 2005, is presented below (in thousands of dollars):

Total Assets	$ 306,926
Total Liabilities	$ 210,743
Total Net Assets	96,183
Total Liabilities and Net Assets	$ 306,926
Total Revenues	$ 25,997
Total Expenses	25,608
Net Increase in Net Assets	$ 389

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

Note 25 - Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a discretely presented component unit of the State. The net appreciation of the endowments available for expenditure is $45,717,000, and of this amount, $43,716,000 is reported as restricted non-expendable net assets and $2,001,000 is reported as restricted expendable net assets. The Revised Statutes of Missouri authorize the acceptance of donations at State agencies or public institutions. The governing boards of these institutions and the donor agreements determine whether net appreciation can be spent and the acceptable spending rate as detailed in RSMo 402.035. These policies are entity specific and vary with each institution.

Note 26 - Conduit Debt

As of June 30, 2006, the Missouri Development Finance Board issued $714,327,000 in Single Issue Industrial Revenue Bonds, $57,810,000 in Private Activity Composite Industrial Revenue Bonds, and $1,303,403,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2006, were approximately $370,901,000, $950,000, and $756,271,000, respectively.

The Missouri Development Finance Board and the State have no liability for repayment of these revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded as a liability on the financial statements for the Missouri Development Finance Board. The debtor pays all debt service requirements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

Note 27- Subsequent Events

Other Bonds

On July 11, 2006, the Midtown State Office Building was cash defeased in the amount of $1,070,000. This building is part of the Board of Public Buildings Series B 2001 Refunding bonds.

On October 25, 2006, the Board of Public Buildings issued $120,000,000 Special Obligation Bonds, Series A 2006. These bonds bear interest, payable semiannually, at rates of 4.0% to 5.0%. The proceeds will be used to construct a women's correctional facility, which will serve as a replacement facility for the Chillicothe Correctional Center.

Missouri Department of Transportation

On July 11, 2006, the Department authorized the execution of a qualified interest rate swap agreement in anticipation of issuing up to $400,000,000 in State Road Bonds during fiscal year 2008.

On August 8, 2006, the Department issued $296,670,000 of First Lien State Road Bonds, Series A 2006 and $503,330,000 of First Lien State Road Bonds, Series B 2006. These bonds bear interest, payable semiannually, from 3.75% to 5% and are due in semiannual installments beginning November 1, 2006. Proceeds will be used to finance certain construction and reconstruction costs of the state highway system, pursuant to the "Smoother, Safer, Sooner" road and bridge program.

In December of 2006, the Missouri Department of Transportation issued $394,870,000 in Refunding State Road Bonds Series 2006. This refunded portions of the Senior Lien State Road Bonds Series A 2000, Series A 2001, Series A 2002, and Series A 2003.

Note 27- Subsequent Events (cont.)

Constitutional amendment 3, along with the expiration of RSMo 226.133, removed the authorization limitation of State Road Bonds, therefore there is no restriction stated within the constitution or statutes for the amount of bonds that may be issued.

Lawsuits

On December 21, 2006, the State of Missouri, Office of Administration, filed a lawsuit versus Nationwide Life Insurance in Cole County Circuit Court, Case No. 06AC-CC01154. The suit seeks return of $18,586,000 retained by Nationwide as a "market value adjustment" at the end of its tenure to service the State's deferred compensation program. Claim is for breach of contract and breach of fiduciary duties. No trial date has been set.

Required Supplementary Information (RSI) *includes the Budgetary Comparison Schedule for the General Fund and Major Special Revenue Fund Categories, as well as the Budget to Generally Accepted Accounting Principles (GAAP) reconciliation, and the Notes to RSI on Budgetary Reporting.*

STATE OF MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	General				Public Education				Conservation and Environmental Protection				Transportation and Law Enforcement			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 1,007,005	$ 1,007,005	$ 1,007,005	$ ---	$ 210,901	$ 210,901	$ 210,901	$ ---	$ 385,192	$ 385,192	$ 385,192	$ ---	$ 64,211	$ 64,211	$ 64,211	$ ---
Resources (Inflows):																
Taxes:																
Sales and Use	1,884,311	1,932,695	1,993,449	60,754	790,426	790,426	746,564	(43,862)	183,782	183,782	178,331	(5,451)	67,116	67,116	42,601	(24,515)
Individual Income	5,059,011	5,188,911	5,352,025	163,114	6,111	6,111	5,772	(339)	---	---	---	---	---	---	---	---
Corporate Income	499,888	512,723	528,841	16,118	---	---	---	---	---	---	---	---	---	---	---	---
County Foreign Insurance	179,316	183,920	189,702	5,782	---	---	---	---	---	---	---	---	---	---	---	---
Beer	7,949	8,154	8,410	256	---	---	---	---	---	---	---	---	---	---	---	---
Liquor	18,816	19,300	19,906	606	---	---	---	---	---	---	---	---	---	---	---	---
Cigarette	---	---	---	---	80,861	80,861	76,373	(4,488)	---	---	---	---	---	---	---	---
Fuel	7	7	7	---	---	---	---	---	---	---	---	---	1,173,239	1,173,239	744,700	(428,539)
Corporation Franchise	73,566	75,455	77,827	2,372	---	---	---	---	---	---	---	---	---	---	---	---
Inheritance	14,717	15,095	15,570	475	---	---	---	---	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	964,184	988,941	1,020,029	31,088	306,606	306,606	289,592	(17,014)	113	113	109	(4)	---	---	---	---
Total Taxes	8,701,765	8,925,201	9,205,766	280,565	1,184,004	1,184,004	1,118,301	(65,703)	183,895	183,895	178,440	(5,455)	1,240,355	1,240,355	787,301	(453,054)
Licenses, Fees and Permits	72,291	74,132	76,532	2,400	1,458	1,458	1,377	(81)	74,277	74,277	72,074	(2,203)	276,410	276,410	175,448	(100,962)
Sales	1,856	1,903	1,963	60	---	---	---	---	7,840	7,840	7,608	(232)	6,169	6,169	3,916	(2,253)
Leases and Rentals	28	29	30	1	---	---	---	---	114	114	110	(4)	14	14	9	(5)
Services	216,050	218,235	240,448	22,213	---	---	---	---	---	---	---	---	---	---	---	---
Contributions and Intergovernmental	5,615,465	5,647,611	6,336,700	689,089	70,746	70,746	66,820	(3,926)	69,495	69,495	67,433	(2,062)	1,797	1,797	1,141	(656)
Interest	52,286	53,575	55,500	1,925	6,304	6,304	5,954	(350)	13,256	13,256	12,863	(393)	5,591	5,591	3,548	(2,043)
Penalties and Unclaimed Property	2,615	2,667	2,821	154	2,291	2,291	2,164	(127)	553	553	537	(16)	340	340	216	(124)
Cost Reimbursement/ Miscellaneous	517,384	518,787	589,346	70,559	37,387	37,387	35,313	(2,074)	50,262	50,262	48,770	(1,492)	1,715	1,715	1,088	(627)
Transfers In	208,478	283,733	179,883	(103,850)	2,652,759	2,702,996	2,694,502	(8,494)	60	109	88	(21)	4,842	4,843	3,864	(979)
Total Resources (Inflows)	15,388,218	15,725,873	16,688,989	963,116	3,954,949	4,005,186	3,924,431	(80,755)	399,752	399,801	387,923	(11,878)	1,537,233	1,537,234	976,531	(560,703)
Amount Available for Appropriation	16,395,223	16,732,878	17,695,994	963,116	4,165,850	4,216,087	4,135,332	(80,755)	784,944	784,993	773,115	(11,878)	1,601,444	1,601,445	1,040,742	(560,703)
Charges to Appropriations (Outflows):																
Current:																
General Government	1,655,417	1,592,654	1,506,754	85,900	1,081	265	172	93	2,245	2,491	2,080	411	26,063	26,022	25,770	252
Education	1,978,653	1,982,979	1,859,865	123,114	3,912,349	3,909,905	3,897,044	12,861	---	---	---	---	---	---	---	---
Natural and Economic Resources	273,279	275,871	211,277	64,594	24,034	24,033	12,835	11,198	360,167	532,381	352,313	180,068	---	---	---	---
Transportation and Law Enforcement	209,606	202,782	158,797	43,985	155	225	220	5	312	312	216	96	392,017	389,628	367,852	21,776
Human Services	9,320,420	9,754,528	9,182,132	572,396	21,399	21,405	20,485	920	360	360	195	165	---	---	---	---
Capital Outlay	108,368	106,956	91,704	15,252	4,031	4,030	3,993	37	37,698	55,758	36,899	18,859	15,638	15,482	13,994	1,488
Debt Service	49,554	47,588	45,867	1,721	---	---	---	---	26	39	26	13	24	24	21	3
Transfers Out	3,227,195	3,248,953	3,152,443	96,510	6,205	6,974	5,665	1,309	46,977	47,873	40,911	6,962	209,041	616,812	583,346	33,466
Total Charges to Appropriations	16,822,492	17,212,311	16,208,839	1,003,472	3,969,254	3,966,837	3,940,414	26,423	447,785	639,214	432,640	206,574	642,783	1,047,968	990,983	56,985
Ending Budgetary Fund Balance	$ (427,269)	$ (479,433)	$ 1,487,155	$ 1,966,588	$ 196,596	$ 249,250	$ 194,918	$ (54,332)	$ 337,159	$ 145,779	$ 340,475	$ 194,696	$ 958,661	$ 553,477	$ 49,759	$ (503,718)
Reconciling Items:																
Reclassifying Cash Equivalents as Investments			(984,750)				(128,642)				(199,894)				(29,892)	
Investments at Fair Value			1,049,333				132,941				200,584				42,153	
Receivables			1,114,622				85,971				752,260				249,552	
Due from Other Funds			316				19,085				70				---	
Due from Component Units			---				---				709				4	
Inventory			25,063				46				612				3,247	
Advance to Component Units			---				---				3,166				---	
Accounts Payable			(825,566)				(38,075)				(2,407)				(2,290)	
Accrued Payroll			(55,101)				(476)				(4,911)				(5,011)	
Due to Other Funds			(30,961)				(248)				(1,543)				(834)	
Deferred Revenue			(217,221)				(11,235)				(16,386)				(878)	
Escheat/Unclaimed Property			(48,491)				---				---				---	
Fund Balance – GAAP Basis			$ 1,514,399				$ 254,285				$ 1,072,735				$ 305,810	

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2006, has been presented at the bottom of the Budgetary Comparison Schedule.

The budgetary expenditures are included in the current year's Appropriation Activity Report, which demonstrates legal compliance with the current year's budget. This report can be viewed at http://oa.mo.gov/acct/AAR2006/index.htm. The "original budget" expenditures and transfers are for what was originally appropriated for each fund. The "final budget" expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor's amounts reverted (withheld) for each fund less any re-appropriations to the next fiscal year.

On the Budgetary Comparison Schedule, "original" and "revised" budget revenues are equal for all funds except the State's General Revenue Fund. Once a year the Office of Administration-Division of Budget and Planning receives budgeted revenues from state agencies for each of their funds as well as a revised revenue estimate in the spring for the State's General Revenue Fund. The revised revenue estimate is used in the "final budget" column for the General Fund and is very comparable to actual revenue resulting in a small positive variance on this Schedule.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Supplementary Information *includes the Budgetary Comparison Schedule and Reconciliation for the Major Capital Projects Fund (Missouri Road Fund), as well as the Combining and Individual Fund Statements and Schedules for the General Fund and all Non-Major Funds.*

STATE OF MISSOURI
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 346,783	$ 346,783	$ 346,783	$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	164,670	164,670	136,242	(28,428)
Fuel	112	112	107	(5)
Total Taxes	164,782	164,782	136,349	(28,433)
Licenses, Fees and Permits	99,187	99,187	120,917	21,730
Contributions and Intergovernmental	695,026	695,026	759,986	64,960
Interest	8,425	8,425	20,652	12,227
Cost Reimbursment/Miscellaneous	73,562	73,562	67,897	(5,665)
Bond Sales Proceeds	360,000	360,000	370,175	10,175
Transfers In	708,628	708,628	570,616	(138,012)
Total Resources (Inflows)	2,109,610	2,109,610	2,046,592	(63,018)
Amount Available for Appropriation	2,456,393	2,456,393	2,393,375	(63,018)
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	834,587	839,579	803,557	36,022
Capital Outlay	1,156,567	1,163,488	1,113,566	49,922
Debt Service	128,775	128,775	122,060	6,715
Transfers Out	---	25	25	---
Total Charges to Appropriations	2,119,929	2,131,867	2,039,208	92,659
Ending Budgetary Fund Balance	$ 336,464	$ 324,526	$ 354,167	$ 29,641
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(176,511)	
Investments at Fair Value			164,941	
Receivables			78,941	
Due from Other Funds			1,776	
Due from Component Units			---	
Inventories			37,673	
Advance to Component Units			---	
Accounts Payable			(120,900)	
Accrued Payroll			(15,825)	
Due to Other Funds			(1,284)	
Due to Component Units			---	
Deferred Revenue			(30,585)	
Advance from Component Units			(17,951)	
Fund Balance - GAAP Basis			$ 274,442	

*The **Combining and Individual** Fund Statements and Schedules*

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Non-Major Funds

This includes all non-major governmental and enterprise funds, as well as the non-major component units. It also includes all internal service and fiduciary funds because the "major fund" classification, created under GASB Statement 34, does not apply to these funds.

A budgetary comparison schedule is provided for all non-major governmental funds with the exception of capital projects funds.

General Fund:

General:

General Revenue – All moneys received by the State unless required by statute or constitutional provision to be deposited elsewhere in a specifically named fund.

Budget Reserve – Moneys used when there are revenue shortfalls that require the Governor to reduce expenditures of agencies below the level of their appropriations or when there is a financial need due to a disaster.

Uncompensated Care – Accounts for moneys used for the non-federal share of uncompensated care and other services under the Title XIX Medicaid Program.

Department of Health Interagency Payments – Accounts for reimbursed moneys to be used for program disbursements.

Facilities Maintenance Reserve – General Revenue moneys to be used for maintaining, repairing and renovating State facilities.

Intergovernmental Transfers – Moneys from publicly owned nursing facilities to be used for Medicaid and other related charges.

Federal Reimbursement Allowance – Moneys received for payment of Title XIX services.

Pharmacy Reimbursement Allowance – Tax moneys received from retail pharmacies to be used for funding payments under the Medicaid fee-for-service and managed care programs.

Title XIX–Patient Placement – General Revenue – Moneys received from the federal government to be used for medical assistance to eligible recipients pursuant to Title XIX.

State Treasurer's General Operations – Accounts for moneys received to pay for responsibilities of the state treasurer.

Child Support Enforcement Collections – Moneys received from individuals to be used for the expenditures of the Division of Child Support Enforcement.

Missouri Technology Investment – Moneys received from various sources to be used for technology development programs.

Missouri Water Development – General Revenue moneys to be used to purchase water supply storage.

General Revenue Reimbursements – Federal moneys received by the Department of Mental Health and the Department of Social Services to be used by the Department of Mental Health as appropriated.

Medicaid Managed Care Organization Reimbursement Allowance – Moneys received from Medicaid managed care organizations to be used for providing payments to Medicaid managed care organizations.

Missouri Humanities Council Trust – Moneys from various sources to be used for promotion of the humanities.

Nursing Facility Federal Reimbursement Allowance – Tax moneys used for expenditures of nursing facilities.

Post Closure – Moneys from forfeited collateral to be used for costs related to closure and post closure activities of landfills.

Attorney General's Court Cost – General Revenue moneys to be used for the payment of court costs.

Attorney General's Anti-Trust – General Revenue moneys to be used for expenses related to anti-trust activities.

State Elections Subsidy – Appropriated moneys to be used for payment of advance election costs.

State Legal Expense – General Revenue, Transportation and Conservation moneys to be used for claims against state departments or employees.

General Fund – Federal: Accounts for moneys received or reimbursed by the federal government to cover costs of federally funded grants and programs. Each program or grant has its own fund to account for its operations as follows:

Vocational Rehabilitation – Federal
Elementary and Secondary Education – Federal and Other
General Assembly – Federal
Division of Youth Services – Federal and Other
Office of the State Public Defender – Federal and Other
Pharmacy Rebates
State Auditor – Federal
Department of Higher Education – Federal
Department of Labor and Industrial Relations – Commission on Human Rights – Federal
Department of Economic Development – Community Development Block Grant (Passthrough)
Department of Economic Development – Women's Council – Federal
Third Party Liability Collections
Department of Public Safety – Juvenile Accountability Incentive Block Grant
Department of Labor and Industrial Relations Administrative
Department of Economic Development – Community Development Block Grant (Administration)
Multimodal Operations – Federal
Department of Elementary and Secondary Education – Medicaid
Department of Economic Development – Federal and Other
Department of Corrections – Federal
Department of Revenue – Federal
Department of Agriculture – Federal and Other
Office of Administration – Federal and Other
Office of Administration – Information Technology-Federal and Other
Attorney General – Federal and Other
Supreme Court – Federal and Other
Department of Economic Development – Missouri Council of the Arts – Federal and Other
Department of Natural Resources – Federal and Other
Department of Economic Development – Management Information Systems – Federal and Other
Department of Health – Federal
State Emergency Management – Federal and Other
Mental Health Intergovernmental Transfer
Department of Mental Health – Federal
Department of Transportation – Highway Safety
Secretary of State Records – Federal
Department of Public Safety – Federal
Division of Aging – Federal and Other
Homeland Security
Job Development and Training
Department of Social Services – Federal and Other
Election Administration Improvement
Title XIX – Federal
Division of Family Services Donations
Division of Aging Donations
Medicaid Fraud Reimbursements
Revenue Sharing Trust
Missouri Veterans Commission – Federal
MCSAP/Division of Transportation – Federal
Division of Labor Standards – Federal
Governor's Committee on Employment of the Handicapped – Federal
Federal and Other
Adjutant General – Federal
Department of Labor and Industrial Relations – Crime Victims – Federal
Federal – MDI
Federal Drug Seizure
Secretary of State – Federal
Community Service Commission – Federal and Other
Temporary Assistance for Needy Families – Federal
Division of Family Services – Administrative
Missouri Disaster
Abandoned Mined Reclamation
Unemployment Compensation Administration
Justice Assistance Grant Program

STATE OF MISSOURI
BALANCE SHEET
GENERAL FUND
June 30, 2006
(In Thousands of Dollars)

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2006
ASSETS				
Cash and Cash Equivalents	$ 439,131	$ 63,274	$ ---	$ 502,405
Investments	925,681	123,652	---	1,049,333
Accounts Receivable, Net	582,964	519,534	---	1,102,498
Interest Receivable	11,723	401	---	12,124
Due from Other Funds	78	349	(111)	316
Inventories	24,105	958	---	25,063
Total Assets	$ 1,983,682	$ 708,168	$ (111)	$ 2,691,739
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 352,841	$ 472,725	$ ---	$ 825,566
Accrued Payroll	42,401	12,700	---	55,101
Due to Other Funds	22,318	8,754	(111)	30,961
Deferred Revenue	181,713	35,508	---	217,221
Escheat/Unclaimed Property	48,491	---	---	48,491
Total Liabilities	647,764	529,687	(111)	1,177,340
Fund Balances:				
Reserved for:				
Budget Reserve	494,613	---	---	494,613
Inventories	24,105	958	---	25,063
Forfeited Assets	941	---	---	941
Taxes	5,542	---	---	5,542
Unreserved	810,717	177,523	---	988,240
Total Fund Balances	1,335,918	178,481	---	1,514,399
Total Liabilities and Fund Balances	$ 1,983,682	$ 708,168	$ (111)	$ 2,691,739

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2006
Revenues:				
Taxes	$ 8,124,004	$ ---	$ ---	$ 8,124,004
Licenses, Fees and Permits	72,853	687	---	73,540
Sales	2,082	39	---	2,121
Leases and Rentals	30	---	---	30
Services	92,126	148,448	---	240,574
Contributions and Intergovernmental	1,324,138	5,696,143	---	7,020,281
Investment Earnings:				
Net Decrease in the Fair Value of Investments	(2,789)	(306)	---	(3,095)
Interest	56,829	8,239	---	65,068
Penalties and Unclaimed Properties	61,390	686	---	62,076
Cost Reimbursement/Miscellaneous	40,266	134,244	---	174,510
Total Revenues	9,770,929	5,988,180	---	15,759,109
Expenditures:				
Current:				
General Government	510,235	48,225	---	558,460
Education	1,024,055	850,515	---	1,874,570
Natural and Economic Resources	38,594	233,843	---	272,437
Transportation and Law Enforcement	99,199	176,171	---	275,370
Human Services	5,034,178	4,529,741	---	9,563,919
Capital Outlay:				
Current Expenditures	50,022	41,730	---	91,752
Capital Lease Purchases	19,388	18,031	---	37,419
Debt Service:				
Principal	36,684	9,604	---	46,288
Interest	31,538	700	---	32,238
Total Expenditures	6,843,893	5,908,560	---	12,752,453
Excess Revenues	2,927,036	79,620	---	3,006,656
Other Financing Sources (Uses):				
Proceeds from Capital Leases	19,388	18,031	---	37,419
Transfers In	151,768	15,366	(65,489)	101,645
Transfers Out	(2,551,437)	(51,290)	65,489	(2,537,238)
Total Other Financing Sources (Uses)	(2,380,281)	(17,893)	---	(2,398,174)
Net Change in Fund Balances	546,755	61,727	---	608,482
Fund Balances - Beginning	787,567	116,914	---	904,481
Increase (Decrease) in Reserve for Inventory	1,596	(160)	---	1,436
Fund Balances - Ending	$ 1,335,918	$ 178,481	$ ---	$ 1,514,399

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2006
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2006
ASSETS					
Cash and Cash Equivalents	$ 90,371	$ 42,407	$ 27,860	$ 194	$ 160,832
Investments	189,252	49,839	34,994	50,895	324,980
Accounts Receivable, Net	21,899	---	---	---	21,899
Interest Receivable	1,195	911	635	4	2,745
Due from Other Funds	114	---	---	---	114
Inventories	151	---	---	---	151
Loans Receivable	561	---	---	---	561
Total Assets	$ 303,543	$ 93,157	$ 63,489	$ 51,093	$ 511,282
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 30,025	$ ---	$ 20	$ ---	$ 30,045
Accrued Payroll	3,018	---	39	---	3,057
Due to Other Funds	1,567	---	179	---	1,746
Deferred Revenue	3,620	407	284	2	4,313
Total Liabilities	38,230	407	522	2	39,161
Fund Balances:					
Reserved for Inventories	151	---	---	---	151
Reserved for Debt Service	---	92,750	---	---	92,750
Reserved for Loans Receivable	561	---	---	---	561
Reserved for Trust Principal	---	---	---	50,995	50,995
Unreserved	264,601	---	62,967	96	327,664
Total Fund Balances	265,313	92,750	62,967	51,091	472,121
Total Liabilities and Fund Balances	$ 303,543	$ 93,157	$ 63,489	$ 51,093	$ 511,282

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2006
Revenues:					
Taxes	$ 144,755	$ ---	$ ---	$ ---	$ 144,755
Licenses, Fees and Permits	168,432	---	---	---	168,432
Sales	1,845	---	---	---	1,845
Leases and Rentals	12	---	---	---	12
Services	283	---	---	---	283
Contributions and Intergovernmental	12,661	---	2,964	---	15,625
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	(390)	353	384	3,065	3,412
Interest	22,997	3,228	2,755	22	29,002
Penalties and Unclaimed Properties	18,095	---	---	189	18,284
Cost Reimbursement/Miscellaneous	168,211	---	293	---	168,504
Total Revenues	536,901	3,581	6,396	3,276	550,154
Expenditures:					
Current:					
General Government	38,178	---	191	---	38,369
Education	3,269	---	4	---	3,273
Natural and Economic Resources	191,531	---	10,942	---	202,473
Transportation and Law Enforcement	34,555	---	2,461	---	37,016
Human Services	162,670	---	111	12	162,793
Capital Outlay:					
Current Expenditures	5,338	---	37,843	---	43,181
Debt Service:					
Principal	491	50,975	---	---	51,466
Interest	210	34,634	---	---	34,844
Total Expenditures	436,242	85,609	51,552	12	573,415
Excess Revenues (Expenditures)	100,659	(82,028)	(45,156)	3,264	(23,261)
Other Financing Sources (Uses):					
Transfers In	72,326	69,177	6,000	---	147,503
Transfers Out	(145,064)	---	(1,500)	---	(146,564)
Total Other Financing Sources (Uses)	(72,738)	69,177	4,500	---	939
Net Change in Fund Balances	27,921	(12,851)	(40,656)	3,264	(22,322)
Fund Balances - Beginning	237,785	105,601	103,623	47,827	494,836
Decrease in Reserve for Inventory	(393)	---	---	---	(393)
Fund Balances - Ending	$ 265,313	$ 92,750	$ 62,967	$ 51,091	$ 472,121

*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

Non-Major Special Revenue Funds:

Professional Registration: Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

Hearing Instrument Specialist
State Committee of Interpreters
Board of Geologist Registration
Missouri Commission for the Deaf
Board of Certification of Interpreters
Real Estate Appraisers
Clinical Social Workers
State Committee of Psychologists
Board of Accountancy
Board of Barber Examiners
State Board of Podiatric Medicine
Board of Chiropractic Examiners
Board of Cosmetology
Board of Embalmers and Funeral Directors
Board of Registration for Healing Arts
Board of Nursing
Board of Optometry
Board of Pharmacy
Missouri Real Estate Commission
Veterinary Medical Board
Committee of Professional Counselors
Dental Board
State Board of Architects, Engineers and Land Surveyors
Athletic
Athletic Agent
Marital and Family Therapists'
Respiratory Care Practitioners
Board of Occupational Therapy
Dietitian
Interior Designer Council
Acupuncturist
Tattoo
Massage Therapy

Judicial Protection and Assistance: Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

Missouri Crime Prevention Information and Programming – Accounts for moneys from various sources to be used by local government/school district partnerships to operate crime prevention programs.

Statewide Court Automation – Accounts for additional court costs assessed in certain cases. Moneys are used for a statewide court automation system.

Missouri CASA – Accounts for money to be used for Court Appointed Special Advocate (CASA) Programs.

State Forensic Laboratory – Accounts for moneys used to defray costs of registered laboratories.

Services to Victims – Accounts for fees assessed as costs in criminal cases. Moneys are used to provide services to victims of crimes.

Tort Victims' Compensation – Accounts for a portion of any final judgment awarding punitive damages after the deduction of attorneys' fees and expenses.

Merchandising Practices Revolving – Accounts for general revenues and moneys required to be deposited in this fund. These moneys are used to pay costs incurred by the Attorney General in cases concerning merchandising practices.

Legal Defense and Defender – Accounts for moneys from services rendered. The moneys are used for training public defenders and for other lawful expenses as authorized by the Public Defender Commission.

Criminal Record System – Accounts for fees collected from federal and non-state agencies for administering criminal history record information and fingerprint searches.

Missouri Office of Prosecution Services – Accounts for fees assessed as costs in most criminal proceedings. These moneys are used to assist the prosecuting attorneys throughout the State in their efforts against criminal activity.

Crime Victims' Compensation – Accounts for fees assessed as costs against a convicted criminal. These moneys are used to compensate victims of crime.

Drug Court Resources – Accounts for moneys available for distribution by the Drug Courts Coordinating Commission to the various drug courts operating within the State.

Legal Services for Low Income People – Accounts for moneys to be used to provide legal services for individuals with low income.

Investors Restitution – Accounts for fines collected relating to securities fraud to be used to reimburse the victims of the fraudulent acts.

Basic Civic Legal Services – Accounts for filing fees received on civil and criminal court cases to be disbursed to State legal services organizations that provide legal representation to low-income individuals.

Attorney General Trust Fund – Accounts for moneys received from court settlements to be paid to entities or individuals.

Child Labor Enforcement – Accounts for moneys to be used for investigations and enforcement of child labor laws.

Inmate Incarceration Reimbursement Act Revolving – Accounts for moneys collected for reimbursement of the expenses of the State for the cost of care of offenders.

State Courts Administration Revolving – Accounts for moneys received for registration fees, grants, or other sources to be used to provide training and purchase goods and services related to the training and education of court personnel.

Criminal Justice Network and Technology Revolving – Accounts for moneys to be used for the procurement of telecommunications and computer equipment, services, and software associated with connection to the criminal justice network.

Missouri Office of Prosecution Services Revolving – Accounts for moneys received by or on behalf of the Missouri Office of Prosecution Services.

Judiciary Education and Training – Accounts for fees collected to be used for training and education of judicial personnel.

Fine Collections Center Interest Revolving – Accounts for interest moneys to be used for goods and services related to the administration of the judicial system by the judicial branch.

Agriculture and State Fair: Provides for inspections of products, market development and awards for competition at the State fair.

Animal Health Laboratory Fee – Accounts for laboratory fees to be used to defray expenses of diagnosing animal disease.

Animal Care Reserve – Accounts for fees from businesses engaged in breeding, selling and caring for cats and dogs to be used to administer the Animal Care Program.

Livestock Brands – Accounts for fees collected for brand applications, transfer of brand ownership and maintenance of brands. The fees are used by the Division of Animal Health for program administration.

Commodity Council Merchandising – Accounts for fees imposed under the Commodity Merchandising Program for the use and benefit of the commodity councils.

Missouri Qualified Fuel Ethanol Producer Incentive – Accounts for moneys used to provide subsidies to Missouri qualified fuel ethanol producers.

Aquaculture Marketing Development – Accounts for fees collected on fish food purchased by commercial producers and used for the marketing of fish and fish products.

Livestock Sales and Markets Fees – Accounts for license fees collected for the licensing of livestock sales and markets used for the benefit of the Division of Animal Health.

Missouri Breeders – Accounts for moneys received for horse racing application and handling fees.

Apple Merchandising – Accounts for fees imposed on apples grown in the State which are sold for consumption. These moneys are used only for the costs of administering and enforcing laws concerning apple merchandising.

Livestock Dealer Law Enforcement and Administration – Accounts for penalties assessed for violations of the "Missouri Livestock Dealer Law" and is used for the benefit of the Division of Animal Health.

Milk Inspection Fees – Accounts for fees received from State milk inspections and is used to pay the costs of performing this inspection.

Grain Inspection Fees – Accounts for fees received for providing grain inspection services and is used to pay the cost of providing this service.

Marketing Development – Accounts for moneys received by the Department of Agriculture from any source to be spent for marketing development only.

Organic Production and Certification Fee – Accounts for fees collected for certification or participation in organic farming to be used by the Department of Agriculture to develop standards and labeling for organic farming purposes.

Missouri Qualified Biodiesel Producer Incentive – Accounts for moneys appropriated from funds other than general revenue funds to provide economic subsidies to Missouri qualified biodiesel producers.

Boll Weevil Suppression and Eradication – Accounts for moneys for a sound program of eradication and suppression of the boll weevil.

Missouri Wine Marketing and Research Development – Accounts for pro rata charges to commercial grape producers in Missouri to be used for enology research, education, and marketing of wine produced in Missouri.

Agriculture Development – Accounts for assets from the Federal Secretary of Agriculture and earnings from those assets to be used for agricultural development in accordance with a written agreement with the U.S. Department of Agriculture.

State Fair Trust – Accounts for moneys received as gifts, grants, legacies or devises to be used as prizes to the winners of five-gaited saddle horse stakes at the State fair.

Social Assistance: Provides financial, health and other services to qualifying individuals.

Utilicare Stabilization – Moneys from various sources to be used for financial assistance of heating and cooling costs for the needy.

Motorcycle Safety Trust – Accounts for fees collected from persons who violate laws relating to motorcycles or cause accidents involving motorcycles.

Compulsive Gamblers – Accounts for moneys received from cities and counties that have licensed excursion gambling boats. These moneys are used to provide services for compulsive gamblers and their families.

Missouri Housing Trust – Accounts for moneys received from any source to be used for loans or grants for assistance to low-income families.

Health Initiatives – Accounts for additional taxes on cigarettes and other moneys to fund health care incentives and other programs.

Health Access Incentive – Accounts for moneys appropriated and received by law to be used to implement a program to provide incentives in exchange for location of health providers who agree to serve all persons in need of health services regardless of ability to pay.

Mental Health Housing Trust – Accounts for moneys received from the sale of surplus real property formerly used by the Department of Mental Health. Moneys are used for the construction or renovation of Mental Health Centers, or to finance the rental, purchase, construction or renovation of community based housing for clients.

Family Support Loan Program – Accounts for moneys appropriated to be used for low interest, short-term loans to families having a member with a developmental disability.

Independent Living Center – Accounts for fees received from persons convicted of or pleading guilty to a drug-related or an intoxicated-related traffic offense. Moneys are used to establish and maintain independent living centers for persons with disabilities.

Mental Health Earnings – Accounts for fees assessed on individuals due to alcohol and drug-related traffic offenses. Moneys are used to develop and certify alcohol related traffic offender programs and provide rehabilitation services to persons unable to pay.

Division of Aging Elderly Home Delivered Meals Trust – Accounts for moneys contributed by taxpayers and other designated moneys to be used in preparing and delivering meals to elderly persons.

Missouri Public Health Services – Accounts for fees collected for health purposes.

Part C Early Intervention System Fund – To fund the Infant and Toddler Program, Part C of the Individuals with Disabilities Education Act (IDEA), 20 U.S.C. Section 1431, et seq.

Deaf Relay Service and Equipment Distribution Program – Accounts for fees collected to fund a program that provides a telecommunications device for the deaf to transmit messages over basic telephone lines.

Veterans' Trust – Accounts for moneys contributed by taxpayers, grants, gifts, bequests, federal sources or other sources to be used for the benefit of the State's veterans.

Medical School Loan and Loan Repayment Program – Accounts for moneys used to pay the principal, interest and related costs of government and commercial loans on behalf of individuals working in a specified area of need.

Children's Service Commission – Accounts for gifts and grants from various sources to be spent for children's services as provided by law.

Handicapped Children's Trust – Accounts for grants, gifts, donations, or bequests to be spent as requested by the donor of the handicapped children.

Blind Pension – Accounts for State property tax moneys used to provide a pension to certain blind people.

Healthy Families Trust Funds – To account for moneys received from the Tobacco Settlement.

Department of Health – Donated – Accounts for moneys received from donations and spent for various health programs.

Children's Trust – Accounts for grants or gifts from any source used to establish programs to prevent or alleviate child abuse or neglect.

ADA Compliance – Accounts for moneys from various funds to be used for projects to comply with the Americans with Disabilities Act.

Head Injury – Accounts for fees, grants, donations, and other moneys designated for the Head Injury Fund. Moneys are spent by the Head Advisory Council to help support individuals with traumatic head injury and their families by providing a wide range of services.

Missouri Commission for the Deaf and Hard of Hearing – Accounts for fees and contributions received by the Commission to provide goods and services to government entities or the public.

Coordinating Board for Early Childhood – Accounts for moneys received for expenses of the Coordinating Board for Early Childhood.

Infection Control Advisory Panel – Accounts for private donations to the Infection Control Advisory Panel for reasonable expenses of the panel.

Missouri Rx Plan – Accounts for moneys received for administration of the Missouri Rx Plan.

Putative Father Registry – Accounts for filing fees paid for the petition for adoption.

Missouri Assistive Technology – Accounts for gifts, donations, grants, and bequests from individuals, private organizations, foundations, or other sources granted or given for the specific purpose of assistive technology. Moneys used to establish and maintain assistive technology programs.

Part C Early Intervention – Accounts for moneys to fund the Infant and Toddler Program, Part C of the Individuals with Disabilities Education Act. The federal program provides early intervention services to infants and toddlers determined eligible under state regulations. Payments for provisions shall be paid in manner prescribed by the lead agency.

Organ Donor Program – Accounts for moneys used to implement organ donor awareness programs.

Property Reuse – Accounts for moneys appropriated and gifts, contributions, grants or bequests from federal, private, or other sources for direct loans, guarantees and grants to create and preserve jobs, attract and retain businesses, and improve economic welfare.

Domestic Relations Resolution – Accounts for moneys received from surcharges and fines for disputes in marriage dissolutions and custody orders. Moneys are used for creating and approving a handbook dealing with divorce and child custody and to reimburse local judicial circuits for the costs associated with the implementation of this act.

Correctional Substance Abuse Earnings – Accounts for fees charged to persons required by the court to begin an Educational Assessment and Community Treatment Program. Moneys are used solely for assistance in securing alcohol and drug rehabilitation services.

Assistive Technology Loan Revolving – Accounts for appropriated moneys to be used for loans to qualified individuals for the purchase of assistive technology devices and services.

Blindness Education, Screening and Treatment Program – Accounts for donated moneys used to provide blindness prevention education, screenings, and treatments for persons not covered under a healthcare benefit plan.

Childhood Lead Testing – Accounts for federal or other contributions received to fund childhood lead programs, blood tests to uninsured children, educational materials, and case management.

Missouri National Guard Trust – Accounts for moneys received through contributions, gifts, bequests, grants and federal funds to be used for providing military honors at veterans' burials, interments, or memorial services.

School for the Blind – Accounts for grants, gifts, donations or bequests for the sole use of the Missouri School for the Blind.

School for the Deaf – Accounts for grants, gifts, donations or bequests for the sole use of the Missouri School for the Deaf.

Governor's Council on Physical Fitness – Institution Gift Trust – Accounts for gifts, bequests, or donations to the Governor's Council on Physical Fitness to be spent as requested by the donor.

Institution Gift Trust – Accounts for grants, gifts, donations, devises or bequests to various institutions to be spent as requested by the donor.

Mental Health Trust – Accounts for moneys to be used for the purpose of carrying out the objects for which the grants, gifts, donations or bequests were made, or for the purposes of funding special projects or purchasing special equipment from escheated moneys.

Crippled Children's Services – Accounts for moneys from various sources to be used for costs of crippled children's services.

Unemployment and Workers' Compensation: Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

Workers' Compensation – Accounts for taxes paid by insurance carriers and is used for victims of industrial injuries.

Workers' Compensation – Second Injury – Accounts for taxes paid by insurance carriers and is used for victims of industrial injuries where permanent disability occurs.

Special Employment Security – Bond Proceeds – Accounts for bond proceeds to pay unemployment benefits, maintain adequate balance in the Unemployment Compensation Fund, and to refinance loans from the federal Unemployment Trust Fund.

Special Employment Security – Accounts for moneys paid as interest and penalties by the employer for unemployment fees not paid. These moneys are used to pay interest on advances from the federal government and for other costs necessary and proper under the unemployment compensation laws.

Reimbursements and Other: Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

Treasurer's Information – Accounts for funds received for the preparation, reproduction, or dissemination of information or publications.

Elevator Safety Board – Accounts for moneys collected for inspections, permits, licenses and certificates to be used for the operation and expenses of the board.

Residential Mortgage Licensing – Accounts for fees set and collected for application fees, investigation of license applicant fees, examination fees, contingent fees, and any other miscellaneous fee.

Missouri Arts Council Trust – Accounts for moneys to be used for the administration of the Missouri Arts Council.

Gaming Commission Bingo – Accounts for moneys collected for license fees, penalties and administration fees to be used for the administration cost of the commission.

Secretary of State's Technology Trust – Accounts for fees received from the issuance of notary commissions to be used for establishing and maintaining a data processing system and other administrative costs for services.

Missouri National Guard Training Site – Accounts for fees collected for use of training sites from persons or organizations not connected with the militia. The moneys are used for operating costs of the facilities.

Nursing Facility Quality of Care – Accounts for certification fees collected from nursing home facilities to be used for assistance to the facilities and for conducting surveys and inspections.

Division of Tourism Supplemental Revenue – Accounts for additional sales tax collected from tourism-oriented goods and services to be used for promotional marketing strategies.

Business Extension Service Team – Accounts for moneys used to help Missouri companies in financial difficulty to regain financial stability by a plan developed by a team of knowledgeable and experienced persons.

Gaming Commission – Accounts for moneys received from licenses, fees, and permits to be used to fund the administrative costs of the Gaming Commission.

Mammography – Accounts for fees collected from licensing of specific sources of ionizing radiation and from other nonrefundable fees collected in connection with mammography authorization to be used for program administration.

Statutory Revision – Accounts for moneys received from the sale of the Revised Statutes of Missouri and supplements and from fees for any services rendered by the Committee on Legislative Research. The moneys are used for enhancing or producing the statutes and supplements.

Division of Credit Unions – Accounts for moneys assessed on credit unions and used for costs related to their regulation.

Division of Savings and Loan Supervision – Accounts for moneys assessed on savings and loan associations and other corporations and used for costs related to their regulation.

Division of Finance – Accounts for moneys assessed on banks, trust companies and other corporations and used for costs related to their regulation.

Insurance Examiners – Accounts for fees assessed against organizations which are engaged in the business of insurance within the State. The moneys are used for costs incurred by insurance examiners.

Design and Construction – Donated – Accounts for donations to be used for the repair, replacement and refurbishing of artwork, statuary work and monuments of historical importance to Missouri.

Endowed Care Cemetery Audit – Accounts for fees from the issuance of birth and death certificates. The moneys are used to administer the auditing of endowed care cemetery funds.

Department of Insurance Dedicated – Accounts for moneys from licensing, renewals and regulatory fees and used for expenditures of the Department of Insurance.

International Promotions Revolving – Accounts for moneys from gifts, contributions, grants and other sources and is used for costs associated with attendance at international trade shows.

Local Records Preservation – Accounts for moneys charged and collected for the recording of various deeds and documents and used by the Secretary of State for additional preservation of local records.

Spinal Cord Injury – Accounts for moneys to be used to fund research projects that promote an advancement of knowledge in the area of spinal cord injury.

Manufactured Housing – Accounts for fees collected for seals or inspection of manufacturing and dealer premises for manufactured homes, recreational vehicles and modular homes.

Motor Vehicle Commission – Accounts for fees established by the Missouri Motor Vehicle Commission to pay its operational costs.

Health Spa Regulatory – Accounts for health spa registration fees. These moneys are used to administer the regulation of health spas.

Missouri Main Street Program – Accounts for moneys appropriated and gifts, contributions, grants or bequests from federal, private, or other sources to accomplish community and economic revitalization and development of older business districts and neighborhoods.

Public Service Commission – Accounts for moneys assessed on public utilities and used for costs related to their regulation.

Department of Health Document Services – Accounts for fees collected for publications and used to pay the costs of providing this information.

Petition Audit Revolving Trust – Accounts for moneys received and costs incurred as a result of audits petitioned by the requisite percentage of the qualified voters of a subdivision.

Tourism Marketing – Accounts for receipts from promotional items and used for the marketing of items which promote and develop tourism in the State.

Petroleum Inspection – Accounts for fees collected for inspections of petroleum products and equipment. The fees are used for costs of administering, regulating, testing and inspecting these products and equipment.

Missouri Senior Rx – Accounts for moneys collected to be used by the commission for medical assistance to seniors covered under the Missouri Senior Rx program.

Boiler and Pressure Vessels Safety – Accounts for licenses, permits, and fees established by the Boiler and Pressure Vessels Safety Board for the purpose of regulating boiler and pressure vessels.

Korean Conflict Veterans' Recognition Award – Accounts for moneys to sponsor medallions, medals, and certificates for veterans who served in the Korean Conflict.

Missouri State Archives – St. Louis Trust – Accounts for moneys received for copying public records, and for providing public access to public records and images, or other sources.

Economic Development Advancement – Accounts for moneys from a fee charged to the recipient of any tax credits issued by the department, in an amount up to two and one-half percent of the amount of tax credits issued.

Juneteenth Heritage and Jazz Festival – Accounts for donations for expenses incurred in the Juneteenth celebration.

Secretary of State's Investor Education – Accounts for moneys to be used as a source of funding in support of activities related to the Secretary of State's investor education responsibilities.

State Document Preservation – Accounts for moneys to be used to preserve State documents and making them available to the public.

Missouri Supplemental Tax Increment Financing – Accounts for moneys generated by redevelopment projects and income taxes withheld by jobs created by redevelopment projects to be used to pay loans for the project.

Premium – Accounts for moneys received from parents or guardians of uninsured children.

World War II Memorial Trust – Accounts for contributions to be used to participate in the funding of the National World War II Memorial.

Workers Memorial – Accounts for contributions to be used for a memorial for workers who have been killed or permanently disabled and reimbursement of expenses to committee members.

Secretary of State Institution Gift Trust – Accounts for moneys derived from gifts, bequests, or donations to the Secretary of State to carry out the objectives of the gift, bequest, or donation.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2006
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2006
ASSETS							
Cash and Cash Equivalents	$ 15,455	$ 9,774	$ 1,109	$ 21,542	$ 25,129	$ 17,362	$ 90,371
Investments	30,293	19,152	5,683	50,732	49,255	34,137	189,252
Accounts Receivable, Net	---	1,251	66	3,072	15,392	2,118	21,899
Interest Receivable	---	110	31	274	535	245	1,195
Due from Other Funds	---	71	39	---	---	4	114
Inventories	26	1	1	5	---	118	151
Loans Receivable	---	---	561	---	---	---	561
Total Assets	$ 45,774	$ 30,359	$ 7,490	$ 75,625	$ 90,311	$ 53,984	$ 303,543
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 176	$ 461	$ 133	$ 2,170	$ 24,459	$ 2,626	$ 30,025
Accrued Payroll	193	351	73	234	398	1,769	3,018
Due to Other Funds	96	213	36	150	371	701	1,567
Deferred Revenue	---	68	5	124	3,244	179	3,620
Total Liabilities	465	1,093	247	2,678	28,472	5,275	38,230
Fund Balances:							
Reserved for:							
Inventories	26	1	1	5	---	118	151
Loans Receivable	---	---	561	---	---	---	561
Unreserved	45,283	29,265	6,681	72,942	61,839	48,591	264,601
Total Fund Balances	45,309	29,266	7,243	72,947	61,839	48,709	265,313
Total Liabilities and Fund Balances	$ 45,774	$ 30,359	$ 7,490	$ 75,625	$ 90,311	$ 53,984	$ 303,543

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2006
Revenues:							
Taxes	$ 87	$ 2	$ 1,229	$ 60,207	$ 83,165	$ 65	$ 144,755
Licenses, Fees and Permits	20,650	22,096	3,766	20,312	---	101,608	168,432
Sales	---	---	7	1,206	1	631	1,845
Leases and Rentals	---	---	---	12	---	---	12
Services	17	138	---	128	---	---	283
Contributions and Intergovernmental	---	53	---	12,548	---	60	12,661
Investment Earnings:							
Net Decrease in the Fair Value of Investments	(74)	(37)	(4)	(113)	(89)	(73)	(390)
Interest	---	322	154	1,642	19,278	1,601	22,997
Penalties and Unclaimed Properties	175	12,437	---	817	2,940	1,726	18,095
Cost Reimbursement/Miscellaneous	202	1,140	115	135,113	267	31,374	168,211
Total Revenues	21,057	36,151	5,267	231,872	105,562	136,992	536,901
Expenditures:							
Current:							
General Government	236	20,967	116	4,219	5,437	7,203	38,178
Education	96	---	4	2,705	41	423	3,269
Natural and Economic Resources	14,428	5,698	13,279	7,796	92,110	58,220	191,531
Transportation and Law Enforcement	3	11,857	2	4,372	26	18,295	34,555
Human Services	32	9	26	141,810	316	20,477	162,670
Capital Outlay:							
Current Expenditures	60	2,237	105	321	946	1,669	5,338
Debt Service:							
Principal	---	---	---	5	---	486	491
Interest	---	---	---	---	---	210	210
Total Expenditures	14,855	40,768	13,532	161,228	98,876	106,983	436,242
Excess Revenues (Expenditures)	6,202	(4,617)	(8,265)	70,644	6,686	30,009	100,659
Other Financing Sources (Uses):							
Transfers In	---	3,594	8,133	40,906	---	19,693	72,326
Transfers Out	(921)	---	---	(96,929)	(53)	(47,161)	(145,064)
Total Other Financing Sources (Uses)	(921)	3,594	8,133	(56,023)	(53)	(27,468)	(72,738)
Net Change in Fund Balances	5,281	(1,023)	(132)	14,621	6,633	2,541	27,921
Fund Balances - Beginning	40,028	30,289	7,375	58,327	55,206	46,560	237,785
Decrease in Reserve for Inventory	---	---	---	(1)	---	(392)	(393)
Fund Balances - Ending	$ 45,309	$ 29,266	$ 7,243	$ 72,947	$ 61,839	$ 48,709	$ 265,313

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance			Agriculture and State Fair			Social Assistance		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Taxes:												
Cigarette	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 39,022	$ 34,948	$ (4,074)
Liquor	---	---	---	---	---	---	1,490	1,229	(261)	---	---	---
Reimbursement/Miscellaneous	83	87	4	---	---	---	---	---	---	28,028	25,101	(2,927)
Total Taxes	83	87	4	---	---	---	1,490	1,229	(261)	67,050	60,049	(7,001)
Licenses, Fees and Permits	19,834	20,692	858	23,734	21,652	(2,082)	4,952	4,083	(869)	22,758	20,382	(2,376)
Leases and Rentals	7	---	(7)	---	---	---	9	---	(9)	1,369	1	(1,368)
Sales	---	7	7	---	---	---	---	7	7	1	1,226	1,225
Services	17	17	---	152	138	(14)	---	---	---	---	---	---
Contributions and Intergovernmental	1	1	---	3,084	2,813	(271)	9	8	(1)	15,952	14,287	(1,665)
Interest	---	---	---	335	306	(29)	44	36	(8)	1,723	1,543	(180)
Penalties and Unclaimed Property	167	175	8	14,351	13,092	(1,259)	---	---	---	909	815	(94)
Cost Reimbursement/ Miscellaneous	195	204	9	1,325	1,208	(117)	178	147	(31)	151,025	135,257	(15,768)
Total Revenues	20,304	21,183	879	42,981	39,209	(3,772)	6,682	5,510	(1,172)	260,787	233,560	(27,227)
Expenditures:												
Current:												
General Government	9	8	1	22,928	19,452	3,476	25	11	14	7,282	4,426	2,856
Education	110	94	16	---	---	---	---	---	---	5,881	2,548	3,333
Natural and Economic Resources	9,500	7,238	2,262	7,743	5,529	2,214	16,690	12,893	3,797	11,022	8,111	2,911
Transportation and Law Enforcement	---	---	---	16,238	14,065	2,173	5	---	5	6,298	4,007	2,291
Human Services	---	---	---	---	---	---	---	---	---	180,719	137,960	42,759
Capital Outlay	78	61	17	2,608	2,233	375	135	105	30	451	322	129
Debt Service	---	---	---	---	---	---	---	---	---	---	---	---
Total Expenditures	9,697	7,401	2,296	49,517	41,279	8,238	16,855	13,009	3,846	211,653	157,374	54,279
Excess Revenues (Expenditures)	10,607	13,782	3,175	(6,536)	(2,070)	4,466	(10,173)	(7,499)	2,674	49,134	76,186	27,052
Other Financing Sources (Uses):												
Transfers In	---	---	---	3,594	3,594	---	9,068	8,134	(934)	66,893	40,937	(25,956)
Transfers Out	(11,382)	(8,515)	2,867	(2,413)	(2,121)	292	(1,157)	(812)	345	(204,046)	(102,354)	101,692
Total Other Financing Sources (Uses)	(11,382)	(8,515)	2,867	1,181	1,473	292	7,911	7,322	(589)	(137,153)	(61,417)	75,736
Net Change in Fund Balances	(775)	5,267	6,042	(5,355)	(597)	4,758	(2,262)	(177)	2,085	(88,019)	14,769	102,788
Fund Balances - Beginning	29,105	40,648	11,543	690	29,625	28,935	8,322	3,472	(4,850)	(84,082)	49,226	133,308
Fund Balances - Ending	$ 28,330	$ 45,915	$ 17,585	$ (4,665)	$ 29,028	$ 33,693	$ 6,060	$ 3,295	$ (2,765)	$ (172,101)	$ 63,995	$ 236,096
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(30,460)			(19,254)			(2,186)			(42,453)	
Investments at Fair Value		30,293			19,152			5,683			50,732	
Receivables		---			1,361			658			3,346	
Due from Other Funds		---			71			39			---	
Inventories		26			1			1			5	
Accounts Payable		(176)			(461)			(133)			(2,170)	
Accrued Payroll		(193)			(351)			(73)			(234)	
Due to Other Funds		(96)			(213)			(36)			(150)	
Deferred Revenue		---			(68)			(5)			(124)	
Fund Balance per GAAP		$ 45,309			$ 29,266			$ 7,243			$ 72,947	

 This schedule is continued on pages 102-103.

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Unemployment and Workers' Compensation			Reimbursements and Other			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Taxes:									
Cigarette	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 39,022	$ 34,948	$ (4,074)
Liquor	---	---	---	---	---	---	1,490	1,229	(261)
Reimbursement/Miscellaneous	51,643	71,600	19,957	---	---	---	79,754	96,788	17,034
Total Taxes	51,643	71,600	19,957	---	---	---	120,266	132,965	12,699
Licenses, Fees and Permits	---	---	---	108,654	101,427	(7,227)	179,932	168,236	(11,696)
Leases and Rentals	---	---	---	661	---	(661)	2,046	1	(2,045)
Sales	---	---	---	---	617	617	1	1,857	1,856
Services	---	---	---	6	5	(1)	175	160	(15)
Contributions and Intergovernmental	982	1,361	379	885	826	(59)	20,913	19,296	(1,617)
Interest	13,865	19,223	5,358	1,688	1,575	(113)	17,655	22,683	5,028
Penalties and Unclaimed Property	2,121	2,940	819	1,951	1,821	(130)	19,499	18,843	(656)
Cost Reimbursement/ Miscellaneous	378	524	146	33,724	31,481	(2,243)	186,825	168,821	(18,004)
Total Revenues	68,989	95,648	26,659	147,569	137,752	(9,817)	547,312	532,862	(14,450)
Expenditures:									
Current:									
General Government	5,250	3,301	1,949	16,785	3,783	13,002	52,279	30,981	21,298
Education	---	---	---	400	400	---	6,391	3,042	3,349
Natural and Economic Resources	100,847	88,175	12,672	63,385	49,366	14,019	209,187	171,312	37,875
Transportation and Law Enforcement	---	---	---	20,816	16,216	4,600	43,357	34,288	9,069
Human Services	31	21	10	42,668	20,234	22,434	223,418	158,215	65,203
Capital Outlay	1,124	967	157	3,729	1,721	2,008	8,125	5,409	2,716
Debt Service	---	---	---	12	10	2	12	10	2
Total Expenditures	107,252	92,464	14,788	147,795	91,730	56,065	542,769	403,257	139,512
Excess Revenues (Expenditures)	(38,263)	3,184	41,447	(226)	46,022	46,248	4,543	129,605	125,062
Other Financing Sources (Uses):									
Transfers In	33	2	(31)	21,764	19,817	(1,947)	101,352	72,484	(28,868)
Transfers Out	(13,946)	(8,094)	5,852	(69,049)	(64,157)	4,892	(301,993)	(186,053)	115,940
Total Other Financing Sources (Uses)	(13,913)	(8,092)	5,821	(47,285)	(44,340)	2,945	(200,641)	(113,569)	87,072
Net Change in Fund Balances	(52,176)	(4,908)	47,268	(47,511)	1,682	49,193	(196,098)	16,036	212,134
Fund Balances - Beginning	44,690	79,564	34,874	(26,460)	49,891	76,351	(27,735)	252,426	280,161
Fund Balances - Ending	$ (7,486)	$ 74,656	$ 82,142	$ (73,971)	$ 51,573	$ 125,544	$ (223,833)	$ 268,462	$ 492,295
Reconciling Items:									
Reclassifying Cash Equivalents as Investments		(49,527)			(34,211)			(178,091)	
Investments at Fair Value		49,255			34,137			189,252	
Receivables		15,927			2,363			23,655	
Due from Other Funds		---			4			114	
Inventories		---			118			151	
Accounts Payable		(24,459)			(2,626)			(30,025)	
Accrued Payroll		(398)			(1,769)			(3,018)	
Due to Other Funds		(371)			(701)			(1,567)	
Deferred Revenue		(3,244)			(179)			(3,620)	
Fund Balance per GAAP		$ 61,839			$ 48,709			$ 265,313	

This schedule is continued from pages 100-101.

*The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.*

Debt Service Funds:

Water Pollution Control Bond and Interest – Accounts for moneys used to pay the principal of the Water Pollution Control Bonds and the interest thereon.

Third State Building Bond Interest and Sinking – Accounts for moneys used to pay the principal of the Third State Building Bonds and the interest thereon.

Fourth State Building Bond and Interest – Accounts for moneys used to pay the principal of the Fourth State Building Bonds and the interest thereon.

Stormwater Control Bond and Interest – Accounts for moneys used to pay the principal of the Stormwater Control Bonds and the interest thereon.

STATE OF MISSOURI
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2006
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2006
ASSETS					
Cash and Cash Equivalents	$ 12,084	$ 23,877	$ 5,220	$ 1,226	$ 42,407
Investments	14,202	28,061	6,135	1,441	49,839
Interest Receivable	268	502	114	27	911
Total Assets	$ 26,554	$ 52,440	$ 11,469	$ 2,694	$ 93,157
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue	$ 120	$ 224	$ 51	$ 12	$ 407
Total Liabilities	120	224	51	12	407
Fund Balances:					
Reserved for Debt Service	26,434	52,216	11,418	2,682	92,750
Total Fund Balances	26,434	52,216	11,418	2,682	92,750
Total Liabilities and Fund Balances	$ 26,554	$ 52,440	$ 11,469	$ 2,694	$ 93,157

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2006
Revenues:					
Investment Earnings:					
Net Increase in the Fair Value of Investments	$ 137	$ 149	$ 56	$ 11	$ 353
Interest	1,020	1,681	427	100	3,228
Total Revenues	1,157	1,830	483	111	3,581
Expenditures:					
Debt Service:					
Principal	11,130	39,195	---	650	50,975
Interest	13,014	10,926	8,982	1,712	34,634
Total Expenditures	24,144	50,121	8,982	2,362	85,609
Excess Expenditures	(22,987)	(48,291)	(8,499)	(2,251)	(82,028)
Other Financing Sources:					
Transfers In	13,030	49,643	4,795	1,709	69,177
Total Other Financing Sources	13,030	49,643	4,795	1,709	69,177
Net Change in Fund Balances	(9,957)	1,352	(3,704)	(542)	(12,851)
Fund Balances - Beginning	36,391	50,864	15,122	3,224	105,601
Fund Balances - Ending	$ 26,434	$ 52,216	$ 11,418	$ 2,682	$ 92,750

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest			Third State Building Bond Interest and Sinking			Fourth State Building Bond and Interest			Stormwater Control Bond and Interest			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:															
Interest	$ 1,292	$ 998	$ (294)	$ 2,552	$ 1,573	$ (979)	$ 558	$ 418	$ (140)	$ 131	$ 96	$ (35)	$ 4,533	$ 3,085	$ (1,448)
Total Revenues	1,292	998	(294)	2,552	1,573	(979)	558	418	(140)	131	96	(35)	4,533	3,085	(1,448)
Expenditures:															
Debt Service	35,873	24,145	11,728	50,120	50,120	---	14,853	8,982	5,871	3,176	2,362	814	104,022	85,609	18,413
Total Expenditures	35,873	24,145	11,728	50,120	50,120	---	14,853	8,982	5,871	3,176	2,362	814	104,022	85,609	18,413
Excess Expenditures	(34,581)	(23,147)	11,434	(47,568)	(48,547)	(979)	(14,295)	(8,564)	5,731	(3,045)	(2,266)	779	(99,489)	(82,524)	16,965
Other Financing Sources:															
Transfers In	35,910	13,030	(22,880)	50,509	49,643	(866)	16,235	4,795	(11,440)	3,184	1,709	(1,475)	105,838	69,177	(36,661)
Total Other Financing Sources	35,910	13,030	(22,880)	50,509	49,643	(866)	16,235	4,795	(11,440)	3,184	1,709	(1,475)	105,838	69,177	(36,661)
Net Change in Fund Balances	1,329	(10,117)	(11,446)	2,941	1,096	(1,845)	1,940	(3,769)	(5,709)	139	(557)	(696)	6,349	(13,347)	(19,696)
Fund Balances - Beginning	35,223	36,476	1,253	49,764	50,987	1,223	15,227	15,156	(71)	3,237	3,232	(5)	103,451	105,851	2,400
Fund Balances - Ending	$ 36,552	$ 26,359	$ (10,193)	$ 52,705	$ 52,083	$ (622)	$ 17,167	$ 11,387	$ (5,780)	$ 3,376	$ 2,675	$ (701)	$ 109,800	$ 92,504	$ (17,296)
Reconciling Items:															
Reclassifying Cash Equivalents as Investments		(14,275)			(28,206)			(6,167)			(1,449)			(50,097)	
Investments at Fair Value		14,202			28,061			6,135			1,441			49,839	
Interest Receivable		268			502			114			27			911	
Deferred Revenues		(120)			(224)			(51)			(12)			(407)	
Fund Balances - GAAP Basis		$ 26,434			$ 52,216			$ 11,418			$ 2,682			$ 92,750	

*The **Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.*

Non-Major Capital Projects Funds:

Veterans' Homes Capital Improvement – Accounts for fees collected from the sale of bingo cards to be used for the construction or renovation of veterans' homes and cemeteries in the State.

Water Pollution Control – Accounts for bond sale proceeds to be used for the protection of the environment through the control of water pollution.

Fourth State Building – Accounts for bond sale proceeds to be used for capital improvements of institutions of higher education, the Department of Corrections and the Division of Youth Services.

Stormwater Control – Accounts for bond sale proceeds to be used for financing and construction of stormwater control.

Board of Public Building Revenue Bond – Accounts for bond sale proceeds to be used for renovating state buildings and structures.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2006
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Stormwater Control	Board of Public Building Revenue Bond	Totals June 30, 2006
ASSETS						
Cash and Cash Equivalents	$ 2,868	$ 3,850	$ 3,282	$ 5,400	$ 12,460	$ 27,860
Investments	5,621	4,524	3,857	6,347	14,645	34,994
Interest Receivable	54	87	74	118	302	635
Total Assets	$ 8,543	$ 8,461	$ 7,213	$ 11,865	$ 27,407	$ 63,489
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 20	$ ---	$ ---	$ ---	$ ---	$ 20
Accrued Payroll	39	---	---	---	---	39
Due to Other Funds	57	---	84	---	38	179
Deferred Revenue	24	39	33	53	135	284
Total Liabilities	140	39	117	53	173	522
Fund Balances:						
Unreserved	8,403	8,422	7,096	11,812	27,234	62,967
Total Fund Balances	8,403	8,422	7,096	11,812	27,234	62,967
Total Liabilities and Fund Balances	$ 8,543	$ 8,461	$ 7,213	$ 11,865	$ 27,407	$ 63,489

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Stormwater Control	Board of Public Building Revenue Bond	Totals June 30, 2006
Revenues:						
Contributions and Intergovernmental	$ 2,964	$ ---	$ ---	$ ---	$ ---	$ 2,964
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(9)	53	29	65	246	384
Interest	320	351	263	453	1,368	2,755
Cost Reimbursement/ Miscellaneous	293	---	---	---	---	293
Total Revenues	3,568	404	292	518	1,614	6,396
Expenditures:						
Current:						
General Government	191	---	---	---	---	191
Education	4	---	---	---	---	4
Natural and Economic Resources	1	5,262	---	5,679	---	10,942
Transportation and Law Enforcement	2,434	---	---	---	27	2,461
Human Services	15	---	25	---	71	111
Capital Outlay:						
Current Expenditures	6,511	---	1,591	---	29,741	37,843
Total Expenditures	9,156	5,262	1,616	5,679	29,839	51,552
Excess Expenditures	(5,588)	(4,858)	(1,324)	(5,161)	(28,225)	(45,156)
Other Financing Sources (Uses):						
Transfers In	6,000	---	---	---	---	6,000
Transfers Out	(1,500)	---	---	---	---	(1,500)
Total Other Financing Sources (Uses)	4,500	---	---	---	---	4,500
Net Change in Fund Balances	(1,088)	(4,858)	(1,324)	(5,161)	(28,225)	(40,656)
Fund Balances - Beginning	9,491	13,280	8,420	16,973	55,459	103,623
Fund Balances - Ending	$ 8,403	$ 8,422	$ 7,096	$ 11,812	$ 27,234	$ 62,967

*The **Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.*

Permanent Funds:

Arrow Rock State Historic Site Endowment – Accounts for moneys transferred from the State Parks Earnings Fund, as well as other moneys or property received by grant, gift, donation, or bequest specified for the enhancement of the Arrow Rock State Historic Site.

Confederate Memorial Park – Accounts for the income from investments acquired by gifts, donations and bequests to be used for the maintenance of the Confederate Memorial Park.

State Public School – Accounts for all moneys, bonds, lands and other properties belonging to or donated to the State for public school use in establishing and maintaining free public schools.

Smith Memorial Endowment Trust – Accounts for moneys bequeathed for the use and benefit of the Crippled Children's Service.

Missouri Investment Trust – Accounts for moneys transferred from the Missouri Arts Council Trust Fund, the Missouri Humanities Council Trust Fund, the Johnson-Travis Memorial Trust Fund, and the Secretary of State Wolfner Library Fund to be invested by the Missouri Investment Trust's Board of Trustees.

STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2006
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2006
ASSETS						
Cash and Cash Equivalents	$ 8	$ 51	$ 5	$ 130	$ ---	$ 194
Investments	16	99	23,659	254	26,867	50,895
Interest Receivable	---	1	---	3	---	4
Total Assets	$ 24	$ 151	$ 23,664	$ 387	$ 26,867	$ 51,093
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred Revenue	$ ---	$ 1	$ ---	$ 1	$ ---	$ 2
Total Liabilities	---	1	---	1	---	2
Fund Balances:						
Reserved for Trust Principal	24	75	23,664	365	26,867	50,995
Unreserved	---	75	---	21	---	96
Total Fund Balances	24	150	23,664	386	26,867	51,091
Total Liabilities and Fund Balances	$ 24	$ 151	$ 23,664	$ 387	$ 26,867	$ 51,093

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2006
Revenues:						
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	$ ---	$ ---	$ (59)	$ ---	$ 3,124	$ 3,065
Interest	1	6	---	15	---	22
Penalties and Unclaimed Properties	---	---	189	---	---	189
Total Revenues	1	6	130	15	3,124	3,276
Expenditures:						
Human Services	---	---	---	12	---	12
Total Expenditures	---	---	---	12	---	12
Net Change in Fund Balances	1	6	130	3	3,124	3,264
Fund Balances - Beginning	23	144	23,534	383	23,743	47,827
Fund Balances - Ending	$ 24	$ 150	$ 23,664	$ 386	$ 26,867	$ 51,091

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL APPROPRIATED PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park			State Public School			Smith Memorial Endowment Trust		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Interest	$ 1	$ 1	$ ---	$ 5	$ 4	$ (1)	$ ---	$ 81	$ 81	$ 15	$ 15	$ ---
Penalties and Unclaimed Property	---	---	---	---	---	---	---	188	188	---	---	---
Total Revenues	1	1	---	5	4	(1)	---	269	269	15	15	---
Expenditures:												
Human Services	---	---	---	---	---	---	---	---	---	35	11	24
Total Expenditures	---	---	---	---	---	---	---	---	---	35	11	24
Excess Revenues (Expenditures)	1	1	---	5	4	(1)	---	269	269	(20)	4	24
Other Financing Sources:												
Transfers In	---	---	---	---	---	---	1,000	---	(1,000)	---	---	---
Total Other Financing Sources	---	---	---	---	---	---	1,000	---	(1,000)	---	---	---
Net Change in Fund Balances	1	1	---	5	4	(1)	1,000	269	(731)	(20)	4	24
Fund Balances - Beginning	22	23	1	144	145	1	7,030	1,234	(5,796)	335	382	47
Fund Balances - Ending	$ 23	$ 24	$ 1	$ 149	$ 149	$ ---	$ 8,030	$ 1,503	$ (6,527)	$ 315	$ 386	$ 71
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(16)			(99)			(1,498)			(256)	
Investments at Fair Value		16			99			23,659			254	
Interest Receivable		---			1			---			3	
Deferred Revenue		---			---			---			(1)	
Fund Balance - GAAP Basis		$ 24			$ 150			$ 23,664			$ 386	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund, and does not have a legally adopted budget.

This schedule is continued on page 114.

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL APPROPRIATED PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	$ 21	$ 101	$ 80
Penalties and Unclaimed Property	---	188	188
Total Revenues	21	289	268
Expenditures:			
Human Services	35	11	24
Total Expenditures	35	11	24
Excess Revenues (Expenditures)	(14)	278	292
Other Financing Sources:			
Transfers In	1,000	---	(1,000)
Total Other Financing Sources	1,000	---	(1,000)
Net Change in Fund Balan	986	278	(708)
Fund Balances - Beginning	7,531	1,784	(5,747)
Fund Balances - Ending	$ 8,517	$ 2,062	$ (6,455)
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(1,869)	
Investments at Fair Value		24,028	
Interest Receivable		4	
Deferred Revenue		(1)	
Fund Balance - GAAP Basis		$ 24,224	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund, and does not have a legally adopted budget.

This schedule is continued from page 113.

*The **Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises.*

Non-Major Enterprise Funds:

State Fair Fees – Accounts for the fairground admission fees used to improve the grounds and to pay the operating costs of the state fair.

State Parks – Accounts for park concessions and contributions which are used to acquire and operate state parks.

Natural Resources Revolving Services – Accounts for moneys received from the delivery of services and the sale or resale of maps, plats, reports, studies, records and other publications and documents.

Historic Preservation Revolving – Accounts for gifts, grants, and contributions used to acquire, preserve, restore, maintain or operate any historical properties.

Missouri Veterans' Homes – Accounts for fees to provide services for persons confined to one of the veterans' homes.

State Agency for Surplus Property – Accounts for the surplus property operation.

Department of Revenue Information – Accounts for fees received by the Department of Revenue for publications and used to pay the costs of providing this information.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2006
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2006
ASSETS								
Current Assets:								
Cash and Cash Equivalents	$ 171	$ 583	$ 147	$ 348	$ 1,331	$ 683	$ 586	$ 3,849
Investments	335	1,111	289	683	2,622	1,338	1,224	7,602
Accounts Receivable, Net	5	6	112	---	189	266	123	701
Interest Receivable	3	---	---	7	39	16	---	65
Due from Other Funds	8	---	52	---	---	---	---	60
Inventories	---	574	493	---	---	392	77	1,536
Prepaid Items	---	---	21	---	---	---	---	21
Loans Receivable	---	---	---	487	---	---	---	487
Noncurrent Assets:								
Assets Held for Resale	---	---	---	115	---	---	---	115
Capital Assets:								
Construction in Progress	---	4,526	---	---	---	---	---	4,526
Land	---	6,110	---	---	---	---	---	6,110
Land Improvements	75	6,564	---	---	38	169	---	6,846
Buildings	3	21,350	---	481	164	161	---	22,159
Equipment	415	9,968	15,059	37	5,049	702	309	31,539
Less Accumulated Depreciation	(370)	(17,504)	(12,042)	(139)	(3,434)	(881)	(304)	(34,674)
Total Capital Assets (Net of Accumulated Depreciation)	123	31,014	3,017	379	1,817	151	5	36,506
Total Assets	645	33,288	4,131	2,019	5,998	2,846	2,015	50,942
LIABILITIES								
Current Liabilities:								
Accounts Payable	4	541	10	---	2	48	11	616
Accrued Payroll	27	58	2	---	1,346	24	12	1,469
Due to Other Funds	4	30	9	---	609	14	14	680
Unearned Revenue	---	20	41	---	---	---	33	94
Compensated Absences	2	36	6	9	1,396	57	16	1,522
Total Liabilities	37	685	68	9	3,353	143	86	4,381
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	123	31,014	3,017	379	1,817	151	5	36,506
Unrestricted	485	1,589	1,046	1,631	828	2,552	1,924	10,055
Total Net Assets	$ 608	$ 32,603	$ 4,063	$ 2,010	$ 2,645	$ 2,703	$ 1,929	$ 46,561

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2006
Operating Revenues:								
Licenses, Fees and Permits	$ 3,105	$ 4,553	$ 62	$ ---	$ ---	$ ---	$ ---	$ 7,720
Sales	---	613	226	120	209	3,087	1,729	5,984
Leases and Rentals	1,035	1,878	---	---	---	---	---	2,913
Charges for Services	---	---	2	---	23,292	---	---	23,294
Cost Reimbursement/Miscellaneous	---	31	59	---	2	120	---	212
Total Operating Revenues	4,140	7,075	349	120	23,503	3,207	1,729	40,123
Operating Expenses:								
Cost of Goods Sold	---	---	535	---	---	1,631	---	2,166
Personal Service	1,068	1,040	86	38	43,362	861	431	46,886
Operations	2,719	8,213	128	44	1,820	496	386	13,806
Inventories	21	26	6	---	700	6	3	762
Specific Programs	28	24	---	---	221	---	---	273
Depreciation	27	1,493	867	11	436	40	16	2,890
Other Charges	197	185	9	---	104	21	36	552
Total Operating Expenses	4,060	10,981	1,631	93	46,643	3,055	872	67,335
Operating Income (Loss)	80	(3,906)	(1,282)	27	(23,140)	152	857	(27,212)
Non-Operating Revenues (Expenses):								
Contributions and Intergovernmental	114	209	1,179	---	24,572	---	113	26,187
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	1	(2)	---	(2)	(13)	(3)	(4)	(23)
Interest	15	---	---	41	158	82	1	297
Penalties and Unclaimed Properties	---	1	---	---	---	---	---	1
Disposal of Capital Assets	(1)	(5)	(3)	---	---	---	(1)	(10)
Extraordinary Items	---	---	35	---	---	---	---	35
Total Non-Operating Revenues (Expenses)	129	203	1,211	39	24,717	79	109	26,487
Income (Loss) Before Transfers	209	(3,703)	(71)	66	1,577	231	966	(725)
Transfers In	---	---	---	97	1,500	---	---	1,597
Transfers Out	---	---	---	---	---	(30)	---	(30)
Change in Net Assets	209	(3,703)	(71)	163	3,077	201	966	842
Total Net Assets - Beginning	399	36,306	4,134	1,847	(432)	2,502	963	45,719
Total Net Assets - Ending	$ 608	$ 32,603	$ 4,063	$ 2,010	$ 2,645	$ 2,703	$ 1,929	$ 46,561

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2006
Cash Flows from Operating Activities:								
Receipts from Customers and Users	$ 4,135	$ 7,061	$ 202	$ 120	$ 23,511	$ 3,016	$ 1,700	$ 39,745
Payments to Suppliers	(2,744)	(7,859)	(700)	(44)	(2,268)	(2,199)	(474)	(16,288)
Payments to Employees	(1,074)	(1,039)	(87)	(32)	(43,616)	(865)	(427)	(47,140)
Payments Made for Program Expense	(28)	(24)	---	---	(221)	---	---	(273)
Other Receipts (Payments)	(197)	(154)	50	---	(102)	99	(36)	(340)
Net Cash Provided (Used) by Operating Activities	92	(2,015)	(535)	44	(22,696)	51	763	(24,296)
Cash Flows from Non-Capital Financing Activities:								
Loans Made to Outside Entities	---	---	---	13	---	---	---	13
Due to/from Other Funds	(9)	5	(35)	(1)	48	(4)	9	13
Contributions and Intergovernmental	114	209	1,179	---	24,572	---	113	26,187
Transfers to/from Other Funds	---	---	---	97	1,500	(30)	---	1,567
Net Cash Provided (Used) by Non-Capital Financing Activities	105	214	1,144	109	26,120	(34)	122	27,780
Cash Flows from Capital and Related Financing Activities:								
Purchases and Construction of Capital Assets	(41)	---	(824)	---	(150)	(97)	---	(1,112)
Disposal of Capital Assets	---	1,710	9	---	---	---	---	1,719
Net Cash Provided (Used) by Capital and Related Financing Activities	(41)	1,710	(815)	---	(150)	(97)	---	607
Cash Flows from Investing Activities:								
Proceeds from Investment Maturities	---	147	168	---	---	129	---	444
Purchase of Investments	(96)	---	---	(87)	(2,232)	---	(576)	(2,991)
Interest and Dividends Received	14	---	---	39	129	78	1	261
Penalties and Other Receipts	---	1	---	---	---	---	---	1
Net Cash Provided (Used) by Investing Activities	(82)	148	168	(48)	(2,103)	207	(575)	(2,285)
Net Increase (Decrease) in Cash	74	57	(38)	105	1,171	127	310	1,806
Cash and Cash Equivalents, Beginning of Year	97	526	185	243	160	556	276	2,043
Cash and Cash Equivalents, End of Year	$ 171	$ 583	$ 147	$ 348	$ 1,331	$ 683	$ 586	$ 3,849
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	$ 80	$ (3,906)	$ (1,282)	$ 27	$ (23,140)	$ 152	$ 857	$ (27,212)
Depreciation Expense	27	1,493	867	11	436	40	16	2,890
Changes in Assets and Liabilities:								
Accounts Receivable	(5)	(3)	(88)	---	10	(71)	(62)	(219)
Inventories	---	(57)	(22)	---	282	(50)	(77)	76
Prepaid Items	---	---	2	---	---	---	---	2
Accounts Payable	(4)	437	(11)	---	(30)	(16)	(8)	368
Accrued Payroll	(6)	9	(1)	(2)	(49)	(1)	2	(48)
Unearned Revenue	---	20	---	---	---	---	33	53
Compensated Absences	---	(8)	---	8	(205)	(3)	2	(206)
Net Cash Provided (Used) by Operating Activities	$ 92	$ (2,015)	$ (535)	$ 44	$ (22,696)	$ 51	$ 763	$ (24,296)

*The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the State on a cost-reimbursement basis.*

Internal Service Funds:

Natural Resources Cost Allocation – Accounts for the administrative costs of the Department of Natural Resources.

Mental Health Interagency Payments – Accounts for moneys received through interagency agreements for services provided by other agencies.

State Facility Maintenance and Operation – Accounts for moneys transferred or paid to the Office of Administration as operating expenses, and for rent expenses of certain state-owned facilities.

Office of Administration Revolving – Accounts for the following operations: printing services, flight operations, vehicle management, garage services, data processing and telecommunication services, building and grounds, insurance services, postage, and personnel administration.

Working Capital Revolving – Accounts for the operation of correctional industry programs and correctional farm programs.

General Government Revolving – Accounts for various service operations of the House of Representatives, Supreme Court, Adjutant General, Senate, Treasurer and Department of Corrections.

Social Services Administrative Trust – Accounts for moneys transferred or paid to the Department of Social Services from any governmental entity or the public for goods and services provided.

Economic Development – Administrative – Accounts for moneys collected for goods and services provided to other divisions and used to pay the cost of providing such services.

Professional Registration Fees – Accounts for moneys received from the professional boards for administrative services.

Conservation Employees' Insurance Plan – Accounts for health insurance coverage on a self-insured basis and life insurance coverage by a third party provider for the Department of Conservation employees.

Transportation Self-Insurance Plan – Accounts for highway and highway patrol moneys used to pay workers' compensation claims. Moneys are also used to pay auto claims against the Department of Transportation.

Missouri State Employees' Insurance Plan – Accounts for long-term disability and death benefits provided on a self-insured basis for state employees.

Missouri Consolidated Health Care Plan – Accounts for medical care benefits provided on a self-insured basis for state employees.

MoDOT and MSHP Medical and Life Insurance Plan – Accounts for the medical coverage provided on a self-insured basis and death benefits provided on an insured basis to Department of Transportation employees and members of the Missouri State Highway Patrol.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2006
ASSETS															
Current Assets:															
Cash and Cash Equivalents	$ 243	$ 658	$ 507	$ 3,606	$ 2,882	$ 1,504	$ 121	$ 151	$ 58	$ 1,971	$ 1,623	$ ---	$ 119,174	$ 2,359	$ 134,857
Investments	475	1,284	995	7,254	5,648	2,945	238	296	114	3,484	47,703	2,051	30,347	32,030	134,864
Accounts Receivable, Net	---	---	14	2,229	646	14,201	7	---	---	400	---	971	5,340	268	24,076
Interest Receivable	---	---	---	---	---	---	---	---	---	---	371	---	---	---	371
Due from Other Funds	1	11	3,193	2,075	694	---	475	---	---	---	---	2	13,950	---	20,401
Inventories	---	16	1	248	10,504	---	68	2	12	---	---	---	---	---	10,851
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	130	---	130
Noncurrent Assets:															
Restricted Assets:															
Cash and Cash Equivalents	---	---	2,911	456	---	---	---	---	---	---	---	---	---	---	3,367
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Capital Assets:															
Construction in Progress	239	---	143,899	335	102	---	---	---	---	---	---	---	---	---	144,575
Land	---	---	8,332	---	103	---	---	---	---	---	---	---	---	---	8,435
Land Improvements	---	---	3,195	---	---	---	---	---	---	---	---	---	---	---	3,195
Buildings	---	---	251,316	9,862	6,359	---	---	---	2,300	---	---	---	---	---	269,837
Equipment	5,177	3,163	6,921	34,894	23,419	81	475	546	1,767	---	---	---	2,508	---	78,951
Less Accumulated Depreciation	(3,840)	(1,517)	(144,394)	(34,163)	(23,256)	(59)	(319)	(415)	(1,873)	---	---	---	(2,091)	---	(211,927)
Total Capital Assets (Net of Accumulated Depreciation)	1,576	1,646	269,269	10,928	6,727	22	156	131	2,194	---	---	---	417	---	293,066
Total Assets	2,295	3,615	276,890	26,796	27,101	18,672	1,065	580	2,378	5,855	49,897	3,024	169,358	34,757	622,283
LIABILITIES															
Current Liabilities:															
Bank Overdraft	---	---	---	---	---	---	---	---	---	---	---	2	---	---	2
Accounts Payable	28	2	633	2,349	5	474	92	2	47	69	25	2,651	9,863	995	17,235
Accrued Payroll	226	2	380	249	252	38	1	45	116	---	---	---	---	---	1,309
Due to Other Funds	111	3	175	176	126	37	18	18	52	---	---	---	---	---	716
Unearned Revenue	---	---	---	231	---	---	---	---	---	---	---	---	18,564	6,666	25,461
Claims Liability	---	---	---	---	---	---	---	---	---	3,682	15,191	---	32,494	9,561	60,928
Obligations under Lease Purchase	---	---	81	---	26	---	---	---	---	---	---	---	79	---	186
Compensated Absences	386	---	507	695	570	73	4	84	202	---	---	---	173	---	2,694
Notes Payable	---	---	142	---	---	---	---	---	---	---	---	---	---	---	142
Noncurrent Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	40,666	---	---	---	40,666
Obligations under Lease Purchase	---	---	834	41	---	---	---	---	---	---	---	---	---	---	875
Compensated Absences	174	---	163	---	---	5	---	5	22	---	---	---	29	---	398
Notes Payable	---	---	3,905	---	---	---	---	---	---	---	---	---	---	---	3,905
Total Liabilities	925	7	6,820	3,741	979	627	115	154	439	3,751	55,882	2,653	61,202	17,222	154,517
NET ASSETS															
Invested in Capital Assets, Net of Related Debt	1,576	1,646	268,354	10,887	6,701	22	156	131	2,194	---	---	---	338	---	292,005
Restricted for:															
Revenue Bonds	---	---	2,911	---	---	---	---	---	---	---	---	---	---	---	2,911
Other Purposes	---	---	---	77	---	---	---	---	---	---	200	---	---	100	377
Unrestricted	(206)	1,962	(1,195)	12,091	19,421	18,023	794	295	(255)	2,104	(6,185)	371	107,818	17,435	172,473
Total Net Assets	$ 1,370	$ 3,608	$ 270,070	$ 23,055	$ 26,122	$ 18,045	$ 950	$ 426	$ 1,939	$ 2,104	$ (5,985)	$ 371	$ 108,156	$ 17,535	$ 467,766

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2006
Operating Revenues:															
Employer Contributions	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 7,607	$ 25,239	$ ---	$ 335,251	$ 64,990	$ 433,087
Employee Contributions	---	---	---	---	---	---	---	---	---	4,984	---	26,415	84,069	26,216	141,684
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	---	---	---	2,565	1,559	4,124
Licenses, Fees and Permits	---	---	---	---	---	10,297	---	---	36	---	---	---	---	---	10,333
Sales	---	---	---	---	28,200	16	10	---	---	---	---	---	---	---	28,226
Leases and Rentals	---	---	19,288	---	110	64	232	---	---	---	---	---	---	---	19,694
Charges for Services	10,322	6,463	3,832	67,872	2	2,799	5,043	2,154	5,688	---	---	---	---	---	104,175
Cost Reimbursement/Miscellaneous	28	---	25	2,641	2	64	1	8	---	---	297	437	---	658	4,161
Total Operating Revenues	10,350	6,463	23,145	70,513	28,314	13,240	5,286	2,162	5,724	12,591	25,536	26,852	421,885	93,423	745,484
Operating Expenses:															
Cost of Goods Sold	---	---	---	3,971	10,389	---	---	---	---	---	---	---	---	---	14,360
Personal Service	7,245	212	6,952	13,912	9,675	1,288	92	1,581	3,866	---	---	377	3,888	---	49,088
Operations	2,763	2,351	14,140	46,894	4,949	3,348	5,244	464	1,601	1,728	969	146	22,997	9,091	116,685
Inventories	72	15	39	659	524	78	56	13	90	---	---	---	---	---	1,546
Specific Programs	6	2,550	96	---	23	522	---	5	11	---	---	---	---	---	3,213
Insurance Benefits	---	---	---	---	---	---	---	---	---	11,398	26,419	26,380	376,750	83,792	524,739
Depreciation	388	719	9,103	2,751	1,475	10	45	62	310	---	---	---	229	---	15,092
Other Charges	142	25	53	1,020	1,587	140	---	37	56	24	---	---	---	68	3,152
Total Operating Expenses	10,616	5,872	30,383	69,207	28,622	5,386	5,437	2,162	5,934	13,150	27,388	26,903	403,864	92,951	727,875
Operating Income (Loss)	(266)	591	(7,238)	1,306	(308)	7,854	(151)	---	(210)	(559)	(1,852)	(51)	18,021	472	17,609
Non-Operating Revenues (Expenses):															
Contributions and Intergovernmental	---	---	223	---	---	15	---	---	---	---	---	---	---	---	238
Interest Expense	---	---	(223)	(71)	---	---	---	---	---	---	---	---	---	---	(294)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	(1)	(6)	(2)	---	(14)	(12)	(1)	(1)	---	---	1,061	---	---	1,211	2,235
Interest	---	---	164	---	---	---	---	---	---	221	---	85	5,928	---	6,398
Disposal of Capital Assets	(1)	(15)	(8)	(46)	(45)	---	(13)	(3)	(3)	---	---	---	---	---	(134)
Total Non-Operating Revenues (Expenses)	(2)	(21)	154	(117)	(59)	3	(14)	(4)	(3)	221	1,061	85	5,928	1,211	8,443
Income (Loss) Before Transfers	(268)	570	(7,084)	1,189	(367)	7,857	(165)	(4)	(213)	(338)	(791)	34	23,949	1,683	26,052
Transfers Out	---	---	---	(466)	---	(95)	---	---	---	---	---	---	---	---	(561)
Change in Net Assets	(268)	570	(7,084)	723	(367)	7,762	(165)	(4)	(213)	(338)	(791)	34	23,949	1,683	25,491
Total Net Assets - Beginning	1,638	3,038	277,154	22,332	26,489	10,283	1,115	430	2,152	2,442	(5,194)	337	84,207	15,852	442,275
Total Net Assets - Ending	$ 1,370	$ 3,608	$ 270,070	$ 23,055	$ 26,122	$ 18,045	$ 950	$ 426	$ 1,939	$ 2,104	$ (5,985)	$ 371	$ 108,156	$ 17,535	$ 467,766

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2006
Cash Flows from Operating Activities:															
Receipts from Customers and Users	$ 10,322	$ 6,463	$ 23,106	$ 66,934	$ 28,309	$ 7,661	$ 5,278	$ 2,169	$ 5,724	$ 12,584	$ 25,329	$ 26,480	$ 420,769	$ 91,038	$ 732,166
Payments to Suppliers	(2,814)	(2,380)	(13,764)	(52,420)	(15,455)	(2,954)	(5,188)	(479)	(1,676)	(1,724)	(1,039)	(137)	(19,901)	(9,091)	(129,022)
Payments to Employees	(7,222)	(214)	(6,633)	(14,571)	(9,817)	(1,295)	(96)	(1,588)	(3,850)	---	---	(377)	(3,871)	---	(49,534)
Payments Made for Program Expense	(6)	(2,550)	(96)	---	(23)	(522)	---	(5)	(11)	(10,993)	(16,490)	(26,380)	(380,963)	(83,350)	(521,389)
Other Receipts (Payments)	(114)	(25)	(28)	1,621	(1,585)	(76)	1	(29)	(56)	(24)	297	437	---	2,149	2,568
Net Cash Provided (Used) by Operating Activities	166	1,294	2,585	1,564	1,429	2,814	(5)	68	131	(157)	8,097	23	16,034	746	34,789
Cash Flows from Non-Capital Financing Activities:															
Due to/from Other Funds	20	527	(3,087)	1,476	260	20	177	13	2	---	---	(1)	(1,257)	---	(1,850)
Contibutions and Intergovernmental	---	---	223	---	---	15	---	---	---	---	---	---	---	---	238
Transfers to/from Other Funds	---	---	---	(466)	---	(95)	---	---	---	---	---	---	---	---	(561)
Net Cash Provided (Used) by Non-Capital Financing Activities	20	527	(2,864)	1,010	260	(60)	177	13	2	---	---	(1)	(1,257)	---	(2,173)
Cash Flows from Capital and Related Financing Activities:															
Interest Expense	---	---	(223)	(71)	---	---	---	---	---	---	---	---	---	---	(294)
Purchase or Construction of Capital Assets	(389)	(573)	(6,177)	(2,122)	(454)	(13)	---	(23)	(165)	---	---	---	(144)	---	(10,060)
Bonds and Notes Payable	---	---	4,047	---	---	---	---	---	---	---	---	---	---	---	4,047
Capital Lease Downpayment/Obligations	---	---	(141)	(1,208)	(12)	---	---	---	---	---	---	---	(52)	---	(1,413)
Disposal of Capital Assets	---	---	---	29	---	---	---	---	---	---	---	---	---	---	29
Net Cash Used by Capital and Related Financing Activities	(389)	(573)	(2,494)	(3,372)	(466)	(13)	---	(23)	(165)	---	---	---	(196)	---	(7,691)
Cash Flows from Investing Activities:															
Proceeds from Sales and Investment Maturities	173	---	---	1,091	---	---	---	---	31	---	8,200	485,622	---	364,205	859,322
Purchase of Investments	---	(792)	(51)	---	(452)	(1,733)	(105)	(21)	---	(3,484)	(15,974)	(485,731)	(30,347)	(386,974)	(925,664)
Interest and Dividends Received	---	---	164	---	---	---	---	---	---	221	1,300	85	5,928	582	8,280
Net Cash Provided (Used) by Investing Activities	173	(792)	113	1,091	(452)	(1,733)	(105)	(21)	31	(3,263)	(6,474)	(24)	(24,419)	(22,187)	(58,062)
Net Increase (Decrease) in Cash	(30)	456	(2,660)	293	771	1,008	67	37	(1)	(3,420)	1,623	(2)	(9,838)	(21,441)	(33,137)
Cash and Cash Equivalents, Beginning of Year	273	202	6,078	3,769	2,111	496	54	114	59	5,391	---	---	129,012	23,800	171,359
Cash and Cash Equivalents, End of Year	$ 243	$ 658	$ 3,418	$ 4,062	$ 2,882	$ 1,504	$ 121	$ 151	$ 58	$ 1,971	$ 1,623	$ (2)	$ 119,174	$ 2,359	$ 138,222
Reconciliation of Operating Income of Net Cash Provided (Used) by Operating Activities:															
Operating Income (Loss)	$ (266)	$ 591	$ (7,238)	$ 1,306	$ (308)	$ 7,854	$ (151)	$ ---	$ (210)	$ (559)	$ (1,852)	$ (51)	$ 18,021	$ 472	$ 17,609
Depreciation Expense	388	719	9,103	2,751	1,475	10	45	62	310	---	---	---	229	---	15,092
Changes in Assets and Liabilities:															
Accounts Receivable	---	---	(14)	(924)	(3)	(5,515)	(7)	15	---	(7)	90	65	(2,586)	(126)	(9,012)
Inventories	---	---	(1)	(7)	402	---	56	---	---	---	---	---	---	---	450
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	(79)	---	(79)
Accounts Payable	21	(14)	416	(889)	5	472	56	(2)	15	4	(71)	9	3,175	---	3,197
Accrued Payroll	7	(2)	165	(201)	(36)	1	(1)	(3)	4	---	---	---	---	---	(66)
Unearned Revenue	---	---	---	(14)	---	---	---	---	---	---	---	---	1,470	(42)	1,414
Claims Liability	---	---	---	---	---	---	---	---	---	405	9,930	---	(4,213)	442	6,564
Compensated Absences	16	---	154	(458)	(106)	(8)	(3)	(4)	12	---	---	---	17	---	(380)
Net Cash Provided (Used) by Operating Activities	$ 166	$ 1,294	$ 2,585	$ 1,564	$ 1,429	$ 2,814	$ (5)	$ 68	$ 131	$ (157)	$ 8,097	$ 23	$ 16,034	$ 746	$ 34,789

*The **Fiduciary Funds** account for assets held by the State in a trustee or agent capacity.*

Pension (and Other Employee Benefit) Trust Funds:

Missouri State Employees' Retirement System:

Missouri State Employees' Plan – Accounts for retirement, survivor and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

Judicial Plan – Accounts for retirement, survivor and disability benefits to judges in the State of Missouri.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – Accounts for retirement, survivor and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

Missouri State Employees' Deferred Compensation Incentive (IRC 401a) Plan – Accounts for retirement benefits paid to employees of the State.

Missouri State Public Employees' Deferred Compensation (IRC 457) Plan – Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

Private-Purpose Trust Funds:

Alternative Care Trust – Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

Johnson-Travis Memorial Trust – Accounts for all moneys, stocks and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop and maintain the gardens.

Unclaimed Property – Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends and interest of banks unable to locate the owners.

Agency Funds:

Social Security Contributions – Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

Missouri State Employees' Voluntary Life Insurance – Accounts for moneys withheld from employees' compensation for the contracts entered into with life insurance companies.

Program – Accounts for the receipt of various taxes, refundable deposits and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

Institution – Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2006
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan		401 (a) Plan*	457 Plan	June 30, 2006
ASSETS						
Cash and Cash Equivalents	$ 682,881	$ 5,562	$ 43	$ ---	$ 2,431	$ 690,917
Investments at Fair Value	6,348,096	51,702	1,595,468	238,911	1,010,797	9,244,974
Receivables:						
Accounts Receivable	173,557	2,337	14,950	---	---	190,844
Interest Receivable	11,284	92	3,265	---	---	14,641
Due from Other Funds	9,119	---	---	---	---	9,119
Invested Securities Lending Collateral	1,143,090	9,310	118,819	---	---	1,271,219
Prepaid Expenses	53	1	2	---	---	56
Capital Assets:						
Land	265	2	84	---	---	351
Buildings	3,337	27	582	---	---	3,946
Equipment	1,607	13	123	---	---	1,743
Accumulated Depreciation	(1,960)	(16)	(136)	---	---	(2,112)
Total Capital Assets, Net	3,249	26	653	---	---	3,928
Total Assets	8,371,329	69,030	1,733,200	238,911	1,013,228	11,425,698
LIABILITIES						
Accounts Payable	244,387	1,990	16,451	---	---	262,828
Securities Lending Collateral	1,142,881	9,308	118,819	---	---	1,271,008
Obligations under Lease Purchase	---	---	10	---	---	10
Compensated Absences	323	3	---	---	---	326
Total Liabilities	1,387,591	11,301	135,280	---	---	1,534,172
Net Assets Held in Trust for Benefits	$ 6,983,738	$ 57,729	$ 1,597,920	$ 238,911	$ 1,013,228	$ 9,891,526

*NOTE: These statements are for 11 months ending May 31, 2006 (see *Note 9*).

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan		401 (a) Plan*	457 Plan	June 30, 2006
Additions:						
Contributions:						
Employer	$ 227,233	$ 22,402	$ 111,272	$ 9,447	$ ---	$ 370,354
Plan Member	3,072	---	---	---	62,456	65,528
Other	162	---	271	24,564	---	24,997
Total Contributions	230,467	22,402	111,543	34,011	62,456	460,879
Investment Earnings:						
Increase in Appreciation of Assets	804,627	6,553	224,165	14,667	62,168	1,112,180
Securities Lending Income	53,140	433	5,593	---	---	59,166
Total Investment Earnings	857,767	6,986	229,758	14,667	62,168	1,171,346
Less Investment Expenses:						
Investment Activity Expense	(79,747)	(649)	(12,453)	---	---	(92,849)
Securities Lending Expense	(49,493)	(403)	(5,099)	---	---	(54,995)
Total Investment Expense	(129,240)	(1,052)	(17,552)	---	---	(147,844)
Net Investment Earnings	728,527	5,934	212,206	14,667	62,168	1,023,502
Cost Reimbursement/ Miscellaneous	502	4	41	---	---	547
Total Additions	959,496	28,340	323,790	48,678	124,624	1,484,928
Deductions:						
Benefits	400,170	19,092	164,997	14,730	---	598,989
Administrative Expenses	6,248	51	1,888	4,935	---	13,122
Program Distributions	---	---	---	---	54,730	54,730
Service Transfer Payments	134	---	---	---	---	134
Depreciation	239	2	40	---	---	281
Total Deductions	406,791	19,145	166,925	19,665	54,730	667,256
Change in Net Assets	552,705	9,195	156,865	29,013	69,894	817,672
Net Assets Held in Trust for Benefits Beginning of Year	6,431,033	48,534	1,441,055	209,898	943,334	9,073,854
End of Year	$ 6,983,738	$ 57,729	$ 1,597,920	$ 238,911	$ 1,013,228	$ 9,891,526

*NOTE: These statements are for 11 months ending May 31, 2006 (see *Note 9*).

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2006
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2006
ASSETS				
Cash and Cash Equivalents	$ 1,273	$ 10	$ 14,595	$ 15,878
Investments at Fair Value	2,495	72	28,608	31,175
Interest Receivable	26	---	---	26
Inventories	---	---	1	1
Capital Assets:				
Equipment	---	---	19	19
Less: Accumulated Depreciation	---	---	(12)	(12)
Total Capital Assets, Net	---	---	7	7
Total Assets	3,794	82	43,211	47,087
LIABILITIES				
Accounts Payable	671	---	2	673
Accrued Payroll	---	---	18	18
Due to Other Funds	---	---	8	8
Total Liabilities	671	---	28	699
NET ASSETS				
Net Assets Held in Trust for Other Purposes	$ 3,123	$ 82	$ 43,183	$ 46,388

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2006
Additions:				
Increase (Decrease) in Appreciation of Assets	$ (6)	$ 4	$ (112)	$ (114)
Interest	142	2	---	144
Total Investment Earnings	136	6	(112)	30
Unclaimed Property	---	---	25,871	25,871
Cost Reimbursement/Miscellaneous	10,703	---	---	10,703
Total Additions	10,839	6	25,759	36,604
Deductions:				
Administrative Expenses	---	---	2,321	2,321
Program Distributions	10,566	---	---	10,566
Depreciation	---	---	3	3
Total Deductions	10,566	---	2,324	12,890
Change in Net Assets	273	6	23,435	23,714
Net Assets - Beginning	2,850	76	19,748	22,674
Net Assets - Ending	$ 3,123	$ 82	$ 43,183	$ 46,388

STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2006
(In Thousands of Dollars)

	Social Security Contributions	Program	Institution	Totals June 30, 2006
ASSETS				
Cash and Cash Equivalents	$ 35	$ 10,265	$ 21,693	$ 31,993
Investments at Fair Value	66	350,438	1,075	351,579
Receivables:				
Accounts Receivable	---	203,483	248	203,731
Interest Receivable	---	1,119	---	1,119
Due from Other Funds	5,812	---	---	5,812
Total Assets	$ 5,913	$ 565,305	$ 23,016	$ 594,234
LIABILITIES				
Accounts Payable	$ ---	$ 39	$ ---	$ 39
Due to Other Entities	5,913	560,844	---	566,757
Due to Individuals	---	4,422	23,016	27,438
Total Liabilities	$ 5,913	$ 565,305	$ 23,016	$ 594,234

NOTE: The Missouri State Employees' Voluntary Life Insurance is not included in the Agency Funds Combining Balance Sheet because there were no assets or liabilities at June 30, 2006.

NOTE: State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit will no longer be shown (see *Note 2*).

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
SOCIAL SECURITY CONTRIBUTIONS				
ASSETS				
Cash and Cash Equivalents	$ 23	$ 144,373	$ 144,361	$ 35
Investments at Fair Value	78	66	78	66
Due from Other Funds	5,123	5,811	5,122	5,812
Total Assets	$ 5,224	$ 150,250	$ 149,561	$ 5,913
LIABILITIES				
Due to Other Entities	$ 5,224	$ 438,609	$ 437,920	$ 5,913
MISSOURI STATE EMPLOYEES' VOLUNTARY LIFE INSURANCE				
ASSETS				
Cash and Cash Equivalents	$ ---	$ 1,396	$ 1,396	$ ---
LIABILITIES				
Due to Other Entities	$ ---	$ 1,396	$ 1,396	$ ---
PROGRAM				
ASSETS				
Cash and Cash Equivalents	$ 30,656	$ 596,458	$ 616,849	$ 10,265
Investments at Fair Value	276,867	484,049	410,478	350,438
Receivables:				
Accounts Receivable	208,514	250	5,281	203,483
Interest Receivable	609	562	52	1,119
Total Assets	$ 516,646	$ 1,081,319	$ 1,032,660	$ 565,305
LIABILITIES				
Accounts Payable	$ 26	$ 13	$ ---	$ 39
Due to Other Entities	487,111	407,524	333,791	560,844
Due to Individuals	29,494	666,855	691,927	4,422
Due to Other Funds	15	---	15	---
Total Liabilities	$ 516,646	$ 1,074,392	$ 1,025,733	$ 565,305
INSTITUTION				
ASSETS				
Cash and Cash Equivalents	$ 18,814	$ 137,034	$ 134,155	$ 21,693
Investments at Fair Value	1,065	41	31	1,075
Accounts Receivable	263	35	50	248
Total Assets	$ 20,142	$ 137,110	$ 134,236	$ 23,016
LIABILITIES				
Due to Individuals	$ 20,142	$ 137,110	$ 134,236	$ 23,016
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 49,493	$ 879,261	$ 896,761	$ 31,993
Investments at Fair Value	278,010	484,156	410,587	351,579
Receivables:				
Accounts Receivable	208,777	285	5,331	203,731
Interest Receivable	609	562	52	1,119
Due from Other Funds	5,123	5,811	5,122	5,812
Total Assets	$ 542,012	$ 1,370,075	$ 1,317,853	$ 594,234
LIABILITIES				
Accounts Payable	$ 26	$ 13	$ ---	$ 39
Due to Other Entities	492,335	847,529	773,107	566,757
Due to Individuals	49,636	803,965	826,163	27,438
Due to Other Funds	15	---	15	---
Total Liabilities	$ 542,012	$ 1,651,507	$ 1,599,285	$ 594,234

NOTE: State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit will no longer be shown (see *Note 2*).

*The **Component Units** account for all transactions relating to legally separate entities which for reporting purposes are a part of the State.*

Non-Major Component Units:

Missouri Development Finance Board – Accounts for moneys from bond proceeds, gifts and grants to make loans for industrial development.

Agricultural and Small Business Development Authority – Accounts for moneys from bond proceeds, gifts and grants to make loans for property acquisitions/renovations and pollution control facilities.

Missouri Transportation Finance Corporation – Accounts for moneys from federal, state or local sources and from bond proceeds to be used for projects approved by the Missouri Highways and Transportation Commission.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2006
(In Thousands of Dollars)

	Missouri Development Finance Board	Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2006
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 18,389	$ 2,213	$ 7,203	$ 27,805
Investments	6,298	5,605	5,861	17,764
Interest Receivable	405	---	1,009	1,414
Prepaid Items	124	---	---	124
Loans Receivable	604	568	1,350	2,522
Noncurrent Assets:				
Advance to Primary Government	---	---	17,951	17,951
Loans Receivable	6,147	2,300	4,839	13,286
Restricted Assets:				
Cash and Cash Equivalents	45,519	305	830	46,654
Investments	6,660	---	39,945	46,605
Deferred Charges	5	---	---	5
Capital Assets:				
Construction in Progress	16,348	---	---	16,348
Land	9,271	---	---	9,271
Buildings	28,632	---	---	28,632
Equipment	112	---	---	112
Less Accumulated Depreciation	(3,195)	---	---	(3,195)
Total Capital Assets (Net of Accumulated Depreciation)	51,168	---	---	51,168
Total Assets	135,319	10,991	78,988	225,298
LIABILITIES				
Current Liabilities:				
Accounts Payable	135	23	5	163
Due to Primary Government	---	710	---	710
Interest Payable	118	82	---	200
Noncurrent Liabilities:				
Advance from Primary Government	---	3,166	---	3,166
Deposits and Reserves	31,866	---	---	31,866
Bonds Payable	31,850	---	---	31,850
Total Liabilities	63,969	3,981	5	67,955
NET ASSETS				
Invested in Capital Assets, Net	19,318	---	---	19,318
Restricted for:				
Other Purposes	19,378	---	70,856	90,234
Unrestricted	32,654	7,010	8,127	47,791
Total Net Assets	$ 71,350	$ 7,010	$ 78,983	$ 157,343

NOTE: Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transporation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation were blended and are now part of the Missouri Road Fund (see *Note 2*).

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Missouri Development Finance Board	Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2006
Operating Revenues:				
Licenses, Fees and Permits	$ 1,081	$ 2,435	$ 3	$ 3,519
Interest on Receivables	326	---	1,154	1,480
Leases and Rentals	2,346	---	---	2,346
Cost Reimbursement/Miscellaneous	119	---	---	119
Total Operating Revenues	3,872	2,435	1,157	7,464
Operating Expenses:				
Personal Service	624	234	36	894
Operations	1,110	62	10	1,182
Specific Programs	---	1,132	---	1,132
Depreciation	713	---	---	713
Amortization	30	---	---	30
Bad Debt Expense	3,498	---	---	3,498
Other Charges	30	---	1	31
Total Operating Expenses	6,005	1,428	47	7,480
Operating Income (Loss)	(2,133)	1,007	1,110	(16)
Non-Operating Revenues (Expenses):				
Contributions and Intergovernmental	2,600	---	---	2,600
Investment Earnings:				
Increase in Fair Value of Investments	---	222	760	982
Interest	2,129	185	932	3,246
Miscellaneous Expenses	---	---	(28)	(28)
Bond Interest and Related Expenses	(734)	(69)	---	(803)
Total Non-Operating Revenues (Expenses)	3,995	338	1,664	5,997
Income Before Transfers	1,862	1,345	2,774	5,981
Transfers Out	---	(35)	---	(35)
Change in Net Assets	1,862	1,310	2,774	5,946
Total Net Assets - Beginning	69,488	5,700	76,209	151,397
Total Net Assets - Ending	$ 71,350	$ 7,010	$ 78,983	$ 157,343

NOTE: Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transporation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation were blended and are now part of the Missouri Road Fund (see *Note 2*).

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)

	Missouri Development Finance Board	Agriculture and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2006
Cash Flows from Operating Activities:				
Receipts from Customers and Users	$ 4,060	$ 2,435	$ 450	$ 6,945
Loans to Outside Entities	756	304	4,900	5,960
Payments to Vendors and Suppliers	(3,143)	(58)	(15)	(3,216)
Payments to Employees	(624)	(234)	(36)	(894)
Payments Made for Program Expenses	---	(1,132)	---	(1,132)
Other Payments	---	---	(1)	(1)
Net Cash Provided by Operating Activities	1,049	1,315	5,298	7,662
Cash Flows from Non-Capital Financing Activities:				
Loans Receivable Principal Receipts	2,424	---	---	2,424
Loans Receivable Issuance	(5,321)	---	---	(5,321)
Due to/from Primary Government	---	55	1,690	1,745
Advance to/from Primary Government	---	(404)	4,228	3,824
Transfers to Other Funds	---	(35)	---	(35)
Net Cash Provided (Used) by Non-Capital Financing Activities	(2,897)	(384)	5,918	2,637
Cash Flows from Capital and Related Financing Activities:				
Interest Expense	(682)	(69)	(28)	(779)
Purchases and Construction of Capital Assets	(7,749)	---	---	(7,749)
Bond Principal Payments	(2,750)	---	---	(2,750)
Contributions for Tax Credit Program	2,600	---	---	2,600
Net Cash Used by Capital and Related Financing Activities	(8,581)	(69)	(28)	(8,678)
Cash Flows from Investing Activities:				
Proceeds from Investment Maturities	117,625	---	---	117,625
Purchase or Increase in Fair Value of Investments	(73,168)	(5,383)	(24,253)	(102,804)
Interest	2,028	185	932	3,145
Net Cash Provided (Used) by Investing Activities	46,485	(5,198)	(23,321)	17,966
Net Increase (Decrease) in Cash	36,056	(4,336)	(12,133)	19,587
Cash and Cash Equivalents, Beginning of Year	27,852	6,854	20,166	54,872
Cash and Cash Equivalents, End of Year	$ 63,908	$ 2,518	$ 8,033	$ 74,459
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (2,133)	$ 1,007	$ 1,110	$ (16)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation/Amortization Expense	743	---	---	743
Changes in Assets and Liabilities:				
Accounts Receivable	3,498	---	---	3,498
Interest Receivable	3	25	(707)	(679)
Deferred Charges	4	---	---	4
Prepaid Items	(87)	---	---	(87)
Loans Receivable	---	276	4,900	5,176
Accounts Payable	(1,920)	4	(5)	(1,921)
Deposit and Reserve	941	---	---	941
Interest Payable	---	3	---	3
Net Cash Provided by Operating Activities	$ 1,049	$ 1,315	$ 5,298	$ 7,662

NOTE: Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transporation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation were blended and are now part of the Missouri Road Fund (see *Note 2*).

*The **Statistical Section** presentations include Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information trends. The statistical data presented is intended to provide report users with a broader understanding of the environment in which the State operates.*

STATE OF MISSOURI
STATISTICAL SECTION
June 30, 2006

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STATE OF MISSOURI
NET ASSETS BY COMPONENT
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

	2006	2005*
Governmental Activities		
Invested in Capital Assets, Net of Related Debt	$ 25,840,886	$ 25,572,008
Restricted	3,813,145	3,250,204
Unrestricted	(1,666,313)	(1,321,738)
Total Governmental Activities Net Assets	$ 27,987,718	$ 27,500,474
Business-Type Activities		
Invested in Capital Assets, Net of Related Debt	$ 39,599	$ 43,304
Restricted	3,942	12,407
Unrestricted	34,004	(151,323)
Total Business-Type Activities Net Assets	$ 77,545	$ (95,612)
Primary Government		
Invested in Capital Assets, Net of Related Debt	$ 25,880,485	$ 25,615,312
Restricted	3,817,087	3,262,611
Unrestricted	(1,632,309)	(1,473,061)
Total Primary Government Net Assets	$ 28,065,263	$ 27,404,862

*Fiscal year 2005 amounts have been restated.

STATE OF MISSOURI
CHANGES IN NET ASSETS
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

	2006	2005*
Governmental Activities:		
Expenses		
General Government	$ 980,806	$ 1,035,396
Education	5,773,117	5,669,627
Natural and Economic	849,952	834,269
Transportation and Law Enforcement	2,025,179	2,189,839
Human Services	9,890,571	9,771,651
Interest on Debt (Excluding Direct Expense)	130,438	126,202
Total Expenses	19,650,063	19,626,984
Program Revenues		
Charges for Services	1,610,044	1,453,667
Operating Grants and Contributions	7,757,468	7,767,831
Total Program Revenues	9,367,512	9,221,498
Total Governmental Activities Net Program Expense	(10,282,551)	(10,405,486)
General Revenues and Other Changes in Net Assets		
Taxes:		
Sales and Use	2,974,842	3,003,405
Individual Income	5,146,153	4,821,500
Corporate Income	507,951	351,116
County Foreign Insurance	182,209	163,952
Alcoholic Beverage	28,377	28,045
Corporate Franchise	74,753	118,343
Inheritance	14,955	41,832
Miscellaneous Taxes	1,276,630	1,334,595
Grants and Contributions not Restricted to Specific Programs	158,716	158,140
Unrestricted Investment Earnings	146,436	80,161
Transfers	258,773	207,159
Total General Revenues and Other Changes in Net Assets	10,769,795	10,308,248
Total Governmental Activities Change in Net Assets	$ 487,244	$ (97,238)
Business-Type Activities:		
Expenses		
State Lottery	$ 665,846	$ 575,667
Unemployment Compensation	412,937	501,098
Petroleum Storage Tank Insurance	13,243	25,944
Missouri Veteran's Homes	46,643	58,760
Non-Major Funds	20,675	13,345
Total Expenses	1,159,344	1,174,814
Revenues		
Charges for Services	989,701	857,674
Operating Grants and Contributions	603,727	542,984
Total Revenues	1,593,428	1,400,658
Total Business-Type Activities Net Program Expense	434,084	225,844
General Revenues and Other Changes in Net Assets		
Unrestricted Investment Earnings	(2,189)	3,213
Extraordinary Items	35	---
Transfers	(258,773)	(207,159)
Total General Revenues and Other Changes in Net Assets	(260,927)	(203,946)
Total Business-Type Activities Change in Net Assets	$ 173,157	$ 21,898
Total Primary Government Change in Net Assets	$ 660,401	$ (75,340)

*Fiscal year 2005 amounts have been restated.

STATE OF MISSOURI
FUND BALANCES - GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

	2006	2005*
General Fund		
Reserved	$ 526,159	$ 577,561
Unreserved	988,240	326,920
Total General Fund	1,514,399	904,481
All Other Governmental Funds		
Reserved	988,493	876,859
Unreserved, Reported in:		
Special Revenue Funds	1,177,778	1,043,965
Capital Projects Funds	213,026	251,124
Permanent Funds	96	87
Total All Other Governmental Funds	2,379,393	2,172,035
Total Fund Balances, Governmental Funds	$ 3,893,792	$ 3,076,516

*Fiscal year 2005 amounts have been restated.

STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

	2006	2005*
Revenues:		
Taxes	$ 10,634,762	$ 9,646,452
Licenses, Fees and Permits	622,815	591,530
Sales	11,321	16,849
Leases and Rentals	155	2,143
Services	240,857	182,112
Contributions and Intergovernmental	7,929,053	7,901,109
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	(113)	3,152
Interest	137,080	69,698
Penalties and Unclaimed Properties	83,173	25,854
Cost Reimbursement/Miscellaneous	427,069	441,555
Total Revenues	20,086,172	18,880,454
Expenditures:		
Current:		
General Government	808,861	822,107
Education	5,769,528	5,663,301
Natural and Economic Resources	720,204	763,222
Transportation and Law Enforcement	1,154,086	1,135,010
Human Services	9,745,590	9,758,066
Capital Outlay:		
Current Expenditures	1,415,080	1,015,165
Capital Lease Purchases	41,924	53,025
Debt Service:		
Principal	170,295	127,264
Interest	121,301	120,982
Bond Issuance Costs	1,821	---
Underwriter's Discount	---	326
Total Expenditures	19,948,690	19,458,468
Excess Revenues (Expenditures)	137,482	(578,014)
Other Financing Sources (Uses):		
Proceeds from Capital Leases	41,924	53,025
Proceeds from General Obligation/Other Bonds	350,660	---
Issuance of Refunding Bonds	---	157,605
Payments to Escrow Agent	---	(175,553)
Bond Premium	21,336	18,274
Proceeds from Capital Asset Sale	6,634	5,920
Transfers In	3,521,028	3,062,605
Transfers Out	(3,261,659)	(2,842,560)
Total Other Financing Sources (Uses)	679,923	279,316
Net Change in Fund Balances	817,405	(298,698)
Increase (Decrease) in Reserve for Inventory	(129)	327
Net Change in Fund Balances	$ 817,276	$ (298,371)
Debt Service as a Percentage of Non-Capital Expenditures	1.59%	1.35%

*Fiscal year 2005 amounts have been restated.

STATE OF MISSOURI
REVENUE BASE
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

Taxable Sales by Industry	2006	2005
Agricultural/Forestry, Fishing, and Other	$ 190,183,959	$ 173,064,997
Mining	148,041,999	144,360,458
Construction	929,146,007	781,324,533
Manufacturing	3,217,299,757	3,033,835,702
Transportation and Public Utilities	7,285,790,054	6,950,561,788
Wholesale Trade	8,604,467,502	8,136,436,052
Retail Trade	44,878,694,872	42,950,724,459
Finance, Insurance, and Real Estate	533,582,629	507,350,286
Services	8,433,450,983	8,015,509,010
State and Local Government	156,947,658	84,808,852
Non-Classifiable	16,694,236	16,301,552
Total Taxable Sales	$ 74,394,299,656	$ 70,794,277,689
Direct Sales Tax Rate	4.225%	4.225%

	Calendar Year*	
Personal Income by Industry	2005	2004
Farm Earnings	$ 682,815	$ 1,530,462
Agricultural/Forestry, Fishing, and Other	304,947	313,447
Mining	556,628	406,383
Construction/Utilities	10,770,331	10,063,022
Manufacturing	19,454,661	18,780,396
Transportation and Public Utilities	5,253,974	5,104,099
Wholesale Trade	7,943,744	7,465,233
Retail Trade	9,633,827	9,324,951
Finance, Insurance, and Real Estate	10,870,931	10,326,016
Services	53,186,906	50,083,751
Federal, civilian	4,627,807	4,507,517
Military	2,001,140	1,848,590
State and Local Government	15,623,245	14,969,326
Total Personal Income	$ 140,910,956	$ 134,723,193
Total Direct Personal Income Tax Rate	6.0%	6.0%

*This information is only available by calendar year on the Bureau of Economic Analysis website.

STATE OF MISSOURI
REVENUE RATES
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

	2006	2005
Personal Income Tax Revenue	$662,996,843	$543,193,091
Personal Income (Federal AGI)	$185,705,288,582	$161,726,939,117
Taxable Income	$133,414,355,787	$114,900,652,083
Average Effective Rate: Federal Adjusted Gross	0.36%	0.34%
Taxable Income	0.50%	0.47%

Ranges of Tax Rates on the Portion of Taxable Income (In Thousands)	2006	2005
Tax Rate	1.5%	1.5%
Income Levels	1.1-2	1.1-2
Tax Rate	2.0%	2.0%
Income Levels	2.1-3	2.1-3
Tax Rate	2.5%	2.5%
Income Levels	3.1-4	3.1-4
Tax Rate	3.0%	3.0%
Income Levels	4.1-5	4.1-5
Tax Rate	3.5%	3.5%
Income Levels	5.1-6	5.1-6
Tax Rate	4.0%	4.0%
Income Levels	6.1-7	6.1-7
Tax Rate	4.5%	4.5%
Income Levels	7.1-8	7.1-8
Tax Rate	5.0%	5.0%
Income Levels	8.1-9	8.1-9
Tax Rate	6.0%	6.0%
Income Levels	9.1+	9.1+

The State Sales and Use Tax Rate is 4.225%.

Source: Missouri Department of Revenue

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

STATE OF MISSOURI
REVENUE PAYERS BY INDUSTRY/CATEGORY
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

Sales Tax

	2006	%	2005	%
Agricultural	$ 8,035,272	0.26%	$ 7,311,996	0.25%
Mining	6,254,774	0.20%	6,099,229	0.20%
Construction	39,256,419	1.25%	33,010,961	1.10%
Manufacturing	135,930,915	4.32%	128,179,558	4.29%
Transportation & Utilities	307,824,630	9.79%	293,661,236	9.82%
Wholesale Trade	363,538,752	11.57%	343,764,423	11.49%
Retail Trade	1,896,124,858	60.32%	1,814,668,108	60.67%
Finance, Insurance, and Real Estate	22,543,866	0.72%	21,435,550	0.72%
Services	356,313,304	11.34%	338,655,256	11.32%
Government	6,631,039	0.21%	3,583,174	0.12%
Non-Classifiable	705,332	0.02%	688,741	0.02%
Total	$ 3,143,159,161	100.00%	$ 2,991,058,232	100.00%

Personal Income *

	2006			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$50,000 and under	3,366,462	81.44%	1,397,791,712	32.53%
$50,000 - $100,000	583,571	14.12%	1,206,476,911	28.07%
$100,000 - $250,000	137,704	3.33%	681,723,630	15.86%
$250,000 - $1,000,000	36,905	0.89%	533,311,827	12.41%
$1,000,000 and over	9,139	0.22%	478,397,579	11.13%
Total	4,133,781	100.00%	4,297,701,659	100.00%

	2005			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$50,000 and under	3,370,705	82.60%	1,381,799,422	34.47%
$50,000 - $100,000	543,861	13.33%	1,124,700,381	28.05%
$100,000 - $250,000	124,636	3.05%	616,542,538	15.38%
$250,000 - $1,000,000	33,760	0.83%	486,312,065	12.13%
$1,000,000 and over	7,854	0.19%	399,557,445	9.97%
Total	4,080,816	100.00%	4,008,911,851	100.00%

*Federal Adjusted Gross Income

Source: Missouri Department of Revenue

STATE OF MISSOURI
RATIOS OF OUTSTANDING DEBT
FISCAL YEARS 2005-2006
(In Thousands of Dollars)

	2006	2005
Governmental Activities		
General Obligation Bonds	$ 739,935	$ 790,910
Other Bonds	1,873,140	1,609,815
Leasehold Revenue Bonds	38,852	---
Certificates of Participation	118,990	124,490
Capital Leases	73,118	107,647
Total Governmental Activities	$ 2,844,035	$ 2,632,862
Business-Type Activities		
Leasehold Revenue Bonds	$ 8	$ ---
Total Business-Type Activities	$ 8	$ ---
Total Primary Government	$ 2,844,043	$ 2,632,862
Debt as a Percentage of Personal Income[1]	1.6%	1.5%
Debt Per Capita[1]	$ 490	$ 457
Legal Debt Margin Calculation for Fiscal Year 2006:		
General Obligation Bonds Authorized (Debt Limit)	$ 1,775,000	
Unforeseen Emergency or Casual Deficiency	1,000	
Less: General Obligation Issued	(1,439,494)	
Legal Debt Margin	$ 336,506	
Legal Debt Margin Summary by Fiscal Year:		
Debt Limit	$ 1,775,000	$ 1,775,000
Total net debt applicable to limit	(1,438,494)	(1,438,494)
Legal Debt Margin	$ 336,506	$ 336,506
Legal Debt Margin to Debt Limit Ratio	18.96%	18.96%

[1]These ratios are calculated using personal income and population for the calendar year. See *Demographic and Economic Indicators* for personal income and population data.

STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEAR 2006
(In Thousands of Dollars)

		2006
Revenue Bonds--State Facility Maintenance and Operation		
Revenue--lease and rental payments	$	93,264
Less: Operating expenses		N/A
Net available revenue	$	93,264
Debt Service Payments		
Principal	$	52,980
Interest	$	36,415
Coverage*		1.0
Revenue Bonds--Missouri Road Fund		
Revenues--taxes and fees received	$	727,870
Less: Operating expenditures		N/A
Net available revenue	$	727,870
Debt Service Payments		
Principal	$	63,149
Interest	$	49,248
Coverage*		6.5

N/A = not available

*Coverage equals net available revenue divided by debt services/payments.

Source: Bond records and debt service schedules.

STATE OF MISSOURI
DEMOGRAPHIC AND ECONOMIC INDICATORS
CALENDAR YEARS 2004-2005

	2005	2004
Population		
Missouri (In Thousands)	5,800	5,760
Change	0.7%	0.7%
National (In Thousands)	296,410	293,657
Change	0.9%	1.0%
Total Personal Income		
Missouri (In Thousands)	181,542,382	173,458,135
Change	4.7%	4.2%
National (In Thousands)	10,224,761,000	9,717,173,000
Change	5.2%	6.2%
Per Capita Personal Income		
Missouri	31,299	30,117
Change	3.9%	3.5%
National	34,495	33,090
Change	4.2%	5.2%
Resident Civilian Labor Force and Employment		
Civilian Labor Force (In Thousands)	3,024	3,014
Employed (In Thousands)	2,862	2,840
Unemployed (In Thousands)	162	174
Unemployment Rate	5.4%	5.8%
National Unemployment Rate	5.1%	5.5%

	2005-06	2004-05
School Enrollment (In Thousands)		
Elementary and Secondary Education	898	892
Higher Education	240	235
Total Enrollment	1,138	1,127
% Change from Prior Year	1.0%	0.3%
Higher Education		
Public Community Colleges		
Number of Campuses	18	18
Number of Students (Full-Time Equivalent FTE)	51,945	52,204
Number of Regular Term Teaching Positions (FTE)	1,309	1,291
State Technical College		
Number of Campuses	1	1
Number of Students (Full-Time Equivalent FTE)	885	854
Number of Regular Term Teaching Positions (FTE)	51	50
State Colleges/Universities		
Number of Campuses	14	14
Number of Students (Full-Time Equivalent FTE)	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,578	4,597

STATE OF MISSOURI
MAJOR EMPLOYERS
CALENDAR YEARS 2005 AND 1996
(In Thousands of Dollars)

2005

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	63,000	2.20%
Wal-Mart Associates, Inc.	40,000+	1.40%
University of Missouri	20,000 - 25,000	0.70%-0.87%
U.S. Post Office	17,500 - 20,000	0.61%-0.70%
Boeing Corporation	15,000 - 17,500	0.52%-0.61%
Washington University	12,500 - 15,000	0.44%-0.52%
Schnuck Markets, Inc.	7,500 - 10,000	0.26%-0.35%
Barnes-Jewish Hospitals	7,500 - 10,000	0.26%-0.35%
U.S. Department of Defense	7,500 - 10,000	0.26%-0.35%
City of St. Louis	7,500 - 10,000	0.26%-0.35%
Total	198,000 - 220,500	6.91%-7.70%
Total Missouri Employment		**2,862,000**

1996

Employer[2]	Number of Employees	Percent of Total State Employment
Wal-Mart Associates, Inc.	25,000 - 30,000	0.91%-1.10%
McDonnell Douglas Corporation	20,000 - 25,000	0.73%-0.91%
Trans World Airlines, Inc.	10,000 - 15,000	0.37%-0.55%
Southwestern Bell Telephone Co.	10,000 - 15,000	0.37%-0.55%
Schnuck Markets, Inc.	10,000 - 15,000	0.37%-0.55%
Washington University	7,500 - 10,000	0.27%-0.37%
Barnes-Jewish Hospitals	7,500 - 10,000	0.27%-0.37%
Ford Motor Company	7,500 - 10,000	0.27%-0.37%
Chrysler Corporation	7,500 - 10,000	0.27%-0.37%
May Department Stores	7,500 - 10,000	0.27%-0.37%
Total	112,500 - 150,000	4.10%-5.51%
Total Missouri Employment		**2,735,000**

All figures are based on a calendar-year average.

[1]Number of state employees includes only full-time personnel, and does not include college or university employees.

[2]Only includes major private employers.

Sources: Missouri Economic Research and Information Center,
State of Missouri CAFR-Fiscal Year 1997, State Employee Headcount report.

STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2005-2006
FULL-TIME EQUIVALENTS

	2006	2005
General Government		
Legislature	749	708
Judiciary	3,826	3,452
Public Defender	561	571
Governor	34	35
Lt. Governor	7	8
Secretary of State	266	262
State Auditor	132	142
State Treasurer	51	50
Attorney General	427	423
Office of Administration	868	899
Revenue	1,766	2,086
Total General Government	8,687	8,636
Education		
Elementary & Secondary Education	2,719	2,261
Higher Education	67	73
Total Education	2,786	2,334
Natural and Economic Resources		
Agriculture	456	388
Insurance	200	207
Conservation	2,270	2,047
Economic Development	1,681	1,379
Labor and Industrial Relations	1,056	1,051
Natural Resources	2,175	2,019
Total Natural and Economic Resources	7,838	7,091
Transportation & Law Enforcement		
Transportation	7,300	7,024
Public Safety	5,101	4,927
Total Transportation & Law Enforcement	12,401	11,951
Human Services		
Health & Senior Services	1,969	2,048
Mental Health	9,784	9,571
Social Services	8,794	9,034
Corrections	11,235	11,493
Total Human Services	31,782	32,146
State Total	63,494	62,158

Source: Office of Administration, Division of Accounting, Statewide Indirect Cost Allocation Plan.

STATE OF MISSOURI
OPERATING INDICATORS BY FUNCTION
FISCAL YEAR 2006

	2006
General Government	
Individual Income Tax Returns Processed (in thousands)	2,770
Sales and Use Tax Returns Processed (in thousands)	742
Driver Licenses Processed (in thousands)	1,106
Motor Vehicle Registrations Processed (in thousands)	2,994
Audit Reports Issued	103
Statewide Court Filings (in thousands)*	2,152
Business Services Requests Made on Secretary of State Web Page (in thousands)*	35,000
Checks Issued (in thousands)	3,309
Unclaimed Property Returned (in thousands)	$ 21,816
Education	
High School Drop Out Rate*	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress*	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	67.6%
Guaranteed Student Loans (in thousands)	$ 1,162,519
Scholarships/Grants Awarded to Eligible Missouri Residents (in thousands)	$ 41,845
Natural and Economic Resources	
Job Placement Rate of unemployed individuals that registered on Great Hires Web Page	63.3%
Insurance Policies Filed Electronically	50.0%
Initial Unemployment Claims (in thousands)	393
International Agricultural Exports (in thousands)	$ 18,191
Hunting License Holders (in thousands)*	570
Visitors to Missouri State Parks and Historic Sites (in thousands)	16,650
Transportation & Law Enforcement	
Methamphetamines Labs Seized	375
State-licensed Fire Safety Inspections	9,848
Buildings Served by Missouri Capitol Police	79
Alcohol Arrests	1,084
Missouri Major Roads Rated in Good Condition	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	3.1%
Human Services	
Medicaid enrollees	830,262
Food Stamp recipients	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (in thousands)	1,075
Incarcerated Offenders	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	73,150

*Fiscal year 2005 data was used since it was the most recent available.

STATE OF MISSOURI
CAPITAL ASSET COUNTS AND SQUARE FOOTAGE
OF BUILDINGS OCCUPIED BY FUNCTION
FISCAL YEARS 2005-2006

	2006	2005
General Government		
Parcels of Land	18	15
Land Improvements	35	31
Square Footage of Buildings	933,265	1,053,219
Equipment	44,469	49,644
Education		
Parcels of Land	32	32
Land Improvements	31	29
Square Footage of Buildings	102,719	98,396
Equipment	6,780	6,723
Natural and Economic Resources		
Parcels of Land	815	812
Land Improvements	320	216
Square Footage of Buildings	370,912	353,969
Equipment	46,574	46,915
State Parks and Historic Sites	84	84
State Conservation Areas	1,148	1,140
Transportation & Law Enforcement		
Parcels of Land	862	1,608
Land Improvements	177	183
Square Footage of Buildings	155,355	157,172
Equipment	62,984	61,965
Miles of State Highway	32,423	32,402
State-Owned Bridges and Culverts	10,224	10,190
Highway Patrol Stations	9	9
Human Services		
Parcels of Land	83	85
Land Improvements	115	112
Square Footage of Buildings	822,932	761,973
Equipment	107,434	106,334
Correctional Facilities	22	22

Note: This includes the occupied square footage of all state-owned leased buildings included in the Statewide Indirect Cost Allocation Plan.

Source: State of Missouri capital asset records by agency.

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February 2007

TAX CREDIT

Analysis of the New Generation Cooperative Incentive Tax Credit Program

Report no. 2007-06

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

State Estimated to lose $37.1 million on New Generation Cooperative Incentive Tax Credit Program

This audit reviewed the cost-benefit to the state of the New Generation Cooperative Incentive (NG) tax credit program and found the credit would not create enough economic activity to offset the tax credits used. The program is designed to induce producer member investment in new generation cooperatives and processing entities that will process Missouri agricultural commodities and agricultural products into value-added goods, benefit Missouri's agricultural producers, and create jobs. As of June 30, 2006, state officials had issued $22.1 million in tax credits for this program, and $18.1 million had been redeemed. State law requires state auditors to perform a cost-benefit analysis of all state tax credit programs, and this report is a part of such ongoing work.

Loss of $37.1 million from the NG program

The software used to model the program estimates the economic activity occurring from the business investment generated solely by the tax credit will result in about a $2 million net revenue gain. However, when total projected tax credit redemptions of $39.1 million are considered, the gain becomes a projected total loss to the state of $37.1 million. The model evaluated the impact of the investment resulting from the tax credit and not the total investment for any facility constructed because other state, federal, local and private funding sources are available for the remaining investment portion of the projects. We were unable to measure the social benefits this tax credit may have on the rural communities that received the majority of the tax credit's benefits. (See page 10)

Limited permanent jobs created

The analysis predicts the tax credit program will have limited impact on jobs and the gross state product. For example, the program's resulting employment growth peaks at 96 net new jobs created in 2006. However, by program end in 2010, just 57 jobs remain and all but 12 of those jobs are lost by 2020. Rural areas benefit from most of the predicted new jobs. (See page 10)

Tax credit law needs clarification

State law does not define when a facility would have to be placed in operation to remain eligible for tax credits and is unclear if facilities of new generation cooperatives must operate in the state. State law also is not clear regarding limitations on the tax credit issuances. Section 348.432.3, RSMo, limits each producer member in a new generation cooperative or processing facility to a maximum tax credit of $15,000; however, the law does not clarify if producer member name or taxpayer identification number controls what constitutes a separate producer member. We identified four instances where MASBDA issued $30,000 in tax credits to one taxpayer identification number. (See page 13)

Control and reporting weaknesses

NG program internal controls and reporting need improvement because (1) MASBDA has not received sufficient documentation that producer members made investments prior to tax credits being issued, (2) MASBDA has not established policies and procedures for compliance and on site monitoring of new generation cooperative or processing facilities, (3) MASBDA has not established criteria for when new generation cooperatives or processing facilities may be eligible for additional tax credits issuance, (4) MASBDA failed to adhere to its internal conflict of interest policy and issued tax credits to ineligible applicants, and (5) the annual tax credit's cost-benefit reported to the General Assembly as part of the state's budgeting process overestimates the benefit to the state. (See page 15)

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Abbreviations

GSP	Gross State Product
MASBDA	Missouri Agricultural and Small Business Development Authority
NAICS	North American Industrial Classification System
NG	New Generation Cooperative Incentive
REMI	Regional Economic Models, Inc.
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Joint Committee on Tax Policy
and
Tony Stafford, Executive Director
Missouri Agricultural and Small Business Development Authority
and
Fred Ferrell, Director
Department of Agriculture
Jefferson City, MO 65102

State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. The audit objectives included (1) estimating the economic impact of the New Generation Cooperative Incentive (NG) tax credit program on state revenue, and (2) reviewing the adequacy of internal controls in place to ensure compliance with statutory requirements for the tax credit program.

We concluded the NG tax credit program will not generate sufficient economic activity to offset the state tax credits used because the program is estimated to result in a net loss of approximately $37.1 million in state revenues. Since this tax credit is designed to create additional markets for agricultural products and most agricultural production is in rural parts of the state, it can have social impacts, as well as economic impacts. For example, it may increase the quality of life in rural communities which would not occur without the tax credit. We were unable to measure these social benefits. We found the General Assembly needs to clarify program law. In addition, program internal controls and reporting need improvement.

We conducted our work in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception of the external impairment of access to redemption data from income tax returns which limited our ability to conduct our work, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were Jon Halwes, Andrea Paul, and Glenn Fitzgerald.

Susan Montee, CPA
State Auditor

Introduction

The New Generation Cooperative Incentive (NG) tax credit program started in 1999 and is established under Section 348.432, RSMo. The Missouri Agricultural and Small Business Development Authority (MASBDA)[1] manages this program and is authorized to issue up to $6 million in tax credits per fiscal year to producer members[2] making qualified investments in new generation cooperatives or new generation processing entities. The tax credit is currently set to expire December 31, 2010. The program is designed to induce producer member investment in new generation cooperatives and processing entities that will process Missouri agricultural commodities and agricultural products into value-added goods, benefit Missouri's agricultural producers, and create jobs.

Tax credits can generally be broken into three categories. Some are established to create a certain economic benefit, some are established to induce certain social benefits and others are created for both an economic and social benefit. The NG tax credit program is designed to create both an economic and social benefit with more emphasis on an economic impact. In addition to the economic impact, new agricultural businesses will help rural areas which have a more difficult time attracting new business development.

After a new generation cooperative or processing entity is organized, the entity files a form with MASBDA to be certified for the tax credit. MASBDA then approves a contingent allocation of tax credits based on the project investment amount on the application. After all the members have made their cash investment, the cooperative or entity provides a certified listing to MASBDA with actual member and investment information. The new generation members, or investors, individually apply directly to MASBDA for a tax credit. A $25 application fee must be submitted with the application. These fees go towards the administration of the tax credit program.

The maximum tax credit allowed per employee-qualified capital project[3] is $3 million and the maximum tax credit allowed per large capital project[4] is

[1] MASBDA is administered by a seven-member commission which is appointed by the Governor and confirmed by the Senate. The Director of the Department of Agriculture serves as an ex-officio commission member. An Executive Director manages MASBDA operations. MASBDA is part of the Department of Agriculture.

[2] A person, partnership, corporation, trust or limited liability company whose main purpose is agricultural production that invests cash funds to an eligible new generation cooperative or eligible new generation processing entity.

[3] Eligible new generation cooperative with capital costs greater than $15 million and at least 60 employees.

[4] Eligible new generation cooperative with capital costs greater than $1 million.

$1.5 million. No employee-qualified projects have been approved by MASBDA as of June 2006. The tax credit amount issued to a producer member may be the lesser of 50 percent of the member's cash investment or $15,000, except for any pro-ration of the member's tax credits if members' investment in a new generation cooperative or processing entity would be eligible for tax credits in excess of the project's tax credit allocation.

The credits are transferable or may be sold under the provisions of Section 348.432.5, RSMo and the credits can be carried back 3 years to offset previous tax liability or carried forward for 5 years to offset future tax liability. The tax credits may be redeemed against state income tax, corporate franchise tax, and financial institution tax.

Section 135.805, RSMo, requires a recipient of an agricultural tax credit to, for a period of 3 years following issuance of tax credits, provide the administering agency (MASBDA) annual information confirming the type of agricultural commodity, the amount of contribution, the type of equipment purchased, and the name and description of the facility. However, if the agricultural credit is issued as a result of a producer member investing in a new generation processing entity then the new generation processing entity, and not the recipient, shall annually, for a period of 3 years following issuance of tax credits, provide this information to the administering agency.

Section 620.1300, RSMo, requires the State Auditor's office (SAO) to analyze the cost-benefit impact to evaluate the effectiveness of all state tax credit programs.

Tax Credits Used and New Generation Projects

As of June 30, 2006, records show $22.1 million in tax credits had been issued and $18.1 million in tax credits had been redeemed leaving $4.0 million in outstanding tax credits. MASBDA estimated an additional $17 million in credits would be issued through 2010 the statutory program end. Tax credits can be redeemed through 2015.

Through June 30, 2006, producer members in 16 new generation cooperative or processing entities[5] had received tax credits (see Appendix I for the name and location of the organizations). The new generation organizations are producing or plan to produce and distribute products ranging from fuel (biodiesel and ethanol) to food (meat, soy-based beer, milk and soy snacks). The cooperatives involved with the ethanol production had proposed total investments ranging from $5 million to $58

[5]Producer members in four of these cooperatives received a second issuance of tax credits.

million for various construction phases based on information in MASBDA's tax credit database.

Scope and Methodology

To evaluate the impact of the NG tax credit program on the state, we reviewed state statutes and MASBDA's procedures. We discussed the operation of the program and internal controls with MASBDA's staff to determine if proper controls were in place to ensure compliance with statutory requirements.

We obtained database files from MASBDA which reported the amount of tax credits issued to NG program investors. We determined the database was complete and could be relied upon for purposes of our analysis.

We obtained aggregate totals of annual tax credit redemptions from the Department of Revenue. We were not provided detailed redemption information. The Director of the Department of Revenue denied us access due to the department's interpretation of the Missouri Supreme Court decision in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). These external impairments limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals.

We used regional macroeconomic modeling software called Policy Insight® 7.0, produced by Regional Economic Models, Inc. (REMI), to analyze the total economic and demographic impact of the tax credit program on the state. REMI specifically designed this model for Missouri which aggregates the production sectors into 70 sectors by North American Industrial Classification System (NAICS) code and splits the state into 17 geographic regions by groups of counties. The REMI model generates a baseline forecast for the state without the tax credit in place. We then input data into the model to reflect how the tax credit affects spending by firms, households, and government and studied the difference between certain variables in the baseline and the alternative forecast. The key outputs from the model are (1) growth in total employment compared to the baseline, (2) growth in gross state product compared to the baseline, (3) and the fiscal impact on the General Revenue Fund.

Modeling assumptions

We changed three variables in the REMI model to create the alternative forecast (1) production costs of the industry sectors receiving investment as a result of the NG tax credit, (2) personal taxes to substitute for reduced household consumption, and (3) government spending. We modeled the tax credit through 2020, five years after possible redemption of tax credits issued.

We obtained the total amount of tax credits issued to producer members of each new generation project from MASBDA. We defined follow-on investment in each project as the amount of investment that the tax credit induces but is not eligible for the tax credit. Producer members who invest in a new generation project can receive a tax credit for 50 percent of their investment or $15,000, whichever is less. The follow-on investment must at least equal the tax credit issuance amount. We assumed any producer member investment beyond $30,000 was investment that would have been made absent the tax credit, and therefore, did not produce any follow-on investment beyond $15,000 and was not modeled. We calculated total modeled investment in each project as double the amount of tax credits received by the producer members. The model is evaluating the impact of the investment resulting from the tax credit and not the total investment for any facility constructed because other state, federal, local and private funding sources are available for the remaining investment portion of the projects.

We entered the total modeled investment for each project as reduced production costs for that particular industry (NAICS code) in the REMI model. Production costs include labor, capital, and fuel. We used the actual year and NAICS code reported by MASBDA for each new generation project established through June 30, 2005 and projected results provided by MASBDA for subsequent years through the credits current expiration December 31, 2010. We used these actual and estimated amounts to calculate total modeled investment for the projected years and entered that amount into the REMI model as reduced production costs. Altogether, we reduced production costs by $78.2 million from program inception to the end of 2010.

The REMI model assumes all production occurs within the state; however, as of June 30, 2006 at least two new generation cooperatives or production facilities receiving tax credits did not own or operate a production facility within the state. As a result, the model's results may overestimate the impact of this tax credit.

Since at least 50 percent of a producer members' investment in a new generation project is not eligible for a tax credit, the amount of follow-on investment cannot be spent on goods and services. To account for this decrease in household consumer spending, we increased personal taxes in the REMI model by the amount of the follow-on investment for all actual and estimated projects. Increasing personal taxes in REMI decreases consumer spending across all sectors because disposable income is reduced for all households.

Because some tax credits were given to out-of-state producer members, we reduced follow-on investment in our model by the amount of out-of-state follow-on investment. This adjustment is because out-of-state follow-on investment does not affect household consumption patterns in Missouri. From a sample of tax credits issued from July 1, 1999 to June 30, 2005, we estimated 10.5 percent of all tax credits have been or will be issued to out-of-state producer members. As a result we reduced follow-on investment by an estimated amount related to these tax credit issuances.

Since the state does not collect tax revenue on tax credits, we reduced state spending in our model by the amount of each tax credit issued to producer members. The Department of Revenue sent us actual redemption data for calendar years 2000 to 2005 and the first half of calendar year 2006 for this tax credit. We used the amount of redeemed credits each year as the reduction in state spending. This tax credit has a carry forward of 5 years, meaning the tax credits may be redeemed up to 5 years from issuance. To estimate redemptions through 2015, we assumed producer members would redeem their tax credits at the same annual rate observed from 2000-2004, an average of 34 percent. We applied this rate to all years from 2005-2013. In the final two years, we assume the remainder of all outstanding tax credits will be redeemed. Total redeemed tax credits from 2000-2015 in our model is $39.1 million. The Department of Revenue does not maintain a list of tax credits which are no longer eligible to be used, so we could not adjust the redemption rate for these credits. The first year any credits would no longer be eligible for use is 2005. We assume all tax credits are redeemed because we had no data on expired tax credits. We ran a model with a 90 percent redemption rate and compared the economic impact of that model to the model with a 100 percent redemption rate. That analysis produced similar results to the model results presented in Chapter 2.

To assess the fiscal impact of the NG tax credit, we captured any increases to the General Revenue Fund as a result of the tax credit. Increases to state general revenue would result from additional sales and income tax revenues or reduced expenses (for example in assistance programs) offset by increased costs (for example business compliance monitoring). We then subtracted tax credit actual and estimated redemptions for each year from 2000-2015 from General Revenue Fund revenues.

We submitted our modeling assumptions and the REMI model results to an economist at REMI. He stated he found no problems with the assumptions and results.

In addition to the various factors discussed above which are measurable through the use of REMI, there are other factors which may have an impact

which are not measurable. Since this tax credit is designed to create additional markets for agricultural products and most agricultural production is in rural parts of the state, it can have social impacts, as well as economic impacts. For example, it may increase the quality of life in rural communities which would not occur without the tax credit. Such a benefit would not be measurable in the REMI model. The REMI model also does not measure additional benefits the new generation cooperative or processing entity receives from the federal and state government, such as grants or subsidies. Through the end of fiscal year 2006, the state's cooperative supported ethanol plants had received $29.9 million in ethanol production incentive payments under Section 142.028, RSMo.[6] Those costs to the state and benefit to the producers are not included in the REMI model inputs because we wanted to measure only the impact of the NG tax credits.

We requested comments on a draft of our report from the MASBDA commission. We conducted our work between July 2005 and June 2006.

[6] Under the law, a Missouri qualified fuel ethanol producer shall be eligible for a production subsidy for 60 months. The subsidy in any fiscal year is equal to 20 cents per gallon for the first 12.5 million gallons of qualified fuel ethanol produced from Missouri agricultural products plus 5 cents per gallon for the next 12.5 million gallons of qualified fuel ethanol produced from Missouri agricultural products.

New Generation Tax Credit Will Not Create Sufficient Economic Activity

The NG tax credit program as projected will not generate sufficient economic activity because the program minimally impacts gross state product (GSP) and does not create a significant number of jobs. As a result, the state is estimated to lose revenue of $37.1 million over the 20-year period modeled.

Loss of $37.1 Million From the NG Program

The REMI model predicts the NG tax credit program will generate a $37.1 million loss. The model estimates the economic activity occurring from the investments generated by the tax credits will result in about a $2 million[7] net revenue gain. However, when total projected tax credit redemptions of $39.1 million are considered, the gain becomes a projected total loss to the state of $37.1 million.[8] The NG program is not projected to have a positive effect on state revenues in any years.

The model predicts a net increase in local government revenues of $2.5 million. Local governments receive positive net revenues because they do not have to finance the tax credits.

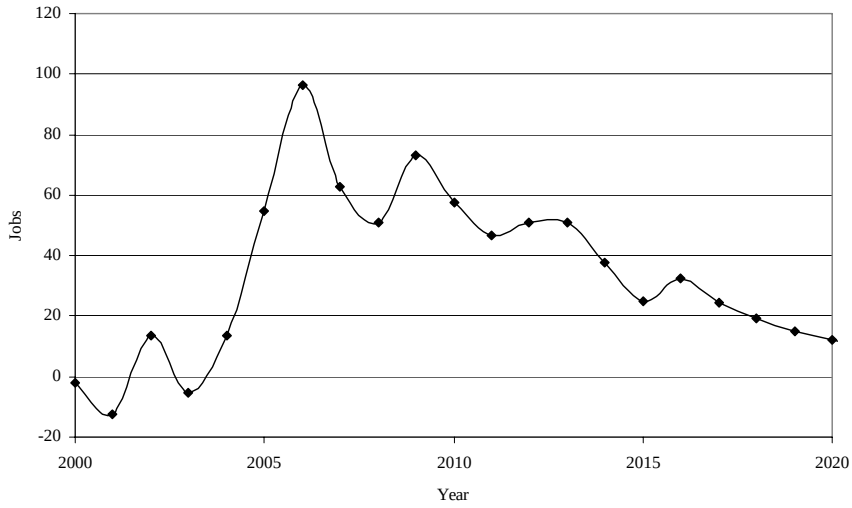
Impact on jobs and GSP not enough to offset tax credits

The REMI model predicts the tax credit program will have limited impact on jobs and the GSP. For example, the tax credit program's resulting employment growth peaks at 96 net new jobs created in 2006. However, by program end in 2010, just 57 jobs remain and all but 12 of those jobs are lost by 2020. Rural areas benefit from most of the predicted new jobs. Figure 2.1 shows the predicted change in employment by year.

[7] This net gain is calculated by taking the projected $2.3 million revenues generated from the program less the projected $300,000 in state expenditures.

[8] This loss calculation does not include the positive social effects of any developments which occurred in the rural communities that would not have occurred without the tax credit. For example, it was not possible to measure the economic benefits of the increased quality of life this tax credit may have provided to these areas.

Figure 2.1: Predicted Change in Employment by Year

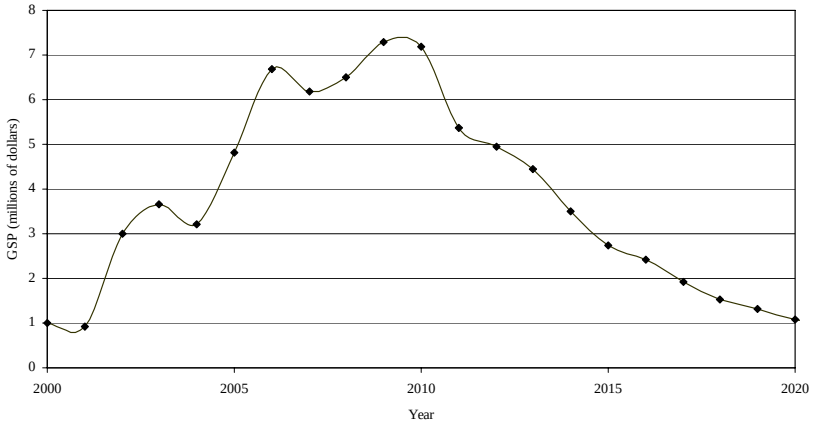


Source: REMI economic model.

The REMI model predicted GSP increased and peaked at an increase of $7.3 million in 2009, and steadily declines, but remains positive in subsequent years as the effects of the program dissipate. The projected cumulative increase in GSP totals $79.7 million through 2020. The model predicts GSP per capita peaks in 2014 at cumulative growth of $8.34. Beginning in 2015 GSP per capita becomes negative[9] and remains slightly negative annually through 2020 when cumulative GSP per capita is $7.83 The reduction in GSP per capita annually after 2015 occurs because the population of the state increases at a faster rate than the change in GSP. Figure 2.2 shows the predicted change in GSP.

[9] GSP per capita is negative in a particular year when the growth in the modeled economy with the tax credit impact is less than the growth that results from the baseline economy in the model.

Figure 2.2: Predicted Change in GSP (dollars in millions)



Source: REMI economic model.

Conclusions

Although the NG tax credit program is estimated to create jobs and increase GSP, the REMI model estimates it will generate limited overall economic activity. The model results show the NG program creates only 12 jobs which remain in place by the end of the 20-year period the program was modeled and will cost the state $37.2 million over that period. The investment activity and job creation through 2005 occurred primarily in rural communities.

The NG program sunsets December 31, 2010. Because of the minimal economic benefits resulting from program costs, the General Assembly should evaluate whether the program's social benefits outweigh those costs when considering the program's extension.

Recommendation

We recommend the General Assembly evaluate whether the NG program's social benefits outweigh its costs when considering its extension.

Agency Comments

See Appendix IV for MASBDA's Chapter 2 comments with REMI and SAO comments.

Law Changes Could Improve Benefits of Tax Credit Program

State law does not require new generation cooperatives to own or operate facilities in Missouri. In addition, unclear statutes can allow individuals to exceed the $15,000 tax credit limit per cooperative per producer member. As a result, the tax credit's potential economic benefit to the state is less than it could be and some individuals may be able to benefit from the credit more than the General Assembly intended.

Tax Credit Law Needs Clarification

Inconsistency in state law allows facilities of new generation cooperatives to operate outside of the state. Section 348.432.2, RSMo, defines a tax credit eligible new generation cooperative as a nonprofit cooperative association formed for the purpose of operating a developmental facility or renewable fuel production facility. That statute further defines a tax credit eligible new generation processing entity as a partnership, corporation, cooperative, or limited liability company organized or incorporated pursuant to the laws of this state consisting of not less than 12 members, approved by the authority, for the purpose of owning or operating within this state a development facility or a renewable fuel production facility in which producer members (1) hold a majority interest, (2) control hiring and firing of management, and (3) deliver agricultural products.

The law does not define when a facility would have to be placed in operation to remain eligible for tax credits and is unclear if facilities of new generation cooperatives must operate in the state. A MASBDA official said MASBDA interprets the statute to mean only new generation processing entities would have to have facilities operating in the state. We identified at least two new generation cooperatives working with facilities based outside of the state. According to application paperwork and comments from MASBDA personnel, both cooperatives plan facilities in the state. However, those facilities may not occur and MASBDA officials do not believe they are required to establish facilities in the state. Section 348.414, RSMo, says MASBDA shall not provide services or funds for any project not located in this state; however, project is not defined.

State law also is not clear regarding limitations on the tax credit issuances. Section 348.432.3, RSMo, limits each producer member in a new generation cooperative or processing facility to a maximum tax credit of $15,000; however, the law does not clarify if producer member name or taxpayer identification number controls what constitutes a separate producer member. We identified four instances where MASBDA issued $30,000 in tax credits to one taxpayer identification number. The new generation cooperatives reported the same taxpayer identification number as two separate producer

members.[10] As a result, the individual/entity with that taxpayer identification number received $30,000 in credits for each cooperative investment. Whether the legislature intended such a situation to happen based on how the law was written is unknown.

Conclusions

Changes to state law to ensure new generation cooperatives own or operate production facilities in Missouri and to clarify the definition of separate producer members would enhance the economic benefit of the NG tax credit program in the state and clarify the legislative intent regarding tax credit eligibility limits.

Recommendations

We recommend MASBDA request the General Assembly:

3.1 Modify state law to ensure new generation cooperatives establish facilities within the state and establish a timeframe by which the facility needs to be in place (for example 3 to 5 years after issuance of the credits).

3.2 Clarify in state law whether entity name or tax identification number controls who is considered a separate producer member for tax credit eligibility.

Agency Comments

3.1 A legislative proposal has been submitted to amend Section 348.432.2. (3) by inserting within this state so the definition of "Eligible new generation cooperative" and "Eligible new generation processing entity" are consistent and does require the facility to be located in Missouri.

By board policy the facility must be operational within 24 months of the New Generation Cooperative Tax Credits being issued. Extensions of the 24 month requirement may be requested. MASBDA will consider, but not limited to: construction delays due to weather, unforeseen material delays, acts of God or other catastrophic events.

3.2 By board policy "Tax credits will only be issued to memberships with distinct tax identification numbers." Tax credits will not be issued to multiple memberships with the same tax identification number in any one project.

[10] One for an individual and one for a business/farm name.

Improved Procedures and Reporting for Tax Credit Program Needed

NG program internal controls and reporting need improvement to ensure investments are properly made, facility monitoring is adequate, reasons are sufficient for authorizing additional tax credit issuances, conflict of interest policies are complied with and the cost-benefit of the program is accurately reported. As a result of weaknesses identified in these areas, the program may not be running as effectively as possible and the General Assembly has not received an accurate analysis of the tax credit's impact on the state.

Control and Reporting Weaknesses

NG program internal controls and reporting improvements are needed because (1) MASBDA has not received sufficient documentation that producer members made investments prior to tax credits being issued, (2) MASBDA has not established policies and procedures for compliance and on site monitoring of new generation cooperative or processing facilities, (3) MASBDA has not established criteria for when new generation cooperatives or processing facilities may be eligible for additional tax credits issuance, (4) MASBDA failed to adhere to its conflict of interest policy and issued tax credits to ineligible applicants, and (5) the annual tax credit's cost-benefit reported to the General Assembly as part of the state's budgeting process overestimates the benefit to the state.

Proof of investment inadequate

MASBDA has not required adequate supporting documentation for proof of the investment. MASBDA program guidelines require each new generation cooperative or processing facility provide a certified listing of the investors and the investment amount prior to issuing letters to investors that they are eligible to apply for tax credits. However, without requiring the provided documentation include copies of checks and deposit slips validated by a bank, there is no proof the investments occurred. A MASBDA official said the current documentation was sufficient because the cooperatives and facilities needed the investments, entities have external audits and MASBDA staff conducts periodic site visits of the facilities. However, the official further stated MASBDA does not receive or review the audit reports and has no set procedure or requirement for site visits.

Specific monitoring procedures needed

MASBDA has not established compliance monitoring procedures for new generation cooperatives or processing facilities. New generation cooperatives or processing facilities receive annual audits, but MASBDA has not established procedures to obtain and review these audits. In addition, procedures have not been developed to perform periodic site visits and ensure compliance with statutory and program established requirements. According to a MASBDA official, specific documented procedures are not necessary because the agricultural community is small, MASBDA is invited to the groundbreaking or ribbon cutting ceremonies, and if an employee or commission member is in the area of the facility they will "stop in." Good business practices suggest formal compliance monitoring procedures

improve the identification of errors or weaknesses compared to unstructured or inconsistent approaches.

Criteria for authorizing additional tax credits needed

MASBDA has not established criteria for when new generation cooperatives or processing facilities may be eligible for additional issuances of tax credits. New generation cooperatives or processing facilities have been allowed to receive additional tax credits for facility expansions. As of June 2006, four facilities have been approved for additional tax credit issuances. A MASBDA official said the commission approves additional tax credits if "substantial expansion" of the facility is planned; however, MASBDA has not developed specific criteria for what constitutes a substantial expansion.

In one case, MASBDA approved two rounds of tax credits for a new generation processing facility within a 6-month period. A MASBDA official said the commission knew the cooperative would be applying for two rounds of tax credits in a short time frame because the cooperative had separate projects in different parts of the state. He also said MASBDA did not believe specific criteria is necessary for approving additional tax credit funding for cooperatives because each request is unique and would need to be evaluated on its own merits.

MASBDA did not adhere to its conflict of interest policy

MASBDA's internal conflict of interest policy prohibits the issuance of tax credits to any member of the Missouri General Assembly, statewide elected official, director of a state department, or any of their immediate family who has a substantial interest in a new generation cooperative or processing entity, as defined by section 105.450 (10), RSMo. This section defines substantial interest as (1) ownership of 10 percent or more of a business entity or (2) an interest having a value of $10,000 or more.

A test of tax credit recipients disclosed MASBDA issued at least $78,000 in tax credits to three members of the General Assembly not eligible to receive the tax credits based on MASBDA's internal policy. Each legislator reported owning shares in new generation cooperatives or processing entities worth more than $10,000 on tax credit applications. According to a MASBDA official, the commission only determined the applicant did not own 10 percent or more of the business entity when determining tax credit eligibility. He said the commission did not consider if the investment has a value of $10,000 or more when evaluating whether a conflict exists.

Cost-benefit for credit overstated

The annual tax credit's cost-benefit reported to the General Assembly as part of the state's budgeting process overestimates the benefit to the state. MASBDA staff has prepared an annual tax credit analysis for the NG tax credit since fiscal year 2000, for the General Assembly as part of the state

budget process. That analysis includes a cost-benefit analysis. MASBDA's methodology for calculating the cost-benefit ratio has three major flaws:

- MASBDA has used two ethanol impact studies that analyze the impact of one agricultural product to estimate the benefits of a program that provides tax credits of varying amounts to new generation cooperative and processing facilities of varying size and agriculture sector impact. The construction and operational impacts of an ethanol plant are the highest among all the potential new generation cooperative or processing facilities. Because ethanol plant construction and sales are so high relative to all other new generation entities, the benefits of the plant far exceed the costs in the cost-benefit ratio, but that would not be the case with the smaller new generation entities that create fewer sales.

- The ethanol impact studies used as a basis for the cost-benefit analysis lack two key features a tax credit cost-benefit analysis should contain. First, the model used in these reports did not account for the decrease in state tax revenue caused by financing the tax credits. Second, these studies reported the total economic benefit derived from the construction and operation of the ethanol plants. Whereas a tax credit analysis only calculates the economic benefit resulting from the tax credit program.

- A MASBDA official said staff used a "tax revenue multiplier" in the cost-benefit computation to increase the direct effect, or benefit, of the program by three times the tax revenue. He said this computation was done because of an assumption that the software program used for the analysis in the impact study did not account for dividends paid to owners of firms. However, we identified the software did account for this activity in the total value-added component.

A MASBDA official said the cost-benefit analysis has been done this way because the analysis instruction documents provide limited explanation and the presentation made was the best information available.

Conclusions

Improving internal controls and establishing specific monitoring procedures will help ensure tax credits are issued for eligible investments, facilities are adequately monitored for statutory and program created compliance guidelines, and reasons are sufficient for authorizing additional tax credits for projects that already received program assistance.

MASDBA's interpretation of law has allowed individuals to receive tax credits they were not eligible for under its conflict of interest policy.

Inaccurate or incomplete cost-benefit program analysis has been provided to the General Assembly limiting the effectiveness of how it can judge program results.

Recommendations

We recommend MASBDA:

4.1 Establish procedures that require documentation to ensure producer member investments took place.

4.2 Develop a policy to periodically monitor operational new generation facilities. The policy should stipulate specific monitoring procedures, such as how often site visits should occur and what should be reviewed.

4.3 Establish criteria for when new generation cooperatives and processing facilities may be eligible for additional issuances of tax credits.

4.4 Discontinue issuing tax credits to ineligible applicants and work with the Department of Revenue to recoup the credits issued to the ineligible recipients.

4.5 Provide accurate realistic cost-benefit analysis to the General Assembly annually as part of the budgeting process.

Agency Comments

4.1 By current board policy: (1) The facility must certify, subject to penalties of perjury, that all "producer member" investments, as shown on a certified membership list, has been received and deposited to the account of the facility and that the facility has full use of the investment funds, (2) The "producer member" certifies, subject to penalties of perjury, that they did, in fact, invest a stated amount on a stated date, (3) the two referenced certifications are reconciled.

Additional requirements will be added: (4) facilities must send an audited financial statement that adequately reflects the investment funds, or monthly bank statements which reflect deposits of member's investment. The bank statements may be reconciled with the certified membership investment list.

4.2 By board policy all projects whose producer members received New Generation Cooperative Incentive Tax Credits will be monitored on no

less than an annual basis from the date of issuance through the fifth year after becoming operational.

Monitoring will be recorded and shall include, but not be limited to:

1. *Construction progress during the construction phase,*
2. *Note any update of board members, board of managers, or CEOs,*
3. *Address any delinquent reports as required by the tax credit accountability act,*
4. *Attempt to obtain a copy of the most recent financial information, and*
5. *Verification of number of employees.*

4.3 By current board policy each application for additional tax credits is considered on the individual merits of the expansion. Consideration will continue to include, but not be limited to; expansion capital, job creation, physical capacity increase, product line increase, environmental requirements, and economic development.

4.4 MASBDA's conflict of interest policy made reference to Section 105.450. (10) RSMo. The intent was to make reference to the ownership of 10% or more of a business entity that is referenced in the above section and not the complete (10) section.

The conflict of interest policy has been clarified to clearly state the board's policy:

The Missouri Agricultural and Small Business Development Authority (MASBDA) shall not knowingly provide a loan, loan guarantee, grant, or tax credit to any member of the Missouri General Assembly, any state-wide elected official, any director of a state department, or any of their immediate family or to any entity in which they have a "substantial interest", except for loans, loan guarantees, direct grants, or tax credits made (a) after public notice with competitive bidding and provided that the award is made to the lowest bidder or (b) for projects of eligible new generation cooperatives in which they do not have a substantial interest.

"Immediately family" is defined as spouse or dependent child whether by consanguinity or by operation of the law.

"Dependent child" is defined as all children, stepchildren, foster children and wards under the age of eighteen residing in the person's

household and who receive in excess of fifty percent of their support from the person.

"Substantial interest" is defined as ownership by the individual, the individual's spouse, or the individual's dependent children, whether singularly or collectively, of ten percent or more.

All tax credits have been issued in accordance with the intent of the conflict of interest policy which has now been restated to clearly state the intent of MASBDA commissioners. Therefore, no attempt will be made to recoup the tax credits referenced in the audit as they were not issued in violation of the intent of the policy.

4.5 MASBDA's belief is that the New Generation Cooperative Incentive Tax Credits play a vital role in rural economic development in Missouri and it is our belief that the tax credits do provide direct positive benefits at both the state and local level. MASBDA will continue to provide the most accurate realistic cost-benefit analysis to the General Assembly. MASBDA is preparing to solicit bids from outside sources to conduct more frequent cost/benefit analysis in an effort to update information to the General Assembly.

Cooperatives Receiving New Generation Tax Credits

Table I.1 lists the cooperatives for which producer members received tax credit allocations through June 30, 2006.

Table I.1: Cooperatives Receiving Tax Credits

Cooperative	Value-Added Product Produced	County Location of Cooperative	Tax Credits Issued
Northeast Missouri Grain Cooperative[1]	Ethanol/DDGS[2]	Macon	$1,500,000
Golden Triangle Cooperative	Ethanol/DDGS	Holt	1,500,000
Agramark Quality Grain Cooperative[1]	Food Grade Ingredients	Buchanan	1,500,000
Northeast Missouri Grain Cooperative[1]	Ethanol	Macon	1,500,000
Missouri Food and Fiber Cooperative	IP[3] Soybeans	Warren	1,500,000
Ozark Mountain Pork Cooperative[1]	Packaged Pork	Howell	398,000
Farm Food Cooperative	Meat	Montgomery	100,000
Gateway Beef Cooperative	Processed Beef	St. Louis	499,960
Ozark Mountain Pork Cooperative[1]	Packaged Pork	Howell	265,000
Central Missouri Poultry Producers	Soil Amendment	Moniteau	102,500
TransCon Ag Processing Cooperative	IP Grain – Soy-Based Beer	Cass	1,500,000
Mid-Missouri Energy Cooperative	Ethanol	Carroll	1,500,000
Sho-Me Livestock	Processed Meat	Maries	829,250
Missouri Farms Dairy	Process Milk	Jasper	1,500,000
Alma Meats	Meat	Lafayette	1,282,500
1 Soy	Soy Snacks	Warren	1,027,500
Agramark Quality Grain Cooperative[1]	Corn Flower	Buchanan	1,117,500
Biofuels[1]	Biodiesel Fuel	Cole	1,500,000
Biofuels[1]	Biodiesel Fuel	Cole	1,500,000
ECAP Cooperative	Ethanol	Audrain	1,500,000
Total			$22,122,210

[1] Cooperative received more than one round of tax credits.
[2] DDGS is corn distillers dried grains with solubles. DDGS is a co-product of a dry milling manufacturing process.
[3] Identity Preserved

Source: MASBDA database and cooperative files.

Tax Credit Review Status

Table II.1 shows the statewide tax credit programs and the State Auditor's office review status of each program.

Table II.1: Tax Credit Programs and Review Status

Program	Administering Department	Report Number for Review
New Generation Cooperative Incentive	Agriculture	2007-06
Agricultural Product Utilization Contributor	Agriculture	2007-05
Adoption (Special Needs)	Revenue	2005-79
Community Development Corporation/Bank	Economic Development	2005-55
(Capital) Small Business Investment	Economic Development	2005-54
Certified Capital Companies (CapCo)	Economic Development	2004-56
New Enterprise Creation	Economic Development	2004-56
Community College New Jobs Training Bonds	Economic Development	2003-32
Brownfield Jobs/Investment	Economic Development	2002-33
Brownfield Remediation	Economic Development	2002-33
Historic Preservation	Economic Development	2002-33
Qualified Research Expense	Economic Development	2002-33
Seed Capital	Economic Development	2002-33
Youth Opportunities and Violence Prevention	Economic Development	2002-33
Film Production	Economic Development	2001-13
Rebuilding Communities	Economic Development	2001-13
Small Business Incubator	Economic Development	2001-13
Winery and Grape Growers	Economic Development	2001-13
Affordable Housing Assistance	Economic Development	To Be Reviewed
Bank Franchise	Revenue	To Be Reviewed
Bank Tax Credit for S Corporation Shareholders	Revenue	To Be Reviewed
Brownfield Demolition	Economic Development	To Be Reviewed
BUILD Missouri Bonds	Economic Development	To Be Reviewed
Business Facility	Economic Development	To Be Reviewed
Cellulose Casings	Revenue	To Be Reviewed
Charcoal Producers	Natural Resources	To Be Reviewed
Development	Economic Development	To Be Reviewed
Disabled Access	Revenue	To Be Reviewed
Domestic Violence	Public Safety	To Be Reviewed
Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Enterprise Zone	Economic Development	To Be Reviewed
Examination Fees	Insurance	To Be Reviewed
Family Development Account	Economic Development	To Be Reviewed
Guarantee Fee	Economic Development	To Be Reviewed
Life and Health Guarantee Association	Insurance	To Be Reviewed
Maternity Home	Social Services	To Be Reviewed
MDFB Development and Reserve	Economic Development	To Be Reviewed

Appendix II
Tax Credit Review Status

Program	Administering Department	Report Number for Review
MDFB Export Finance	Economic Development	To Be Reviewed
MDFB Bond Guarantee Credit	Economic Development	To Be Reviewed
MDFB Infrastructure	Economic Development	To Be Reviewed
Missouri Health Insurance Pool	Insurance	To Be Reviewed
Missouri Low Income Housing	Economic Development	To Be Reviewed
Missouri Property and Casualty Guarantee Association	Insurance	To Be Reviewed
Neighborhood Assistance	Economic Development	To Be Reviewed
Neighborhood Preservation	Economic Development	To Be Reviewed
Pharmaceutical	Revenue	To Be Reviewed
Processed Wood Energy	Natural Resources	To Be Reviewed
Property Tax	Revenue	To Be Reviewed
Retain Jobs	Revenue	To Be Reviewed
Shared Care	Health and Senior Services	To Be Reviewed
Sponsorship and Mentoring Program	Elementary and Secondary Education	To Be Reviewed
Transportation Development	Economic Development	To Be Reviewed

Source: SAO

Tax Credit Redemptions

Table III.1 shows the redeemed tax credits in fiscal years 2003 through 2006 for all state tax credit programs. This information was not audited.

Table III.1: Tax Credit Redemptions by Program

	Fiscal Year			
Program	**2003**	**2004**	**2005**	**2006**
Adoption (Special Needs)	$1,993,883	1,995,882	2,582,546	2,460,245
Affordable Housing Assistance	7,601,144	7,554,503	7,702,860	4,080,564
Agricultural Product Utilization Contributor	957,074	1,964,872	1,639,541	1,857,235
Bank Franchise	873,461	1,596,458	2,543,523	2,413,631
Bank Tax Credit for S Corporation Shareholders	1,060,111	1,233,830	941,460	1,451,903
Brownfield Jobs/Investment	90,893	2,134,891	1,726,687	1,476,143
Brownfield Remediation/Demolition	5,669,489	16,101,975	10,627,870	10,611,324
BUILD Missouri Bonds	4,261,882	9,667,000	3,770,557	5,402,416
Business Facility	7,244,747	7,826,417	4,546,330	5,892,727
Cellulose Casings	225,319	429,480	382,540	341,315
Certified Capital Companies	13,111,196	13,564,932	13,371,610	13,164,904
Charcoal Producers	120,837	0	384,609	70,151
Community Development Corporation/Bank	484,723	1,632,669	2,021,628	34,870
Community College New Jobs Training Bonds	8,650,799	8,061,584	6,847,304	5,771,777
Development	430,097	562,622	2,487,152	4,518,483
Disabled Access	47,506	87,401	56,761	36,549
Domestic Violence	513,532	475,283	515,035	525,348
Dry Fire Hydrant	20,371	13,169	17,228	805
Enhanced Enterprise Zone	n/a	n/a	9,809,254	5,922,720
Enterprise Zone	13,767,273	19,766,366	15,485,501	14,759,891
Examination Fees and Other Fees[1]	6,710,016[2]	5,844,206[2]	4,962,341[2]	5,413,885
Family Development Account	8,760	27,488	12,875	9,237
Film Production	122,810	423,857	322,079	788,596
Guarantee Fee	0	0	11,224	73,009
Historic Preservation	43,153,986	66,089,980	74,532,355	103,134,226
Life and Health Guarantee Association[1]	2,440,427	177,712	302,516	4,910
Maternity Home	976,379	982,747	743,636	760,674
MDFB Bond Guarantee Credit	316,855	0	594,034	0
MDFB Development and Reserve	0	0	1,500	0
MDFB Export Finance	0	0	0	0
MDFB Infrastructure	6,310,541	10,020,578	25,953,799	21,858,725
Missouri Business Modernization and Technology (Seed Capital)	508,182	288,174	164,894	60,313
Missouri Health Insurance Pool[1]	1,581,522	3,687,665	3,688,639	5,497,999
Missouri Low Income Housing	29,978,473	36,916,831	65,392,601	61,963,799

Appendix III
Tax Credit Redemptions

Program	Fiscal Year 2003	2004	2005	2006
Missouri Property and Casualty Guarantee Association[1]	18,362,815	16,823,462	16,959,512	6,019,763
Neighborhood Assistance	8,641,533	10,217,628	9,286,880	10,009,497
Neighborhood Preservation	3,879,134	4,001,293	8,461,503	4,627,368
New Enterprise Creation	4,331,972	3,259,307	2,504,561	1,534,647
New Generation Cooperative Incentive	1,510,305	3,466,068	3,334,935	4,990,666
Pharmaceutical	3,737,102	524,527	142,373	1,672
Processed Wood Energy	3,642,570	1,205,443	3,700,285	3,728,100
Property Tax	97,180,378	95,237,314	99,455,570	96,090,703
Qualified Research Expense	1,642,524	2,038,230	1,626,864	1,006,688
Rebuilding Communities	2,289,501	1,415,889	1,694,006	1,764,167
Retain Jobs	n/a	n/a	0	2,882,995
Shared Care	24,355	39,109	33,574	39,247
Small Business Incubator	81,716	167,360	246,807	322,278
Small Business Investment (Capital)	149,068	49,478	109,050	58,189
Sponsorship and Mentoring Program	0	0	0	0
Transportation Development	1,249,848	3,678,532	3,545,219	980,806
Winery and Grape Growers	275,366	260,397	179,323	69,564
Youth Opportunities and Violence Prevention	2,898,572	3,272,225	3,211,185	3,256,950
Total	$309,129,047	364,784,834	418,634,136	417,741,674

[1] Redemptions are on a calendar year rather than fiscal year and based on tax year credit was applied against.

[2] Until 2006 the amount reported by the Department of Insurance for this credit was only the examination fee portion and not the other taxes and fees for which credits were also redeemed. The numbers in this appendix for 2003, 2004, and 2005 have been updated to include all redeemed credits.

Source: Office of Administration, Department of Revenue, and tax credit program administering agencies.

MASBDA Chapter 2 Comments with REMI and SAO Comments

MASBDA provided the following comments to the REMI analysis in Chapter 2:

Missouri Agricultural and Small Business Development Authority (MASBDA) commissioners and staff welcomed and embraced the audit that was to be conducted by the Missouri State Auditor's office. We take very seriously our charge of administering legislatively mandated programs and always welcome any comments and suggestions on ways to better implement and administer programs. We were very supportive of the "Tax Credit Accountability Act" which provides for audits of all tax credit programs. In fact, MASBDA provided testimony in favor of the legislation.

Serious considerations have been given to all recommendations made in the audit. The vast majority of those recommendations have been implemented, clarified, or proposed.

One notable exception is that we are very concerned with the audit methodology, assumptions, and the REMI modeling tool being used to conduct a cost/benefit analysis of the tax credit program.

During the initial audit meeting MASBDA staff expressed grave concerns about the REMI model being used to conduct a cost/benefit analysis. The model utilizes North American Industry Classification System (NAICS) codes which are biased against agriculture as the 70 sector codes do not reflect modern agriculture. That same concern was expressed throughout the audit, during the exit interview, and again when the audit findings were presented to the MASBDA commissioners.

We understand REMI to be an instrument for forecasting and policy analysis. The model utilizes national forecasts of future growth or decline by industry sector. The historical data is used to track how the industrial mix and concentration of employment in the region is different from the rest of the country, and how the economic growth trends in the region differ from national trends for each industry sector. The model produces a controlled forecast by using current data regarding the economy. The control forecast represents the projection of the economy into the future ceteris paribus. This means that the future economic growth will follow similar patterns in the future as had been experienced in the past. In modern value-added agriculture that assumption is certainly flawed. For example, in the case of alternative fuels with unprecedented high oil prices, fuel prices and demand being at all time highs is in no way reflective of history. Many other value-added enterprises, who have received the benefits of tax credits, have experienced tremendous advances in technology making them much more efficient and effective. History was in no way a predictor of

those changes. For example, the first ethanol produced in Missouri was not until 2001 and the first biodiesel plant is just now coming online. With this short history the model cannot have an adequate representative baseline.

As the audit analysis states, REMI generates a baseline forecast for the state, by sector, by geographic regions, by NAICS codes (which are not reflective of modern day value-added agriculture) without the tax credit program in place. Data was then input into the model to reflect how the tax credits affect spending by firms, households, and government and then studied the difference between certain variables in the baseline and the alternative forecast.

The alternative forecast allows the user to input variable changes to occur in future time periods. Only those variables that would be affected by the policy change being measured would be changed in the alternative forecast. The REMI model then forecasts economic performance based upon the policy variable changes.

The difference between the alternative and the control forecasts, measured by the distance between the two forecast lines, represents the economic impact of the policy change upon the economy. If the alternative forecast is greater than the control forecast, then a positive economic impact results for the economy. A negative economic impact results should the alternative forecast be less than the control forecast.

REMI is intended to be used to analyze policy changes and make forecasts accordingly. REMI is not intended to be used for a cost/benefit analysis of specific tax credits issued to specific producer members who invest in specific projects. For example, the exact benefit or cost of $1.5 million tax credits being issued to 700 plus producer members who are now 100% owners of a $80,000,000 ethanol production facility creating 30 plus jobs and causing corn prices to increase by an estimated $.15/bushel for all farmers in the area cannot be determined by REMI. Again, REMI looks at sectors, not specific projects. For any specific issuance of tax credits, REMI does not account for any specific plant operational efficiencies, specific purchasing efficiencies, specific marketing efficiencies, employee productivity, by-product production or marketing, or profitability of the facility and how and to whom those profits flow. Just as in the above example, all of the profits remain in Missouri as compared to the baseline generated by REMI in which national and international companies generate the baseline. Those profits flow throughout the United States, or even internationally.

The "Tax Credit Accountability Act" requires the Missouri State Auditor to prepare a cost benefit analysis of all tax credit programs. Again, we believe the REMI model does NOT accomplish that purpose on each tax credit program but rather looks at the tax credit programs from a policy analysis standpoint without consideration being given for the merits of each project whose producer members received tax credits.

As previously noted, the NAICS codes are not reflective of modern value-added agriculture and we believe REMI is an inadequate tool to conduct a cost/benefit analysis.

Some examples of the inadequacies of the REMI model are:

1. *Of the $22 million tax credits issued by MASBDA and reviewed by the Missouri State Auditor, $7.5 million were issued to producer members investing in ethanol production facilities. There is no NAICS code for ethanol production. The code for ethyl alcohol manufacturing was used. That code is not at all reflective of ethanol production in Missouri.*

2. *Tax credits in the amount of $3.0 million were issued to producer members investing in biodiesel facilities. The code for petroleum bulk station terminals and distribution was used as there is no code for biodiesel production. Again the code used is not at all reflective of biodiesel production.*

3. *Examples of other credits issued to producer members include:*

    a. *Poultry litter recycling – no NAICS code,*
    b. *Food grade corn milling – no NAICS code,*
    c. *Food grade soybean cleaning, processing, and distribution – no NAICS code, and*
    d. *Nutriceutical production – no NAICS code.*

4. *Of the tax credit issuance projected through December 31, 2010, most of those projected projects did not have adequate NAICS codes.*

5. *The audit notes that the employment peaks in 2006 with 96 net new jobs. The audit assumption is that only 57 jobs remain in 2010 and only 12 remain by 2020. It is unclear how those numbers were generated. With only 57 jobs remaining in 2010 that means that less than two ethanol plants can operate and all other projects will cease operation. With only current ethanol production being*

considered, over 100 new jobs have been created. The projected ethanol projects alone will generate in excess of 100 additional jobs. With all other current and projected projects, the employment numbers far exceed those reflected in the audit. If only 12 jobs remain in 2020, the assumption is being made that none of the ethanol or biodiesel plants will still be in operation. The typical ethanol plant requires 30 employees.

It is unrealistic to assume that the vast majority of the projects will cease to be operational by 2020.

6. *In addition, the model does not allow multiple codes per project. For example, a meat company doing custom slaughtering, wholesale, retail, and further processing would be fit into one code without each sector of the business being reflected in the total operation.*

A recent study conducted by the University of Missouri's Commercial Agriculture Program shows:

- *the one time impact of constructing the current four operational ethanol plants to have created 5,374 U.S. jobs,*
- *increased the economic activity in the U.S. by $637 million,*
- *the operation of the same four plants will annually maintain 2,784 Missouri jobs, and*
- *provide $92 million in Missouri employment income.*

That same study shows the four operational plants will annually:

- *generate $178 million in value-added income to Missouri's economy,*
- *generate $390 million in economic activity in Missouri, and*
- *raise the value of Missouri's corn crop by $41 million annually.*

A study just completed by the Missouri Department of Economic Development's Missouri Economic Research & Information Center (MERIC) in which they looked at the biofuels (ethanol and biodiesel) industry (over a 10 year period, 2004-2013) in Missouri concludes, in part, that for every dollar invested in the biofuels industry:

- *$0.42 in net general revenues to the state totaling ($165 million),*
- *$17.34 in new personal income to Missourians totaling $4.9 billion, and*

- *$19.08 in new economic activity/output to the state economy totaling $5.4 billion.*

The study goes on to show that on average each year the industry creates:

- *6,670 new jobs paying an average wage of $24,989,*
- *($16.5 million) in net general revenues on average each year,*
- *$494 million in new personal income on average each year, and*
- *$544 million in new economic activity/output on average each year.*

The study does show a ($16.5 million) in net general revenues for average per year for the modeling years 2004 - 2013. However, the study does show that beginning with 2013 there is a positive impact on general revenues of $10,688,931. The modeling is only through the year 2013 but certainly there is every reason to believe that a positive impact on general revenue will continue so long as the facilities are in production.

MASBDA is also concerned about the audit because a number of the assumptions made in the audit seem to be arbitrary and without merit.

1. *The assumption was made that any producer member investing beyond $30,000 was an investment that would have been made absent the tax credit, and therefore, did not produce any follow-on investment beyond $15,000 and was not modeled. This assumption was made <u>without</u> any conversations, surveys, or questions of the producer members investing in the projects to determine what they would or would not have done absent the tax credit. It seems more logical to include the overall investment rather than making an arbitrary assumption to determine the reason for making the investment. Financial decisions are based on the overall investment return, not just a limited calculation of the return for a portion of the investment. That means just over $78 million of the estimated $615,000,000 in capital investments was considered in the model.*

2. *Although 10% of the credits have been issued to out-of-state producer members who invested in Missouri projects, the investments resulted in creating economic development and jobs in Missouri. The decision was made by the audit staff to reduce follow-on investment in the model by the amount of the out-of-state follow-on investment. That decision was made without regard to any shopping and spending patterns of those producer members. For example, based on conversations of MASBDA staff with the producer members, MASBDA believes that the nearest trade center*

for many of the out-of-state producer members is in Missouri. Many of those individuals shop almost exclusively in Missouri. Certainly their major purchases such as farm equipment, vehicles, and household goods are purchased in Missouri. Some of those producer members have off-farm jobs and actually work in Missouri.

3. *Based on the current statute, the last credits could be claimed in 2015. It is unclear why the model is projecting cost through 2020, five years after the last credits could be claimed. Certainly, the benefits will continue so long as the facilities are operational.*

4. *The audit notes the redemption rate is about 34% average for the years 2000-2004. The audit did not reflect how that average was determined but was verbally explained to the satisfaction of MASBDA. That average was applied to the projected tax credit issuances to determine the amount of redeemed tax credits. The audit assumed that all tax credits which have or will be issued will be redeemed. MASBDA staff conveyed to the audit staff that an estimated 10% of issued credits would lapse and not be redeemed. That estimate was based on conversations with tax credit recipients who either attempted to transfer credits which had lapsed or who tried to redeem credits which had lapsed. Therefore, we disagree with the audit assumption that 100% of all issued tax credits will be redeemed.*

The REMI economist who we consulted with during the audit provided the following analysis of MASBDA's comments and the specific concerns noted regarding the appropriateness of the REMI software in doing a cost-benefit analysis.

REMI Comments:

The analyses using the REMI model looks into the "total" benefit/cost of all the tax credit programs by looking beyond the method of increase in economy output from the sector of traditional input/output models. Understanding the concerns of Missouri's Agricultural sectors, an increase in output is not sufficient enough to account for the actual total benefits of the program to the state. REMI Policy Insight was adjusted to look at the sector impact beyond their NAICS category by looking into productivity improvements and Missouri's competitiveness in the national and international market.

Within the REMI model there are strong regional purchases and exports for the sector and their intermediate inputs, which shows the sector's importance for the health of the Missouri economy. Although in the analyses, there were improvements to Missouri's competitiveness, the increases in the sector's competitiveness were minimal over time.

REMI Policy Insight was used in many analyses in the U.S. including the recent studies of Advanced Ethanol in the Great Lake region for Michigan Technological University and Biodiesel feasibility study for the U.S. Environmental Protection Agency. Although REMI looks at how markets and impacts change over time, its clients have frequently used the REMI model to derive the cost and benefits of programs and projects. REMI would like its users to look beyond benefit/cost analysis but there is no denying the importance of using benefit/cost ratios for comparisons of projects. REMI has been used for the last 26 years in helping its clients figuring out the total benefits and costs of projects. Agencies such as New Mexico Department of Finance Administration, Washington Department of Transportation, Louisiana Legislative Fiscal Office, Massachusetts Institute of Technology, New Jersey Transit Authority and countless others have used REMI for benefit/cost analysis.

Steps were taken to adjust the sector to increase productivity and lower production costs and to make the industry competitive in the national and global markets.

1. The NAICS code for ethanol production is 325193. The correct code was used for the analysis.

2. The NAICS code for biodiesel facilities is 325199. The correct code was used for the analysis.

3. a. The NAICS code for Poultry Litter Recycling is 112
   b. The NAICS code for Corn Milling is 311221
   c. The NAICS code for Soybean Processing is 311222
   d. The NAICS code for Nutriceutical Production is 325410

   The analysis went beyond their NAICS code but tried to see the benefit of improvements to the competitiveness of the sectors and growth of market share.

4. What we went after was the maximum benefit that in an ideal situation (market clearance) that the credit would help lower production costs. We allocated the impacts accordingly to their

NAICS sectors (Every industry in the U.S. is part of a NAICS sector).

5. When the program ended, the productivity gained was not enough for the viability of the sector in Missouri, i.e. Missouri's competitors have a competitive advantage to take their market share back. Within the model, the impact could not be sustained.

6. The analysis went beyond their NAICS code but tried to see the benefit of improvements to the competitiveness of the sectors and growth of market share.

SAO Comments:

The assumptions made for the REMI analysis were not arbitrary and without merit. We discussed assumptions with REMI staff and made adjustments where necessary to appropriately evaluate the tax credit. The benefits to the state of biofuels projects as reported above by MASBDA include the impact of all state and federal subsidies and grants available for these projects, as well as private investment. As discussed on page 9, the state's cooperative supported ethanol plants have received $29.9 million in production incentive payments from the state through fiscal year 2006. This funding source and other state and federal resources available to the ethanol industry would be inducements for ethanol plants being established in the state. The analysis presented in this report attempts to show only the impact of the NG tax credits. An argument could be made that there is less need for cooperatives establishing alternative fuel products receiving NG tax credits when other public resources are available in that industry which are not available for cooperatives establishing other types of agribusinesses.

As noted in Chapter 1, we also performed a separate REMI analysis assuming 10 percent of the tax credits were not redeemed and found no significant difference in the analysis results.

Susan Montee, CPA
Missouri State Auditor

February 2007

TAX CREDIT

Analysis of the Agricultural Products Utilization Contributor Tax Credit Program

Report no. 2007-05

auditor.mo.gov

Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

State Estimated to Lose $13.5 million on Agricultural Products Utilization Contributor Tax Credit Program

This audit reviewed the cost-benefit to the state of the Agricultural Products Utilization Contributor (APU) tax credit program and found the credit would not create enough economic activity to offset the tax credits used. The Missouri Agricultural and Small Business Development Authority (MASBDA) manages this tax credit program. Its purpose is to induce contributions to MASBDA for funding agricultural product grants as described in state law for rural agricultural business concepts. Contributors receive up to a 100 percent tax credit for contributions. As of June 30, 2006, state officials had issued $12.1 million in tax credits for this program, and $8.6 million had been redeemed. State law requires state auditors to perform a cost-benefit analysis of all state tax credit programs, and this report is a part of such ongoing work.

Loss of $13.5 million from the APU program

The software used to model the program estimates the economic activity resulting from the grant funding will result in about a $168,000 net revenue gain. However, when total projected tax credit redemptions of $13.6 million are considered, the gain becomes a projected total loss to the state of $13.5 million. The model evaluated the impact of the grants resulting solely from the tax credit and not the total investment for any business which may have been started because other state, federal, local and private funding sources are available for the remaining investment portion of the projects. We were unable to measure the social benefits this tax credit may have on the rural communities that received the majority of the tax credit's benefits. (See page 9)

Limited permanent jobs created

The analysis predicts the tax credit program will have limited impact on jobs and the gross state product. For example, the program's resulting employment growth peaks at 20.5 net new jobs created in 2011. However, only 5 of those jobs remain by 2020, the end of the modeled period. Rural areas benefit from most of the predicted new jobs. (See page 9)

APU credit is more generous than other similar credits

State law allows up to a 100 percent tax credit for funding donated to the APU grant program. Most contributors request a 100 percent tax credit, limiting the number of contributors receiving less than 100 percent for donations made when MASBDA issues the credits. Five other Missouri contribution-based tax credit programs eligible to businesses, individuals or corporations limit the tax credit to 55 percent or less of the contribution. (See page 12)

Cost-benefit analysis inaccurate

MASBDA's cost-benefit analysis for the tax credit overstated the credit's indirect economic benefit by $4.6 million for fiscal years 2004 and 2005 based on the methodology used by MASBDA. (See page 12)

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Abbreviations

APU	Agricultural Products Utilization Contributor
GSP	Gross State Product
MASBDA	Missouri Agricultural and Small Business Development Authority
NAICS	North American Industrial Classification System
REMI	Regional Economic Models, Inc.
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Joint Committee on Tax Policy
and
Tony Stafford, Executive Director
Missouri Agricultural and Small Business Development Authority
and
Fred Ferrell, Director
Department of Agriculture
Jefferson City, MO 65102

State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. The audit objectives included (1) estimating the economic impact of the Agricultural Products Utilization Contributor (APU) tax credit program on state revenue, and (2) reviewing the adequacy of internal controls in place to ensure compliance with statutory requirements for the tax credit program.

We concluded the APU tax credit program will not generate sufficient economic activity to offset the state tax credits used because the program is estimated to result in a net loss of approximately $13.5 million in state revenues. Since this tax credit is designed to create additional markets for agricultural products and most agricultural production is in rural parts of the state, it can have social impacts, as well as economic impacts. For example, it may increase the quality of life in rural communities which would not occur without the tax credit. We were unable to measure these social benefits. We also found program cost-benefit reporting needs improvement and the General Assembly needs to evaluate the tax credit benefit percentage granted in relation to the contribution.

We conducted our work in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception of the external impairment of access to redemption data from income tax returns which limited our ability to conduct our work, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were Jon Halwes, Andrea Paul, and Jennifer Nunez.

Susan Montee, CPA
State Auditor

Introduction

The Agricultural Products Utilization Contributor (APU) tax credit program started in 1999 and is established under Section 348.430, RSMo. The tax credit is currently set to expire December 31, 2010. The Missouri Agricultural and Small Business Development Authority (MASBDA)[1] manages this tax credit program. Its purpose is to induce contributions to MASBDA for funding grants as described in Section 348.407, RSMo, for rural agricultural business concepts. Contributors receive up to a 100 percent tax credit for contributions. MASBDA is to award credits based on the least amount of credits necessary to provide incentive for the contributions.

Tax credits can generally be broken into three categories. Some are established to create a certain economic benefit, some are established to induce certain social benefits and others are created for both an economic and social benefit. The APU tax credit program is designed to create both an economic and social benefit with more emphasis on an economic impact. In addition to the economic impact, new agricultural businesses will help rural areas which have a more difficult time attracting new business development.

MASBDA is authorized to issue up to $6 million each fiscal year in aggregate for the APU and New Generation Cooperative Incentive tax credit programs. Beginning in May of each fiscal year after the new generation authorized credits have been determined, MASBDA may offer the remaining authorized tax credits.[2]

Potential contributors complete an application. Some contributors are found by MASBDA and others are recruited by grant applicants who are required to secure contributions covering 50 percent of the requested amount. After applications are received by MASBDA, the commission reviews and approves the tax credits. Potential contributions obtained by grant applicants are only reviewed for tax credit approval once the grant has been evaluated. If the full amount of the grant is not funded (or not funded at all), the potential contributors are notified and asked if they still want to make the contribution. Once grant applications are received they are evaluated for completeness and reviewed by MASBDA staff before being sent to the commission. Grant applications are considered for value-added agricultural

[1] MASBDA is administered by a seven-member commission which is appointed by the Governor and confirmed by the Senate. The Director of the Department of Agriculture serves as an ex-officio commission member. An Executive Director manages MASBDA operations. MASBDA is part of the Department of Agriculture.

[2] If less than $6 million in new generation tax credits were utilized and assets available under the APU tax credit program do not exceed $12 million.

business concepts that lead to and result in development, processing and marketing of new or expanded uses or technologies for agricultural products. The concepts are also to foster agricultural economic development in Missouri's rural communities. Applications are considered for expenses related to the creation, development and operation of a value-added agricultural business including feasibility and marketing studies, legal assistance, marketing and business plans, prospectus development for cooperatives, and operational consulting. Applicants pay a $150 grant application fee for requests of $25,000 or less and $300 for requests over $25,000.

The commission evaluates the written grant application using a scoring sheet that lists criteria and a point system. All applicants scoring at least 60 out of 100 points are asked to make an oral presentation to the commission. The commission evaluates the oral presentations using an identical form as the written evaluation. The two scores are then added together for a total score. When allocating grant funds, the commission first issues grants to applicants asking for less than $25,000 since state law requires at least 10 percent of the funds be given to such applicants. The remaining funds are first issued to the best scoring applicants and down the list until funds are exhausted or there are no more qualifying applicants. Ten percent of the grant award is retained by MASBDA for authority administration costs. No single agricultural business concept is to receive more than $200,000 in grant awards.

The tax credits are transferable or may be sold under provisions of Section 348.430.4, RSMo, and the credits can be carried back 3 years to offset taxes already paid or forward for 5 years to offset future tax liability. The tax credits may be redeemed against state income tax, corporate franchise tax, and financial institution tax.

Section 620.1300, RSMo, requires the State Auditor's office to analyze the cost-benefit impact to evaluate the effectiveness of all state tax credit programs.

Tax Credits Used and Value-Added Grants

As of June 30, 2006, records show $12.1 million in tax credits had been issued and $8.6 million in tax credits had been redeemed leaving $3.5 million in outstanding tax credits. MASBDA officials do not expect any APU tax credits to be issued in fiscal years 2007 and 2008 and could not estimate subsequent years. We estimated an additional $1.5 million in credits would be issued through the end of 2010 the statutory program end. Tax credits can be redeemed through 2015.

Through mid-February 2006, APU contributions[3] had been used to fund $9.5 million in value-added grants with actual expenditures of approximately $8 million since the inception of the program. Project costs totaled $19.5 million for the projects funded by the grants. Other sources funded $10 million of these projects.

As of June 2006, MASBDA had classified the status of potential value-added businesses related to these grants as shown in Table 1.1.

Table 1.1: Status of Potential Value-Added Business by Grant Funding

Category	Grant Amount	Percentage
Operational	$5,027,826	53.1
Construction	430,249	4.6
Equity Capitalization	797,280	8.4
Planning Phase	1,726,723	18.2
Non-operational	1,483,220	15.7
	$9,465,297	100.0

Source: MASBDA data and SAO analysis.

Operational does not necessarily mean the business is still in operation, but at some point it was in that phase. Seventy-five of 147 (51 percent) awarded grants since program inception have resulted in operational business ventures while 32 of 147 (22 percent) grants resulted in non-operational businesses based on MASBDA's classification.

Scope and Methodology

To evaluate the impact of the APU tax credit program on the state, we reviewed state statutes and MASBDA's procedures. We discussed the operation of the program and internal controls with MASBDA's staff to determine if proper controls were in place to ensure compliance with statutory requirements.

We obtained database files from MASBDA which reported the amount of tax credits issued to APU contributors and detail on each APU grant award and corresponding expenditures. We determined this database information was complete and could be relied upon for purposes of our analysis.

We reviewed data MASBDA officials compiled in 2003 and updated in 2006 on a sample of businesses created as the result of assistance through the APU grant program.

[3] Includes some state appropriations as described in Appendix I.

We obtained aggregate totals of annual tax credit redemptions from the Department of Revenue. We were not provided detailed redemption information. The Director of the Department of Revenue denied us access due to the department's interpretation of the Missouri Supreme Court decision in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). These external impairments limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals.

We used statewide macroeconomic modeling software called Policy Insight® 7.0, produced by Regional Economic Models, Inc. (REMI), to analyze the total economic impact of the tax credit program on the state. REMI specifically designed this model for Missouri which aggregates the production sectors into 70 sectors by North American Industrial Classification System (NAICS) code. The REMI model generates a baseline forecast for the state without the tax credit in place. We then input data into the model to reflect how the tax credit affects spending by firms, households, and government and studied the difference between variables of interest in the baseline and the alternative forecast. The key outputs from the model are (1) growth in total employment compared to the baseline, (2) growth in gross state product compared to the baseline, (3) and the fiscal impact on the General Revenue Fund. We modeled the tax credit through 2020.

Modeling assumptions

We changed two variables in the REMI model to create the alternative forecast (1) production costs of the industry sectors receiving grants as a result of the APU tax credit, and (2) government spending.

We entered actual and estimated grant expenditures as reduced production costs for that particular industry (NAICS code) in the REMI model. Production costs include labor, capital, and fuel. We used the year and NAICS code reported by MASBDA for each grant. Because this tax credit is active until at least the end of 2010, we projected future grant disbursements by year and NAICS code for calendar years 2006 to 2010 by taking an average of the grant disbursements annually through 2005. We used these estimates to calculate total modeled investment for the projected years and entered that amount into the REMI model as reduced production costs. Altogether, we reduced production costs by $13.6 million. The model is evaluating the impact of the grants resulting from the tax credit and not the total investment for any business which may have been started because other state, federal, local and private funding sources are available for remaining investment portion of the projects.

Since contributors received nearly a 100 percent tax credit for donations to the APU grant fund, we made no adjustment to reduce household spending since contributors' financial position was unaffected.

Since tax credits issued nearly equaled the contributions to fund the value-added grant program, we reduced state spending by actual and estimated grant disbursements because the funding had been restricted for other government purposes.

To assess the fiscal impact of the APU tax credit and value-added grant program, we captured any increases to the General Revenue Fund as a result of the tax credit. Increases to state general revenue would result from additional sales and income tax revenues or reduced expenses (for example, in assistance programs) offset by increased costs (for example, business compliance monitoring). We then subtracted tax credit actual and estimated redemptions for each year from 2000-2015 from General Revenue Fund revenues.

We submitted our modeling assumptions and the REMI model results to an economist at REMI. He stated he found no problems with the assumptions and results.

In addition to the various factors discussed above which are measurable through the use of REMI, there are other factors which may have an impact that are not measurable. Since this tax credit is designed to create additional markets for agricultural products and most agricultural production is in rural parts of the state, it can have social impacts, as well as economic impacts. For example, it may increase the quality of life in rural communities which would not occur without the tax credit. Such a benefit would not be measurable in the REMI model. The grant recipients may also receive other federal and state government grants or subsidies. Those benefits to the producers are not included in the REMI model inputs because we wanted to measure only the impact of the APU tax credits.

We requested comments on a draft of our report from the MASBDA commission. We conducted our work between January 2006 and August 2006.

APU Tax Credit Will Not Create Sufficient Economic Activity

The APU tax credit program as projected will not generate sufficient economic activity because the program minimally impacts gross state product (GSP) and does not create a significant number of jobs. As a result, the state is estimated to lose revenue of $13.5 million over the 20-year period modeled.

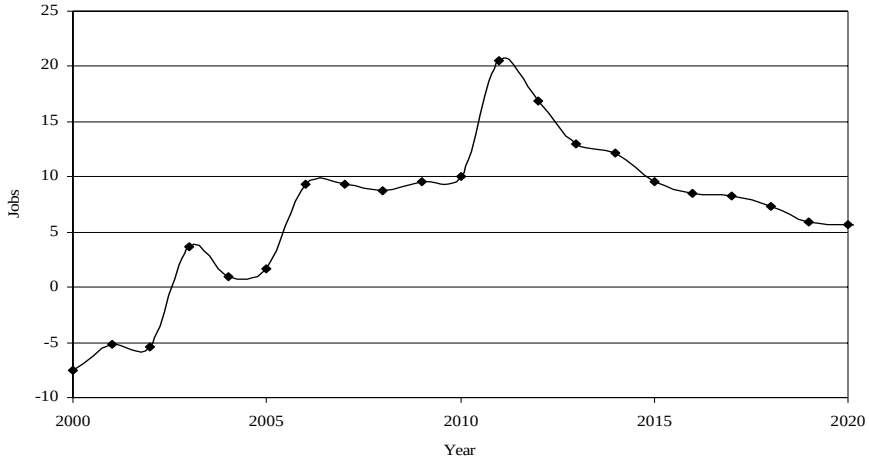
Loss of $13.5 Million From the APU Program

The REMI model predicts the APU tax credit program will generate a $13.5 million loss. The model estimates the economic activity resulting from the grant funding will result in about a $168,000[4] net revenue gain. However, when total projected tax credit redemptions of $13.6 million are considered, the gain becomes a projected total loss to the state of $13.5 million.[5] The APU program is not projected to have a positive effect on state revenues in any years.

Impact on jobs and GSP not enough to offset tax credits

The REMI model predicts the tax credit program will have limited impact on jobs and the GSP. For example, the program's resulting employment growth peaks at 20.5 net new jobs created in 2011. However, only 5 of those jobs remain by 2020, the end of the modeled period. Rural areas benefit from most of the predicted new jobs. Figure 2.1 shows the predicted change in employment by year.

Figure 2.1: Predicted Change in Employment by Year



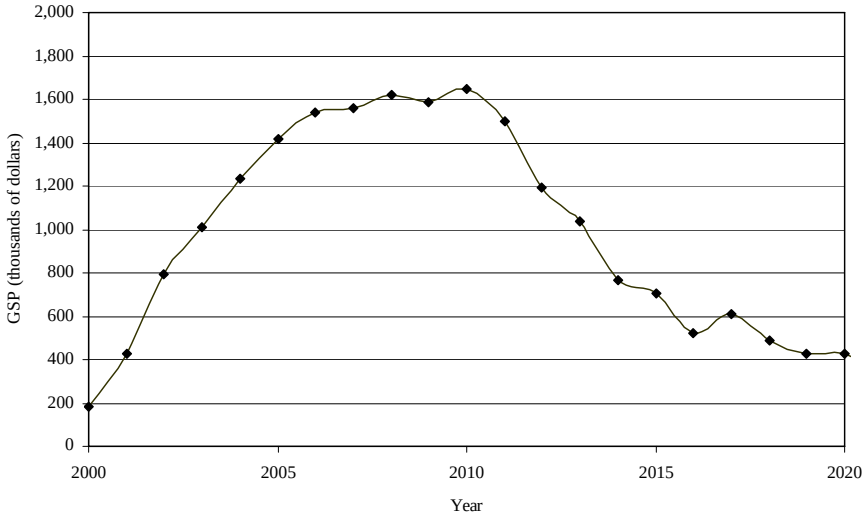
Source: REMI economic model.

[4] This net gain is calculated by taking the projected $560,000 revenues generated from the program less the projected $392,000 in state expenditures.

[5] This loss calculation does not include the positive social effects of any business projects which occurred in the rural communities that would not have occurred without the tax credit. For example, it was not possible to measure the economic benefits of the increased quality of life this tax credit may have provided to these areas.

The REMI model predicted GSP increased and peaked at an increase of $1.64 million in 2010, and steadily declines, but remains positive in subsequent years as the effects of the program dissipate. The projected cumulative increase in GSP totals $20.7 million through 2020. The change in GSP per capita is negligible with the tax credit program. The largest difference is in 2007 with an increase in GSP per capita of 13 cents. Cumulative GSP per capita is also negligible through 2020. Figure 2.2 shows the predicted change in GSP.

Figure 2.2: Predicted Change in GSP (dollars in thousands)



Source: REMI economic model.

Results of MASBDA Grant Survey

At the request of the General Assembly in 2003, MASBDA staff surveyed a sample of 15 entities or individuals receiving APU grants to obtain information on sales and jobs created. At our request, MASBDA staff updated this information in 2006.

The 2003 results showed the 15 businesses developed by these grant recipients had payrolls of $4 million and sales of $90.4 million with 928 farmers involved in these projects. Data in 2006 could only be obtained from 9 of the 15 businesses.[6] Payroll expenditures for these 9 businesses increased 4 percent with 5 businesses showing payroll increases. Sales grew 45 percent with 6 businesses showing sales increases. One business accounted for 91 percent of total sales.

[6] Two businesses had been sold and four did not respond to the information request.

Four of the 15 projects involved 77 percent (719 of 928) of participating farmers. By 2006, two of these projects had shown significant sales growth, one had shown a significant sales decline and one did not respond to the 2006 survey. The projects showing sales growth produced ethanol and food grade grain.

Conclusions

Although the APU tax credit program is estimated to create jobs and increase GSP, the REMI model estimates it will generate limited overall economic activity. The model results show the APU program creates only 5 jobs which remain in place by the end of the 20 year period the program was modeled and will cost the state $13.5 million over that period. The investment activity and job creation through 2005 occurred primarily in rural communities.

The APU program sunsets December 31, 2010. Because of the minimal economic benefits resulting from program costs, the General Assembly should evaluate whether the program's social benefits outweigh those costs when considering the program's extension.

Recommendation

We recommend the General Assembly evaluate whether the APU program's social benefits outweigh its costs when considering its extension.

Agency Comments

See Appendix IV for MASBDA's Chapter 2 comments with REMI and SAO comments.

Law Change and Improved Reporting Could Benefit Program

APU grant program contributors receive up to a 100 percent tax credit for funds donated making it one of the most generous contribution-based tax credit programs in the state. The cost-benefit of the program has been overestimated to the General Assembly in annual budget reporting. As a result, this program may be costing the state more than necessary and the legislative decisions could be based on faulty data.

APU Credit is More Generous Than Other Similar Credits

Section 348.430, RSMo, allows up to a 100 percent tax credit for funding donated to the APU grant program. Section 348.430.3, RSMo, says the awarding of the credits is at the approval of MASBDA based on the least amount of credits necessary to provide incentive for the contributions. MASBDA's website indicates selection is based on a competitive basis; however, most contributors request a 100 percent tax credit, limiting the number of contributors receiving less than 100 percent for donations made when MASBDA issues the credits.

Table 3.1 lists five Missouri tax credit programs eligible to businesses, individuals or corporations, based on qualified donations.

Table 3.1: Tax Credit Benefit for Credits Similar to APU

Tax Credit	Percent of Credit Based on Contribution	Purpose of Credit
Small Business Incubator	50	Develop Small Businesses
Affordable Housing	55	Increase Housing
Development	50	Facilitate Business Projects
Domestic Violence	50	Funding for Shelters
Maternity Home	50	Funding for Homes

Source: SAO Analysis.

Table I.1 in Appendix I shows that since program inception APU tax credits issued have equaled nearly 100 percent of donations. A MASBDA official said it was unlikely the program would receive donations unless the tax credit was 100 percent.

Cost-benefit Analysis Inaccurate

MASBDA's cost-benefit analysis for the tax credit overstated its indirect economic benefit by $4.6 million for the fiscal year 2004 and 2005 computations based on the methodology used.

MASBDA staff has prepared an annual tax credit analysis for the APU tax credit since fiscal year 2000, for the General Assembly as part of the state budget process. That analysis includes a cost-benefit analysis. A MASBDA official said he calculated the credit's direct benefit as the amount of grants awarded for the fiscal year and the indirect benefit represents the difference between the overall project costs and the grant awards during the fiscal year.

Our analysis showed the direct benefit amount was correctly computed, but the indirect benefit was overstated as shown in Table 3.2.

Table 3.2: Indirect Benefit Computation

Fiscal Year	Indirect Fiscal Benefit Reported	Total Project Amount (A)	Total Grants Awarded (B)	Expected Indirect Benefit (A-B)	Difference
2004	$2,665,995	$1,904,528	$1,403,155	$501,373	$2,164,622
2005	$3,950,832	$3,618,610	$2,079,386	$1,539,224	$2,411,608
Total	$6,616,827			$2,040,597	$4,576,230

Source: SAO analysis, MASBDA cost-benefit analysis.

We could not determine a reason for the difference because a MASBDA official told us no documentation had been maintained to support the cost-benefit computation made.

Conclusions

Contributors to the APU grant program receive a more favorable tax credit benefit than other similar state credit programs involving businesses, individuals or corporations donating funding for business creation or specific social causes. Whether the General Assembly intended this result when creating the program law is unknown.

The cost-benefit computations by MASBDA in fiscal years 2004 and 2005 overstated the tax credit program's indirect benefit based on MASBDA's calculation methodology.

Recommendations

We recommend the General Assembly:

3.1 Evaluate the tax credit percentage contributors receive based on donations made to the APU grant program.

We recommend MASBDA:

3.2 Prepare the annual tax credit cost-benefit analysis using a documented methodology and maintain documentation of the calculation.

Agency Comments

MASBDA provided the following comments:

3.2 MASBDA's belief is that Agricultural Product Utilization Contributor Tax Credits play a vital role in rural economic development in Missouri and it is our belief that the tax credits do provide direct positive benefits at both the state and local level. MASBDA will continue to provide the most accurate realistic cost-benefit analysis to the General Assembly. MASBDA is preparing to solicit bids from

outside sources to conduct more frequent cost benefit analysis in an effort to update information to the General Assembly. Documentation of the calculations for the tax credit cost benefit analysis will be maintained past the current maintenance schedule of one budget year.

APU Tax Credit and Value-Added Grant Activity

Table I.1 lists the APU contributions, tax credits issued and value-added grant awards through June 30, 2006.

Table I.1: APU Tax Credit and Value-Added Grant Activity by Fiscal Year

Fiscal Year	Contributions	Tax Credits Issued	Value-Added Grant Awards
1999	n/a	n/a	$ 452,021[1]
2000	$1,542,780	$ 1,530,631	499,681[1]
2001	1,310,268	1,299,518	1,348,422
2002	1,117,185	1,115,185	1,145,732
2003	1,932,827	1,929,627	1,347,114
2004	2,395,544	2,385,444	1,403,155
2005	2,089,443	2,081,343	2,079,386
2006	1,781,700	1,770,000	1,189,788
Total	$12,169,747	$12,111,748	$9,465,297

[1] Grants were funded by state appropriations in fiscal year 1999 and 2000.

Source: MASBDA annual reports.

Tax Credit Review Status

Table II.1 shows the statewide tax credit programs and the State Auditor's office review status of each program.

Table II.1: Tax Credit Programs and Review Status

Program	Administering Department	Report Number for Review
New Generation Cooperative Incentive	Agriculture	2007-06
Agricultural Product Utilization Contributor	Agriculture	2007-05
Adoption (Special Needs)	Revenue	2005-79
Community Development Corporation/Bank	Economic Development	2005-55
(Capital) Small Business Investment	Economic Development	2005-54
Certified Capital Companies (CapCo)	Economic Development	2004-56
New Enterprise Creation	Economic Development	2004-56
Community College New Jobs Training Bonds	Economic Development	2003-32
Brownfield Jobs/Investment	Economic Development	2002-33
Brownfield Remediation	Economic Development	2002-33
Historic Preservation	Economic Development	2002-33
Qualified Research Expense	Economic Development	2002-33
Seed Capital	Economic Development	2002-33
Youth Opportunities and Violence Prevention	Economic Development	2002-33
Film Production	Economic Development	2001-13
Rebuilding Communities	Economic Development	2001-13
Small Business Incubator	Economic Development	2001-13
Winery and Grape Growers	Economic Development	2001-13
Affordable Housing Assistance	Economic Development	To Be Reviewed
Bank Franchise	Revenue	To Be Reviewed
Bank Tax Credit for S Corporation Shareholders	Revenue	To Be Reviewed
Brownfield Demolition	Economic Development	To Be Reviewed
BUILD Missouri Bonds	Economic Development	To Be Reviewed
Business Facility	Economic Development	To Be Reviewed
Cellulose Casings	Revenue	To Be Reviewed
Charcoal Producers	Natural Resources	To Be Reviewed
Development	Economic Development	To Be Reviewed
Disabled Access	Revenue	To Be Reviewed
Domestic Violence	Public Safety	To Be Reviewed
Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Enterprise Zone	Economic Development	To Be Reviewed
Examination Fees	Insurance	To Be Reviewed
Family Development Account	Economic Development	To Be Reviewed
Guarantee Fee	Economic Development	To Be Reviewed
Life and Health Guarantee Association	Insurance	To Be Reviewed
Maternity Home	Social Services	To Be Reviewed
MDFB Development and Reserve	Economic Development	To Be Reviewed

Appendix II
Tax Credit Review Status

Program	Administering Department	Report Number for Review
MDFB Export Finance	Economic Development	To Be Reviewed
MDFB Bond Guarantee Credit	Economic Development	To Be Reviewed
MDFB Infrastructure	Economic Development	To Be Reviewed
Missouri Health Insurance Pool	Insurance	To Be Reviewed
Missouri Low Income Housing	Economic Development	To Be Reviewed
Missouri Property and Casualty Guarantee Association	Insurance	To Be Reviewed
Neighborhood Assistance	Economic Development	To Be Reviewed
Neighborhood Preservation	Economic Development	To Be Reviewed
Pharmaceutical	Revenue	To Be Reviewed
Processed Wood Energy	Natural Resources	To Be Reviewed
Property Tax	Revenue	To Be Reviewed
Retain Jobs	Revenue	To Be Reviewed
Shared Care	Health and Senior Services	To Be Reviewed
Sponsorship and Mentoring Program	Elementary and Secondary Education	To Be Reviewed
Transportation Development	Economic Development	To Be Reviewed

Source: SAO

Tax Credit Redemptions

Table III.1 shows the redeemed tax credits for fiscal years 2003 through 2006 for all state tax credit programs. We did not audit the information.

Table III.1: Tax Credit Redemptions by Program

	Fiscal Year			
Program	**2003**	**2004**	**2005**	**2006**
Adoption (Special Needs)	$1,993,883	1,995,882	2,582,546	2,460,245
Affordable Housing Assistance	7,601,144	7,554,503	7,702,860	4,080,564
Agricultural Product Utilization Contributor	957,074	1,964,872	1,639,541	1,857,235
Bank Franchise	873,461	1,596,458	2,543,523	2,413,631
Bank Tax Credit for S Corporation Shareholders	1,060,111	1,233,830	941,460	1,451,903
Brownfield Jobs/Investment	90,893	2,134,891	1,726,687	1,476,143
Brownfield Remediation/Demolition	5,669,489	16,101,975	10,627,870	10,611,324
BUILD Missouri Bonds	4,261,882	9,667,000	3,770,557	5,402,416
Business Facility	7,244,747	7,826,417	4,546,330	5,892,727
Cellulose Casings	225,319	429,480	382,540	341,315
Certified Capital Companies	13,111,196	13,564,932	13,371,610	13,164,904
Charcoal Producers	120,837	0	384,609	70,151
Community Development Corporation/Bank	484,723	1,632,669	2,021,628	34,870
Community College New Jobs Training Bonds	8,650,799	8,061,584	6,847,304	5,771,777
Development	430,097	562,622	2,487,152	4,518,483
Disabled Access	47,506	87,401	56,761	36,549
Domestic Violence	513,532	475,283	515,035	525,348
Dry Fire Hydrant	20,371	13,169	17,228	805
Enhanced Enterprise Zone	n/a	n/a	9,809,254	5,922,720
Enterprise Zone	13,767,273	19,766,366	15,485,501	14,759,891
Examination Fees and Other Fees[1]	6,710,016[2]	5,844,206[2]	4,962,341[2]	5,413,885
Family Development Account	8,760	27,488	12,875	9,237
Film Production	122,810	423,857	322,079	788,596
Guarantee Fee	0	0	11,224	73,009
Historic Preservation	43,153,986	66,089,980	74,532,355	103,134,226
Life and Health Guarantee Association[1]	2,440,427	177,712	302,516	4,910
Maternity Home	976,379	982,747	743,636	760,674
MDFB Bond Guarantee Credit	316,855	0	594,034	0
MDFB Development and Reserve	0	0	1,500	0
MDFB Export Finance	0	0	0	0
MDFB Infrastructure	6,310,541	10,020,578	25,953,799	21,858,725
Missouri Business Modernization and Technology (Seed Capital)	508,182	288,174	164,894	60,313
Missouri Health Insurance Pool[1]	1,581,522	3,687,665	3,688,639	5,497,999
Missouri Low Income Housing	29,978,473	36,916,831	65,392,601	61,963,799

Appendix III
Tax Credit Redemptions

Program	Fiscal Year 2003	2004	2005	2006
Missouri Property and Casualty Guarantee Association[1]	18,362,815	16,823,462	16,959,512	6,019,763
Neighborhood Assistance	8,641,533	10,217,628	9,286,880	10,009,497
Neighborhood Preservation	3,879,134	4,001,293	8,461,503	4,627,368
New Enterprise Creation	4,331,972	3,259,307	2,504,561	1,534,647
New Generation Cooperative Incentive	1,510,305	3,466,068	3,334,935	4,990,666
Pharmaceutical	3,737,102	524,527	142,373	1,672
Processed Wood Energy	3,642,570	1,205,443	3,700,285	3,728,100
Property Tax	97,180,378	95,237,314	99,455,570	96,090,703
Qualified Research Expense	1,642,524	2,038,230	1,626,864	1,006,688
Rebuilding Communities	2,289,501	1,415,889	1,694,006	1,764,167
Retain Jobs	n/a	n/a	0	2,882,995
Shared Care	24,355	39,109	33,574	39,247
Small Business Incubator	81,716	167,360	246,807	322,278
Small Business Investment (Capital)	149,068	49,478	109,050	58,189
Sponsorship and Mentoring Program	0	0	0	0
Transportation Development	1,249,848	3,678,532	3,545,219	980,806
Winery and Grape Growers	275,366	260,397	179,323	69,564
Youth Opportunities and Violence Prevention	2,898,572	3,272,225	3,211,185	3,256,950
Total	$309,129,047	364,784,834	418,634,136	417,741,674

[1] Redemptions are on a calendar year rather than fiscal year and based on tax year credit was applied against.

[2] Until 2006 the amount reported by the Department of Insurance for this credit was only the examination fee portion and not the other taxes and fees for which credits were also redeemed. The numbers in this appendix for 2003, 2004, and 2005 have been updated to include all redeemed credits.

Source: Office of Administration, Department of Revenue, and tax credit administering agencies.

MASBDA Chapter 2 Comments with REMI and SAO Comments

MASBDA provided the following comments to the REMI analysis in Chapter 2:

Missouri Agricultural and Small Business Development Authority (MASBDA) commissioners and staff welcomed and embraced the audit that was to be conducted by the Missouri State Auditor's office. We take very seriously our charge of administering legislatively mandated programs and always welcome any comments and suggestions on ways to better implement and administer programs. We were very supportive of the "Tax Credit Accountability Act" which provides for audits of all tax credit programs. In fact, MASBDA provided testimony in favor of the legislation.

During the initial audit meeting, MASBDA staff expressed grave concerns about the REMI model being used to conduct a cost/benefit analysis. The model utilizes North American Industry Classification System (NAICS) codes which are biased against agriculture as the 70 sector codes do not reflect modern value-added agriculture. That same concern was expressed throughout the audit, during the exit interview, and again when the audit findings were presented to the MASBDA commissioners.

We understand REMI to be an instrument for forecasting and policy analysis. The model utilizes national forecasts of future growth or decline by industry sector. The historical data is used to track how the industrial mix and concentration of employment in the region is different from the rest of the country, and how the economic growth trends in the region differ from national trends for each industry sector. The model produces a controlled forecast by using current data regarding the economy. The control forecast represents the projection of the economy into the future ceteris paribus. This means that the future economic growth will follow similar patterns in the future as had been experienced in the past. In modern value-added agriculture that assumption is certainly flawed. For example, in the case of alternative fuels with unprecedented high oil prices, fuel prices and demand being at all time highs is in no way reflective of history. Many other value-added enterprises, who have received the benefits of tax credits, have experienced tremendous advances in technology making them much more efficient and effective. History was in no way a predictor of those changes. For example, the first ethanol produced in Missouri was not until 2001 and the first biodiesel plant is just now coming online. With this short history, the model cannot have an adequate representative baseline.

As the audit analysis states, REMI generates a baseline forecast for the state, by sector, by geographic regions, by NAICS codes (which are not reflective of modern day value-added agriculture) without the tax credit program in place. Data was then input into the model to reflect how the tax

credits affect spending by firms, households, and government and then studied the difference between certain variables in the baseline and the alternative forecast.

The alternative forecast allows the user to input variable changes to occur in future time periods. Only those variables that would be affected by the policy change being measured would be changed in the alternative forecast. The REMI model then forecasts economic performance based upon the policy variable changes.

The difference between the alternative and the control forecasts, measured by the distance between the two forecast lines, represents the economic impact of the policy change upon the economy. If the alternative forecast is greater than the control forecast, then a positive economic impact results for the economy. A negative economic impact results should the alternative forecast be less than the control forecast.

The "Tax Credit Accountability Act" requires the Missouri State Auditor to prepare a cost/benefit analysis of all tax credit programs. Again, we believe the REMI model does NOT accomplish that purpose on each individual tax credit program but rather looks at the tax credit programs from a policy analysis standpoint without consideration being given for the merits of each specific project funded through the sale of specific tax credits.

REMI is intended to be used to analyze policy changes and make forecasts accordingly. REMI is not intended to be used for a cost/benefit analysis of specific tax credits. Again, REMI looks at sectors not specific projects and we believe is an inadequate tool to conduct a cost/benefit analysis. Some examples of the inadequacies of the REMI model are:

1. *The REMI model does not take into account opportunity cost. For example, many of those projects which are classified as non-operational might well have become operational momentarily only to fail because of no feasibility study, no marketing study, or no business planning being done. The value-added grants provide for those studies and may well have saved many poor business decisions from being made. Many of the projects that are funded go through an extended period of time completing their studies, business planning, legal organization, etc. Therefore, the full benefit of the grant may be several years out and may not be adequately modeled in REMI.*

2. *The audit does not adequately reflect the benefit of the grants. The grants, for the most part, pay for the services of consultants,*

engineers, accountants, attorneys, business planners, and economists. However, inadequate NAICS codes were used based on the type of project and not who received the proceeds from the grant. It seems logical that both the professionals and those operational projects would both be modeled. It is our understanding that REMI does not have the capability to multi-model based on one funding source.

3. *In addition, the model does not allow multiple codes per project. For example, a meat company doing custom slaughtering, wholesale, retail, and further processing would be fit into one code without each sector of the business being reflected in the total operation.*

A recent study conducted by the University of Missouri's Commercial Agriculture Program shows:

- *the one time impact of constructing the current four operational ethanol plants to have created 5,374 U.S. jobs,*
- *increased the economic activity in the U.S. by $637 million,*
- *the operation of the same four plants will annually maintain 2,784 Missouri jobs, and*
- *provide $92 million in Missouri employment income.*

That same study shows that the four operational plants will annually:

- *generate $178 million in value-added income to Missouri's economy,*
- *generate $390 million in economic activity in Missouri, and*
- *raise the value of Missouri's corn crop by $41 million annually.*

A study just completed by the Missouri Department of Economic Development's Missouri Economic Research & Information Center (MERIC) in which they looked at the biofuels (ethanol and biodiesel) industry (over a 10 year period, 2004-2013) in Missouri concludes, in part, that for every dollar invested in the biofuels industry:

- *$0.42 in net general revenues to the state totaling ($165 million),*
- *$17.34 in new personal income to Missourians totaling $4.9 billion, and*
- *$19.08 in new economic activity/output to the state economy totaling $5.4 billion.*

The study goes on to show that on average each year the industry creates:

- *6,670 new jobs paying an average wage of $24,989,*
- *($16.5 million) in net general revenues on average each year,*
- *$494 million in new personal income on average each year, and*
- *$544 million in new economic activity/output on average each year.*

The study does show a ($16.5 million) in net general revenues for average per year for the modeling years 2004 - 2013. However, the study does show that beginning with 2013 there is a positive impact on general revenues of $10,688,931. The modeling is only through the year 2013 but certainly there is every reason to believe that a positive impact on general revenue will continue so long as the facilities are in production.

It is important to note that the four ethanol plants referenced above did receive a Missouri Value-Added Grant from MASBDA which was instrumental in getting them started. It should also be noted that almost all of the farmer owned biofuel facilities referenced in the MERIC study also received a Missouri Value-Added Grant.

MASBDA is also concerned about the audit because a number of the assumptions made in the audit seem to be arbitrary and without merit.

1. *Based on current statute the last credits could be claimed in 2015. It is unclear why the model is projecting cost through 2020, five years after the last credits could be claimed. Certainly, the benefits will continue so long as the facilities are operational.*

2. *The audit states the Agricultural Product Utilization Contributor Tax Credit Program is one of the most generous contribution-based tax credits in the state. The audit fails to point out that of those used for comparison, many also qualify as a charitable contribution and would receive favorable tax considerations, which are not available to taxpayers making contributions to MASBDA.*

The REMI economist who we consulted with during the audit provided the following analysis of MASBDA's comments and the specific concerns noted regarding the appropriateness of the REMI software in doing a cost-benefit analysis.

REMI Comments:

The analyses using the REMI model looks into the "total" benefit/cost of all the tax credit programs by looking beyond the method of increase in economy output from the sector of traditional input/output models. Understanding the concerns of Missouri's Agricultural sectors, an increase in output is not sufficient enough to account for the actual total benefits of the program to the state. REMI Policy Insight was adjusted to look at the sector impact beyond their NAICS category by looking into productivity improvements and Missouri's competitiveness in the national and international market.

Within the REMI model there are strong regional purchases and exports for the sector and their intermediate inputs, which shows the sector's importance for the health of the Missouri economy. Although in the analyses, there were improvements to Missouri's competitiveness, the increases in the sector's competitiveness were minimal over time.

REMI Policy Insight was used in many analyses in the U.S. including the recent studies of Advanced Ethanol in the Great Lake region for Michigan Technological University and Biodiesel feasibility study for the U.S. Environmental Protection Agency. Although REMI looks at how markets and impacts change over time, its clients have frequently used the REMI model to derive the cost and benefits of programs and projects. REMI would like its users to look beyond benefit/cost analysis but there is no denying the importance of using benefit/cost ratios for comparisons of projects. REMI has been used for the last 26 years in helping its clients figuring out the total benefits and costs of projects. Agencies such as New Mexico Department of Finance Administration, Washington Department of Transportation, Louisiana Legislative Fiscal Office, Massachusetts Institute of Technology, New Jersey Transit Authority and countless others have used REMI for benefit/cost analysis.

Steps were taken to adjust the sector to increase the productivity and lower the production costs and to make the industry competitive in the national and global markets.

1. The value-added grants were benefiting business productivity right at the initial years of the program. The impact will be less if the benefits will occur in future years.

2. The proceeds of the program went into lowering the business costs and increasing the productivity of the sector.

3. The lack of multiple codes per project is accounted for in the input/output table which will increase the incestuous relationship of the industry developing the regions cluster but the program was not strong enough to gain additional market share.

SAO Comments:

The assumptions made for the REMI analysis were not arbitrary and without merit. We discussed assumptions with REMI staff and made adjustments where necessary to appropriately evaluate the tax credit. The benefits to the state of biofuels projects as reported above by MASBDA include the impact of all state and federal subsidies and grants available for these projects, as well as private investment. The analysis presented in this report attempts to show only the impact of the APU tax credits and not the impacts of these other subsidies, grants and investments.

Susan Montee, CPA
Missouri State Auditor

February 2007

Ozark County, Missouri

Years Ended
December 31, 2005 and 2004

Report No. 2007-04

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee, CPA

February 2007

YELLOW SHEET

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Ozark, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

- Improvement is needed in the county's compliance with requirements relating to federal assistance programs. The county did not solicit bids or obtain documentation of compliance with prevailing wage laws from a contractor paid $21,930 with federal emergency assistance (FEMA) funds. Additionally, adequate cash management procedures relating to the BRO federal project monies have not been established to ensure the minimum time lapses between receipt of federal project monies and the disbursement of such monies to contractors. One payment totaling $62,843 was held for more than seven days. Further, the county does not have adequate procedures in place to track the various federal awards for the preparation of the schedule of expenditures of federal awards (SEFA). The county prepared a SEFA for the years ended December 31, 2005 and 2004; however, it contained numerous errors and omissions.

- The county did not always solicit bids or maintain documentation of price comparison procedures for major purchases such as bulk fuel, tires, and prisoner food. Additionally, improvement is needed in the controls and procedures over fuel usage, and mileage logs are not maintained on some county road and bridge vehicles. The county does not always obtain written agreements for services provided and adequate documentation was not obtained for some expenditures relating to the Emergency Shelter Grant Program. The county commission meeting minutes did not adequately document circumstances regarding related party transactions.

- Centralized leave records are not maintained by the County Clerk for the Sheriff's office employees. Additionally, the county provided some employee benefits to an individual paid to haul gravel; however, no payroll taxes were withheld from his compensation. The county needs to ensure it complies with IRS regulations regarding independent contractors and employees.

(over)

- The County Treasurer's annual salary was increased effective January 1, 2004 during his term of office, which began January 1, 2003. The Prosecuting Attorney issued a written opinion in January 2004 indicating the County Treasurer's salary should be set at 90% of the maximum allowed under House Bill 2137, which was effective August 28, 2002. However, without salary commission approval and because the salary increase occurred during the County Treasurer's term of office, it is unclear when the salary increase provided to the County Treasurer should have been in effect, and whether it is in accordance with state law.

- The County Commission and other county officials approved disbursements in excess of budgeted amounts for various funds for the years ended December 31, 2005 and 2004. Additionally, the county budget document contained some inconsistent classification of receipts and transfers.

- The County Treasurer does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. The Treasurer's deposits were under collateralized during January 2006 and January 2005, respectively, when he received and distributed most of the school property tax money.

- The Prosecuting Attorney's controls and procedures to account for monies received for the payment of bad checks needs improvement. Additionally, the Prosecuting Attorney's approval of bad check fee waivers is not adequately documented, and an adequate system to track all bad checks received has not been established.

- Improvement is needed in the controls and procedures over Health Center expenditures. Interest earned was not accurately presented in the budgets, actual expenditures exceeded budget amounts, and expenditure detail by vendor was not presented in the annual published financial statements. Additionally, the board minutes did not always adequately document topics discussed during the board meetings, and the Health Center's asset records need improvement.

Also included in the audit are recommendations related to the County Treasurer's bond, an annual maintenance plan for county roads and bridges, and capital assets. The audit also suggested improvements in the procedures of the Sheriff and County Clerk.

All reports are available on our Web site: www.auditor.mo.gov

OZARK COUNTY, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ozark County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Ozark County, Missouri, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ozark County, Missouri, as of December 31, 2005 and 2004, or the changes in its financial position for the years then ended.

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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ozark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 19, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ozark County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Susan Montee, CPA
State Auditor

October 19, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Troy Royer
Audit Staff:	Roberta Bledsoe
	Candi Copley
	Diane Smiley
	Alex Parke
	Christine Miller

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ozark County, Missouri

We have audited the financial statements of various funds of Ozark County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Ozark County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Ozark County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Ozark County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

October 19, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

OZARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	474,293	1,114,017	1,137,995	450,315
Special Road and Bridge		196,974	1,962,103	2,114,167	44,910
Assessment		1	129,036	126,031	3,006
Law Enforcement Training		330	2,788	1,789	1,329
Prosecuting Attorney Training		965	484	1,110	339
Prosecuting Attorney Bad Check		6,670	4,630	2,886	8,414
Capital Improvements Sales Tax		23,108	44	23,139	13
Law Enforcement Sales Tax		26	801,336	781,102	20,260
Local Emergency Planning Commission		8,476	3,308	226	11,558
Election Services		3,223	556	1,864	1,915
Recorder User Fee		19,041	11,098	8,103	22,036
Tax Maintenance		973	8,632	6,798	2,807
Sheriff's Revolving		3,375	1,359	547	4,187
Sheriff's Civil Fee		7,580	8,440	9,275	6,745
Children of Domestic Violence		0	270	270	0
HAVA Election Improvement		15,008	5,823	5,662	15,169
Emerald City Shelter		0	8,570	8,570	0
Inmate Security		300	0	300	0
Health Center		79,236	448,800	441,476	86,560
Associate Circuit Court Interest		0	237	237	0
Circuit Clerk Interest		431	287	610	108
Law Library		10	1,915	1,024	901
Associate Circuit Time Payment		321	519	0	840
Total	$	840,341	4,514,252	4,673,181	681,412

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OZARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	393,786	1,045,411	964,904	474,293
Special Road and Bridge		250,939	1,606,176	1,660,141	196,974
Assessment		2	126,820	126,821	1
Law Enforcement Training		3,123	3,542	6,335	330
Prosecuting Attorney Training		651	474	160	965
Prosecuting Attorney Bad Check		5,536	2,590	1,456	6,670
Capital Improvements Sales Tax		126,527	1,476	104,895	23,108
Law Enforcement Sales Tax		34	671,817	671,825	26
Local Emergency Planning Commission		9,278	1,526	2,328	8,476
Election Services		1,766	2,864	1,407	3,223
Recorder User Fee		13,221	9,840	4,020	19,041
Tax Maintenance		3,455	7,972	10,454	973
Sheriff's Revolving		0	3,375	0	3,375
Sheriff's Civil Fee		0	7,580	0	7,580
Children of Domestic Violence		0	347	347	0
HAVA Election Improvement		0	15,008	0	15,008
Emerald City Shelter		0	7,500	7,500	0
Inmate Security		180	120	0	300
Health Center		100,502	419,330	440,596	79,236
Associate Circuit Court Interest		0	233	233	0
Circuit Clerk Interest		378	588	535	431
Law Library		295	1,456	1,741	10
War Memorial Fund		369	0	369	0
Associate Circuit Time Payment		0	321	0	321
Total	$	910,042	3,936,366	4,006,067	840,341

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 4,772,286	4,513,733	(258,553)	4,222,157	3,910,082	(312,075)
DISBURSEMENTS	5,127,325	4,673,181	454,144	4,441,415	4,005,698	435,717
RECEIPTS OVER (UNDER) DISBURSEMENTS	(355,039)	(159,448)	195,591	(219,258)	(95,616)	123,642
CASH, JANUARY 1	840,020	840,020	0	909,673	909,673	0
CASH, DECEMBER 31	484,981	680,572	195,591	690,415	814,057	123,642
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	142,000	145,362	3,362	139,200	140,360	1,160
Sales taxes	525,000	542,246	17,246	500,000	522,629	22,629
Intergovernmental	224,477	193,804	(30,673)	141,583	144,227	2,644
Charges for services	167,267	177,425	10,158	152,833	177,224	24,391
Interest	9,300	10,836	1,536	7,100	8,115	1,015
Other	51,708	43,185	(8,523)	51,017	52,473	1,456
Transfers in	404	1,159	755	34,361	383	(33,978)
Total Receipts	1,120,156	1,114,017	(6,139)	1,026,094	1,045,411	19,317
DISBURSEMENTS						
County Commission	70,867	68,905	1,962	71,103	70,653	450
County Clerk	58,185	57,982	203	59,097	57,207	1,890
Elections	98,399	30,587	67,812	54,421	59,836	(5,415)
Buildings and grounds	115,621	111,627	3,994	54,333	71,673	(17,340)
Employee fringe benefit	177,420	161,661	15,759	154,861	150,010	4,851
County Treasurer	34,800	34,208	592	34,420	34,038	382
County Collector	65,122	63,136	1,986	56,970	59,019	(2,049)
Circuit Clerk/Ex Officio Recorder of Deed	33,172	30,546	2,626	31,577	31,118	459
Associate Circuit Court	11,500	9,028	2,472	13,500	5,493	8,007
Court administration	8,777	8,347	430	8,564	8,292	272
Public Administrator	45,190	30,614	14,576	45,250	46,291	(1,041)
Prosecuting Attorney	90,069	91,121	(1,052)	80,565	79,016	1,549
Juvenile Officer	25,409	23,960	1,449	21,092	19,358	1,734
County Coroner	20,003	14,176	5,827	15,107	14,417	690
Recycling	53,536	59,617	(6,081)	51,627	46,296	5,331
Child support enforcemen	32,060	32,895	(835)	32,018	31,947	71
Public Defender	2,146	2,397	(251)	2,313	2,789	(476)
Emergency Managemen	650	650	0	3,300	3,250	50
Other	93,450	69,659	23,791	89,500	69,890	19,610
Debt service	2,660	0	2,660	0	0	0
Transfers out	261,145	236,879	24,266	194,619	104,311	90,308
Emergency Fund	33,605	0	33,605	30,787	0	30,787
Total Disbursements	1,333,786	1,137,995	195,791	1,105,024	964,904	140,120
RECEIPTS OVER (UNDER) DISBURSEMENTS	(213,630)	(23,978)	189,652	(78,930)	80,507	159,437
CASH, JANUARY 1	474,293	474,293	0	393,786	393,786	0
CASH, DECEMBER 31	260,663	450,315	189,652	314,856	474,293	159,437

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	209,600	204,302	(5,298)	190,200	195,226	5,026
Intergovernmental	1,962,052	1,630,697	(331,355)	1,728,646	1,351,006	(377,640)
Charges for services	64,097	69,330	5,233	4,897	20,532	15,635
Interest	2,145	2,558	413	3,600	2,803	(797)
Other	53,099	48,329	(4,770)	0	36,609	36,609
Transfers in	0	6,887	6,887	0	0	0
Total Receipts	2,290,993	1,962,103	(328,890)	1,927,343	1,606,176	(321,167)
DISBURSEMENTS						
Salaries	455,666	438,792	16,874	460,484	438,011	22,473
Employee fringe benefit	143,312	139,582	3,730	116,967	125,352	(8,385)
Supplies	134,500	170,983	(36,483)	120,500	120,008	492
Insurance	26,000	23,361	2,639	26,000	23,613	2,387
Utilities	4,100	4,824	(724)	6,000	3,782	2,218
Road and bridge materials	129,100	111,218	17,882	149,000	177,661	(28,661)
Equipment repairs	177,500	168,797	8,703	152,000	174,394	(22,394)
Equipment purchases	119,357	112,502	6,855	164,421	146,356	18,065
Construction, repair, and maintenance	1,208,862	924,942	283,920	654,974	431,419	223,555
Other	16,040	12,279	3,761	15,100	19,545	(4,445)
Transfers out	0	6,887	(6,887)	27,905	0	27,905
Total Disbursements	2,414,437	2,114,167	300,270	1,893,351	1,660,141	233,210
RECEIPTS OVER (UNDER) DISBURSEMENTS	(123,444)	(152,064)	(28,620)	33,992	(53,965)	(87,957)
CASH, JANUARY 1	196,974	196,974	0	250,939	250,939	0
CASH, DECEMBER 31	73,530	44,910	(28,620)	284,931	196,974	(87,957)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	101,789	111,951	10,162	86,000	88,543	2,543
Charges for services	3,000	3,807	807	0	0	0
Interest	90	162	72	100	88	(12)
Transfers in	18,145	13,116	(5,029)	31,100	38,189	7,089
Total Receipts	123,024	129,036	6,012	117,200	126,820	9,620
DISBURSEMENTS						
Assessor	123,024	126,031	(3,007)	117,117	126,821	(9,704)
Total Disbursements	123,024	126,031	(3,007)	117,117	126,821	(9,704)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,005	3,005	83	(1)	(84)
CASH, JANUARY 1	1	1	0	2	2	0
CASH, DECEMBER 31	1	3,006	3,005	85	1	(84)

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	850	864	14	900	848	(52)
Charges for services	2,500	1,924	(576)	2,400	2,694	294
Total Receipts	3,350	2,788	(562)	3,300	3,542	242
DISBURSEMENTS						
Sheriff	2,490	1,789	701	2,850	6,335	(3,485)
Total Disbursements	2,490	1,789	701	2,850	6,335	(3,485)
RECEIPTS OVER (UNDER) DISBURSEMENTS	860	999	139	450	(2,793)	(3,243)
CASH, JANUARY 1	330	330	0	3,123	3,123	0
CASH, DECEMBER 31	1,190	1,329	139	3,573	330	(3,243)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	475	484	9	450	474	24
Total Receipts	475	484	9	450	474	24
DISBURSEMENTS						
Prosecuting Attorney	710	1,110	(400)	460	160	300
Total Disbursements	710	1,110	(400)	460	160	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(235)	(626)	(391)	(10)	314	324
CASH, JANUARY 1	965	965	0	651	651	0
CASH, DECEMBER 31	730	339	(391)	641	965	324
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	2,600	4,630	2,030	3,000	2,590	(410)
Total Receipts	2,600	4,630	2,030	3,000	2,590	(410)
DISBURSEMENTS						
Prosecuting Attorney	1,450	1,886	(436)	1,575	1,456	119
Transfers out	1,000	1,000	0	0	0	0
Total Disbursements	2,450	2,886	(436)	1,575	1,456	119
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	1,744	1,594	1,425	1,134	(291)
CASH, JANUARY 1	6,670	6,670	0	5,536	5,536	0
CASH, DECEMBER 31	6,820	8,414	1,594	6,961	6,670	(291)

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CAPITAL IMPROVEMENT SALES TAX FUND						
RECEIPTS						
Sales tax	0	0	0	0	797	797
Interest	44	44	0	750	679	(71)
Total Receipts	44	44	0	750	1,476	726
DISBURSEMENTS						
Capital improvements	23,139	23,139	0	100,000	104,895	(4,895)
Other	0	0	0	21,000	0	21,000
Transfers out	0	0	0	5,991	0	5,991
Total Disbursements	23,139	23,139	0	126,991	104,895	22,096
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,095)	(23,095)	0	(126,241)	(103,419)	22,822
CASH, JANUARY 1	23,108	23,108	0	126,527	126,527	0
CASH, DECEMBER 31	13	13	0	286	23,108	22,822
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales tax	250,000	256,672	6,672	238,400	249,301	10,901
Intergovernmental	295,423	250,249	(45,174)	281,815	319,105	37,290
Charges for services	12,000	15,276	3,276	21,000	10,709	(10,291)
Interest	310	343	33	500	320	(180)
Other	15,200	50,462	35,262	8,500	26,260	17,760
Transfers in	163,456	228,334	64,878	163,519	66,122	(97,397)
Total Receipts	736,389	801,336	64,947	713,734	671,817	(41,917)
DISBURSEMENTS						
Employee benefits	111,638	103,875	7,763	116,514	98,966	17,548
Jail	236,944	263,988	(27,044)	224,221	207,076	17,145
Sheriff	386,507	413,239	(26,732)	373,000	365,783	7,217
Total Disbursements	735,089	781,102	(46,013)	713,735	671,825	41,910
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,300	20,234	18,934	(1)	(8)	(7)
CASH, JANUARY 1	26	26	0	34	34	0
CASH, DECEMBER 31	1,326	20,260	18,934	33	26	(7)
LOCAL EMERGENCY PLANNING COMMISSION FUND						
RECEIPTS						
Intergovernmental	3,000	3,308	308	5,080	1,526	(3,554)
Total Receipts	3,000	3,308	308	5,080	1,526	(3,554)
DISBURSEMENTS						
Local emergency planning commissio	6,500	226	6,274	7,000	2,328	4,672
Total Disbursements	6,500	226	6,274	7,000	2,328	4,672
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	3,082	6,582	(1,920)	(802)	1,118
CASH, JANUARY 1	8,476	8,476	0	9,278	9,278	0
CASH, DECEMBER 31	4,976	11,558	6,582	7,358	8,476	1,118

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	0	0	0	0	966	966
Charges for services	200	524	324	1,900	1,867	(33)
Interest	40	32	(8)	25	31	6
Total Receipts	240	556	316	1,925	2,864	939
DISBURSEMENTS						
Elections	3,000	1,864	1,136	2,500	1,407	1,093
Total Disbursements	3,000	1,864	1,136	2,500	1,407	1,093
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,760)	(1,308)	1,452	(575)	1,457	2,032
CASH, JANUARY 1	3,223	3,223	0	1,766	1,766	0
CASH, DECEMBER 31	463	1,915	1,452	1,191	3,223	2,032
RECORDER USER FEE FUND						
RECEIPTS						
Charges for services	9,000	10,788	1,788	8,000	9,621	1,621
Interest	200	310	110	70	219	149
Total Receipts	9,200	11,098	1,898	8,070	9,840	1,770
DISBURSEMENTS						
Ex Officio Recorder of Deed	6,100	8,103	(2,003)	3,600	4,020	(420)
Total Disbursements	6,100	8,103	(2,003)	3,600	4,020	(420)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,100	2,995	(105)	4,470	5,820	1,350
CASH, JANUARY 1	19,041	19,041	0	13,221	13,221	0
CASH, DECEMBER 31	22,141	22,036	(105)	17,691	19,041	1,350
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	7,800	8,574	774	7,800	7,915	115
Interest	50	58	8	48	57	9
Total Receipts	7,850	8,632	782	7,848	7,972	124
DISBURSEMENTS						
Collector	7,250	6,047	1,203	10,990	10,454	536
Transfers out	600	751	(151)	0	0	0
Total Disbursements	7,850	6,798	1,052	10,990	10,454	536
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,834	1,834	(3,142)	(2,482)	660
CASH, JANUARY 1	973	973	0	3,455	3,455	0
CASH, DECEMBER 31	973	2,807	1,834	313	973	660

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S REVOLVING FUND						
RECEIPTS						
Charges for services	3,000	1,302	(1,698)			
Interest	25	57	32			
Total Receipts	3,025	1,359	(1,666)			
DISBURSEMENTS						
Sheriff	2,000	0	2,000			
Transfers out	0	547	(547)			
Total Disbursements	2,000	547	1,453			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,025	812	(213)			
CASH, JANUARY 1	3,375	3,375	0			
CASH, DECEMBER 31	4,400	4,187	(213)			
SHERIFF CIVIL FEE FUND						
RECEIPTS						
Charges for services	9,000	8,440	(560)			
Total Receipts	9,000	8,440	(560)			
DISBURSEMENTS						
Sheriff	1,275	1,275	0			
Transfers out	8,000	8,000	0			
Total Disbursements	9,275	9,275	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(275)	(835)	(560)			
CASH, JANUARY 1	7,580	7,580	0			
CASH, DECEMBER 31	7,305	6,745	(560)			
CHILDREN OF DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	300	270	(30)	200	347	147
Total Receipts	300	270	(30)	200	347	147
DISBURSEMENTS						
Domestic violence shelte	300	270	30	200	347	(147)
Total Disbursements	300	270	30	200	347	(147)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HAVA ELECTION IMPROVEMENT FUND						
RECEIPTS						
Intergovernmental	0	431	431			
Interest	35	116	81			
Transfers In	0	5,276	5,276			
Total Receipts	35	5,823	5,788			
DISBURSEMENTS						
Elections	7,500	5,662	1,838			
Total Disbursements	7,500	5,662	1,838			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,465)	161	7,626			
CASH, JANUARY 1	15,008	15,008	0			
CASH, DECEMBER 31	7,543	15,169	7,626			
EMERALD CITY SHELTER FUND						
RECEIPTS						
Intergovernmental	8,570	8,570	0	7,500	7,500	0
Total Receipts	8,570	8,570	0	7,500	7,500	0
DISBURSEMENTS						
Emerald City Shelter	8,399	8,399	0	7,350	7,350	0
Transfers out	171	171	0	150	150	0
Total Disbursements	8,570	8,570	0	7,500	7,500	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
INMATE SECURITY FUND						
RECEIPTS						
Charges for services	0	0	0	90	116	26
Interest	0	0	0	0	4	4
Total Receipts	0	0	0	90	120	30
DISBURSEMENTS						
Transfers out	300	300	0	0	0	0
Total Disbursements	300	300	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(300)	0	90	120	30
CASH, JANUARY 1	300	300	0	180	180	0
CASH, DECEMBER 31	0	0	0	270	300	30

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	80,000	81,615	1,615	76,000	77,965	1,965
Intergovernmental	255,823	267,983	12,160	233,000	231,944	(1,056)
Charges for services	72,000	58,700	(13,300)	60,000	70,205	10,205
Interest	2,000	1,615	(385)	2,000	1,473	(527)
Other	42,377	38,887	(3,490)	27,000	37,743	10,743
Total Receipts	452,200	448,800	(3,400)	398,000	419,330	21,330
DISBURSEMENTS						
Salaries & benefits	342,972	367,339	(24,367)	305,000	334,672	(29,672)
Office expenditures	45,500	29,076	16,424	88,900	43,755	45,145
Mileage & training	28,000	30,794	(2,794)	25,000	26,129	(1,129)
Other	22,500	14,267	8,233	28,049	36,040	(7,991)
Total Disbursements	438,972	441,476	(2,504)	446,949	440,596	6,353
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,228	7,324	(5,904)	(48,949)	(21,266)	27,683
CASH, JANUARY 1	79,236	79,236	0	100,502	100,502	0
CASH, DECEMBER 31	92,464	86,560	(5,904)	51,553	79,236	27,683
ASSOCIATE CIRCUIT COURT INTEREST FUND						
RECEIPTS						
Interest	233	237	4	315	233	(82)
Total Receipts	233	237	4	315	233	(82)
DISBURSEMENTS						
Transfers out	233	237	(4)	315	233	82
Total Disbursements	233	237	(4)	315	233	82
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	200	287	87	150	588	438
Total Receipts	200	287	87	150	588	438
DISBURSEMENTS						
Circuit Clerk	200	610	(410)	150	535	(385)
Total Disbursements	200	610	(410)	150	535	(385)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(323)	(323)	0	53	53
CASH, JANUARY 1	431	431	0	378	378	0
CASH, DECEMBER 31	431	108	(323)	378	431	53

Exhibit B

OZARK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	1,400	1,914	514	1,100	1,455	355
Interest	2	1	(1)	8	1	(7)
Total Receipts	1,402	1,915	513	1,108	1,456	348
DISBURSEMENTS						
Law Library	1,400	1,024	376	1,108	1,741	(633)
Total Disbursements	1,400	1,024	376	1,108	1,741	(633)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2	891	889	0	(285)	(285)
CASH, JANUARY 1	10	10	0	295	295	0
CASH, DECEMBER 31	12	901	889	295	10	(285)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Ozark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

Fund	Years Ended December 31,
Sheriff's Revolving Fund	2004
Sheriff's Civil Fee Fund	2004
HAVA Election Improvement Fund	2004
War Memorial Fund	2004
Associate Circuit Time Payment Fund	2005 and 2004

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

Fund	Years Ended December 31,
Assessment Fund	2005 and 2004
Law Enforcement Training Fund	2004
Prosecuting Attorney Training Fund	2005
Prosecuting Attorney Bad Check Fund	2005
Law Enforcement Sales Tax Fund	2005
Recorder User Fee Fund	2005 and 2004
Children of Domestic Violence Fund	2004
Health Center Fund	2005
Associate Circuit Court Interest Fund	2005
Circuit Clerk Interest Fund	2005 and 2004
Law Library Fund	2004

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2005 and 2004, did not include the Associate Circuit Time Payment Fund. In addition, the Health Center's financial statements were published separately and for the years ended December 31, 2005 and 2004, did not disclose disbursement detail by vendor as required by Section 50.800, RSMo.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial

institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Ozark County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and the Health Center Board's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name, by commercial insurance provided through a surety bond, or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2005 and 2004, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

3. Prior Period Adjustment

The Associate Circuit Division Interest Fund's cash balance at January 1, 2003, as previously stated has been decreased by $282 to agree to the cash balance of the Associate Circuit Division.

Supplementary Schedule

Schedule

OZARK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-6177	$ 7,586	0
		ERS045-5177	23,759	6,728
		ERS045-4177	0	21,656
			31,345	28,384
10.559	Summer Food Service Program for Children	ERS146-5177	350	0
		ERS146-4177I	0	260
			350	260
	Office of Administration			
10.665	Schools and Roads - Grants to States	N/A	0	171,157
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state			
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO1640646	8,570	0
		ERO1640583	0	7,500
			8,570	7,500
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Program	SD-2004-26	0	40,226
	State Department of Public Safety			
16.592	Local Law Enforcement Block Grants Program	2003-LBG-066	0	9,000
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,513	810
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-B077(8)	489,750	0

Schedule

OZARK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	1,790
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	1,646	6,216
	Office of Secretary of State			
39.011	Election Reform Payments	N/A	0	2,666
	U.S. DEPARTMENT OF ENERGY			
	Passed through state			
	Department of Natural Resources -			
81.041	State Energy Program	NPDEL023	44,900	16,523
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	N/A	7,075	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	19,987	17,774
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	AOC0638	3,500	0
		DH040022022	0	7,225
			3,500	7,225
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	21,027	19,764
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-4177S	410	320
		PGA067-5177S	0	155
			410	475

Schedule

OZARK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2005	2004
	Department of Social Services -			
93.667	Social Services Block Grant	PGA067-5177C	1,500	550
		PGA067-4177C	0	765
			1,500	1,315
	Department of Health and Senior Services			
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5177M	4,575	0
		ERS146-5177M	13,742	4,581
		ERS146-4177M	0	10,578
			18,317	15,159
93.997	Preventive Health Services Block Gran	N/A	280	0
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.036	Public Assistance Grants*	FEMA-1412-DR-MO	336,187	508,308
97.067	Homeland Security Grant Program	N/A	31,833	0
	Total Expenditures of Federal Awards		$ 1,018,190	854,552

* These expenditures include awards made under CFDA number 83.552

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

OZARK COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ozark County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both

cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided $8,570 and $7,500 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2005 and 2004, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ozark County, Missouri

Compliance

We have audited the compliance of Ozark County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ozark County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. However, the results of our auditing procedures disclosed

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instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 05-1 through 05-3.

Internal Control Over Compliance

The management of Ozark County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 05-1 through 05-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the management of Ozark County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

October 19, 2006 (fieldwork completion date)

Schedule

OZARK COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2005 AND 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	__x__ no
• Reportable conditions identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction
97.036	Public Assistance Grants

Dollar threshold used to distinguish between Type A

and Type B programs: $300,000

Auditee qualified as a low-risk auditee? _____ yes ___x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-1. Procurement and Prevailing Wage

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	FEMA-1412-DR-MO
Award Years:	2005 and 2004
Questioned Costs:	$21,930

The County Commission did not adhere to procurement requirements during the reconstruction of its county roads and bridges, and did not require a contractor to provide supporting documentation of wages paid to ensure compliance with prevailing wage laws.

Flooding caused significant damage to county roads and bridges, and as a result, the county was awarded federal emergency management assistance (FEMA) to repair and rebuild its roads and bridges. The County Commission hired a contractor to perform work on county roads, but did not solicit bids for these services totaling approximately $21,930 during 2005 and 2004. In addition, the County Commission did not require the contractor to provide supporting documentation of wages paid or review any of the payroll records for the contractor to ensure compliance with prevailing wage laws.

Section 50.660, RSMo, requires bids for all purchases or services of $4,500 or more from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business. In addition, the Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of

$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor. Also, Section 290.230, RSMo, requires prevailing wages to be paid to all workmen employed by or on behalf of any public body engaged in construction projects exclusive of routine maintenance work.

WE RECOMMEND the County Commission work with the granting agency to resolve the questioned costs and ensure bids are solicited in accordance with state law, and prevailing wage rates are paid on all construction projects.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will work with the granting agency to resolve these issues.

05-2.	**Cash Management**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-B077(8)
Award Years:	2005
Questioned Costs:	Not applicable

During the year ended December 31, 2005, the county participated in the Highway Planning and Construction Program and received and disbursed approximately $489,750 through this program.

The county has not established cash management procedures to ensure the minimum time lapses between its receipt of federal project monies and the disbursement of such monies to contractors. The County Commission maintains a separate bank account for the BRO federal project monies, and makes payments to contractors subsequent to receiving the reimbursement from the federal grant. We noted two reimbursements which were held for an extended time period prior to being disbursed. One payment totaling $62,843 was held for more than seven days.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received no more than two days prior to disbursement of a payment.

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We are now able to monitor bank accounts on-line and will have better monitoring procedures in the future.

05-3.	**Schedule of Expenditures of Federal Awards**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-B077(8)
Award Years:	2005
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	FEMA-1412-DR-MO
Award Years:	2005 and 2004
Questioned Costs:	Not applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA). The county prepared a SEFA for the years ended December 31, 2005 and 2004; however, it contained numerous errors and omissions. In total, expenditures were overstated by approximately $32,683 and $229,864 for 2005 and 2004, respectively.

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations,* requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. Additionally, some federal grant expenditures were reported on the schedule in the wrong year, and some non-federal reimbursements were included on the schedule.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds of the county.

Similar conditions have been noted in the county's prior audit reports. Although the County Clerk indicated they would implement the recommendations, the county has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission and the County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will work with officials to ensure all federal expenditures are included on the Schedule of Federal Expenditures.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

OZARK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

OZARK COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings-Two Years Ended December 31, 2003

03-01. Federal Awards-Internal Controls

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Missouri Department of Homeland Security
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	2003 and 2002
Questioned Costs:	Not Applicable

The county did not prepare an accurate schedule of expenditures of federal awards.

Recommendation:

The county should develop procedures to track expenditures of federal awards in accordance with the grant requirements.

Status:

Not implemented. See finding number 05-3.

03-02. Federal Awards-Compliance

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Missouri Department of Homeland Security
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	2003 and 2002
Questioned Costs:	Unknown

The county failed to remit interest earned on federal advances to the federal agency as required.

Recommendation:

The county should deposit all advances of federal funds into a non-interest bearing account, or implement a system to track and remit interest earned on those funds to the federal agency as required.

Status:

Partially implemented. The county remitted $308 in interest earned to the State Emergency Management Assistance (SEMA) Agency in November 2004. A non-interest bearing account was established for the Federal Emergency Management Assistance (FEMA) monies that were received thereafter. However, in 2005 and 2004, the County Commission did not adhere to procurement requirements and did not require a contractor to provide supporting documentation of wages paid to ensure compliance with prevailing wage laws. See finding number 05-1.

Findings-Two Years Ended December 31, 2001

01-1. Federal Awards

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity Identifying Number:	97-PF-21
Award Years:	2001 and 2000
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-077(7)
Award Years:	2001 and 2000
Questioned Costs:	Not applicable

A. The county had not established cash management procedures to ensure the minimum time lapses between the receipt of federal project monies and the disbursement of such monies to contractors.

B. The county did not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA).

Recommendation:

A. The County Commission establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

B. The County Commission and the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

A&B. Not implemented. See findings number 05-2 and 05-3.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

OZARK COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Ozark County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 19, 2006. We also have audited the compliance of Ozark County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 19, 2006.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Ozark County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are

required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. County Expenditures

The county did not always solicit bids or retain bid documentation for some purchases, and payments were made to vendors without acknowledging receipt of goods or services. Improvements are also needed in the controls and procedures over fuel purchases, and written contracts have not been obtained for some county agreements. In addition, adequate documentation was not obtained for some expenditures relating to the Emergency Shelter Grant Program, and the county commission meeting minutes did not adequately document circumstances regarding related party transactions.

A. The county did not always solicit bids, or maintain documentation of other price comparison procedures for some major purchases. Neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations. Examples include:

Item or Service	Cost	
Bulk fuel (2005)	$ 169,393	
Bulk fuel (2004)	116,880	
Tires and tire repairs (2005)		33,433
Tires and tire repairs (2004)		42,014
Prisoner food (2005)	29,561	
Prisoner food (2004)	28,969	
Printer equipment and maintenance (single purchase)	8,225	
Road & Bridge grader blades and parts (single purchase)	5,659	

While the County Commission indicated that bids were solicited for some purchases through telephone calls or some items were only available from one vendor in the area, documentation of these calls and sole source procurement situations were not maintained.

Section 50.660, RSMo, requires bids for all purchases of $4,500 or more from any one person, firm, or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made an effort to receive the best and lowest price and interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. The County Commission approved some payments to vendors without requiring the officeholder to acknowledge receipt of goods or services. For example, the county

purchased grader blades, tires, and bulk fuel for the road and bridge department without indicating receipt of goods by the applicable party. Further, the county lacks adequate controls over the use of bulk fuel, see part C below. Verification of receipt of goods and services is necessary to ensure the county is paying for actual goods and services received and approved.

C. The county maintains gasoline and diesel fuel tanks at each of the county road and bridge barns for use in vehicles and equipment of the road and bridge department. While fuel usage logs are maintained by the county road and bridge department, and the County Clerk's office reconciles these logs to fuel purchases, differences are not reviewed and followed up on by the County Commission. Additionally, mileage logs are not maintained on some county road and bridge vehicles and compared to fuel usage. During the years ending December 31, 2005 and 2004 the county spent approximately $146,006 and $102,980, respectively, for fuel for the road and bridge department.

To ensure the reasonableness of fuel expenditures, the county should maintain complete records of fuel usage, reconcile them to fuel purchases and on hand, and investigate any differences. Additionally, mileage logs should be maintained on all county vehicles and compared to fuel usage. Failure to account for fuel purchases could result in loss, theft or misuse.

D. The county does not always obtain written agreements for services provided or shared costs, and one written agreement did not require adequate supporting documentation. For example:

- The Sheriff's department houses prisoners for other counties and cities in the county jail. The county does not have written agreements with these entities regarding the various rates to be paid or the services to be provided. During 2005 and 2004, the county received approximately $147,799 and $198,441, respectively, for boarding prisoners.

- The county has not entered into a written agreement with the ambulance district for dispatching services provided to the district. The county received approximately $13,200 each year for dispatching services provided during 2005 and 2004.

- The Prosecuting Attorney works from his private law office. Some of the office equipment is shared between the county and the private law practice. The county pays for one-half of the office rent and two-thirds of the cost of equipment maintenance and office supplies, with the Prosecuting Attorney's private practice paying the balance. The county does not have documentation to support how the distribution of these costs was determined, or a formal written agreement outlining the arrangement.

- The county has a contract with an individual to provide field work for the County

Assessor at the rate of $150 per day. The contract does not require adequate documentation be submitted to the county before payment is made. As a result, the documentation to support amounts paid simply lists the number of days worked each month and does not indicate which days were worked or what property was reviewed. The county paid this individual $32,325 and $27,825 during 2005 and 2004, respectively.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation to be provided. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

E. The County Commission did not obtain adequate supporting documentation of Emergency Shelter Grant Program expenditures paid to a sub-recipient. The Ozark County Commission was designated as the official recipient for federal grant monies under the Emergency Shelter Grant Program totaling $8,570 and $7,500 during 2005 and 2004, respectively. These monies were passed through to a local emergency shelter. While some supporting documentation was submitted to the County Commission by the local emergency shelter to support the use of the grant funds, the documentation was not complete. For example, documentation to support telephone costs of $3,164 included a copy of only a portion of one page of each month's bill showing the total amount due. Additionally, adequate supporting documentation was not obtained for utilities ($2,439) and staff ($926) costs, and the supporting documentation received for maintenance and food costs did not agree to the amounts claimed.

To ensure the Emergency Shelter Grant monies are being expended in accordance with federal requirements, the County Commission should obtain adequate documentation to support all expenditures relating to the use of these grant funds. As the grant recipient, the county is ultimately responsible for ensuring compliance with federal requirements.

F. The county commission meeting minutes did not adequately document circumstances regarding purchases made from a concrete company owned by a commissioner's brother-in-law. Bids were solicited for these purchases in 2004 with this company submitting the only bid; however no bids were received in 2005 because the County Commission indicated that this was a sole source purchase. There was no documentation in the commission meeting minutes to indicate that the commissioner abstained from voting on the bids or approving the invoices for payment to this company, or that this was a sole source purchase. The county made payments to this company totaling $10,756 and $39,593 in 2005 and 2004 respectively.

To ensure actual or apparent conflicts of interests do not exist, the county should ensure any commissioner with a potential conflict of interest abstains from voting and such actions should be properly documented and disclosed in the commission

minutes. Additionally, sole source procurement situations should be properly documented in the commission minutes.

Conditions A. and B. were noted in prior reports.

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Require acknowledgment of receipt of goods and/or services prior to payment.

C. Maintain complete records of fuel usage, reconcile them to fuel purchases and on hand, and investigate any differences. Additionally, mileage logs should be maintained on all county vehicles.

D. The Sheriff , the Prosecuting Attorney, and the Assessor enter into written contracts outlining the details of the various agreements.

E. Properly monitor the use of federal grant funds disbursed to sub-recipients.

F. Ensure commissioners with a potential conflict of interest abstain from voting on such issues and that these actions are properly documented and disclosed in the commission minutes. Additionally, sole source procurement situations should be adequately documented.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We have started adding more documentation to the commission minutes and will work with all applicable officials to ensure bids are obtained and documented.

B. We will work with the applicable officials to ensure that receipt of goods is documented on all invoices.

C. We have added mileage information to our individual fuel usage tickets completed by road and bridge employees. We will review reconciliations between the fuel usage log and fuel purchases and follow up on the differences.

D. We will work with the applicable officials to ensure formal contracts are entered into and documented. The Assessor's office has now hired an individual as a county employee instead of contracting for this position.

E. This contract has been discontinued and the county no longer supports the Emerald City Shelter.

F. We will make sure that all business transactions with this vendor are adequately documented in the minutes and the Western Commissioner will abstain from voting on this issue.

The Prosecuting Attorney provided the following response:

D. I will draft an agreement for the County Commissioners' signatures.

The Sheriff provided the following response:

D. I now have a written contract with the ambulance district. We will implement some type of letter or contract with counties for prisoner boarding.

The Assessor provided the following response:

D. The county no longer contracts with this individual. A full time employee has been hired by the county to perform this service.

2. Personnel Issues and County Treasurer's Salary and Bond

Centralized leave records are not maintained by the County Clerk for the Sheriff's office employees. Additionally, some employee benefits were provided to an individual paid to haul gravel, as a result, it is not clear whether this individual was providing services as a county employee or independent contractor. Further, the County Treasurer's salary amount needs clarification, and his school bond was insufficient.

A. The County Clerk does not maintain centralized records of vacation leave, sick leave, or compensatory time earned, taken, or accumulated for the Sheriff's office employees. While detailed leave records are maintained by the Sheriff's office, our review of one deputy's leave records identified a calculation error causing an overpayment of $326 of accrued vacation leave. Without centralized and complete leave records, the County Commission cannot ensure that employee's vacation leave, sick leave, and overtime records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Centralized leave records aid in determining final pay for employees leaving county employment or in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

B. The county paid an individual to haul gravel for the county FEMA projects. No payroll taxes were withheld from his compensation; however, the county required the individual to complete a standard county time sheet, paid him holiday pay, and allowed him to earn compensatory hours similar to county employees. Because there was no written contract and some employee benefits were provided, it is questionable whether this individual should be treated as an independent contractor or a county employee. A 1099-MISC was issued to this individual for $13,167 and $19,314 for 2005 and 2004, respectively for his services. In September 2005 the county hired

this individual as a full time employee.

The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. The county needs to ensure it complies with IRS regulations. The failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act (FLSA) and not properly withholding and paying various taxes.

C. The County Treasurer's annual salary was increased from $23,776 to $32,130, or $8,354 annually, effective January 1, 2004 during his term of office which began January 1, 2003. The Salary Commission authorized salaries for officeholders at 90% of the allowable maximum pay during the November 2001 meeting, but did not hold a salary commission meeting to approve this increase. The Prosecuting Attorney issued a written opinion in January 2004 indicating the County Treasurer's salary should be set at 90% of the maximum allowed under House Bill 2137, which was effective August 28, 2002.

House Bill 2137 provided for an increase in the compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission may authorize the use of the alternative salary schedule. However, Section 50.333, RSMo, appears to authorize salary commissions to meet only in odd-numbered years. Additionally, Article VII, Section 13 of the Missouri Constitution states that compensation to county officials shall not be increased during a term of office.

As a result, without salary commission approval and because the salary increase occurred during the County Treasurer's term of office, it is unclear when the salary increase provided to the County Treasurer should have been in effect, and whether it is in accordance with state law.

D. The County Treasurer's bond coverage was insufficient to cover the school monies he receives. The $300,000 bond secured for the County Treasurer was approximately $50,000 less than the amount required by state law during January 2005 and 2004, respectively, when he received and distributed most of the school property tax money. Additionally, the County Treasurer has not recalculated the school bond amount required at the beginning of his new term starting in January 2007, and it is approximately $120,000 less than the amount required.

Section 54.160, RSMo, requires the County Treasurer to give additional bond for school monies sufficient to secure the monies which come into the County Treasurer's hands, not to exceed one-fourth of the amount collected during the same month of the year immediately preceding his election or appointment.

WE RECOMMEND the County Commission:

A. And the County Clerk maintain centralized leave records for all county employees.

B. Comply with IRS regulations regarding independent contractors and employees.

C. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

D. Ensure that all county officials are adequately bonded.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. The County Clerk is now receiving leave records from the Sheriff.

B. We will ensure that this does not happen in the future and will resolve any issues with the IRS.

C. We consulted with our Prosecuting Attorney and relied on his opinion in 2004 when this increase was given. We will discuss this issue again with the Prosecuting Attorney.

D. We will contact our insurance company and increase the rider on the Treasurer's bond.

The Sheriff provided the following response:

A. I have started giving leave records to the County Clerk.

The County Treasurer provided the following response:

C. The minutes of the salary commission meeting prior to 2003 stated salaries were to be set at 90% of the maximum allowable amount which would have been the higher amount beginning with January 1, 2003. I believe the Treasurer's salary should have been $32,130 starting January 1, 2003.

D. I have contacted the agent for the bonding company and they are updating the bond to comply with the statutes.

3. County Budgets, Planning and Collateral Securities

Actual disbursements exceeded the budgeted amounts in various county funds. In addition, revenues and expenditures were not properly classified in several county budgets, and an annual maintenance plan for county roads and bridges has not been prepared. Further, adequate procedures were not in place to monitor and ensure bank accounts are sufficiently collateralized.

A. The County Commission and other county officials approved disbursements in excess of budgeted amounts for various funds for the years ended December 31, 2005 and 2004, as follows.

Fund	Year Ended December 31, 2005	2004
Assessment Fund	$ 3,007	9,704
Prosecuting Attorney Training Fund	400	N/A
Prosecuting Attorney Bad Check Fund	436	N/A
Law Enforcement Sales Tax Fund	46,013	N/A
Recorder User Fee Fund	2,003	420
Circuit Clerk Interest Fund	410	385
Law Library Fund	N/A	633

While the County Clerk prepared budget to actual expenditure comparison reports, the county's procedures and reports are not resulting in effective monitoring of the various budgets. Additionally, the County Commission amended the 2005 budgets; however, actual expenditures still exceeded budget estimates for some funds. Further, expenditures for many funds had exceeded budgeted amounts prior to the amendments, and no earlier action had been taken. Amendments made after expenditures have exceeded the budgets do not allow for the budgets to be used as an effective management tool.

Case law provides that strict compliance with the county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year, and budget amendments should be made prior to incurring the actual expenditures.

B. The county budget document contained some incorrect amounts and misclassifications, including inconsistent classifications of receipts and transfers. For example, County Aid Road Trust (CART) revenue totaling more than $1.3 million and prisoner board revenue totaling approximately $340,000 for 2005 and 2004 were classified in the "Other Revenues" category. Significant revenue amounts such as these should be included in a more specific and appropriate category. In addition, some misclassifications included a failure to reflect transfers consistently between county funds. Adjustments and reclassifications were made in nineteen of the twenty-three county funds.

To be of maximum assistance to the county and to adequately inform citizens of the county's operations and financial position, budget documents need to be accurate and

include proper classifications of receipts and disbursements. This is also necessary so the county can prepare useful and accurate financial statements.

C. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. More than $1.6 million in receipts and disbursements are processed through the county's Special Road and Bridge Fund during a typical year. However, the budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. The County Commission indicated the county typically prioritizes county roads and bridges based on safety concerns and need; however, specifics are not documented in a plan, the commission minutes, or the budget message and made available to the public.

A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

D. The County Treasurer does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. The Treasurer's deposits were under collateralized by approximately $234,000 and $442,000 during January 2006 and January 2005, respectively, when he received and distributed most of the school property tax money. While the Treasurer believed the bank was pledging adequate collateral securities, there were no procedures in place to monitor the amount of securities pledged by the bank to ensure coverage was adequate. Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than

100 percent of the actual amount of deposit less the amount insured by the FDIC. Inadequate collateral securities leave the Treasurer's funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Commission:

A. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.

B. And the County Clerk ensure all receipts, disbursements, and transfers are accurately and consistently reported in the county budget documents.

C. Develop a road and bridge maintenance plan in conjunction with the annual budgets.

D. And the County Treasurer develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. We will work with the applicable officials to ensure budgets are more closely monitored.

B. We will work with the applicable officials to ensure that revenues are properly classified within the budget document.

C. We will work on preparing a plan in the future along with the budgeting process. However, this is very difficult to plan due to need and circumstances.

D. We will work with the Treasurer and custodial bank to monitor the county's deposits and ensure they are properly collateralized.

The County Clerk provided the following response:

B. I will work to ensure revenues are properly classified on the budget document.

The County Treasurer provided the following response:

D. I have been in communications with the bank to ensure adequate collateral is now being pledged.

4. Capital Assets

Procedures and records to account for county property are not adequate. Some departments did not perform complete and accurate inventories or submit required reports. Discrepancies exist between the overall county property records and some department inventory reports, and changes to department inventories were not always supported by explanations attached to the inventory report.

Currently, each county official prepares and submits an inventory listing of fixed assets to the County Clerk annually, and the County Clerk maintains an inventory listing all other assets owned by the county. The property records maintained do not include all county assets, and do not always include some necessary information, such as acquisition dates, costs, serial numbers, tag numbers, and date and method of disposal. For example, patrol cars operated by the Sheriff's Department deputies were not listed on the fixed asset records maintained by the Sheriff's office or the County Clerk's office. Also, property items are not always properly numbered, tagged, or otherwise identified.

Section 49.093, RSMo, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of $1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

Similar conditions were noted in prior reports.

WE RECOMMEND the County Clerk work with other county departments to ensure complete and accurate physical inventories are conducted and reports submitted, and implement a procedure for tagging and tracking property purchases throughout the year.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

We will work with all officials to ensure complete and accurate records are maintained of all the county's capital assets.

5. Prosecuting Attorney's Controls and Procedures

Receipt slips are not issued for monies received and money orders are not restrictively endorsed immediately upon receipt. In addition, bad check fees are waived without documenting the approval of the Prosecuting Attorney, and an adequate system to account for all bad checks received has not been established. Further, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner.

A. Receipt slips are not issued for monies received and money orders are not restrictively endorsed immediately upon receipt. Money orders and cashiers checks received by the Prosecutor Attorney's office are transmitted daily to the County Treasurer. While the Prosecuting Attorney includes a copy of the money order or cashiers check in the individual case file, and the County Treasurer issues a receipt slip to the Prosecutor's office for the monies transmitted, there is no centralized record of the monies collected by the Prosecutor's office. To ensure monies are properly accounted for and transmitted intact, prenumbered receipt slips should be issued for all monies received, the method of payment should be indicated on each receipt slip, and the composition of receipt slips issued should be reconciled to the composition of the amounts transmitted to the County Treasurer. In addition, checks and money orders payable to the Prosecuting Attorney should be restrictively endorsed immediately upon receipt.

B. The Prosecuting Attorney's secretary indicated that she reduces the amount of bad check fees charged to the bad check writer after obtaining verbal approval from the Prosecuting Attorney; however, documentation of the Prosecuting Attorney's approval is not maintained. Our review identified one case where a $55 fee was waived, and two other cases where the fee was reduced by approximately $30 each, and no approval was documented by the Prosecuting Attorney. To ensure bad check fees are properly charged and collected, all waivers should be adequately documented and approved by the Prosecuting Attorney.

C. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. The complaint form and information regarding the handling of each case is maintained in the individual case files, and all pending case files are stored together. The Prosecuting Attorney's office has not established a log of each check received and it's disposition to ensure the bad checks have been accounted for properly. As a result, bad checks were not always filed with the court in a timely manner. For example, according to a list of 46 pending case files prepared by the Prosecuting Attorney's office in May 2006, charges had not yet been filed on 12 cases dating as far back as May 2005.

   To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including date payment was received and transmitted to the merchant or the criminal case in which charges were filed or other disposition. In addition, procedures should be established to ensure bad check complaints are filed in a timely manner with the court.

WE RECOMMEND the Prosecuting Attorney:

A. Issue receipt slips for all monies received, and reconcile the composition of amounts received to the composition of amounts transmitted to the County Treasurer. In addition, restrictively endorse checks and money orders immediately upon receipt.

B. Approve and document all waivers of bad check fees.

C. Implement procedures to adequately account for bad checks received, as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check. In addition, establish procedures to adequately follow-up on bad checks received and file charges in a timely manner.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. Appropriate accounting methods will be implemented.

B. I will institute a procedure for approving the waiving or reduction in fees.

C. I will try to institute a procedure for tracking the processing of bad checks.

6. Sheriff's Controls and Procedures

Accounting duties within the Sheriff's Department are not adequately segregated and the average cost of meals served to prisoners is not calculated periodically for monitoring purposes. The Sheriff's Department received monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts totaling approximately $88,000 and $111,000 during the years ended December 31, 2005 and 2004, respectively.

A. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank account are not adequately segregated. The Secretary primarily performs all of these duties. In addition, there is no indication that supervisory reviews are performed.

   To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Sheriff.

B. Although the Sheriff's office maintains attendance records of prisoners housed in the county jail and retains documentation of the related food purchases from local vendors, the Sheriff's office does not calculate the average cost of meals served to prisoners. This calculation should be performed periodically to ensure county assets are not misused and that expenditures for prisoner meals are reasonable. In addition, the Sheriff should periodically review prisoner meal costs to ensure the established billing rate for housing prisoners in the county jail is appropriate. Section 221.105, RSMo, requires the governing body of any county to fix the amount to be expended for the cost of incarceration of prisoners confined in the jail. During the years ended December 31, 2005 and 2004, expenditures for prisoner food totaled approximately $29,561 and $28,969, respectively.

WE RECOMMEND the Sheriff:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented in the Sheriff's office.

B. Periodically calculate the average cost for prisoner meals.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. I will implement a review process and document my reviews.

B. I have started documenting calculations for prisoner food costs.

7. County Clerk's Controls and Procedures

The County Clerk collects miscellaneous accountable fees totaling approximately $13,000 annually. Receipt slips are not always issued in numerical sequence, voided receipt slips are not always retained, checks are not restrictively endorsed immediately upon receipt, and fees are not always transmitted to the County Treasurer timely. In addition, a documented review of the receipt ledger is not performed by the County Clerk to ensure proper oversight. Considering the amount of cash receipts collected, it is imperative a better accounting system be put in place, and fees are transmitted to the County Treasurer more timely. In addition, a documented review of the accounting records should be performed periodically.

WE RECOMMEND the County Clerk transmit monies more timely when significant amounts of cash are collected, account for the numerical sequence of receipts, retain all voided receipt slips, and endorse all checks immediately upon receipt. In addition, periodic supervisory reviews of the records should be performed and documented.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

These procedures have now been implemented.

8. Health Center

Improvement is needed in the controls and procedures over Health Center expenditures. Interest earned was not accurately presented in the budgets, actual expenditures exceeded budget amounts, and expenditure detail by vendor was not presented in the annual published financial statements. Additionally, the board minutes did not always adequately document topics discussed during the board meetings and the Health Center's asset records are inadequate.

A. Our review of health center expenditures identified the following concerns:

1. The Health Center did not always obtain sufficient documentation to support some payments. For example, at least three checks totaling $325 were made payable to cash during 2005 and 2006. According to Health Center personnel, these checks were cashed and used to purchase gift certificates and miscellaneous items for prizes for health awareness events; however, adequate supporting documentation was not maintained for the use of these funds. Adequate supporting documentation is necessary to ensure the purchase is a proper disbursement of Health Center funds. Additionally, to reduce the risk of misuse of funds, the practice of writing checks made payable to cash should be prohibited, and supporting documentation should be maintained for all disbursements.

2. Several invoices did not include documentation of receipt of goods or services and some invoices were not noted as paid or otherwise canceled upon payment. Examples include invoices for the purchase of flu vaccines and a refrigerator. Documenting the receipt of goods or services on invoices provides the Board assurance it is paying for actual goods and services received and approved by the applicable party. Also, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled.

B. Financial records and procedures are in need of improvement as follows:

1. As a result of inadequate monitoring procedures, actual expenditures exceeded budgeted amounts during the year ended December 31, 2005 by $2,504. Additionally the Health Center Board amended the 2004 budget on December 22, 2004; however, expenditures had exceeded budgeted amounts prior to the amendment, and no earlier action had been taken. Amendments made after expenditures have exceeded the budgets do not allow for the budgets to be used as an effective management tool. Further, budget amendments were not filed with the State Auditor's Office.

   Case law provides that strict compliance with the county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year, and budget amendments should be made prior to incurring the actual expenditures.

2. Interest earned on the Health Center's bank account and certificates of deposit (CDs) was not accurately posted to the accounting records causing interest revenue to be understated by $834 on the 2005 budget, and the ending cash balances reported on the budget to be incorrect.

   Budgets should include all interest income to fairly present the Health Center's financial position. To be of maximum benefit to the Board of Trustees, and to adequately inform the public, the budgets should accurately reflect beginning and ending available resources, anticipated revenues and expenditures, and actual revenues and expenditures. Adjustments have been made to the audited financial statements to correct these errors.

3. The Health Center's annual published financial statements did not include expenditure detailed by vendor. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented

   for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

C. Improvement is needed in the Health Center Board's procedure for documenting minutes of meetings.

1. The board minutes did not adequately document matters discussed and actions taken by the board. For example, on December 22, 2004, the Health Center amended the 2004 budget; however the minutes did not provide detailed information such as, the dollar amount of the amendment or the actual votes taken by the board members approving the amendment. Minutes represent the official record of board actions and decisions and it is important that they are complete and accurate.

   Section 610.020, RSMo, states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken." Complete and accurate minutes provide an official record of board actions and decisions.

2. The board minutes are not signed by the board chairperson or board secretary to attest to their completeness and accuracy. The board minutes should be signed by the board chairperson and the board secretary upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

D. Some property items owned by the Health Center are not included on the property records. The Health Center Administrator maintains a listing of Health Center property; however, the listing did not appear to be complete. For example, the property records did not include a refrigerator valued at $3,063 and a projector valued at $1,023. Additionally, property items are not always properly numbered, tagged, or otherwise identified.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of capital assets are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the Health Center Board:

A.1. Require adequate supporting documentation for all expenditures and discontinue the practice of making checks payable to "cash".

2. Ensure supporting documentation for disbursements includes evidence of receipt of goods or services and invoices are marked paid after payment is made.

B.1. Periodically compare actual expense amounts to budgeted amounts, and not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

2. Ensure actual revenue and expenditure amounts are correctly recorded on budget documents by preparing a reconciliation of actual amounts per budget to the accounting records.

3. Ensure all required information is presented in the county's annual published financial statements.

C.1. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.

2. Ensure the board minutes are signed by the board chairperson and board secretary to attest to their completeness and accuracy.

D. Conduct physical inventories, implement a procedure for tagging and tracking capital assets throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

A.1. In the future the checks will be issued to the business for the prizes and certificates.

Adequate documentation will be retained.

2. We have implemented this procedure.

B.1. We will ensure to monitor budgeted expenditures and amend our budget prior to exceeding budgeted expenditures.

2. We will ensure interest and cash balances are correctly reported on the 2007 budget.

3. We will ensure our financial statements are published in detail as required by law.

C.1. We will work to ensure all issues discussed during meetings are adequately documented in the minutes.

2. We will make sure appropriate signatures are on the board meeting minutes.

D. We will work on ensuring all capital assets are properly accounted for on the capital assets records.

Follow-Up on Prior Audit Findings

OZARK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ozark County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures and Controls

   A. Bids were not always solicited or advertised, nor was bid documentation always retained for various purchases by the county.

   B. The County Commission approved some payments to vendors without requiring the officeholder to acknowledge receipt of goods or services.

   C. The county borrowed money and paid interest and principal totaling $50,240 because the county divided its Special Road and Bridge Fund into two districts, East and West. If the county had not separated the Special Road and Bridge fund, it would not have been necessary for the county to borrow funds and incur interest expenses.

   D. Uniform allowances and carwash allowances paid monthly to Sheriff's deputies were not reported on W-2 forms, and deputies were not required to submit an itemized report of expenditures.

   E. The County Clerk did not maintain an account book with the County Collector.

   F. The county had no formal written policy regarding the grading of personal driveways or installing culverts and no records were kept by the road and bridge department to track which driveways were graded or where the culverts were installed.

   Recommendation:

   The County Commission:

   A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

   B. Require acknowledgment of receipt of goods and/or services prior to payment.

C. Evaluate the need to keep the road and bridge operations as separate funds, and ensure all available resources are used efficiently to manage the county's road and bridge operations.

D. Require the Sheriff's employees to submit reports of uniform and carwash expenses or report these allowances as other income on the employee's W-2 forms. In addition, the prior years' W-2 forms should be amended for any reimbursements for which adequate accounting cannot be provided.

E. Ensure the County Clerk establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

F. Establish a formal written policy for providing grading services and installation of culverts, develop a system to track to whom these services have been provided and ensure that the county is receiving adequate reimbursement for such services.

Status:

A&B. Not implemented. See MAR finding number 1.

C. Partially implemented. The county road and bridge department did not borrow money during 2005 and 2004; however the county road and bridge funds are still divided into East and West districts. Although not repeated in the current MAR, our recommendation remains as stated above.

D&E. Implemented.

F. Not implemented. A written policy for providing grading services and installation of culverts has not been completed; however, the County Commission indicated these services were not provided during 2005 and 2004.

2. Budgetary Procedures

A. Formal budgets were not prepared for various county funds for the years ended December 31, 2001 and 2000.

B. Actual expenditures exceeded budgeted amounts in various county funds during 2001 and 2000.

Recommendation:

The County Commission:

A. Ensure budgets are prepared or obtained for all county funds.

B. Not authorize warrants in excess of budgeted expenditures.

Status:

A Partially implemented. Improvements have been made in this area, as only some of the smaller county funds did not have budgets prepared during 2005 and 2004. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 3.

3. County Officials' Compensation and Bonding

A. In 1999 the Associate Commissioner's salaries were each increased approximately $2,000 yearly, however based on a Supreme Court ruling, the mid-term salary increases were deemed unconstitutional.

B. Several county employees from various offices with access to money were not covered by an employee bond.

Recommendation:

The County Commission:

A. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

B. Obtain bond coverage for all county employees with access to monies.

Status:

A. Not implemented. The County Commission indicated that they discussed repayment of the salary increases and decided not to seek repayment; however, documentation of the discussion and decision was not included in the commission meeting minutes. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

4. Commission Minutes

Commission meeting minutes did not provide adequate detail of the County Commission meetings and did not document voting, abstaining from voting, phone bids solicited, sole source procurement or an official record of board actions and decisions.

Recommendation:

The County Commission ensure a complete record of meetings is prepared and approved on a timely basis.

Status:

Partially implemented. The County Commission meeting minutes provided more detail; however some instances were noted where phone bids solicited, sole source procurement, and related party issues were not adequately documented. See MAR finding number 1.

5. Recycling Center

Records of materials, including quantities and date picked up by the vendor, were not maintained at the Recycling Center and submitted to the County Treasurer to be reconciled to amounts received from the vendors. In addition, billings were not prepared and sent to the various vendors.

Recommendation:

The County Commission require appropriate records of sales and billings be prepared at the recycling center and copies forwarded to the County Treasurer. These records should then be reconciled to the County Treasurer's receipt records.

Status:

Implemented.

6. General Fixed Assets

Complete detailed records of county property were not maintained, and the county did not reconcile additions of property to equipment expenditures. Also, quarterly inspections of county owned land and buildings are not performed and physical inventory counts are not compared to property records.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition, quarterly inspections of all county land and buildings should be performed, and physical inventory counts should be compared to property records.

Status:

Not implemented. See MAR finding number 4.

7. Bond Forfeitures

The County Treasurer did not distribute bond forfeiture monies in accordance with state statute.

Recommendation:

The County Treasurer distribute all bond forfeiture monies in accordance with state law.

Status:

Implemented.

8. Health Center

A. Budgets were not accurate and complete.

B. The Health Center did not publish annual financial statements.

C. Health Center personnel did not monitor amounts expended on Comprehensive Family Planning (CFP) services. In addition, the average cost per client of providing such services was not periodically calculated and monitored.

Recommendation:

The Health Center Board of Trustees:

A. Ensure budgets are accurate and complete.

B. Publish annual information of the Health Center Fund in accordance with state law.

C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

Status:

A. Not implemented. See MAR finding number 8.

B. Partially implemented. The Health Center is publishing the annual financial statements; however, they do not include expenditure detailed by vendor. See MAR finding number 8.

C. Implemented. The CFP program was discontinued in 2003, and the Health Center repaid the $2,576 overpayment to the Missouri Department of Health and Senior Services in December 2002.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OZARK COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Ozark was named after the Ozark Mountains. Ozark County is a county-organized, third-class county and is part of the Forty-Fourth Judicial Circuit. The county seat is Gainesville.

Ozark County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 840 miles of county roads and 394 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 7,961 in 1980 and 9,542 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2005	2004	2003	2002	1985*	1980**
	(in millions)					
Real estate	$ 49.7	48.9	47.4	45.4	27.0	12.9
Personal property	22.5	20.6	19.7	19.0	6.9	4.3
Railroad and utilities	7.6	8.0	8.8	8.5	3.0	2.9
Total	$ 79.8	77.5	75.9	72.9	36.9	20.1

* First year of statewide reassessment.
** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ozark County's property tax rates per $100 of assessed valuations were as follows:

	Year Ended December 31,			
	2005	2004	2003	2002
General Revenue Fund	$ .1706	.1750	.1750	.1693
Special Road and Bridge Fund	.2575	.2500	.2500	.2500
Health Center Fund	.1000	.1000	.0999	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
State of Missouri	$ 24,486	23,781	23,474	22,238
General Revenue Fund	142,329	141,669	140,002	128,256
Special Road and Bridge Fund	208,362	197,202	195,158	184,785
Assessment Fund	42,256	40,484	32,035	30,401
Health Center Fund	80,596	78,282	77,390	73,404
School districts	2,734,318	2,644,438	2,595,604	2,466,340
Ambulance district	108,047	104,219	102,423	97,154
Cities	60,212	59,052	59,043	55,975
Overplus	15,461	13,058	2,025	14,421
County Clerk	1,381	1,543	1,627	1,689
County Employees' Retirement	26,895	27,736	25,881	24,543
Tax Maintenance Fund	8,088	8,335	8,010	3,183
Commissions and fees:				
General Revenue Fund	59,096	53,108	51,708	52,418
Total	$ 3,511,527	3,392,907	3,314,380	3,154,807

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	93.3	93.0	93.0	92.3	%
Personal property	90.9	90.5	89.9	88.7	
Railroad and utilities	100.0	100.0	100.0	100.0	

Ozark County also has the following sales taxes; rates are per $1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction	
General	$	.0050	None	50	%
General		.0050	None	None	
Law Enforcement		.0050	2008	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	$				
David Morrison, Presiding Commissioner (1)		23,206	23,206	24,006	21,996
Gary Collins, Associate Commissioner		21,206	21,206	21,206	20,196
Rex Robertson, Associate Commissioner		21,206	21,206	21,206	20,196
Kelly Maddox, County Clerk		32,130	32,130	32,130	30,600
Thomas W. Cline, Prosecuting Attorney		38,745	38,745	38,745	36,900
Raymond Pace, Sheriff		36,855			
Steve Bartlett, Sheriff			36,855	36,855	35,100
David Ford, County Treasurer (2)		32,130	32,130	23,776	22,644
David Goodnight, County Coroner		8,978	8,978	8,978	8,550
Melinda Abraham, Public Administrator		25,000			
Janet Haskins, Public Administrator (3)			21,000	25,000	18,000
Billy D. Hambelton II, County Collector, year ended February 28 (29),	32,130	32,130	32,130		
Edna Jones, County Collector, year ended February 28 (29),				30,600	
Katherine Loftis, County Assessor (4), year ended August 31,		32,818	32,895	32,996	31,500
Tim Morgan, County Surveyor (5)		N/A	N/A	N/A	N/A

(1) Includes $800 back pay in 2003 due to an underpayment in salary of $200 in 2002, 2001, 2000 and 1999.
(2) A salary increase was given to the County Treasurer in 2004 after a legal opinion was issued by the Prosecuting Attorney indicating the salary increase was due to the County Treasurer based upon House Bill 2137, effective August 28, 2002.
(3) Includes $4,000 back pay in 2003 due to an underpayment in salary of $2,000 in 2002 and 2001.
(4) Includes $688, $765, $866, and $900 annual compensation received from the state in 2005, 2004, 2003, and 2002 respectively.
(5) Compensation on a fee basis.

State-Paid Officials:					
Becki Strong, Circuit Clerk and Ex Officio Recorder of Deeds		48,500	47,900	47,300	47,300
John Jacobs, Associate Circuit Judge		96,000	96,000	96,000	96,000

Susan Montee, CPA
Missouri State Auditor

February 2007

Special Road District Financial Reporting Practices

Report No. 2007-03

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee

February 2007

YELLOW SHEET

Missouri currently has 244 special road districts within 57 counties. The primary duty of special road districts is to maintain approximately 9,100 miles of county roads located within their boundaries. Our audit of special road district financial reporting practices noted the following problems.

The financial reporting practices of Missouri's special road districts need improvement and there is an overall lack of accountability over the road district operations. The special road districts received approximately $34.8 million and $32.7 million in total revenues during 2005 and 2004, respectively. Revenue amounts vary significantly among the districts and ranged from approximately $900 to $2 million. Our review noted many special road districts are not filing financial reports with the State Auditor's Office as required by state law, and some financial reports filed were incomplete and did not provide sufficiently detailed information.

Most counties provide financial assistance to the special road districts; however, many do so without benefit of a written agreement. Monitoring procedures reported by counties were inconsistent and a few counties provided no information regarding monitoring procedures or indicated no procedures were in place for the period reviewed. State agencies provide little, if any, monitoring of special road district financial activity, and special road districts are not required to obtain independent audits.

Counties have different methods for assessing permanent road levies and distributing the property tax monies generated from those levies, even though the same statutory provisions are in existence.

The Missouri General Assembly should review the laws pertaining to special road district financial reporting practices. Consideration should be given to strengthening the reporting requirements and rectifying inconsistencies between types of special road districts. Applicable county and state officials should improve monitoring and assistance to help improve the districts' financial reporting and accountability.

All reports are available on our website: www.auditor.mo.gov

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial reporting practices of Missouri's 244 special road districts located in 57 counties. The scope of this audit included, but was not necessarily limited to, the years ended December 31, 2005 and 2004. The objectives of this audit were to:

1. Review the special road districts' compliance with state laws pertaining to financial reporting practices.

2. Identify common problems in special road districts financial reporting practices and determine if improvements are needed, including potential changes in applicable state laws.

3. Review monitoring procedures over county funds provided to special road districts.

4. Review counties' handling of road and bridge related property tax levies.

Our methodology to accomplish these objectives included reviewing financial reports or audits and property tax rate information filed with the State Auditor's Office, and information obtained from surveys of county officials in counties with special road districts.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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The following Executive Summary; Objectives, Scope, and Methodology; Results; and, Appendixes sections present our comments, observations, and results regarding our audit of the special road district financial reporting practices.

Susan Montee, CPA
State Auditor

December 28, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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EXECUTIVE SUMMARY

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
EXECUTIVE SUMMARY

The financial reporting practices of Missouri's 244 special road districts need improvement and this report indicates an overall lack of accountability over special road district operations. Total annual revenues for these road districts were approximately $34.8 million and $32.7 million during 2005 and 2004, respectively. Overall revenue amounts vary significantly among the special road districts. Over one-half of the districts for which information was provided had estimated revenues totaling $100,000 or less, and amounts ranged from approximately $900 to $2 million. Our review noted many special road districts are not filing annual financial reports with the State Auditor's Office as required by law, and some financial reports that were filed did not provide sufficient information. Monitoring procedures over county funds provided to special road districts are inconsistent, and some counties indicated no monitoring is performed.

State laws require all special road districts to file annual financial reports with the State Auditor's Office. For fiscal years ending in 2005, 46 of the 244 districts (approximately 19 percent) did not file a financial report with the State Auditor's Office; and, of the 198 districts with current reports on file, 45 of the districts (approximately 23 percent) had not been regularly reporting over the last several years. A review of financial reports filed by 57 special road districts showed that some reports were incomplete or did not provide sufficiently detailed information. Additionally, only certain special road districts are required by law to provide annual settlements to the county commission and highway and transportation commission.

Most counties provide financial assistance to the special road districts; however, many do so without benefit of a written agreement. Monitoring procedures reported by counties were inconsistent and a few counties provided no information regarding monitoring procedures or indicated there were none in place for the period reviewed. In addition, state agencies provide little, if any, independent monitoring of special road district financial activity, and special road districts are not required to obtain independent audits.

It was also noted that counties have different methods for assessing permanent road levies and distributing the property tax monies generated from those levies even though the same statutory provisions are in existence. This results in permanent road levies varying among county and/or district residents. Also, the percentages used to allocate property tax revenues between the county and the special road district varied.

The Missouri General Assembly should review the laws pertaining to special road district financial reporting practices. Consideration should be given to strengthening the reporting requirements and rectifying inconsistencies between types of special road districts. Applicable county and state officials should improve monitoring and assistance to help strengthen the special road districts' financial reporting and accountability.

OBJECTIVES, SCOPE, AND METHODOLOGY

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
OBJECTIVES, SCOPE, AND METHODOLOGY

Various statutory provisions allow counties to organize special road districts. The type of special road districts which can be organized vary and are dependent upon certain factors, such as type of county organization (township, non-township, charter), county classification (first, second, third, or fourth), and location and size of a city, town or village within the road district territory. Sections 233.010 to 233.165, 233.170 to 233.315, and 233.320 to 233.445, RSMo, authorize counties to organize city or town, non-township county, and township county special road districts, respectively. These statutory provisions also address such issues as selection and term of special road district commissioners, and powers of the special road districts.

Special road district boards have the power to levy and collect property taxes for road and bridge and debt service (general obligation bonds) purposes. Special road districts may receive road and bridge property tax revenues from two separate tax levies: a permanent county road and bridge levy and a four-year district road and bridge levy. Property taxes represent the main source of receipts for most special road districts. Other significant funding sources include the distribution of county aid road trust (CART) and sales tax monies from counties.

There are 244 special road districts in the state. Of the state's 114 counties, 57 have special road districts with the number of special road districts in these counties ranging from 1 to 25. Special road districts are responsible for maintaining public roads, bridges, and culverts within their boundaries, except for those controlled by the state highway and transportation commission or those within the corporate limits of a city or village.

Reporting requirements vary among special road districts. Section 105.145, RSMo, requires all special road districts to file a financial report with the State Auditor's Office (SAO) annually. Special road districts in 2nd, 3rd, and 4th class counties should provide financial data to the county for inclusion in the county's annual published financial statement as required by Section 50.800, RSMo. While city or town special road districts organized under Section 233.010, RSMo, are required to make an annual settlement with the county commission each year and also provide a copy of this settlement to the state department of transportation; there is no similar reporting requirement for the other types of special road districts.

There is no statutory requirement for special road districts to obtain independent audits.

Objectives

The objectives of this report were to 1) review the special road districts' compliance with state laws pertaining to financial reporting practices; 2) identify common problems in special road district financial reporting practices and determine if improvements are needed, including potential changes in applicable state laws; 3) review monitoring procedures over county funds provided to special road districts, and; 4) review counties' handling of road and bridge related property tax levies.

Scope

The scope of this audit included, but was not necessarily limited to, the years ended December 31, 2005 and 2004.

Information used to compile this report included:

- County and special road district assessed valuations, property tax levies, annual financial reports, and related information submitted to and maintained by the SAO.

- Survey information received from county officials of counties containing special road districts, including the miles of roads maintained by the special road districts, the amount of county monies paid to the special road districts, and county procedures to monitor the special road districts' use of county monies.

Methodology

All political subdivisions of the state, including special road districts, are required to report annual assessed valuation and property tax levy information to the SAO. This information was used to estimate property tax revenues for each special road district for 2005 and 2004. Based on historical tax collection data, special road district property tax revenues were estimated as 92 percent of total taxes levied. In addition, special road districts are required to file annual financial reports with the SAO, as provided by Section 105.145, RSMo. Special road districts that did not file a financial report for fiscal periods ending in the year 2005 have been identified. This information is presented in Appendix A.

Survey information was requested from county officials of counties containing special road districts. Requested information included the number of road miles maintained by each special road district; amounts of County Aid Road Trust, sales taxes, and other county monies distributed to the special road districts; and, a description of the procedures to monitor the special road districts' expenditure of county monies. Related information is presented in Appendix B.

A financial report for one special road district from each of the 57 counties containing road districts was selected for review. The special road district with the largest assessed valuation that had filed a report from each of the counties was chosen for review. Reports reviewed included varying fiscal periods ending in 2002, 2003, 2004, and 2005. Financial reports prior to 2005 were reviewed in those cases where more current reports had not been filed.

Limitations

Appendixes A and B present unaudited financial data of the special road districts and counties.

Revenue amounts discussed in this report are based on property tax data maintained by the SAO and information provided by counties based on survey requests. Thus, districts could have other revenue sources not presented in this report.

Four counties (Cass, Clay, Holt, and Sullivan) did not reply to survey requests.

Counties handle the assessment of permanent road levies and subsequent distribution of the related property tax revenues differently even though the same statutory provisions apply. In some counties the permanent road levy is set on a county-wide basis, while in other counties it is determined on a district by district basis. Also, some counties allocate these monies based on percentages outlined by statute, while others use different percentages or do not retain any of these monies.

There are four special road districts which have properties that lie in two adjoining counties. The presentation of information for these districts varies between the two appendixes and is explained there.

Special road districts that have been dissolved and notification sent to the State Auditor's office prior to December 31, 2006 have not been included. These include the Clever Special Road District and Terrell Creek Special Road District of Christian County, the Shannon Valley Special Road District of Dade County, the Carterville Special Road District of Jasper County, and the Eldon Special Road District of Miller County. After dissolution of a special road district, maintaining the roads becomes the county's responsibility.

RESULTS

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
RESULTS

The state of Missouri has 244 special road districts within 57 counties. These special road districts received approximately $34.8 million and $32.7 million in property taxes and county funds during the years ended December 31, 2005 and 2004, respectively. The special road districts' primary duty is to maintain approximately 9,100 miles of county roads located within their boundaries. This report discusses the financial reporting requirements and practices of these special road districts.

1. Annual Financial Reports Filed with the SAO

Section 105.145, RSMo, requires the special road districts to file annual financial reports with the State Auditor's Office (SAO). The law requires that the financial report provide certain information and be submitted by deadlines as prescribed by the SAO in the code of state regulations (CSR). The CSR allows the districts to use a standard form available from the SAO or determine the form of reporting, but requires certain minimal information to be included. If used, the standard SAO reporting form satisfies the statutory and CSR reporting requirements. For districts with cash receipts totaling $10,000 or less during a reporting period, the law requires that only limited summary receipts, disbursements, and cash information must be reported. A district may submit an audit report prepared by a certified public accountant in lieu of an unaudited financial report. Annual financial reports must be filed within 4 months after the district's fiscal year end if unaudited or within 6 months after the district's fiscal year end if audited.

- **About one-fifth of the special road districts do not file financial reports**

  As of December 31, 2006, 46 of the 244 special road districts (approximately 19 percent) had not filed an annual financial report with the SAO for applicable fiscal periods ended during the year 2005. Appendix A identifies the specific special road districts that have not filed a report. Four of those 46 had not filed a report in more than 5 years. Many of the 198 districts that did have current reports on file missed the statutory reporting deadline by several months. In addition, a review of the five most recent financial reports on file for these 198 districts showed that 45 of them (approximately 23 percent) had not regularly reported over the last several years. For example, we noted a special road district had reports on file pertaining to the years 1989, 1990, 1992, 1998, and 2005 with nothing submitted for the other years. Thus, a current report on file is not necessarily an indicator of regular and timely reporting or compliance with the law.

  Special road districts are considered in compliance with statutory provisions whether they submit 1) a financial report using the standard form (developed to satisfy state regulations) provided by the SAO; 2) an independent audit report; 3) a report from the county auditor for 2nd class counties; or, 4) financial information in whatever format they choose to provide. Also, districts are considered in compliance if information is provided in the county's annual published financial statements. Therefore, in those cases where

the special road district is not complying, there is no evidence that information is being made available to the public.

Annual financial reporting is required by law and is necessary to keep district citizens informed of activities being funded with public monies on an ongoing basis.

- **Some financial reports are incomplete or do not provide sufficient details.**

We reviewed 57 special road district financial reports submitted for fiscal periods ended during the years 2002, 2003, 2004, and 2005. These special road districts reported total revenues of approximately $17.5 million. Reporting formats varied widely for those reports reviewed. Many of the reports did not contain the minimum required information outlined in the CSR. For example, tax rate information and an attestation regarding accuracy and completeness by the district's financial officer was not provided for several districts. For a few districts there was no summary of receipts and/or disbursements and the cash balance did not agree between successive years' annual reports. Several districts using the standard SAO form did not return all pages, which may have resulted in some information being omitted. Reported revenues were not always clearly identified as to their source and were sometimes just totals with no breakdown by type of receipt. Also, some reported revenues appear to have been included in an incorrect receipts category. Complete and detailed reporting is necessary to properly inform the special road districts' residents and taxpayers of financial activities, taxation, and debt of the special road district.

2. County Funds Disbursed to Special Road Districts

Based on estimates of property tax revenues using tax rate data maintained by the SAO and information provided on county survey responses, it appears the major revenue source for most special road districts is property taxes, which account for approximately 60 percent of total estimated revenues. Monies provided to the road districts by counties account for the other 40 percent.

- **Counties provide significant funding to special road districts**

During 2005 and 2004, respectively, counties provided funding to special road districts totaling approximately $13.6 and $12.9 million. The majority of these amounts are comprised of County Aid Road Trust (CART) and sales tax funds.

All counties in the state receive County Aid Road Trust (CART) funds. These funds represent a portion of the state's gasoline tax, motor vehicle sales tax, and certain other state monies. Constitutional and statutory provisions restrict the use of this money to construction, reconstruction, maintenance, and repair of county roads, bridges, and highways; and, requires that CART funds be expended under the control and supervision of the county commission. Survey results indicate that about two-thirds of the counties with special road districts provided CART funding to at least one or more of the districts during 2004 and 2005.

Some counties collect general and/or special-purpose sales taxes approved by voters. Revenues generated by such sales taxes are restricted to uses provided for by law and/or ballot language (i.e., improvements to county roads and bridges). Survey results indicate that approximately one-third of the counties with special road districts provided sales tax funding to at least one or more of the districts during 2004 and 2005.

- **Use of county funds not consistently monitored**

  Survey results indicate that counties have different methods for handling the distribution of county monies to special road districts. Of the 53 counties which responded to our survey, 40 provide CART and/or sales tax monies to the special road districts. Sixteen of these counties have entered into written agreements with the districts regarding the use of county monies. A review of contractual documents showed some addressed allowable uses of the county monies only, while several contracts contained additional terms. For example, some counties required financial reporting by the district (i.e.; annual financial report, listing of expenditures with county monies, paid invoices), some counties required that county monies be accounted for separately, some contracts specified particular projects or uses and related estimated costs, and one contract required project and inspection approval prior to payment. Twenty of the 40 counties providing CART and/or sales tax monies do not have written agreements but use some other method (such as budget information, periodic financial reporting, published financial statement information) to monitor the use of county monies. Four counties provided no information regarding monitoring procedures or indicated there were no contractual or reporting procedures in place for the period of our review.

  There appears to be no statutory authority for the County Commission to make these distributions to the special road districts without some type of contractual agreement and periodic monitoring. A monitoring process is necessary to provide some assurance the county monies distributed to other entities are expended in compliance with constitutional and statutory provisions and as intended by the county commission.

3. Oversight of Special Road Districts

Special road districts are obligated to meet certain reporting requirements established by law or regulation and written agreements. Monitoring of districts' financial activities is minimal and there is no independent audit requirement.

- **State Auditor's Office review of financial reports is limited**

  Special road districts are required to file annual financial reports with the SAO. As previously mentioned, many districts do not file reports on a regular and timely basis. However, the SAO does not have an established procedure to follow up with districts that miss their filing deadline. There is no enforcement authority or statutory penalty for not filing as required. Review of reports submitted is limited and the SAO retains the most recent 5 fiscal years' reports for each district. A list of political subdivisions with no current financial report on file is available on the SAO website at www.auditor.mo.gov.

- **Only certain districts must report to the county and state**

  Only special road districts organized under Section 233.010, RSMo, are statutorily required to make an annual settlement with the county commission each year and also provide a copy of this report to the Missouri Department of Transportation (MoDOT). MoDOT personnel indicated the annual settlements received are retained for two years, but no follow up procedures are applied if settlements are not received, and information provided is not reviewed. However, certain information is provided to the Federal Highway Administration for inclusion in a national highway statistical report. There is no similar reporting requirement for the other types of special road districts. However, many of the counties that provide funding to the districts do require some type of budgetary information or financial reporting.

- **No independent audit requirement**

  There are no requirements that special road districts obtain independent audits. For fiscal years ending during 2005, only 8 special road districts submitted audit reports to satisfy the annual reporting requirement.

4. Property Tax Levies

Special road districts may receive road and bridge property tax revenues from two separate tax levies. Section 137.555, RSMo, authorizes counties to assess a permanent county road levy. Section 137.565, RSMo, authorizes special road districts to assess an additional four-year district road levy with voter approval.

- **Counties handle special road district levies differently**

  A review of tax rate data maintained by the SAO and information provided on county surveys shows that counties handle the assessment of permanent road levies and subsequent distribution of the related property tax revenues differently. Some counties set the permanent levy on a county-wide basis in accordance with state law, while some counties allow the permanent levy to be determined on a district by district basis. This results in permanent road levies that vary among county residents depending on the county's procedures and the district in which a citizen resides. Statutory provisions provide for property taxes generated from the permanent levy to be allocated 80 percent to the special road district and 20 percent to the county in those cases where the monies relate to properties within the special road district. While the majority of counties did allocate the monies in this manner, we found that some counties split these monies using different percentages and some counties did not retain any of the permanent levy for properties within the special road district. A few special road districts include properties in two different counties. For two of these districts the counties levy the permanent road levies differently. As a result, tax rates for citizens living in the same district but separate counties are not uniform.

5. Overall Revenues

Based upon a combination of estimated property tax revenues and revenues reported on county surveys, it is clear that overall revenue amounts vary greatly between special road districts.

- Four counties, which contain 14 special road districts in total, did not provide requested survey information. A review of overall estimated revenue amounts for 2005 shows that 135 of the 230 districts for which information was obtained, had total revenues of less than $100,000. Eighty-one districts had overall revenues between $100,000 and $499,000. Only 14 districts handled revenues of more than $500,000. Estimated revenue amounts ranged from a low of $914 to a high of $2,005,289.

APPENDIXES

APPENDIX A

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
INFORMATION FILED WITH THE STATE AUDITOR'S OFFICE

County / Special Road District	2005 Total Tax Levy (A)	2005 Total Assessed Valuation	2005 Estimated Tax Revenue (B)	2004 Total Tax Levy (A)	2004 Total Assessed Valuation	2004 Estimated Tax Revenue (B)	Annual Special Road District Financial Report for Fiscal Years Ending in 2005 Filed	If Not, Years Since Last Report Filed 1 to 5	If Not, Years Since Last Report Filed More than 5
Atchison County									
Langdon	$ 0.8500	2,242,772	15,475	0.8459	2,170,414	14,910	X		
Phelps City	0.5000	3,829,292	14,092	0.4959	3,380,239	12,337	X		
Tarkio	0.8500	17,024,766	117,471	0.8459	17,016,569	116,901	X		
Watson	0.7000	3,524,903	19,457	0.6959	3,466,294	19,029	X		
Audrain County									
Laddonia Farber	0.6378	13,486,585	71,994	0.6378	13,144,038	70,166	X		
Mexico	0.2878	143,978,471	304,976	0.2878	139,938,772	296,419		X	
Saling	0.6378	6,565,263	35,047	0.6378	6,183,815	33,010	X		
Vandalia	0.6378	31,578,410	168,572	0.6378	30,268,565	161,580		X	
Barry County									
Ash	0.2857	3,836,797	8,959	0.2942	3,485,041	8,380	X		
Butterfield	0.2844	12,466,204	29,076	0.2844	11,522,747	26,875	X		
Capps Creek	0.2810	6,436,153	13,311	0.2820	6,060,426	12,579	X		
Corsicana	0.3070	3,669,812	9,151	0.3133	3,257,029	8,289	X		
Crane Creek	0.2006	5,869,204	8,665	0.2041	5,108,382	7,674	X		
Exeter	0.3134	14,207,558	36,170	0.3144	13,098,773	33,444	X		
Flat Creek	0.2746	59,324,326	134,088	0.2746	53,351,720	120,589	X		
Greasy Creek	0.5215	1,791,458	8,030	0.5215	1,655,733	7,421	X		
Jenkins	0.1407	3,624,255	3,753	0.1407	3,503,755	3,628	X		
Kings Prairie	0.3285	7,726,430	20,522	0.3298	7,287,281	19,432	X		
Liberty	0.1107	703,774	573	0.1115	637,098	523	X		
McDonald	0.1541	3,290,760	3,732	0.1541	3,129,073	3,549	X		
Mineral Springs	0.2982	6,596,868	16,041	0.3013	6,124,804	15,047	X		
Mountain	0.1766	2,414,684	3,139	0.1782	2,105,150	2,761	X		
Pioneer	0.3166	1,629,424	4,186	0.3169	1,507,962	3,878	X		
Pleasant Ridge	0.2782	4,296,753	9,819	0.2801	4,009,110	9,224	X		
Purdy	0.3181	16,111,772	41,551	0.3201	15,038,159	39,026	X		
Roaring River	0.1367	18,133,373	18,244	0.1400	16,334,058	16,831	X		
Shell Knob	0.1612	21,663,367	25,702	0.1628	19,763,630	23,681	X		
Sugar Creek	0.2711	9,886,911	22,092	0.2714	9,135,466	20,433	X		
Viola	0.1253	23,883,560	22,026	0.1300	21,398,166	20,474	X		
Washburn	0.3152	8,731,565	22,341	0.3156	8,098,723	20,749	X		
Wheaton	0.3068	10,808,888	26,955	0.3113	9,951,556	25,181	X		
White River	0.1300	19,545,449	18,701	0.1314	17,453,406	16,879	X		
Monett (D)	0.1652	97,032,325	117,979	0.1652	89,182,005	108,434	X		
Ozark (D)	0.2581	6,810,699	14,538	0.2627	5,998,757	13,033	(D)	(D)	(D)
Bates County (C)									
Cornland	0.5245	707,589	3,414	0.5135	730,700	3,452		X	
South Hudson	0.5699	958,174	5,024	0.5700	925,028	4,851	X		

APPENDIX A

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
INFORMATION FILED WITH THE STATE AUDITOR'S OFFICE

	2005			2004			Annual Special Road District Financial Report for Fiscal Years Ending in 2005		
								If Not, Years Since Last Report Filed	
County / Special Road District	Total Tax Levy (A)	Total Assessed Valuation	Estimated Tax Revenue (B)	Total Tax Levy (A)	Total Assessed Valuation	Estimated Tax Revenue (B)	Filed	1 to 5	More than 5
Benton County									
Brandon	0.3500	1,298,858	3,346	0.3500	1,334,992	3,439	X		
Cole Camp	0.1966	10,772,409	15,587	0.1984	10,145,195	14,814	X		
Ionia	0.3500	2,527,039	6,510	0.3500	2,485,227	6,402	X		
Boone County									
Centralia	0.0475	55,709,425	19,476	0.0500	49,941,095	18,378	X		
Camden County									
Camdenton	0.1000	41,529,952	30,566	0.0900	38,690,151	25,628	X		
Horseshoe Bend	0.4500	230,220,150	910,751	0.4366	205,851,691	792,760	X		
Osage Beach (G)	0.1000	186,444,334	137,223	0.0900	165,661,183	109,734			X
Cape Girardeau County									
Cape	0.2681	542,367,536	1,070,208	0.2681	511,955,237	1,010,198	X		
Cass County									
Mount Pleasant	0.1993	215,111,868	315,536	0.2000	203,021,559	298,848		X	
Cedar County									
Bear Creek	0.5887	4,606,225	22,914	0.5837	4,460,031	22,002	X		
Bethel	0.5899	766,027	3,819	0.5875	724,065	3,597		X	
Caplinger Mills	0.5842	2,388,072	11,781	0.5797	2,385,018	11,678	X		
Cedar Hall	0.5899	882,645	4,401	0.5875	828,873	4,118	X		
Dunnegan	0.5831	1,052,380	5,181	0.5792	1,024,288	5,010		X	
Eldorado Springs	0.5899	42,307,417	210,931	0.5840	41,963,849	207,125	X		
Independence	0.5899	802,139	3,999	0.5875	803,688	3,993		X	
Jerico Springs	0.5899	771,597	3,847	0.5875	774,823	3,849	X		
Koncord	0.5670	2,920,660	13,946	0.5622	2,893,411	13,701	X		
Madison	0.5899	1,308,701	6,525	0.5875	1,288,452	6,401		X	
Masters	0.5864	1,940,942	9,614	0.5838	1,606,524	7,927		X	
Omer	0.5899	955,404	4,763	0.5865	936,779	4,645		X	
Rowland	0.5899	4,756,109	23,712	0.5869	4,644,247	23,047		X	
Stockton	0.2399	30,223,765	53,365	0.2375	26,314,091	45,997	X		
Dogwood	0.5899	672,385	3,352	0.5875	624,165	3,101	X		
Christian County									
Billings	0.3600	33,843,614	112,090	0.3600	28,897,335	95,708	X		
Garrison	0.0000	1,247,084	0	0.0000	1,175,027	0	X		
Nixa	0.0930	166,094,790	142,111	0.1004	136,920,978	126,471	X		
Ozark	0.1425	242,528,128	317,954	0.1541	204,266,957	289,593	X		
Selmore	0.1786	11,871,219	19,506	0.1877	10,425,594	18,003	X		
South Sparta	0.1699	7,996,508	12,499	0.1755	6,904,958	11,149	X		
Stoneshire	0.1420	2,283,214	2,983	0.1473	2,074,848	2,812	X		

APPENDIX A

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
INFORMATION FILED WITH THE STATE AUDITOR'S OFFICE

County / Special Road District	2005 Total Tax Levy (A)	2005 Total Assessed Valuation	2005 Estimated Tax Revenue (B)	2004 Total Tax Levy (A)	2004 Total Assessed Valuation	2004 Estimated Tax Revenue (B)	Annual Special Road District Financial Report for Fiscal Years Ending in 2005 Filed	If Not, Years Since Last Report Filed 1 to 5	If Not, Years Since Last Report Filed More than 5
Clark County									
Wayland	0.3500	8,882,281	22,881	0.3500	8,729,491	22,487	X		
Clay County									
Claycomo	0.0000	(F)	(F)	0.0000	(F)	(F)	X		
Gladstone	0.0000	(F)	(F)	0.0000	(F)	(F)		X	
Liberty	0.0000	(F)	(F)	0.0000	(F)	(F)	X		
North Kansas City	0.0000	(F)	(F)	0.0000	(F)	(F)		X	
Pleasant Valley	0.0000	(F)	(F)	0.0000	(F)	(F)	X		
Excelsior	0.0000	(F)	(F)	0.0000	(F)	(F)		X	
Clinton County									
Cameron	0.5868	51,794,354	256,190	0.5868	48,182,495	238,325	X		
Plattsburg	0.6114	34,503,389	177,482	0.6114	33,006,412	169,782	X		
Dade County (C)									
Bona	0.4266	557,612	2,188	0.4266	538,239	2,112	X		
Dry Bone	0.3779	323,975	1,126	0.3689	313,303	1,063		X	
Maze Creek	0.5000	356,773	1,641	0.5000	309,402	1,423	X		
Sac #1	0.3247	696,741	2,081	0.3237	686,871	2,046	X		
Sac #2	0.2588	904,706	2,154	0.2589	833,217	1,985		X	
Southeast	0.3703	315,874	1,076	0.3704	284,008	968	X		
Birchwood	0.5661	707,030	3,682	0.5660	680,280	3,542	X		
Daviess County (C)									
Jamesport	0.6370	7,168,697	42,011	0.6543	6,217,066	37,424	X		
Lock Springs	0.7046	2,403,767	15,582	0.6909	2,318,254	14,735	X		
Daviess County #1	0.6795	16,417,163	102,630	0.8980	10,463,981	86,449	X		
Franklin County									
New Haven	0.2223	36,418,035	40,964	0.2323	33,396,711	39,256	X		
Sullivan	0.2223	88,657,068	99,725	0.2323	75,433,196	88,667	X		
Union (H)	0.2223	116,020,703	130,505	0.2323	101,078,536	118,812		X	
Washington	0.2223	296,408,821	333,412	0.2323	251,037,480	295,079	X		
Gasconade County									
Morrison	0.2744	4,404,255	8,895	0.2744	4,273,620	8,631		X	
Grundy County (C)									
Spickard	0.3500	1,168,238	3,762	0.3417	1,189,652	3,740	X		

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								If Not, Years Since Last Report Filed	
County / Special Road District	Total Tax Levy (A)	Total Assessed Valuation	Estimated Tax Revenue (B)	Total Tax Levy (A)	Total Assessed Valuation	Estimated Tax Revenue (B)	Filed	1 to 5	More than 5
Henry County (C)									
Bethlehem	0.5844	2,312,066	12,431	0.6100	2,063,676	11,581	X		
Deerfield	0.2000	3,782,797	6,960	0.2000	3,383,319	6,225	X		
Fields Creek	0.2854	17,221,446	45,218	0.2854	16,938,632	44,475	X		
Honey Creek	0.3563	1,991,182	6,527	0.3563	1,805,274	5,918		X	
Montrose	0.3039	3,065,036	8,569	0.3039	3,030,443	8,473		X	
Mount Hope	0.4900	1,105,920	4,985	0.4900	1,057,414	4,767		X	
Osage	0.3299	4,916,796	14,923	0.3317	4,465,513	13,627	X		
Shawnee	0.2500	3,811,616	8,767	0.2500	3,500,922	8,052	X		
Wagner	0.5000	530,199	2,439	0.5000	562,279	2,586		X	
Windsor	0.2867	27,526,904	72,606	0.2850	27,304,735	71,593	X		
Clinton Country Club	0.2971	1,158,965	3,168	0.3021	1,005,759	2,795		X	
Holt County									
Bigelow Independent	0.4357	6,188,169	24,805	0.4357	5,525,559	22,149	X		
Corning	0.7857	2,558,330	18,493	0.7857	2,244,963	16,228	X		
Fortescue	0.4357	11,814,792	47,359	0.4357	5,471,231	21,931	X		
South Union Township	0.7857	2,055,755	14,860	0.7857	2,131,427	15,407	X		
Howard County									
Armstrong	0.6223	6,856,538	35,819	0.6123	6,555,712	33,645	X		
Glasgow	0.5023	16,923,598	69,727	0.4978	16,488,447	67,252			X
Jasper County									
Carl Junction	0.2850	46,965,811	123,144	0.2700	45,940,681	114,117	X		
Carthage	0.2300	268,678,083	568,523	0.2200	257,370,605	520,918	X		
Jasper	0.2950	12,893,292	34,992	0.2940	12,675,053	34,283	X		
La Russell	0.3100	6,571,698	18,742	0.3153	6,294,175	18,258	X		
Sarcoxie	0.2337	23,815,048	51,203	0.2337	23,464,126	50,449	X		
Webb City	0.2043	96,757,685	181,862	0.2069	96,153,015	183,025	X		
Joplin (E)	0.2026	966,018,289	1,800,581	0.2026	946,898,389	1,764,943	X		
Jefferson County									
Festus	0.1822	373,413,880	489,541	0.1881	336,354,264	461,172	X		
Hillsboro	0.1834	20,320,568	26,815	0.1907	17,566,889	24,419	X		
Laclede County									
Lebanon	0.5423	195,866,752	977,211	0.5411	187,405,325	932,926		X	
Phillipsburg	0.4952	11,783,103	53,682	0.4952	11,404,405	51,957	X		
Conway	0.5827	9,366,296	50,211	0.5827	8,893,506	47,677	X		

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								If Not, Years Since Last Report Filed	
County / Special Road District	Total Tax Levy (A)	Total Assessed Valuation	Estimated Tax Revenue (B)	Total Tax Levy (A)	Total Assessed Valuation	Estimated Tax Revenue (B)	Filed	1 to 5	More than 5
Lafayette County									
Alma	0.5252	9,202,819	40,653	0.5184	8,864,382	38,604	X		
Corder	0.5252	7,774,609	34,344	0.5252	7,388,649	32,639	X		
Concordia	0.5552	36,965,316	173,496	0.5552	36,076,452	169,324	X		
Dover	0.5752	6,841,534	33,369	0.5752	4,786,750	23,347	X		
Higginsville	0.3725	49,613,502	149,467	0.3752	33,910,622	103,003	X		
Lexington	0.2252	50,210,750	83,223	0.2252	49,300,946	81,715	X		
Mayview	0.4752	11,139,299	44,084	0.4752	10,794,447	42,719	X		
Odessa	0.4652	91,389,893	353,265	0.4652	85,182,721	329,271	X		
Waverly	0.4652	13,403,406	51,811	0.4652	12,836,179	49,618	X		
Wellington Napoleon	0.4252	19,789,139	69,212	0.4252	19,344,639	67,657	X		
Lawrence County									
Aurora (D)	0.2400	85,896,507	178,596	0.2400	77,231,372	160,579	X		
Buck Prairie	0.3720	30,003,682	98,820	0.3800	26,831,136	90,346	X		
Freistatt	0.4102	7,281,370	26,541	0.4200	6,624,016	24,742	X		
Greene Benefit	0.2900	7,307,968	18,556	0.2900	6,904,912	17,533		X	
Midway Benefit	0.3029	1,784,933	4,744	0.3100	1,613,766	4,395	X		
Miller Benefit	0.2549	16,381,243	36,305	0.2600	14,852,130	33,613	X		
Mount Pleasant Benefit	0.2682	3,858,427	9,024	0.2700	3,649,315	8,595	X		
Mount Vernon Benefit	0.2242	80,019,744	154,745	0.2300	72,343,168	143,760	X		
Pierce Benefit	0.2600	19,884,667	45,003	0.2600	17,408,149	39,398	X		
Red Oak Benefit	0.2683	4,536,033	10,612	0.2700	4,235,494	9,975		X	
Verona Benefit	0.2568	19,537,569	43,642	0.2600	17,663,265	39,975	X		
Vineyard Benefit	0.2900	3,505,038	8,900	0.2891	3,123,219	7,905	X		
Monett (D)	0.0700	21,261,554	10,954	0.0700	26,272,564	13,536	(D)	(D)	(D)
Lewis County									
Canton	0.2500	22,882,098	42,103	0.2500	21,962,895	40,412	X		
Dickerson	0.3500	741,776	1,911	0.3500	723,349	1,863	X		
La Grange	0.3000	15,482,502	34,185	0.3000	15,315,050	33,816	X		
Lincoln County									
Elsberry	0.2585	44,098,500	83,900	0.2600	41,598,129	79,602	X		
Linn County (C)									
Marceline	0.4430	19,452,098	79,279	0.4430	19,290,939	78,622	X		
Purdin	0.9434	1,463,466	12,702	0.0000	1,428,565	0	X		
Macon County									
Hudson	0.4922	64,752,240	258,400	0.4922	62,696,909	250,198	X		
La Plata	0.6623	11,831,854	65,295	0.6613	11,004,314	60,647	X		

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Maries County									
Belle (E)	0.2273	10,405,937	17,408	0.2400	9,064,900	16,012	X		
Number 8	0.2120	6,505,185	10,150	0.2215	5,939,959	9,684	X		
Miller County									
Bagnell	0.1841	79,178,929	107,286	0.1948	69,664,260	99,880	X		
Kaiser	0.1788	56,627,995	74,521	0.1866	50,585,051	69,472		X	
Monroe County									
Madison	0.6286	8,012,625	42,211	0.6299	7,596,585	40,110	X		
Monroe	0.6299	27,703,847	146,278	0.6299	26,468,168	139,754	X		
Montgomery County									
Rhineland Bottom	0.5286	6,828,729	29,612	0.5415	6,248,355	27,777	X		
Wellsville	0.4840	17,357,746	68,147	0.4915	16,252,525	64,773		X	
Morgan County									
Barnett	0.2799	9,942,169	20,482	0.2980	8,906,590	19,535	X		
Gravois	0.2249	153,217,781	281,808	0.2444	123,232,215	244,343	X		
Versailles	0.2126	47,632,254	74,532	0.2232	43,154,594	70,892			X
Newton County (E)									
Diamond	0.4950	25,984,910	102,796	0.4950	24,438,939	96,680	X		
Fairview	0.3666	8,751,602	26,093	0.3666	8,417,674	25,098		X	
Midway	0.3649	10,243,723	30,616	0.3649	9,345,059	27,930	X		
Neosho	0.3400	149,981,400	416,708	0.3400	141,971,230	394,453	X		
Seneca	0.3506	49,893,598	142,499	0.3506	46,784,701	133,619	X		
Stella	0.3722	5,913,327	17,670	0.3722	5,612,936	16,772	X		
Oregon County									
Thayer	0.2108	27,686,797	42,956	0.2107	26,751,522	41,485		X	
Osage County (E)									
Chamois	0.3406	4,860,770	12,185	0.3402	4,821,859	12,073	X		
Linn City	0.2426	14,725,125	26,292	0.2426	13,998,619	24,995	X		
Starke	0.3000	784,752	1,733	0.2500	821,803	1,512	X		
Westphalia	0.4003	3,667,992	11,999	0.4080	3,409,413	11,367	X		
Pike County									
Clarksville	0.3205	19,537,274	46,086	0.3118	19,111,758	43,859	X		
Louisiana	0.3205	57,538,028	135,725	0.3118	57,525,170	132,012		X	

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Platte County									
Farley	0.6657	13,531,236	75,011	0.6295	13,970,546	73,169	X		
Parkville	0.2662	545,262,711	1,068,296	0.2662	512,243,563	1,003,604	X		
Platte City	0.2500	759,224,315	1,396,973	0.2400	676,344,145	1,194,694	X		
Weston	0.6103	42,486,049	218,200	0.6078	41,208,960	210,883	X		
Polk County									
Blue Mound	0.3500	1,922,951	4,954	0.3500	1,827,821	4,708		X	
Bolivar	0.1966	81,364,263	117,732	0.1966	77,303,142	111,856	X		
Flemington	0.3435	1,436,726	3,632	0.3435	1,357,881	3,433	X		
Humansville	0.6162	9,634,924	52,261	0.2629	9,402,255	20,467	X		
Providence	0.3499	1,550,493	3,993	0.3500	1,505,563	3,878		X	
Rock Prairie	0.2190	1,671,740	3,004	0.2225	1,513,409	2,763		X	
Southwest	0.3492	1,011,454	2,924	0.3491	953,825	2,757		X	
Putnam County (C)									
Unionville	0.6541	10,376,457	62,443	0.6739	9,489,205	58,832			X
Lake Thunderhead	0.7016	11,529,635	74,421	0.7727	8,242,648	58,596	X		
Randolph County									
Moberly (H)	0.2894	150,172,961	344,210	0.4100	138,280,639	440,175		X	
Ray County									
Camden	0.5900	8,025,229	38,393	0.4800	7,691,251	30,568	X		
Hardin	0.3500	11,107,824	28,614	0.3500	10,920,210	28,130	X		
Henrietta	0.3500	4,700,775	12,109	0.3500	4,717,705	12,153	X		
Lawson	0.5481	31,101,456	142,632	0.5481	28,905,531	132,561		X	
Orrick	0.3348	14,267,408	35,157	0.3348	14,033,426	34,580	X		
Richmond	0.2467	76,675,584	139,221	0.2467	73,780,292	133,964	X		
Ripley County									
Bennett	0.1700	368,131	576	0.1700	359,057	562	X		
Current River	0.2317	575,517	1,227	0.2317	539,566	1,150	X		
Doniphan	0.3781	35,994,197	125,207	0.3781	33,685,265	117,175	X		
Fairdealing	0.2061	3,643,045	6,908	0.2061	3,463,104	6,566	X		
Flatwoods	0.3500	1,842,633	5,933	0.3500	1,702,035	5,481	X		
Jordan	0.2015	7,024,465	13,022	0.2015	6,654,814	12,337	X		
Little Black	0.3500	1,283,171	4,132	0.3500	1,195,146	3,848	X		
Logan Creek	0.2049	3,572,385	6,734	0.2049	3,303,801	6,228	X		
Mabrey Bay	0.2191	191,796	387	0.2168	171,396	342	X		
Naylor	0.8057	5,270,089	39,064	0.8020	5,105,290	37,669	X		
Oxly	0.3390	2,362,314	7,368	0.3390	2,237,567	6,979	X		
Pine Bardley	0.1843	2,403,283	4,075	0.1826	2,323,051	3,903	X		
Ponder Gatewood	0.5029	4,848,709	22,433	0.5000	4,628,963	21,293	X		

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Poynor	0.1881	1,709,283	2,958	0.1881	1,601,514	2,771	X		
Pratt	0.2431	358,396	802	0.2430	326,325	730	X		
Purman	0.4642	2,224,959	9,502	0.4642	2,061,875	8,806	X		
Running Water	0.1800	345,066	571	0.1800	334,049	553	X		
Tucker Bay	0.1500	222,087	306	0.1500	226,288	312	X		
Wolfe Creek	0.3773	780,429	2,709	0.3910	678,167	2,440	X		
St. Clair County									
Appleton City	0.2886	10,381,725	22,052	0.2860	10,254,358	21,585	X		
Chloe	0.5786	2,005,706	9,612	0.5760	1,951,611	9,315	X		
Collins	0.5686	5,571,491	26,187	0.5660	5,366,168	25,119	X		
Hillsdale	0.6386	1,320,534	7,057	0.6360	1,274,543	6,787	X		
Lowry City	0.6086	3,630,560	18,400	0.6060	3,610,782	18,231	X		
Osceola	0.5986	12,377,643	61,592	0.5960	12,359,315	61,265	X		
Vista	0.8386	2,791,563	20,055	0.8360	2,700,028	19,346	X		
St. Francois County									
Flat River	0.2256	24,914,046	41,368	0.2256	23,932,996	39,739		X	
Ste. Genevieve County									
A	0.2782	148,820,777	304,718	0.2819	136,715,463	283,655	X		
Saline County									
Blackburn Elmwood	1.1723	5,385,859	58,087	1.1920	5,270,597	57,799	X		
Gilliam	0.5986	6,791,696	37,403	0.5954	6,431,746	35,231	X		
Grand Pass	0.6583	3,840,875	23,262	0.6553	3,533,227	21,301	X		
Marshall	0.2731	118,225,334	297,044	0.2731	112,898,334	283,659	X		
Slater	0.6772	22,289,252	138,867	0.6772	21,678,990	135,065	X		
Sweet Springs	0.5991	20,151,876	111,072	0.5794	19,317,382	102,971	X		
Malta Bend	0.6104	9,985,887	56,078	0.6067	9,464,561	52,828	X		
Schuyler County									
Glenwood Chariton	0.6821	4,917,017	27,942	0.6821	4,782,905	27,179		X	
Scott County									
Illmo	0.3096	51,027,049	116,273	0.3096	47,302,828	107,787	X		
Sikeston	0.1400	182,499,428	188,047	0.1400	176,888,146	182,266	X		
Shelby County									
Shelbina	0.4700	20,218,915	87,427	0.4700	19,462,581	84,156	X		

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County / Special Road District	2005 Total Tax Levy (A)	2005 Total Assessed Valuation	2005 Estimated Tax Revenue (B)	2004 Total Tax Levy (A)	2004 Total Assessed Valuation	2004 Estimated Tax Revenue (B)	Annual Special Road District Financial Report for Fiscal Years Ending in 2005 Filed	If Not, Years Since Last Report Filed 1 to 5	If Not, Years Since Last Report Filed More than 5
Stoddard County (C)									
Bluff	0.5605	8,254,929	42,567	0.5460	9,005,555	45,237	X		
Crowder Zeta	0.3357	2,709,521	8,368	0.3288	2,755,411	8,335	X		
Dudley	0.5631	12,834,821	66,491	0.5618	11,947,708	61,752		X	
Essex	0.6428	13,257,780	78,403	0.6416	12,959,675	76,497	X		
Gray Ridge	0.3106	8,513,868	24,329	0.3067	8,163,665	23,035	X		
Lavalle	0.3500	2,378,478	7,659	0.3500	2,343,083	7,545		X	
Sullivan County (C)									
Harris	0.3497	435,584	1,401	0.3498	427,992	1,377		X	
Milan	0.3171	11,047,927	32,230	0.3134	10,488,392	30,241	X		
West Buchanan	0.7000	2,493,099	16,056	0.7000	2,302,720	14,830	X		
Webster County									
Seymour	0.1900	33,753,179	47,200	0.1900	32,186,906	45,010	X		
Wright County									
Mountain Grove	0.0000	(F)	(F)	0.0000	(F)	(F)	X		
Totals	$	9,443,145,882	21,113,788		8,732,824,013	19,739,725	198	42	4

(A) Tax levies presented for many districts are a combination of multiple levies. In most cases this will consist of the permanent county road levy and the additional four-year district road levy. A few districts also have Johnson Grass and debt service levies.

(B) Based on counties' historical tax collection data, special road district (SRD) property tax revenues are estimated using a 92 percent collection rate. Property tax levies are expressed as a rate per $100 of assessed valuation. In most, but not all counties a portion of the permanent road levy is retained by the county. Our review showed that percentages varied from the statutory allocation (80 percent road district / 20 percent county) in some counties.

(C) This is a township county.

(D) The Monett SRD lies in both Barry and Lawrence counties and the Ozark SRD of Barry County consolidated with the Aurora SRD of Lawrence County. Each county handles the permanent road tax levies differently. Barry County levies the permanent road tax on a district by district basis while Lawrence County levies a county-wide road road levy. Therefore, we have listed the special road districts in each county, but have information in the financial reporting columns under only one county.

(E) SRDs that have property in more than one county but have the same tax levies in both counties are included in our report under only one county. These SRDs are the Joplin SRD which lies in both Jasper and Newton counties (included under Jasper County above) and the Belle SRD which lies in both Maries and Osage counties (included under Maries County above).

(F) These counties do not assess a road levy; thus, no information is included.

(G) This district does not appear on the SAO website list of political subdivisions not filing and has never reported to the SAO.

(H) These districts have filed reports for their fiscal year ending in 2006, but not 2005.

APPENDIX B

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
SURVEY INFORMATION FROM COUNTIES WITH SPECIAL ROAD DISTRICTS

County	Number of special road districts	Miles of special road district roads	County funds provided the special road districts					
			County Aid Road Trust		Sales Tax		Other (B)	
			2005	2004	2005	2004	2005	2004
Atchison	4	89	$ 0	0	0	0	70,391	6,458
Audrain	4	326	225,942	223,598	0	0	40,119	65,071
Barry (D)	25	1,032	1,054,622	1,082,004	1,551,419	1,512,305	40,289	86,180
Bates	2	21	8,861	0	0	0	0	0
Benton	3	62	28,733	18,368	48,612	28,225	22,837	20,160
Boone	1	47	86,317	86,988	163,248	119,818	101,000	103,333
Camden	3	193	231,033	197,025	49,685	43,474	49,862	40,898
Cape Girardeau	1	N/A (A)	0	0	0	0	0	0
Cass	1	(C)	(C)	(C)	(C)	(C)	(C)	(C)
Cedar	15	197	129,141	129,027	0	0	8,844	39,267
Christian	7	360	334,313	329,075	923,578	847,627	62,729	45,062
Clark	1	42	21,887	22,045	0	0	476	466
Clay	6	(C)	(C)	(C)	(C)	(C)	(C)	(C)
Clinton	2	98	40,000	40,000	221,424	211,760	0	0
Dade	7	53	28,260	23,387	0	0	0	0
Daviess	3	60	4,450	4,450	0	0	0	0
Franklin	4	319	0	0	0	0	0	0
Gasconade	1	5	0	0	0	0	80	363
Grundy	1	1	345	345	0	0	0	0
Henry	11	147	62,001	65,431	0	0	0	0
Holt	4	(C)	(C)	(C)	(C)	(C)	(C)	(C)
Howard	2	116	25,000	25,000	0	0	0	0
Jasper (D)	7	634	270,900	264,930	123,073	125,607	105,382	101,467
Jefferson	2	N/A (A)	163,446	165,739	0	0	0	0
Laclede	3	212	58,960	64,157	100,000	0	0	0
Lafayette	10	607	522,602	529,534	188,024	174,920	9,236	10,572
Lawrence (D)	12	828	832,467	803,216	975,805	907,279	683	0
Lewis	3	51	0	0	0	0	993	0
Lincoln	1	115	0	0	420,486	294,066	151,373	129,588
Linn	2	9 (A)	6,600	8,085	12,110	10,782	11,693	11,194
Macon	2	93	13,000	13,000	57,821	52,979	1,891	2,721
Maries (D)	2	N/A (A)	0	0	0	0	1,562	888
Miller	2	125	57,922	56,000	0	0	41,995	37,400
Monroe	2	71	0	0	0	0	0	0
Montgomery	2	74	86,598	87,342	0	0	1,662	1,645
Morgan	3	177	223,573	168,345	0	0	10,953	15,251
Newton (D)	6	488	450,000	425,000	0	0	41,199	43,773
Oregon	1	78	57,001	59,599	12,008	12,818	8,793	9,191
Osage (D)	4	20	0	0	0	0	0	0
Pike	2	77	0	0	0	0	0	0
Platte	4	231	406,787	345,163	183,806	148,931	0	0
Polk	7	116	131,167	131,268	189,101	186,972	364	349
Putnam	2	12 (A)	5,000	0	0	0	2,157	2,860
Randolph	1	100	0	0	0	0	0	0
Ray	6	229	205,620	207,380	256,515	253,242	0	0
Ripley	19	398	49,297	62,734	0	0	71,899	67,533
St. Clair	7	198	179,654	181,074	0	0	43,745	48,435
St. Francois	1	25	0	0	0	0	0	0
Ste. Genevieve	1	77	0	0	0	0	0	0
Saline	7	364	370,765	373,161	0	0	0	0
Schuyler	1	66	0	0	18,627	18,864	0	0
Scott	2	N/A (A)	0	0	0	0	6,328	6,774
Shelby	1	47	11,108	6,094	0	0	1,804	1,686
Stoddard	6	223	228,681	289,226	0	0	50,802	46,837

APPENDIX B

SPECIAL ROAD DISTRICT FINANCIAL REPORTING PRACTICES
SURVEY INFORMATION FROM COUNTIES WITH SPECIAL ROAD DISTRICTS

County	Number of special road districts	Miles of special road district roads	County funds provided the special road districts					
			County Aid Road Trust		Sales Tax		Other (B)	
			2005	2004	2005	2004	2005	2004
Sullivan	3	(C)	(C)	(C)	(C)	(C)	(C)	(C)
Webster	1	114	149,468	147,144	182,660	175,205	0	0
Wright	1	62	27,500	27,500	225,661	220,296	0	0
Totals	244	9,089	$ 6,789,021	6,662,434	5,903,663	5,345,170	961,141	945,422

(A) The county did not provide miles of road information for at least one of the special road districts (SRD) in the county.

(B) The sources for these revenues include interest income, local use tax, federal emergency grant monies, forest service monies and other miscellaneous receipts. Some counties reported amounts in other that would be more properly classified as county aid road trust (CART) or sales tax funds, and some reported distributions such as financial institution taxes or surtax amounts, which are actually SRD monies, not county monies allocated to the SRDs. However, survey amounts were not adjusted.

(C) The county did not return the survey(s).

(D) Information pertaining to SRDs that have properties in more than one county are included under only one county for this appendix. These SRDs are the Ozark SRD in Barry County which consolidated with the Aurora SRD in Lawrence County and is included under Lawrence County, the Monett SRD which is in both Barry and Lawrence counties but is included under Barry County, the Joplin SRD which is in both Jasper and Newton counties but is included under Jasper County, and the Belle SRD which is in both Maries and Osage counties but is included under Maries County.

Susan Montee, CPA
Missouri State Auditor

January 2007

ADMINISTRATION

Review of Article X, Sections 16 Through 24, Constitution of Missouri

Year Ended June 30, 2006

Report No. 2007-02

auditor.mo.gov

Office Of
Missouri State Auditor
Susan Montee

January 2007

YELLOW SHEET

The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OA-BP). The auditor's review agreed with the OA-BP that no refund is due to taxpayers for the year ended June 30, 2006.

Total state revenue was calculated at $8.6 billion, while the refund threshold was calculated at $10 billion, which means state revenue was under the revenue limit by $1.4 billion for the year ended June 30, 2006.

All reports are available on our website: www.auditor.mo.gov

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Michael Keathley, Commissioner
Office of Administration
Jefferson City, MO 65102

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2006, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2005. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.

2. Determine the specific items included in total state revenues.

3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenues.

4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our methodology to accomplish these objectives included discussions with personnel of the Office of Administration, Division of Budget and Planning, inspecting relevant records and reports compiled by that office, and reviewing reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the information in the Exhibits is fairly stated in all material respects. The work for this review was substantially completed by December 2006.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

The Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, of the Constitution of Missouri.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
Audit Staff:	Frank Verslues

EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2006, 2005, 2004, 2003, and 2002. The results of our review determined that for the year ended June 30, 2006, TSR was approximately $1.45 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2006.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.

2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.

3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.

4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.

5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and the Office of Administration, Division of Budget and Planning (OA-BP) did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eight of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

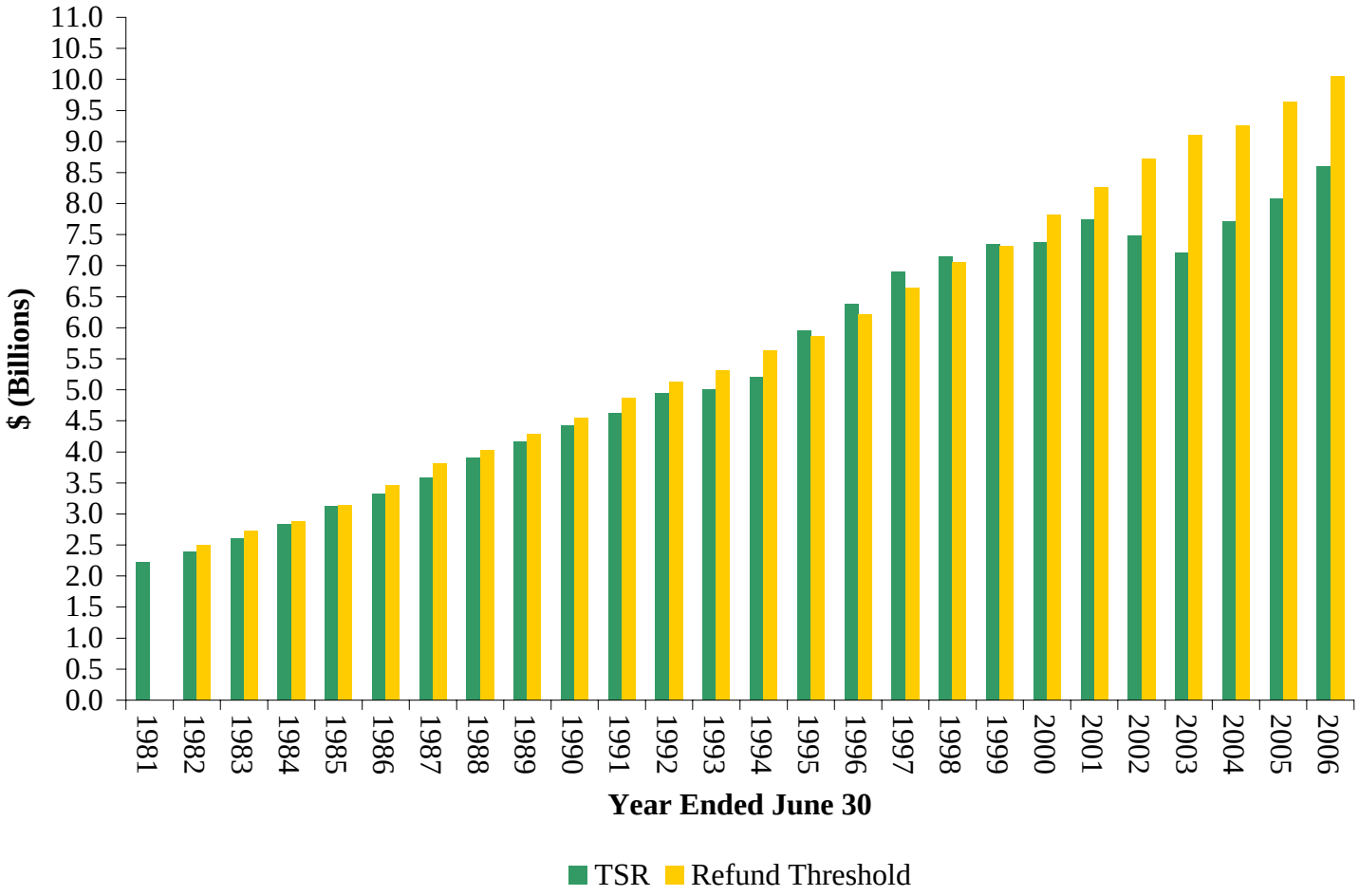
This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately $6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1981. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state decided not to recalculate TSR for those years. However, for fiscal year 1998, the state excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation

sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation, while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. Starting in fiscal year 2001, the OA-BP has included certain tax credits in the calculation of total state revenue.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$ (Billions)
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1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year Ended June 30
TSR
Refund Threshold

EXHIBITS

Exhibit A

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI
SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS
(IN MILLIONS)

		Year Ended June 30,				
		2002	2003	2004	2005	2006
TOTAL STATE REVENUE (TSR)						
Total state receipts	$	18,127.97	18,347.05	18,893.99	19,500.87	20,919.97
Less excluded revenue		(9,541.77)	(9,904.25)	(10,050.55)	(10,288.16)	(11,170.56)
Less expenditure refunds		(1,165.04)	(1,252.34)	(1,126.23)	(1,127.33)	(1,185.51)
Add refundable tax credits		67.19	10.07	4.07	4.79	31.20
TSR	$	7,488.35	7,200.53	7,721.28	8,090.17	8,595.10
REVENUE LIMIT AND REFUND THRESHOLD						
Missouri personal income	$	152,448.00	159,093.00	161,648.00	168,512.00	175,524.00
Base year ratio	x	0.056395	0.056395	0.056395	0.056395	0.056395
Base limit		8,597.30	8,972.05	9,116.14	9,503.23	9,898.68
Judicial article amendment		43.52	43.52	44.28	45.81	45.81
Revenue limit		8,640.82	9,015.57	9,160.42	9,549.04	9,944.49
1 percent adjustment		86.41	90.16	91.60	95.49	99.44
Refund threshold	$	8,727.23	9,105.73	9,252.02	9,644.53	10,043.93
REFUND CALCULATION						
TSR	$	7,488.35	7,200.53	7,721.28	8,090.17	8,595.10
Less refund threshold		8,727.23	9,105.73	9,252.02	9,644.53	10,043.93
Over (Under) Threshold		(1,238.88)	(1,905.20)	(1,530.74)	(1,554.36)	(1,448.83)
1 percent adjustment		0.00	0.00	0.00	0.00	0.00
Refund	$	0.00	0.00	0.00	0.00	0.00

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code		Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1001		Sales and use tax	$ 1,736,714,171	1,737,612,158	1,821,777,954	1,887,769,667	1,957,288,809
1003	(l)	Parks sales and use tax	36,220,266	35,939,862	37,391,971	38,608,924	39,628,892
1005	(k)	Soil and water sales and use tax	36,220,270	35,947,537	37,394,824	38,608,927	39,632,549
1007		General revenue reimbursements - local sales and use tax	1,835,145	1,838,920	1,952,122	1,850,561	1,874,991
1009		Motor vehicle sales tax	224,606,585	210,455,391	215,078,975	210,749,553	73,944,788
1009	(dd)	Motor vehicle sales tax - Amendment 3	-	-	-	-	106,679,065
1011	(u)	Conservation sales and use tax	90,545,178	89,855,329	93,488,139	96,524,659	99,069,219
1013	(f)	Proposition C sales and use tax	707,412,040	702,831,412	731,735,057	756,380,208	778,913,723
1015		Sales and use taxes paid under protest	450,179	304,292	6,034,772	925,453	154,942
1022		Individual income tax	4,470,625,351	4,392,707,326	4,579,484,729	4,866,347,540	5,360,652,738
1024		Individual income taxes paid under protest	81,600	42,353	55,591	121,038	27,095
1026		Corporate income tax	448,568,753	366,848,435	329,596,001	354,390,367	528,814,068
1028		Corporate income taxes paid under protest	456,457	1,451	-	-	27,012
1033		County foreign insurance tax	160,589,220	157,209,442	162,129,552	165,480,625	189,702,198
1037		Worker's compensation insurance tax	2,221,514	18,558,537	45,780,130	23,532,434	2,070,359
1039		Worker's compensation insurance tax - second injury	41,202,150	43,490,045	73,637,324	73,796,417	69,529,997
1041		Excess lines of insurance tax	12,516,253	19,545,210	23,300,865	24,929,980	22,028,985
1049		Heavy beer tax	8,139,919	8,162,402	8,287,133	8,127,177	8,368,270
1051		Light beer tax	87,955	52,013	43,970	44,632	41,247
1053		Liquor tax	14,623,630	14,914,429	15,792,060	16,159,921	16,848,358
1055		Wine tax	3,056,127	3,679,658	3,902,201	3,975,042	4,286,145
1057		Cigarette tax	97,272,540	97,945,955	98,815,335	99,247,687	99,873,124
1059		Tobacco product tax	9,545,626	10,204,096	10,837,459	11,035,093	11,448,194
1060		Motor vehicle fuel tax	387,710,815	394,517,707	407,048,241	415,205,844	415,115,603
1060	(g)	Motor vehicle fuel tax	165,590,555	168,030,100	173,258,962	176,987,003	175,587,964
1060	(p)	Motor vehicle fuel tax	146,965,204	149,130,374	153,771,103	157,079,820	-
1060	(dd)	Motor vehicle fuel tax-Amendment 3	-	-	-	-	155,838,142
1062		Special fuel non-gas tax	1,177,761	2,431,054	1,829,636	2,118,492	1,240,891
1062	(dd)	Special fuel non-gas tax - Amendment 3	-	-	-	-	106,978
1064		Aviation fuel tax	429,032	549,406	409,621	405,276	353,686
1070		Corporation franchise tax	20,753,109	70,265,700	91,387,675	119,446,502	77,827,368
1073		Estate tax	136,954,962	81,496,285	75,115,067	42,221,932	15,569,883
1074	(q)	Bingo tax	3,187,204	3,209,784	2,909,716	2,703,789	2,472,633
1076	(r)	Gaming commission gross receipts tax	217,286,247	234,237,771	251,587,273	270,532,391	286,934,255
1080		Real and personal property tax	18,640,204	18,888,626	19,450,597	19,737,535	22,825,969
1082		Delinquent real and personal property tax	2,347,829	2,601,540	3,312,254	3,499,542	2,281,634
1084		Hazardous waste tax	3,547,403	3,363,038	3,367,830	3,100,982	1,287,666
1085		Managed care organization reimbursement allowance	-	-	-	-	17,174,996
1088		Nursing facility reimbursement allowance	9,641,756	9,314,474	9,833,951	13,116,650	11,810,655
1089		Pharmacy Reimbursement Allowance	-	15,320,294	17,131,990	18,995,336	15,079,728
1090		Federal reimbursement allowance	7,939,464	13,566,447	15,134,996	33,782,892	17,142,839
1092		Payments in lieu of taxes	175,000	-	-	-	-
1093		Athletic events tax	151,771	57,801	95,742	180,817	86,504
1095		Surcharges	606,134	695,555	766,956	1,566,759	8,261,197
1097		Agency collected sales taxes	457,602	415,473	435,451	386,577	374,927
1099		Other taxes	67,313	64,944	90,237	109,316	88,684
1100		Professional licenses or permits	20,114,035	20,593,036	26,304,410	23,938,936	26,330,221
1102		Recreational licenses or permits	4,111,095	4,198,718	4,435,398	4,656,292	4,313,421
1104		All-terrain vehicle licenses or permits	536	852	118	362	1,029
1106		Motor vehicle licenses or permits	168,023,626	166,405,505	174,810,579	180,565,635	104,739,988
1106	(dd)	Motor vehicle licenses or permits-Amendment 3	-	-	-	-	81,033,917
1108		Interstate transportation licenses or permits	56,996,602	57,332,152	56,525,164	59,110,421	50,934,127
1108	(g)	Interstate transportation licenses or permits	5,118,406	5,054,226	4,964,903	5,066,222	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1108	(dd) Interstate transportation licenses or permits-Amendment 3	-	-	-	-	24,600,544
1110	Driver's licenses or permits	21,059,328	22,864,738	16,559,810	17,088,649	7,938,652
1110	(dd) Driver's licenses or permits-Amendment 3	-	-	-	-	9,609,103
1112	Land reclamation commission permits	370,237	469,778	536,854	535,465	567,114
1114	Salesman licenses or permits	4,469,430	3,209,485	225,190	252,940	254,160
1116	Vehicle and boat manufacturer and dealer licenses	911,210	923,960	973,838	976,181	992,413
1118	Liquor licenses or permits	4,383,474	3,799,292	3,877,954	3,986,540	4,118,092
1120	Gaming commission licenses	1,792,626	2,216,175	1,873,125	1,777,891	1,441,184
1122	Beer licenses or permits	11,966	11,038	8,849	7,472	6,861
1124	Motor carrier licenses	2,600,105	2,503,702	2,516,988	2,611,895	2,292,089
1126	Hunting and fishing licenses and commission permits	27,584,035	28,407,143	29,224,056	29,295,503	28,285,286
1127	Hunting and fishing special tags	1,130,411	1,321,864	1,126,188	1,134,412	1,186,138
1128	Hazardous waste transporter licenses	346,030	281,820	286,091	338,746	164,379
1130	Water pollution control permits	3,839,546	3,987,010	4,318,335	4,377,961	4,542,878
1132	Overdimension/overweight permits	4,625,179	4,454,546	4,913,789	5,286,025	2,568
1132	(dd) Overdimension/overweight permits-Amendment 3	-	-	-	-	5,615,174
1134	Merchant licenses	873,699	996,908	1,044,668	1,178,706	1,132,984
1136	Tobacco licenses	27,300	24,500	25,300	24,100	25,900
1138	Temporary licenses	925	675	742	755	307
1140	Duplicate plates	1,177	1,802	1,865	2,201	17,836
1149	Other licenses and permits	2,337,885	3,365,225	3,703,824	5,356,182	3,364,580
1149	(dd) Other licenses and permits-Amendment 3	-	-	-	-	1,578,504
1150	Lobbyist registration fees	2,260	2,130	1,340	1,970	2,961
1152	Motorboat fees	5,854,312	5,781,775	6,812,398	7,852,101	6,970,789
1154	Narcotics and dangerous drugs fees	509,416	1,024,210	805,479	620,506	999,794
1156	Occupational boards exam fees - individual exam fees	742,937	711,368	879,392	969,081	594,716
1160	Non-motor fuel decal fees	152,485	135,790	115,455	100,966	-
1160	(dd) Non-motor fuel decal fees-Amendment 3	-	-	-	-	110,608
1162	Filing fees	14,711,378	14,289,774	20,980,420	19,927,361	19,517,988
1163	Certifying/Authenticating Fees	-	-	726,665	192,184	64,251
1164	Transfer fees	22,854	24,328	21,547	27,014	30,365
1169	Other registration fees	12,140,319	12,464,041	7,213,300	7,542,362	7,343,546
1174	Asbestos fees	261,965	251,871	247,992	276,147	286,911
1178	Milk control fees	39,565	52,507	100,087	64,066	63,193
1180	Home health care license fees	113,400	120,000	121,350	117,750	112,800
1182	Nursing home license fees	140,044	146,683	135,174	132,404	164,447
1184	Title V emissions fees	6,704,597	7,926,714	8,663,826	8,250,446	8,531,692
1185	Emission fees/non Title V facilities	445,920	368,441	368,492	344,704	382,437
1186	Boarding home license fees	715,855	725,487	712,583	724,251	718,914
1188	Public utilities fees	19,126,770	19,702,341	19,990,103	19,261,361	18,355,749
1190	Hospital license fees	84,122	94,152	86,032	83,647	85,704
1192	Grain warehouse license fees	36,288	33,687	33,964	34,161	32,246
1194	Missouri primacy fees	2,374,641	2,666,930	2,639,033	2,794,025	2,560,720
1196	Underground storage tank annual participatior fees	1,255,623	1,234,514	597,671	-	-
1198	Transport load fees	16,834,815	22,803,622	23,904,017	23,665,383	23,389,711
1200	Storage tank registration fees	56,310	46,205	215,545	224,440	259,296
1202	Tourist cabin permit fees	230,025	190,954	195,510	46,881	186,847
1206	Solid waste disposal fees	11,737,917	10,998,242	11,012,418	11,473,573	11,855,266
1208	New tire fees	2,044,605	2,241,714	1,623,688	27,332	953,815
1209	Battery Fee	-	-	-	-	288,524
1210	Ground water protection fees	441,978	444,101	543,966	623,233	666,068

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1214	Insurance regulatory fees, renewals and purchasing groups	1,862,781	1,829,238	1,787,206	1,718,125	2,451,504
1216	Air conservation commission permit fees	283,085	463,279	472,619	449,690	349,094
1218	Bingo license fees	71,905	69,820	62,277	67,275	52,570
1220	Lab fees	1,355,954	1,800,967	2,461,317	2,424,212	4,432,911
1222	Program administration fees	674,018	768,707	726,810	713,491	731,723
1223	Confined animal feed operation indemnity fees	44,649	33,486	64,619	37,731	41,953
1224	Railroad assessments	1,076,878	539,513	654,101	971,729	499,106
1227	Enhanced vehicle emission inspection fees	1,666,518	1,707,770	1,706,183	1,738,699	1,685,333
1229	Beverage inspection fees	444,998	55,556	-	-	-
1233	Grain warehouse inspection fees	1,590,763	1,616,019	1,573,755	1,741,117	1,529,055
1235	Milk inspection fees	1,377,533	1,366,630	1,383,077	1,379,483	1,196,302
1237	Ice cream products inspection fees	22,517	39,460	27,280	31,700	31,360
1239	Mine inspection fees	68,324	74,486	75,953	66,982	88,502
1241	Mobile home and recreational vehicle inspection fees	377,812	428,085	654,744	745,037	823,258
1243	Oil inspection fees	2,415,488	2,164,079	2,567,947	2,557,810	2,543,426
1249	Other inspection fees	1,042,563	1,197,621	1,302,603	1,370,310	1,503,392
1250	Collection fees	17,166,793	17,941,164	18,813,734	19,775,880	21,095,935
1250 (c)	Collection fees - Fund 880	-	7,149	-	-	-
1252	Admission fees	1,036,032	1,191,555	1,292,168	1,341,952	1,108,448
1252 (r)	Admission fees - Riverboat gambling	48,607,527	51,061,261	52,561,952	54,146,991	54,679,803
1254	State auditor fees	746,288	991,184	840,199	1,071,601	1,231,909
1260	Grade crossing safety fees	1,206,302	1,204,109	1,215,990	1,250,036	1,491,051
1262	Loan administration fees	2,700,281	2,624,013	3,145,252	3,810,458	4,274,803
1262 (c)	Loan administration fees - Fund 881	9,165	-	-	-	1,895
1264	Court fees	17,665,443	17,478,866	20,538,094	21,604,235	22,925,711
1266	Financial institutions examination fees	6,537,159	6,476,118	6,990,259	7,209,189	7,924,104
1268	Consumer finance license fees	720,525	793,125	875,325	986,550	1,005,300
1270	Transcript fees	148,507	170,160	147,137	139,175	143,371
1272	Land Survey Fees	-	-	-	(1,300)	-
1274	Marketing development fees	244,854	185,869	181,565	212,008	309,413
1276	Miscellaneous insurance fees	570,580	647,075	669,215	601,590	514,125
1278	Gaming commission administrative income	3,319	3,762	3,648	1,011	933
1279 (a)	Lottery commission fees	309,450	338,073	290,689	387,762	337,854
1280	Motor vehicle inspection sticker fees	4,267,409	4,412,638	4,457,993	4,533,806	4,466,495
1282	Logo sign advertising fees	3,494,840	3,545,681	3,805,960	4,161,752	4,608,913
1284	Public defender fees	820,470	1,142,491	1,456,724	1,455,500	1,771,541
1286	Witness fees	6,008	4,304	8,060	6,961	6,162
1286 (a)	Witness fees - Fund 657	-	40	-	-	-
1288	County recorders fees	12,647,575	11,423,587	11,038,590	9,404,215	9,501,397
1290	Training or conference fees	36,773	40,290	40,537	45,410	96,483
1294	Electronic monitoring fee	1,346,871	1,493,475	1,634,176	1,640,776	1,626,475
1298	Substance abuse offender program fees	1,817,839	1,924,812	3,642,414	3,872,787	3,946,177
1302	Criminal records check fees	4,107,926	4,344,223	4,116,455	5,669,234	6,733,119
1303	Other fees	5,676,537	5,720,090	6,526,807	7,025,043	11,724,083
1305 (h)	Bond sales proceeds	413,049,331	398,337,310	262,829,539	3	370,196,052
1310	Land sales	3,590,127	2,027,355	4,755,543	5,512,710	5,001,965
1312	Sales of natural resources products	2,281,434	2,698,580	2,878,772	3,524,846	3,836,475
1314	Sales of agriculture products	1,555,108	1,416,064	1,667,391	1,750,295	1,852,115
1316	Manufactured product sales	7,107,259	5,404,285	8,276,056	7,799,864	7,892,157
1318	Information sales	3,577,403	3,361,956	3,343,120	3,237,949	3,283,582
1320	Souvenir sales	729,830	620,334	617,851	626,113	595,639
1322	Surplus property sales - State	5,785,741	1,650,166	2,345,583	1,626,659	1,522,369
1322 (a)	Surplus property sales - State - Lottery Fund 657	98,098	-	-	-	10,000
1322 (aa)	Surplus property sales - State - Fund 710	1,179,903	787,350	1,088,245	1,374,300	746,426

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1322	(c) Surplus property sales - State - Fund 880	14,063	-	-	-	-
1324	Surplus property sales - Federal	2,870,157	2,318,658	2,037,258	2,281,737	2,903,435
1324	(c) Surplus property sales - Federal - Fund 880	-	-	-	-	-
1326	Unclaimed Property Sales	-	3,796	350	-	-
1328	Sales of fixed assets - control	5,195,082	7,368,247	6,405,790	6,740,642	9,052,606
1330	Vital records sales	1,219,613	1,244,136	1,200,507	1,436,055	1,867,182
1332	(a) Lottery ticket sales	282,517,043	310,793,243	366,115,206	345,575,845	416,691,040
1334	Cafeteria sales	1,083,947	680,970	720,508	613,530	654,178
1338	Other sales	288,147	460,178	618,051	238,143	223,093
1338	(a) Other sales - State lottery Fund 657	-	-	-	643	-
1340	Gain on sale of fixed assets	342	15,411	-	-	-
1342	Supply sales	107	797	637	618	342
1401	Land rentals/leases	2,166	1,066	1,066	1,066	56,052
1403	State facilities rentals/leases	910,889	786,443	915,819	703,612	762,715
1404	Parking rentals/leases	87,105	80,831	75,793	68,872	72,349
1405	Concessions and recreational rentals/leases	2,346,366	2,286,164	2,093,605	2,310,330	2,292,138
1407	Housing/building rentals/leases	345,124	327,344	271,249	255,272	267,281
1409	Other leases and rentals	1,512,930	1,285,740	1,161,489	842,244	820,430
1414	(e) Medicare	7,780,676	10,023,586	7,891,969	13,104,191	11,840,541
1418	(e) Medicaid	84,837,220	113,715,423	116,247,130	113,767,474	104,129,943
1420	(e) Medicaid - community based	52,544,520	55,460,400	29,086,883	46,154,590	114,403,516
1422	Private Payments	7,619,066	8,012,154	7,643,629	7,484,711	7,172,906
1424	Insurance payments	2,550,849	2,832,410	2,483,663	2,183,788	2,627,062
1426	Other payments	564,806	225,715	164,919	82,499	223,016
1434	Institutional support fees	39,093	55,357	171,780	29,525	73,761
1436	Room and care	15,998,636	18,807,181	20,559,387	23,390,722	25,408,983
1438	Fleet services operations/maintenance	409	-	-	-	395
1442	Mail/freight services	290	1,170	2,555	1,686	1,798
1444	Telephone billing	-	-	698	-	-
1446	Printing service	62,928	81,288	99,901	112,719	156,303
1448	Computer services	43,359	1,850	1,673	3,699	4,279
1450	Administration services	-	-	3,025	-	-
1452	Flight Operations Services	-	29,352	-	-	-
1501	Private donations	2,492,123	4,233,004	3,494,597	3,038,212	2,132,328
1502	Other governmental entity donations	-	-	29,000	6,458	35,470
1507	(e) Nasao (airport inspections)	-	-	-	-	5,500
1510	(e) US Department of Agriculture	330,201,447	298,793,799	315,309,213	324,208,864	341,963,232
1512	(e) US Department of Defense	2,298,922	2,347,401	2,556,350	3,139,604	4,780,027
1514	(e) US Department of Housing and Urban Development	41,806,127	36,536,630	39,383,092	38,264,807	34,944,621
1516	(e) US Department of Interior	18,902,443	15,353,170	18,635,222	20,010,553	26,236,848
1518	(e) US Department of Justice	7,728,788	7,866,985	23,534,299	45,439,686	67,710,357
1520	(e) US Department of Labor	81,124,949	71,641,936	73,958,806	75,173,714	80,155,791
1522	(e) US Department of Education	454,924,801	521,034,164	567,929,279	607,650,375	655,561,523
1522	(c) US Department of Education - Fund 880	4,999,860	6,100,044	7,008,260	6,777,654	7,753,744
1522	(c) US Department of Education - Fund 881	28,331,940	22,923,277	21,146,522	42,401,412	54,653,829
1524	(e) US Department of Transportation	830,459,784	785,228,408	727,496,377	832,914,720	827,044,903
1526	(e) National Foundation for the Arts and Humanities	3,246,308	4,148,758	3,693,442	3,118,665	3,928,489
1528	(e) US Veterans Administration	25,762,073	43,965,656	28,976,671	26,333,616	28,181,524
1529	(e) US Gen Service Administration	-	-	-	6,577	7,113
1530	(e) US Environmental Protection Agency	73,043,437	99,863,990	92,846,554	65,371,097	67,603,444
1532	(e) US Department Of Energy	6,867,744	6,786,185	6,657,746	7,971,473	7,526,734
1534	(e) Federal Emergency Management Agency	23,743,625	62,257,331	30,750,178	15,694,217	8,273,328
1536	(e) US Department of Health and Human	3,973,851,735	4,274,976,158	4,400,831,476	4,940,907,333	4,905,437,144
1538	(e) National and Community Services	37,589,655	-	8,722	3,607	1,115
1540	(e) US Social Security Administration	145,185	35,035,237	35,120,494	32,955,548	32,848,371
1542	(e) National Archives and Records	-	105,355	2,000	104,549	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1544	(e) Elections Assistance Commission	-	17,348,011	44,914,650	-	-
1546	(e) US Department of Treasury	-	95,136,209	95,183,169	-	-
1549	(e) Miscellaneous federal revenues	28,218,828	70,907,767	170,523,112	32,039,098	37,287,497
1551	County mental health programs	7,117,257	8,396,216	7,915,368	8,823,579	9,989,505
1560	(e) Federal pass-through grants	45,245,956	37,229,036	32,910,930	38,100,579	47,538,058
1601	Time deposits interest	20,112,963	7,168,428	3,746,600	5,893,485	12,895,202
1601	(f) Time deposits interest - Fund 688	448,257	174,813	97,299	157,407	411,767
1601	(a) Time deposits interest - Fund 657	161,921	48,965	23,981	36,639	159,048
1601	(k) Time deposits interest - Fund 614	202,029	76,599	41,312	71,316	186,636
1601	(l) Time deposits interest - Fund 613	115,693	38,686	17,757	21,759	47,803
1601	(b) Time deposits interest - Fund 905	20,567	10,321	5,937	10,028	26,020
1601	(q) Time deposits interest - Fund 289	54,577	20,226	9,344	12,525	20,526
1601	(r) Time deposits interest - Fund 285	90,929	38,369	19,958	34,523	92,255
1601	(d) Time deposits interest - Fund 963	146	63	37	73	203
1601	(u) Time deposits interest - Fund 609	113,270	64,936	39,631	64,275	146,264
1601	(c) Time deposits interest - Fund 851	265,935	52,142	3,157	2,333	692
1601	(c) Time deposits interest - Fund 880	67,365	28,579	23,770	50,877	125,596
1601	(c) Time deposits interest - Fund 881	241,818	79,161	39,279	42,233	94,280
1603	U.S./agency securities interest	79,952,145	54,142,188	43,022,691	49,506,581	92,567,456
1603	(f) U.S./agency securities interest - Fund 688	1,522,193	1,105,802	816,747	1,041,365	1,873,702
1603	(a) U.S./agency securities interest - Fund 657	515,992	296,293	200,741	236,997	683,862
1603	(k) U.S./agency securities interest - Fund 614	643,417	469,100	340,616	453,657	794,963
1603	(l) U.S./agency securities interest - Fund 613	373,358	236,966	147,844	142,987	210,279
1603	(b) U.S./agency securities interest - Fund 905	64,539	63,683	48,999	64,582	109,873
1603	(q) U.S./agency securities interest - Fund 289	172,788	122,984	77,495	81,826	85,557
1603	(r) U.S./agency securities interest - Fund 285	301,157	229,696	166,287	223,260	416,621
1603	(d) U.S./agency securities interest - Fund 963	1,772	1,697	1,615	1,433	1,827
1603	(u) U.S./agency securities interest - Fund 609	453,080	404,320	325,892	412,250	625,465
1603	(c) U.S./agency securities interest - Fund 851	831,658	277,254	26,518	15,656	2,480
1603	(c) U.S./agency securities interest - Fund 880	214,027	179,544	193,633	324,274	525,676
1603	(c) U.S./agency securities interest - Fund 881	774,507	480,589	326,989	277,329	399,813
1605	Other investment interest	1,069,324	1,051,329	525,665	400,000	610,000
1610	Interest on loans	662,489	834,899	1,068,022	951,381	1,020,355
1612	Interest Federal	-	-	643	13,523,913	16,232,810
1614	Interest on receivables	51,657	58,011	56,302	201,562	33,040
1615	Interest on receivables - control	-	-	-	-	-
1616	Interest on settlements	13,635	122,645	47,983	94,709	57,276
1618	Other interest	1,949,877	1,307,512	1,071,386	29,162	58,582
1618	(c) Other interest - Fund 880	34,784	11,202	-	-	122,516
1621	Penalties	14,727,271	17,737,789	17,547,145	19,400,092	14,246,673
1621	(q) Penalties Fund 289	-	-	-	15	-
1622	Penalties - control	160,000	-	-	-	-
1624	Settlements	2,907,001	858,540	1,993,625	4,736,944	7,970,583
1624	(a) Settlements - Lottery Fund 657	32,361	-	-	-	-
1626	Court awards	1,446,864	1,346,078	2,039,930	1,681,369	1,732,607
1628	Insufficient funds charges	7,055	5,168	10,609	7,703	7,186
1628	(a) Insufficient funds charges - Fund 657	-	20	-	-	-
1629	Insufficient funds charges - control	21	-	-	-	-
1634	Estates	811,820	329,323	1,028	449	66
1636	Unclaimed properties	30,994,590	38,583,756	76,804,125	53,672,476	92,367,911
1700	(i) Salary refunds - federal	628,973	607,207	464,856	695,196	614,734
1701	(i) Salary refunds - state	59,128	48,677	79,988	40,575	48,639
1702	(i) Salary refunds - local/other	37,240	28,205	23,047	28,205	17,929
1703	(i) General relief pension refunds	4,045,153	4,021,572	2,830,777	1,186,474	121,698
1704	(i) Blind pension refunds	3,402	11,659	73,105	2,788	5,886
1706	(i) Dependent children pension refunds	663,789	426,750	376,190	367,373	356,838
1715	(i) Day care refunds	113,434	119,927	61,322	72,401	58,904
1717	(i) Medicare - Medicaid refunds	186,014,638	212,955,744	250,677,523	331,852,999	413,909,726

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1719	(i) Cost in criminal cases refunds	227,989	270,948	342,290	447,889	565,968
1721	(i) Vendor refunds - federal	1,897,512	1,473,246	1,043,953	1,313,190	1,008,453
1722	(i) Vendor refunds - state	752,848	1,288,711	1,003,623	747,697	603,961
1722	(a) Vendor refunds - state - Lottery Fund 657	4,531	1,870	6,130	6,045	24,422
1722	(c) Vendor refunds - state - Student Loans 880	-	-	-	1,857	753
1722	(c) Vendor refunds - state - Student Loans 851	-	-	-	100	9,000
1723	(i) Vendor refunds - local/other	354,303	235,601	387,345	290,456	294,599
1723	(c) Vendor refunds - local/other - Fund 880	360	-	-	1,151	-
1724	(i) Political subdivision refunds	80,574	-	359,837	9,919	18,180
1725	(i) Excess court payment refunds	1,845,533	1,717,352	1,573,649	1,499,024	795,229
1727	(i) School refunds	6,318,969	5,587,349	6,048,847	5,689,555	5,314,240
1728	(i) Scholarship refunds	-	143,902	252,530	314,355	349,559
1728	(c) Scholarship refunds - Fund 881	-	-	216	-	-
1729	(i) Audit findings - federal	232,392	223,038	144,227	194,239	120,584
1730	(i) Audit findings - state	105,802	56,428	198,436	50,321	-
1731	(i) Audit findings - local/other	15,721	6,093	21,462	38,282	52,665
1732	(i) Utility refunds	18,716	7,166	12,383	9,131	13,651
1733	(i) Fuel tax refunds	199,071	251,078	325,004	300,863	227,324
1733	(a) Fuel tax refunds Fund 657	-	-	-	-	277
1733	(c) Fuel tax refunds Fund 880	-	-	-	3	24
1737	(i) Other refunds	2,833,793	2,987,825	4,013,975	2,585,121	3,630,689
1737	(c) Other refunds - Fund 880	-	5,321	322	-	-
1737	(c) Other refunds - Fund 881	29,354,812	8,761,805	8,675	-	25,710
1806	(w) Recovery costs	187,032,686	181,232,299	163,653,275	158,226,200	147,510,945
1806	(a) Recovery costs - Lottery Fund 657	-	5,504	667	-	-
1806	(bb) Intergovernmental transfer program	366,225,540	144,251,000	30,326,961	26,875,705	-
1808	Deposit of surplus property funds	395,011	588,116	910,773	2,040	20,640
1808	(a) Deposit of surplus property - Fund 657	-	51,091	20,467	-	-
1808	(c) Deposit of surplus property -Fund 626	-	95	-	-	-
1808	(c) Deposit of surplus property - Fund 880	-	-	397	-	-
1808	(c) Deposit of surplus property - Fund 881	-	-	4,350	-	-
1811	(z) Local match	1,494,703	925,923	2,147,704	3,942,050	4,235,868
1812	(x) Cost reimbursements - federal	867,680	1,258,193	281,369	481,878	854,596
1812	(c) Cost reimbursments - Fund 880	-	-	-	2,146	-
1813	(x) Cost reimbursements - state	21,148,451	35,642,920	24,503,507	20,069,835	17,379,683
1813	Cost reimbursements - state (included)	6,575,082	6,638,598	7,038,004	8,011,183	9,299,758
1813	(c) Cost reimbursements - Fund 880	-	-	-	213	247
1814	(x) Cost reimbursements - local/other	108,270,236	122,389,750	131,365,650	114,342,412	127,523,055
1814	(c) Cost reimbursements - local/other - Guaranty Agency Operating Fund 880	-	991	-	-	6
1816	Bond account	4,252,343	5,740,905	6,676,769	7,278,870	6,375,510
1818	(v) Employee expense reimbursement - federal	500	100	112	1,756	-
1819	(v) Employee expense reimbursement - state	3,745	2,380	2,816	1,447	615
1820	(v) Employee expense reimbursement - local/other	628	4	-	969	771
1821	(v) Employee personal expense reimbursement	48,084	17,634	20,740	33,588	37,578
1821	(c) Employee personal expense reimbursement - Fund 880	-	34	-	137	88
1822	(n) Outlawed checks	6,490,071	5,369,639	9,391,724	7,329,715	6,015,970
1822	(a) Outlawed checks - Lottery Fund 657	5,056	-	-	-	-
1822	(b) Outlawed checks - Alternative Care Trust Fund 905	12,348	3,598	17,439	2,620	3,850
1822	(c) Outlawed checks - Fund 881	-	-	3,184	-	-
1824	(y) Canceled checks	828,552	5,509,977	4,151,727	5,801,505	4,218,841
1824	(a) Canceled checks - Lottery Fund 657	-	-	38	19,368	32,995
1824	(b) Canceled checks - Alternative Care Trust Fund 905	5,369	1,030	173	2,880	-
1824	(c) Canceled checks - Fund 880	1,050	-	-	-	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
1824	(q) Canceled checks - Bingo Fund 289	122	-	-	-	-
1826	(m) Redeposit of investments principal	1,334,300	751,921	1,850,020	1,267,000	2,820,075
1826	(d) Redeposit of investments principal Pansy Johnson Trust Fund 963	-	-	-	5,000	-
1828	(o) Redeposit of loan principal	82,912,767	29,525,552	96,777,971	48,774,710	32,786,258
1830	Telephone commissions	2,579,215	1,939,388	2,951,377	2,220,545	2,191,590
1832	Commission on sales	89,641	51,746	36,385	42,918	33,051
1834	Rebates	33,964	1,593,777	3,248,923	3,186,878	2,657,841
1834	(a) Rebates - Lottery Fund 657	45	16	46	169	381
1834	(c) Rebates - Fund 880	-	-	-	3	26
1834	(cc) Rebates - WIC	-	28,832,678	32,459,831	33,432,384	36,203,754
1836	Housing and maintenance receipts	15,283	40,315	44,144	61,888	61,026
1838	Loan defaults	255,479	267,384	222,620	374,067	280,132
1840	(t) Loan proceeds	20,150,508	24,244,308	10,268,507	8,688,830	1,787,376
1842	(o) Loan repayment	54,691	82,059	83,583	92,404	94,639
1842	(c) Loan repayment - Fund 880	-	-	801	-	-
1842	(c) Loan repayment - Fund 881	-	22,586,729	29,430,674	22,088,262	28,090,069
1843	(o) Loans receivable contra account	2,686,402	6,589,491	5,367,701	18,300,256	12,156,376
1844	Insurance proceeds	63,308	42,945	3,148	5,295	7,089
1846	Capital credits/dividends	33,906	59,896	44,721	55,706	47,137
1848	Recycling receipts	119,446	43,785	76,608	130,338	135,281
1850	Forfeitures	1,837,745	2,201,018	2,437,245	2,071,385	1,989,974
1852	Overpayments	5,874,156	6,287,933	4,345,745	1,771,438	2,337,400
1852	(c) Overpayments - Fund 880	311	3,889	-	-	-
1856	(e) Other miscellaneous receipts - federal	6,826,201	4,093,602	2,774,771	6,886,042	5,063,853
1858	Other miscellaneous receipts - state	3,398,319	2,764,572	12,010,358	1,991,881	2,922,024
1858	(a) Other miscellaneous receipts - state - Lottery Fund 657	1,545	3,280	7,403	4,461	8,565
1858	(b) Other miscellaneous receipts - state - Alternative Care Trust Fund 905	11,032,949	11,188,245	10,964,014	10,260,864	10,698,732
1858	(c) Other miscellaneous receipts - Fund 880	8	-	-	-	-
1858	(c) Other miscellaneous receipts - Fund 881	129	-	-	-	-
1860	Other miscellaneous receipts - local/other	1,991,068	1,271,171	1,749,384	1,793,312	2,030,010
1860	(a) Other miscellaneous receipts - local/other - Lottery Fund 657	271,627	2,837,258	-	74,350	55
1860	(c) Other miscellaneous receipts - local/other - Fund 880	7,261	-	30	-	-
1860	(c) Other miscellaneous receipts - local/other - Fund 881	80	-	-	-	-
1862	Fees for copying public records	195,672	181,177	515,415	496,751	416,138
1862	(a) Fees for copying public records - Lottery Fund 657	141	257	173	473	85
1866	Federal share of grantee sales	99,370	238,952	232,667	100,649	326,931
1868	Receivable overpayment - federal	-	31	130	356	-
1870	Receivable overpayment - state	43,338	42,606	3,159	6,506	673
1872	Receivable overpayment - local	9	33	127	169	-
6001	(j) Supply sales	12,043	-	-	18	24,426
6002	(j) Open records fees	13,822	6,492	9,389	9,221	17,818
6003	(j) Fleet services operations/maintenance	962,764	933,189	998,046	991,562	1,115,253
6005	(j) Fleet services replacement	437,036	541,945	2,171,486	699,191	942,733
6006	(j) Criminal records check fees	-	-	1,035,216	2,081,767	1,955,861
6007	(j) Mail/freight services	686,679	600,956	567,986	613,666	479,607
6009	(j) Telephone billing	36,047,039	33,408,199	32,136,693	30,453,762	28,357,604
6011	(j) Printing service	6,791,086	5,829,079	5,954,992	5,994,738	5,818,290
6013	(j) Reimbursement/recovery cost	17,576,615	13,965,380	22,719,299	23,900,839	27,763,425
6013	(c) Reimbursement/recovery cost Fund 881	-	-	-	-	87,391
6015	(j) Leased facility	2,434,435	3,563,491	3,453,059	3,681,193	3,581,126
6017	(j) Sale of material, supplies, and services	1,367,801	1,024,985	1,136,437	991,081	960,872

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code		Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
6019	(j)	Training	1,339,632	957,246	1,129,212	1,104,409	1,101,498
6021	(j)	Computer services	23,894,805	26,125,428	23,342,866	24,494,010	23,672,220
6023	(j)	Administration services	3,505,263	1,311,389	1,069,786	1,414,446	1,208,365
6025	(j)	Flight operations services	457,041	373,308	463,883	397,374	303,007
6027	(j)	Sale of manufactured products	18,684,997	25,388,280	22,003,644	21,069,582	20,575,593
6029	(j)	Interagency receipts	22,948,344	20,853,813	17,651,535	19,048,175	20,626,666
6029	(c)	Interagency receipts - Fund 851	-	-	457	-	-
6029	(c)	Interagency receipts - Fund 880	1,707,624	950,619	1,096,663	1,058,766	-
6029	(c)	Interagency receipts - Fund 881	137,312	258,321	105,950	531,142	329,256
6030	(j)	Sampling &/or Analysis	-	-	24,130	34,774	21,999
6031	(s)	Redeposit of state funds	7,011,492	49,253	3,241	31,440	30,969
6032	(j)	Deposit of unclaimed property	185	3,722	312	-	250
6033	(j)	Permits	83,014	72,596	52,670	58,025	50,518
6034	(j)	Registration fees	15,516	24,885	23,784	36,100	59,786
6035	(j)	Taxes	16	173,958	2,283,087	1,541,530	1,360,109
6036	(j)	Transcript fees	-	-	3,937	6,848	5,205
		Total revenues	18,127,966,208	18,347,052,703	18,893,988,141	19,500,869,283	20,919,973,902
		Fund Exclusions:					
	(a)	Lottery - Fund 657	283,917,810	314,375,910	366,665,541	346,342,752	417,948,583
	(b)	Alternative Care Trust Fund - Fund 905	11,135,772	11,266,877	11,036,562	10,340,974	10,838,475
	(c)	Student Loan Funds 626, 851, 880, and 881	66,994,069	62,706,745	59,419,847	73,575,547	92,223,091
	(d)	Pansey-Johnson-Travis Memorial State Gardens Trust - Fund 963	1,918	1,760	1,652	6,507	2,030
		Revenue Source Exclusions:					
	(e)	Federal funds	6,137,150,379	6,669,855,197	6,867,222,534	7,289,320,981	7,412,473,472
	(f)	Proposition C sales and use tax/interest	709,382,490	704,112,027	732,649,103	757,578,980	781,199,192
	(g)	Proposition A gas tax and license fee increases	170,708,961	173,084,326	178,223,865	182,053,225	175,587,964
	(h)	Bond sales	413,049,331	398,337,310	262,829,539	3	370,196,052
	(i)	Refunds	206,448,980	232,468,478	270,314,372	347,736,051	428,129,456
	(j)	Interagency sales and receipts	137,258,133	135,158,341	138,231,448	138,622,309	140,002,232
	(k)	Soil and water sales and use tax/interest	37,065,716	36,493,236	37,776,751	39,133,900	40,614,148
	(l)	Parks sales and use tax/interest	36,709,317	36,215,514	37,557,571	38,773,670	39,886,973
	(m)	Redeposit of investment principal	1,334,300	751,921	1,850,020	1,267,000	2,820,075
	(n)	Outlawed checks	6,490,071	5,369,639	9,391,724	7,329,715	6,015,970
	(o)	Redeposit of loan principal	85,653,860	36,197,102	102,229,254	67,167,370	45,037,273
	(p)	Amendment 8 motor fuel tax to local governments (See item dd below)	146,965,204	149,130,374	153,771,103	157,079,820	-
	(q)	Bingo	3,414,691	3,352,994	2,996,554	2,798,154	2,578,717
	(r)	Riverboat gambling	266,285,860	285,567,097	304,335,470	324,937,164	342,122,934
	(s)	Redeposit of state funds	7,011,492	49,253	3,241	31,440	30,969
	(t)	Loan proceeds	20,150,508	24,244,308	10,268,507	8,688,830	1,787,376
	(u)	Conservation sales and use tax/interest	91,111,528	90,324,585	93,853,662	97,001,184	99,840,948
	(v)	State employee expense account reimbursement	52,957	20,118	23,669	37,760	38,964
	(w)	Recovery costs	187,032,686	181,232,299	163,653,275	158,226,200	147,510,945
	(x)	Cost reimbursements	130,286,367	159,290,863	156,150,526	134,894,125	145,757,334
	(y)	Canceled checks	828,552	5,509,977	4,151,727	5,801,505	4,218,841
	(z)	Local match	1,494,703	925,923	2,147,704	3,942,050	4,235,868
	(aa)	Proceeds of surplus property sales (Fund 710)	1,179,903	787,350	1,088,245	1,374,300	746,426
	(bb)	Intergovernmental transfer program	366,225,540	144,251,000	30,326,961	26,875,705	-
	(cc)	Department of Health WIC Rebates	-	28,832,678	32,459,831	33,432,384	36,203,754
	(dd)	Constitutional amendment No.3	-	-	-	-	385,172,035
		CMIA Interest payment to the federal government	1,883,460	881,304	726,910	420,661	1,223,951
		Agency remitted sales tax	455,808	448,461	456,704	416,977	425,485

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30, 2002	2003	2004	2005	2006
	Abandoned funds claim payments	14,090,452	13,011,897	18,739,655	19,432,004	19,462,594
	Federal Interest	-	-	643	13,523,913	16,232,810
	Coding Errors	-	-	97	-	
	Total exclusions	9,541,770,818	9,904,254,864	10,050,554,267	10,288,163,160	11,170,564,938
	Total revenues after exclusions	8,586,195,390	8,442,797,839	8,843,433,874	9,212,706,123	9,749,408,963
	Less expenditure refunds (Exhibit C)	(1,165,035,805)	(1,252,342,575)	(1,126,226,599)	(1,127,328,402)	(1,185,513,592)
	Add refundable tax credits:					
	Pharmaceutical	63,686,262	3,764,259	524,527	142,373	1,672
	Business facility	53,267	2,881,728	23,992	-	6,026,392
	Enterprise zone	210,268	204,766	123,464	347,009	14,969,750
	BUILD	1,237,548	1,222,799	2,336,876	4,301,069	10,204,348
	Strategic initiative investment income	2,000,000	2,000,000	1,065,718	-	-
	Higher Education Scholarship Fund	-	4,532	-	-	-
	Total State Revenue	$ 7,488,346,930	7,200,533,348	7,721,281,852	8,090,168,172	8,595,097,533

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF EXPENDITURE REFUNDS

Object Code	Description	Year Ended June 30, 2002	2003	2004	2005	2006
	SAM II Expenditure Refunds:					
3200	Bond refunds	$ 2,362,690	2,134,818	2,290,607	3,214,409	3,174,790
3206	Deposit and escrow refunds	39,506	30,245	127,838	98,848	82,239
3209	Tax Increment Financing	300	-	-	-	-
3212	Federal Share Grantee Salary refunds	-	-	-	836	-
3213	Tax credit debt offset	-	-	-	-	192,267
3215	Debt offset refunds	6,503,824	9,013,469	6,582,994	6,269,213	7,196,032
3218	Motor vehicle license fee refunds	1,266,043	822,388	1,137,842	1,401,820	1,528,907
3221	Driver's license fee refunds	95,060	81,611	77,982	78,359	76,197
3227	License and permit fee refunds	145,279	133,055	84,732	160,866	187,184
3230	Registration fee refunds	48,932	32,881	7,622	16,984	13,786
3233	Regulatory fee refunds	40,860	58,540	45,944	237,543	16,421
3236	Inspection fee refunds	39,997	41,255	40,532	40,125	46,058
3239	Miscellaneous fee refunds	289,610	227,735	294,700	594,262	386,883
3242	Sales refunds	11,447	23,452	27,829	9,887	36,158
3245	Lease and rentals refunds	1,181	831	1,858	2,847	5,226
3248	Medical services refunds	444,748	1,754,840	1,876,972	2,571,969	2,855,085
3251	Contributions refunds	2,084	-	-	104,883	50
3254	Federal refunds	113,100	108,307	529,557	1,101,919	1,600,014
3257	Penalty and court award refunds	2,717	11,281	38,456	168,547	26,054
3260	Interagency billing refunds	-	-	150	-	-
3261	Receivable overpayment refunds	31,424	23,058	141,205	10,962	46,188
3266	Missouri consolidated check off refunds	124,171	134,732	124,184	165,968	200,356
3267	Deferred revenue refunds	2,098,000	3,191,677	1,753,349	1,092,357	3,463,708
3269	Other refunds	2,812,240	43,296,930	1,778,662	1,708,679	903,385
3272	Sales and use tax protested refunds	10,713,486	114,220	391,490	37,141	156,832
3281	County foreign insurance tax refunds	9,730,261	38,961,200	24,125,058	15,863,307	14,468,499
3287	Worker's compensation insurance tax refunds	526,203	339,757	1,685,755	392,963	150,375
3290	Worker's compensation second injury insurance tax refunds	700,725	505,253	9,944	9,732	-
3293	Cigarette tax refunds	362,140	39,043	141,494	83,251	44,675
3296	Tobacco products tax refunds	1,066	1,031	9,302	100	3,819
3299	Aviation fuel tax refunds	157,965	57,536	52,827	68,327	25,172
3305	Special fuel (non-gas) tax refunds	24,090,962	24,444,448	25,536,357	30,388,502	29,996,843
3308	Fuel tax refunds	9,416,120	9,620,045	9,611,080	9,765,264	9,522,282
3311	Sales Tax refunds	35	164	5	44	48
3314	Food tax exemption refund	647	-	85,626	-	-
3317	General sales and use tax refunds	55,499,871	61,234,948	59,927,094	44,966,016	31,494,255
3326	Motor vehicle sales tax refunds	4,484,684	4,519,185	4,721,452	4,291,710	4,179,140
3329	Motor vehicle use tax refunds	900,698	868,913	961,458	1,002,748	983,801
3335	Boat tax refunds	7,879	5,436	6,645	7,257	6,720
3338	Individual tax refunds	705,921,126	771,972,675	763,201,964	752,279,117	773,108,237
3341	Senior citizens tax refunds	85,901,461	97,180,379	95,237,087	99,101,427	96,090,703
3342	Pharmacuetical tax refunds	63,686,262	3,737,102	524,527	496,516	1,672
3344	Corporation tax refunds	159,407,259	171,098,592	116,499,019	144,879,893	195,549,284
3347	Franchise tax refunds	14,133,414	3,467,003	460,301	691,213	6,435,586
3350	Inheritance tax refunds	2,845,993	3,054,540	5,458,449	2,816,253	930,022
3356	Other tax refunds	74,335	-	616,650	1,136,338	328,639
	Total SAM II Expenditure Refunds	$ 1,165,035,805	1,252,342,575	1,126,226,599	1,127,328,402	1,185,513,592

BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 20XX	= TSR in FY 1981 / CY 1979 Missouri personal income (MPI) x	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.

The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows (dollar amounts are in billions):

$$\frac{\$2{,}232.204096}{\$\ \ 39{,}581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted,". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo, which was effective on July 1, 1981. In past years, the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. However, the Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

B. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo. The Department of Social Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

C. State Guaranty Student Loan Funds

Federal legislation passed in 1997 made changes in the accounting required for federal education loans. Starting in federal fiscal year 1998, the federal government considers all monies in these funds as property of the federal government or guaranty agency. As a result, the state excludes these funds held in trust.

D. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

E. Federal Funds

Article X, Section 17 of the constitution specifically excludes federal funds.

F. Proposition C Sales and Use Tax\Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16 of the constitution, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

G. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded. Also, see item **DD** below.

H. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

I. Refunds

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.

J. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.

K. Soil and Water Sales and Use Tax\Interest
and
L. Parks Sales and Use Tax\Interest

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) of the constitution states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

M. Redeposit of Investment Principal

The redeposit of investment principal is excluded.

N. Outlawed Checks

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

O. Redeposit of Loan Principal

Redeposits of loan principal are excluded.

P. Amendment 8 Motor Fuel Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a) of the constitution which revised the apportionment of the motor fuel tax. In addition, the

amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded. Also see item **DD** below.

Q. Bingo

The August 1992 amendment to Article III, Section 39(d) of the constitution related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo, requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

R. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) of the constitution and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee payable to the state is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR. The remaining one dollar portion of the two dollar admission fee is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

S. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

T. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

U. Conservation Sales and Use Tax/Interest

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eight of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

V. State Employee Expense Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc. for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

W. Recovery Costs

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

X. Cost Reimbursements

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Regarding items W. and X., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue.

Y. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

Z. Local Match

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

AA. Proceeds of Surplus Property Sales

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then they are disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

BB. Intergovernmental Transfer Program

Starting in fiscal year 2001, the state participated in the Medicaid intergovernmental transfer (IGT) program. Under the IGT program the state was able to receive additional federal Medicaid matching funds based on enhanced payments to some government operated health care providers. The state made the enhanced payments to the providers and, after the state claimed the federal matching funds, the providers returned the enhanced payments to the state. Because these funds were simply returned to the state, similar to a refund, they are excluded from TSR.

CC. WIC Rebates

The Department of Health and Senior Services (DHSS) issues food instruments for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to program participants who use them to obtain formula at participating grocery stores and pharmacies. The participating grocery stores and pharmacies then redeem the food instruments. The food instruments are processed through the Federal Reserve System and the WIC program is charged for the food instruments presented. The DHSS records the redeemed food instruments and sends a monthly invoice to Mead Johnson who then rebates the federal monies to the state.

DD. Amendment 3 Revenue Derived From Highway Users

In November 2004, the voters approved an amendment to Article IV, Sections 29 and 30(a) through 30(c) and added Section 30(d) of the constitution, effective July 1, 2005.

Section 30(a) provides for the apportionment and distribution of net proceeds of motor fuel tax. This section further provides that, "...The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of "total state revenues"...".

Motor vehicle fuel tax monies distributed to local governments excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **P** above)

Section 30(b) provides for the use and distribution of revenue derived from highway users as an incident to their use or right to use the highways of the state (including all state license fees and taxes on motor vehicles, trailers and motor vehicle fuels and excepting sales tax on motor vehicles and trailers which are not distributed to the state road fund). This section further provides that, "...The moneys apportioned or distributed under this section to the state

road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of "total state revenues"...".

As a result, motor vehicle sales tax and special fuel non-gas tax, and fees from motor vehicle licenses or permits, interstate transportation licenses or permits, driver's licenses or permits, overdimension/overweight permits, other licenses and permits, and non-motor fuel decals credited to the State Road Fund, State Road Bond Fund, and/or State Transportation Fund are excluded from TSR.

The increase in interstate transportation license or permits for certain motor vehicles excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **G** above)

Sections 29, 30(c), and 30(d) have no apparent Hancock implications.

Cash Management Improvement Act

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

Abandoned Funds Claim Payments

Under Section 447.543, RSMo, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

Agency Remitted Sales Tax

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

Expenditure Refunds

According to Article X, Section 17(1) of the constitution, total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

Tobacco Master Settlement Agreement Proceeds

The OA-BP has excluded $133,078,222 received from tobacco companies during fiscal year 2006. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001 and future payments from tobacco companies extend in perpetuity. The payment received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. Payments for fiscal years 2001 through 2005 were as follows:

Fiscal Year	Amount
2001	$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644

The amounts received were coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, *"all monies received from others for costs incurred or to be incurred by the state."* The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. In our audit for 2001, we reviewed three extensive research projects conducted by experts. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs from past years prior to 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking. These three research projects showed that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, in our 2001 report we concluded it was proper for the OA-BP to exclude the amounts received from the tobacco companies as a recovery cost.

A study, "Tobacco Damages to the State of Missouri" by Glenn W. Harrison, was commissioned by the Missouri Attorney General's Office for use in a lawsuit against tobacco companies filed May 12, 1997. This lawsuit was dropped because Missouri joined a consortium of states in December 1998, in the Master Settlement Agreement with the tobacco companies. As a result, the Harrison study was not fully completed. However, the draft report provided an estimate of Medicaid costs attributable to smoking for 1970 through 2007 and an estimate of state employee health care costs attributable to smoking for 1970 through 1997. This study estimates that state costs attributable to smoking were higher than the amount the state received.

Compliance with Article X, Section 18(e)

Article X, Section 18(e) of the constitution imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than $50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. For fiscal year 2006, the OA-BP calculated these limits at $81 million for the Missouri Personal Income amount and $77.2 million for the one percent of total state revenues amount.

For fiscal year 2006, the OA-BP has determined the net tax and fee increases as a result of legislative actions totaled ($22.1) million, which were less than the limits noted above. As a result, it appears the state complied with Article X, Section 18(e).

APPENDIX

ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

(1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.

(2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.

(3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.
(a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual

returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e). **Voter approval required for taxes or fees, when, exceptions--compliance procedure.**

1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after May 2, 1996, that increase the rate of an existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the

taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.
(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations. Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivision shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive--self-enforceability.
(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).

Susan Montee, CPA
Missouri State Auditor

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Elementary and Secondary Education

First Steps Program

Report no. 2007-01

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YELLOW SHEET

Improvements Needed In Management of Program to Improve Services

The Department of Elementary and Secondary Education (DESE) spent approximately $23 million on the First Steps program (program) during fiscal year 2006. The program's primary objective is to enhance the development of infants and toddlers up to 3 years old with developmental disabilities. We focused audit efforts on determining whether (1) DESE has limited children's access to the program; (2) improvements are needed in evaluating children's needs; (3) children have received needed services; (4) cases have been adequately serviced by coordinators; (5) DESE addressed intake delays, potential overbilling by independent service coordinators, and other oversight issues; (6) opportunities exist to reduce program costs; and (7) total costs of the program have been identified. DESE contracts the responsibility of program implementation out to 10 regional agencies called System Points of Entry (SPOE).

Eligibility criteria among the nation's most restrictive	Missouri is one of only three states which require a minimum of a 50 percent delay in one developmental area to be eligible for early intervention services. All other states have broader eligibility criteria, or have a reduced criteria for children with delays in multiple developmental areas. As a result, some children have not received needed services and utilization and costs of DESE's Early Childhood Special Education program may have increased. (See page 10)
Improvements could be made in evaluating children's needs	Improvements could be made in evaluations of developmentally delayed children through the use of a multidisciplinary team approach. This approach has not been fully implemented because of financial concerns of independent providers. Providers have been concerned about inadequate pay rates and a contract stipulation that providers performing a child's evaluation would not be allowed to perform ongoing services for that child. (See page 13)
Some children not receiving all needed services	Some eligible children did not receive all needed services, or received services at a reduced level, because of a shortage of providers. This situation has occurred because of inadequate provider pay rates, the lack of reimbursement for travel, and the SPOEs' inability to secure local funding to supplement provider pay. (See page 15)
Coordinators have difficulty servicing cases adequately	Coordinators at program offices reviewed could not devote adequate time to most clients and, as a result, service to clients suffered because of heavy caseloads. Coordinators have experienced heavy caseloads because (1) DESE underestimated coordinator workload in its request for proposal process, (2) the lack of providers created inefficiencies, and (3) data system issues have existed. (See page 19)
Delays, potential overbilling, and documentation issues addressed	With DESE's implementation of new SPOE contracts in February 2006 and resulting changes made in the delivery of services by intake and service coordinators, client intake delays have been reduced through redistribution of the intake workload. In addition, SPOEs have been required to employ service coordinators and are responsible for supervising them which has eliminated potential overbilling and resulted in improved documentation of cases. (See page 22)

Consultant contract not cost-effective	In 2004, DESE entered into a 3-year, $1.21 million contract for regional "consultant" positions, which provide guidance and technical assistance to the SPOEs. However, if DESE had employed the consultants, the services would have cost DESE approximately $860,000 over the same time period—a 3-year savings of $350,000. (See page 27)
Total funding not known	DESE spent $23 million on the program during fiscal year 2006. However, this amount did not include Department of Mental Health expenditures on the program. Mental Health personnel have not tracked program expenditures because they have not been required to do so. Mental Health officials estimated the department incurred approximately $1 million in expenditures for the program during fiscal year 2006. (See page 28)

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Abbreviations

CFR	Code of Federal Regulations
DESE	Department of Elementary and Secondary Education
IFSP	Individualized Family Service Plan
NPA	No Provider Available
RSMo	Missouri Revised Statutes
SPOE	System Point of Entry

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Missouri State Auditor

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and
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The Department of Elementary and Secondary Education (DESE) spent approximately $23 million during fiscal year 2006 on the First Steps program (program). The department oversees the program under the federal Individuals with Disabilities Education Act. The primary objective of the program is to enhance the delayed development of infants and toddlers up to 3 years old with developmental disabilities. Because of the importance of the program, we focused audit efforts on determining whether (1) DESE has limited children's access to the program; (2) improvements are needed in evaluating children's needs; (3) children have received needed services; (4) cases have been adequately serviced by coordinators; (5) DESE addressed intake delays, potential overbilling by independent service coordinators, and other oversight issues; (6) opportunities exist to reduce program costs; and (7) total costs of the program have been identified.

We found the department has limited children's access to the program by establishing eligibility criteria more restrictive than most states. To control program costs and serve children with more significant disabilities, DESE has required children to be developmentally delayed by 50 percent. As a result, some children under the age of 3 have not had access to the program which may cause increased usage and cost of special education programs for children 3 years and older. Improvements are also needed in assessing developmental needs of children because most program offices have not implemented a multidisciplinary team approach to evaluating developmentally delayed children because of financial concerns of providers. Using a multidisciplinary team approach would allow for the coordination of evaluations and the delivery of services to children. We also found some eligible children either had not received all needed services or had received reduced services because of shortages of providers brought about, in part, because of low pay rates, the lack of adequate mileage reimbursement, and the lack of local funding to supplement provider pay. Coordinators have had difficulty servicing cases adequately because DESE underestimated the service coordinator workload at program offices, providers have not always been available, and inadequacies associated with DESE's data system.

Program changes made by the department in 2004 and 2006 addressed several issues when it realigned program offices and issued new contracts. DESE addressed most workload issues related to delays in the intake process of children by redistributing that workload to all coordinators. DESE also addressed oversight issues related to independent service coordinators. We found from 2002 until early 2006, the potential existed for contracted service coordinators to bill for services not provided, and the lack of case documentation at some program office locations made it difficult to determine what, if anything, service coordinators had done for families. This situation occurred, in part, because service coordinators received little, if any, supervision by DESE. Program changes made by the department eliminated the potential for overbilling by making service coordinators employees of the program offices.

We also found opportunities exist to reduce program costs by employing "consultants" that advise regional program offices instead of contracting for their services. In addition, program costs have been under reported because expenditures of approximately $1 million a year incurred by the Department of Mental Health have not been reported by DESE.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel and key contributors included Robert Spence, Bobby Showers, Amy Ames and Laura Lasher.

Susan Montee, CPA
State Auditor

Introduction

The First Steps program (program) is an interagency system of early intervention services for children under the age of three with developmental delays or that have a diagnosed condition known to contribute or to cause developmental disabilities. The purpose of the program is to build a family's capacity to manage its needs related to enhancing a child's development, as well as meeting the developmental needs of infants/toddlers with disabilities.

Program Requirements

The program is governed by Part C of the federal Individuals with Disabilities Education Act and receives federal and state funding to implement the program. With this federal funding comes federal regulations which the state system must operate under. Program eligibility criteria are left up to the individual states.

To be eligible for Missouri's First Steps program a child must be between the ages of birth and 36 months and be determined to have either:

- A diagnosed physical or mental condition associated with developmental disabilities or has a high probability of resulting in a developmental delay or disability. Some examples of such conditions listed in state regulations include, but are not limited to, very low birth weight, Down Syndrome, Spina Bifida, Cerebral Palsy and Autism.

- A developmental delay, as measured by appropriate diagnostic measures and procedures, in which a child is determined to be functioning at 50 percent of the developmental level that would be expected for a child developing within normal limits and of equal age. The delay must be identified in one or more of the following areas:

  - cognitive development
  - communication development
  - adaptive development
  - physical development, including vision and hearing
  - social or emotional development

Children are referred to the program from a variety of sources. The majority of referrals come from parents that can be referred to the program by pediatricians. The Parents as Teachers program and hospital nurseries also refer a significant number of children. The number of children referred to the program and found eligible has decreased in recent years. Table 1.1

depicts referrals and the number of Individualized Family Service Plans (IFSP) for fiscal years 2004 through 2006.[1]

Table 1.1: Child Count Data - Fiscal Years 2004 through 2006

	2004	2005	2006
Referrals	6,065	5,310	5,152
IFSPs	3,004	2,837	2,563
Percent Eligible	49.5	53.4	49.8

Source: DESE child count data.

As shown above, approximately 50 percent of children referred to the program had IFSPs prepared.

DESE partners with Mental Health

The Department of Elementary and Secondary Education (DESE) has served as the lead agency since creation of the program in 1994. The Departments of Mental Health, Health and Senior Services, and Social Services had been involved with service coordination and program implementation until redesign of the program in 2000 and 2001. Since the redesign, Mental Health is the only other state department involved in the delivery of these services.

DESE has executed an annual inter-agency agreement with the Department of Mental Health. The departments have agreed to maximize resources, reduce duplication of services and to provide a statewide system of early intervention services that is coordinated, comprehensive and multidisciplinary in nature. Per the agreement, Mental Health is to maintain staff to perform ongoing service coordination of 40 percent of ongoing cases. Children who will likely require long-term Mental Health services, such as children with Down Syndrome or Autism, are transferred to Mental Health coordinators when possible.

Program implementation duties are contracted out

DESE contracts the responsibility of program implementation out to 10 regional agencies called System Points of Entry (SPOE). (See Appendix I for a map of the regions.) SPOEs contracts are competitively selected through the Office of Administration's Division of Purchasing and Materials Management. According to DESE's request for proposal document, SPOEs are responsible for facilitating the referral, eligibility, and service coordination for the child and family and ensuring that needed early intervention services are available and accessible throughout their defined region. In addition, the SPOE is required to maintain child records and enter

[1] Referral and IFSP data prior to fiscal year 2004 were not reliable for report purposes.

data into the child data system. The SPOE is required to employ a DESE-defined number of service coordinators to serve children and their families and ensure families receive appropriate levels of service.

Children are evaluated and, if eligible, receive ongoing services from independent service providers. The most common services include speech and language therapy, physical therapy, occupational therapy and special instruction. Service providers are not required to provide services to specific regions or populations, but must be enrolled with the program in order to bill for any services provided. They are paid on a per-service basis.

Program revenue and expenditures

Program expenditures increased from $19.2 million in fiscal year 2002 to $25.5 million in fiscal year 2005, a 33 percent increase. For fiscal year 2006 expenditures declined approximately $2.6 million, or 10 percent. The state's contribution to the program increased 42 percent from fiscal year 2002 to 2006. Table 1.2 depicts program revenues and expenditures for fiscal years 2002 through 2006. Unspent revenues are carried forward for use in future periods, with state funds being expended first and federal funds being carried forward. A detailed schedule of revenues and expenditures is included in Appendix II.

Table 1.2: Revenues and Expenditures - Fiscal Years 2002 through 2006

	2002	2003	2004	2005	2006
Revenues					
State	$ 9,807,481	8,468,992	15,576,538	15,455,632	13,909,096
Federal	9,760,407	12,253,391	9,957,967	11,391,718	10,805,807
Total Revenues	$ 19,567,888	20,722,383	25,534,505	26,847,350	24,714,903
Total Expenditures	$ 19,187,011	21,245,912	24,018,819	25,521,381	22,874,285
Cost Per Child[1]	$ 6,522	6,207	6,972	7,560	7,391

[1] Cost per eligible child calculated using the December 1 IFSP number reported to the federal Office of Special Education Programs.

Source: DESE financial records.

Table 1.2 also shows the cost per child increased $869 per child, or 13.3 percent from fiscal year 2002 to 2006.

Families of participating children now required to contribute to program

The passage of Senate Bill 500 in 2005 included a provision to require DESE to bill a portion of the program cost to the families of eligible children, using a sliding scale based on income. The family cost participation provisions of Senate Bill 500 also requires DESE to bill private insurance for participating children. The revenue generated from these provisions are placed in the First Steps Fund and may only be used for the program.

Scope and Methodology

We conducted work at DESE, Mental Health, and five SPOE offices and interviewed knowledgeable officials and personnel at those locations. We also reviewed relevant program data and documentation to accomplish review objectives.

To determine whether (1) SPOEs had complied with federal regulations requiring the intake process be completed within 45 days and required family meetings had been held, (2) eligibility had been determined appropriately, (3) the IFSP had been supported by proper evaluations and assessments, (4) service coordinators had proper qualifications, and (5) coordinators had adequately documented case files with case notes, evaluation documents, and other documentation, we reviewed a total of 101 cases at the 5 SPOEs reviewed. We randomly selected the cases from a listing of cases provided by DESE's contracted data service provider. Referrals to the program occurred between July 1, 2004 and May 30, 2006 for selected cases.

We selected five SPOE offices for review based on geographic location, performance data and other factors to obtain a varied sample of cases and program perspectives. We conducted site visits from June through August 2006. Table 1.3 depicts the five SPOE offices reviewed along with information on children served and cases reviewed.

Table 1.3: SPOE Locations Visited

SPOE	Location	Children Served[1]	Cases Reviewed
Greater St. Louis	St. Charles and St. Louis City	450	25
Northeast	Mexico	160	16
Central	Sedalia	190	15
Kansas City	Independence	442	25
South Central	Springfield	288	20
Total		1,530	101

[1] Represents the combined (intake and ongoing) caseload the SPOE had at the time of our visit.

Source: DESE.

SPOEs reviewed serviced approximately 51 percent of the children served by the program for the 12 months ended April 30, 2006, according to DESE data.

To determine the adequacy of program operations and controls, we also interviewed 39 service coordinators, 17 service providers, 6 SPOE directors, 5 additional SPOE administrators, and 4 Department of Mental Health supervisors.

To determine the accuracy of the electronic case file system, we verified selected data in cases to the information in the electronic case file system. While we found some errors, the errors did not render the data unreliable.

We requested comments on a draft of our report from the Commissioner, Department of Elementary and Secondary Education and have included them in this report. We conducted audit work between April 2006 and October 2006.

Restricting Access to First Steps Program May Increase Demand on Other Programs

Not all children needing First Steps services have had access to the program. This situation has occurred because DESE has been more restrictive than most states in establishing eligibility criteria for the First Steps program in an attempt to limit the costs of the program and to target the more disabled children. As a result, some children have not received needed services and utilization of DESE's Early Childhood Special Education (special education) program may have increased.

Eligibility Criteria Among the Nation's Most Restrictive

Missouri is one of only three states which require a minimum of a 50 percent delay in one developmental area to be eligible for early intervention services. All other states have lower eligibility criteria, or have a reduced criteria for children with delays in multiple developmental areas.[2] For example, in Kansas a child would be eligible for early intervention services with a 25 percent or more delay in one developmental area, or a 20 percent or more delay in two developmental areas. Missouri ranks 45th nationally in the percentage of children served to age three, at 1.53 percent, according to federal special education data. This compares to the national average of 2.51 percent of children served.

Missouri's eligibility criteria are not statutorily defined and are within DESE's control to establish. However, according to department officials, the eligibility criteria has remained restrictive for budgetary reasons. In discussing a draft of this report on December 5, 2006, DESE officials also stated the department has chosen to serve more severely disabled children and not those at lesser risk of developmental delay. In addition, the officials stated Missouri's strong Parents as Teachers program has also been available to serve children from birth to three years old.

Restrictive criteria may contribute to special education usage and funding increases

DESE's special education program provides services to children 3 to 5 years old. Once children reach age 3, they must go through an eligibility process to determine eligibility for the special education program. Special education expenditures for fiscal year 2006 totaled $115 million, and have increased 54 percent, or an average of 9.2 percent per year, since fiscal year 2001. Of the $115 million total, $96 million is General Revenue funding. The number of children served, approximately 10,900, has also increased a total of 21 percent, an average of 4 percent per year, since 2001.

First Steps' eligibility criteria is more restrictive than special education's broader eligibility criteria, which is a contributing factor to special education enrollment increases, according to a National Early Childhood

[2] Twenty states have reduced eligibility criteria for children with delays in multiple developmental areas.

Technical Assistance Center[3] official. For example, as December 1, 2005, the First Steps program served 3,400 children compared to DESE's special education program, which served approximately 11,000 children, according to DESE data. While it is impossible to quantify the potential impact of serving more children under First Steps, research has associated positive cost-benefit returns with quality early intervention programs, according to National Early Childhood Technical Assistance Center officials.

Broader eligibility criteria could result in fewer children being eligible for special education programs

According to a National Early Childhood Technical Assistance Center official, restrictive eligibility criteria results in children with known delays waiting until delays become significant before they can receive services, or waiting until age 3 to become eligible for special education services.

Our analysis of fiscal year 2005 national special education data showed states which have broad early intervention program eligibility criteria have fewer of the children they serve transition into special education programs. States with broad eligibility averaged 38 percent of the children completing early intervention programs determined to be eligible for special education programs, according to the federal Office of Special Education Programs. However, those states with narrow eligibility averaged 50 percent of the children completing early intervention programs being determined eligible for special education programs. Missouri averaged 56 percent during this period.

Eligibility criteria not consistent with federal program goals

DESE has been allowed to establish program eligibility criteria under federal regulations. However, DESE's restrictiveness has not been consistent with Section 631(a)(2) of the federal Individuals with Disabilities Education Act, which states one of the purposes of Part C funding is "to reduce the educational costs to our society, including our Nation's schools, by minimizing the need for special education and related services after infants and toddlers with disabilities reach school age."

Impact of early childhood education programs not known

DESE officials stated they did not believe broadening eligibility criteria would result in reducing the number of children served in the special education program or result in cost savings. However, until fiscal year 2006, DESE did not have the means to evaluate program results or potential changes to the program. During 2006, DESE initiated a student identification program which will allow it to collect data and measure the effectiveness of the First Steps program and the special education programs.

[3] The National Early Childhood Technical Assistance Center is contracted by the federal Office of Special Education Programs to provide technical assistance and support to state early intervention programs.

Conclusions

DESE's decision to limit access to the program may increase participation and program costs in its Early Childhood Special Education program. Early childhood research has shown the sooner early intervention services are provided, the greater the potential benefits. Broader eligibility criteria would allow the program to provide more services to children with known developmental delays at an early age before delays possibly become more severe. By serving more children sooner, DESE may be able to reduce the number of children requiring services in its special education program. DESE could potentially use surplus funds, carried over from prior periods, to support this effort. DESE's initiation of a child identification system should allow it to measure the effectiveness of early childhood education programs. This data should be used in performing a cost-benefit analysis which would allow DESE to determine the feasibility of broadening eligibility criteria for the program and possibly reduce usage and costs of the Early Childhood Special Education program.

Recommendation

We recommend the Commissioner, Department of Elementary and Secondary Education:

2.1 Collect and analyze child identification data and use it as input in conducting an analysis to determine both the social and financial impact of broadening eligibility criteria for the program.

Agency Comments

2.1 The Department concurs with this recommendation and will conduct a cost and social benefit analysis in the next fiscal year to determine the impact of broadening eligibility criteria for the program.

Improvements Needed In Management of Program to Improve Services

Improvements are needed in the management of the program. Improvements could be made in evaluations of developmentally delayed children through the use of a multidisciplinary team approach. This approach has not been fully implemented because of financial concerns of providers. Also, some children eligible for the program did not receive all needed services or received reduced services. This situation occurred because of a shortage of providers in the state brought about, in part, because of low pay rates, lack of mileage reimbursement, and a lack of local funding to supplement provider pay. Coordinators also had difficulty in adequately servicing cases because DESE underestimated coordinator workload, providers have not always been available, and problems existed with DESE's data system.

DESE addressed several issues when it realigned the SPOEs and issued new contracts. DESE addressed most workload issues related to delays in the intake process of children by redistributing that workload to all coordinators. DESE also addressed oversight issues related to independent service coordinators. From 2002 until early 2006, the potential existed for independent service coordinators to bill for services not provided. This situation occurred, in part, because service coordinators received little, if any, supervision. DESE addressed this problem by requiring SPOEs to employ service coordinators.

Improvements Could Be Made In Evaluating Children's Needs

DESE has directed SPOEs designate certain providers as evaluation and assessment team members. However, most SPOEs have been unable to implement the team approach because of financial concerns of providers. Providers have been concerned about inadequate pay rates and DESE's stipulation that providers performing a child's evaluation would not be allowed to perform ongoing services for that child, according to providers, SPOE personnel and DESE officials.

Evaluations have been performed by independent providers of various disciplines, however, not using a team approach in evaluating children and collaborating in the formation of service plans conflicts with recommendations by experts in the field of early intervention and federal regulations which require states to ensure a "timely, comprehensive, multidisciplinary evaluation of the functioning of each infant or toddler with a disability in the State."

Current process not always coordinated

Evaluation and assessment services are provided by a network of independent service providers, some of which work for provider agencies, that are compensated by DESE on a per-service basis. The existing system has allowed providers from various disciplines to perform evaluations, however, due to providers being independent of one another, a true

multidisciplinary approach has not been implemented, according to a SPOE administrator.

The multidisciplinary approach would require a team of providers, representing different expertise, to jointly evaluate a child. This approach would allow a coordinated approach to evaluating the child and deciding the extent of services to be provided. Under the current approach, one or more providers may separately evaluate a child and recommend treatment without the benefit of other provider input, according to providers interviewed.

Providers have lacked financial incentives

It has not been financially feasible for providers to become part of an evaluation and assessment team because the amount reimbursed for performing an evaluation has not been adequate, according to providers. Providers are currently reimbursed for evaluation time spent in the home up to a maximum of two and a half hours. According to a provider agency official, her agency typically bills 2 hours for each evaluation, and receives a $100 reimbursement. However, this official estimated this reimbursement only covered approximately half of the actual time it takes to complete the evaluation. The time required to set up appointments, travel to and from clients, and prepare evaluation reports, can not be billed to DESE, according to the provider agency official. Providers also stated it would not be financially feasible for providers to forgo providing ongoing services to children because of the loss of income.

DESE contracted with a consultant firm as part of its redesign efforts in 2000 and 2001, and those efforts included a review of the First Steps pay structure. The consultant recommended DESE increase the reimbursement to $230 per evaluation, which represented an 84 percent increase over the maximum allowable evaluation reimbursement. However, a rate increase has not been possible due to budgetary concerns, according to a DESE official.

Springfield SPOE has benefited using evaluation team approach

Review efforts at five SPOEs disclosed the South Central SPOE in Springfield has successfully implemented the multidisciplinary team approach for evaluations and assessments. The SPOE has contracted with an area provider agency to perform program evaluation duties on a part-time basis. According to a SPOE official, the establishment of the evaluation and assessment team has enabled the SPOE to process referrals and intake cases more efficiently. This approach has allowed service coordinators to spend less time searching for providers to conduct evaluations and more time serving ongoing caseloads. In addition, the team approach has allowed for increased service delivery efficiency and increased continuity and quality of care, according to an official of the provider agency.

The arrangement in Springfield is unique and is made possible by the SPOE's use of local Senate Bill 40 funds[4] to subsidize the contract with the provider agency. The per-service reimbursement the agency receives from DESE for the evaluation services is not sufficient to cover the cost of employing the half-time providers needed to perform the services, according to provider agency officials. Without the SPOE subsidizing the agency with local funds, the provider agency could not perform the service. The officials stated even with the SPOE subsidy, they are losing money by providing First Steps evaluation services.

DESE recognized benefits and has eased stipulation

DESE established a stipulation that providers performing a child's evaluation would not be allowed to perform ongoing services for that child. DESE wanted to avoid conflicts of interest that could have occurred when evaluating providers recommended ongoing services for a child and provided those services on a fee-per-service basis, according to DESE officials. However, DESE officials have recognized the benefits of the implementation of the Springfield evaluation and assessment team and have eased the stipulation that evaluators cannot provide ongoing services. As of August 2006, DESE allows this practice when no other provider is available to provide the ongoing services.

Other states have implemented the team model

State officials with the Texas and Kansas early intervention programs told us they have implemented team models which require contractors to employ or contract for services. The Texas official stated the majority of contractors directly employ a core group of providers, including a physical therapist, occupational therapist, speech and language pathologist, and a position similar to a special instructor to take part in the evaluation process. This team approach helps ensure consistency and efficiency in the evaluation process, according to the official.

Some Children Not Receiving All Needed Services

Program data, case reviews, and discussions with providers and SPOE personnel disclosed some eligible children did not receive all needed services, or received services at a reduced level, because of a shortage of providers. While the lack of providers has been more significant in rural areas of the state, metropolitan areas such as Columbia and Springfield reported shortages in various types of services. This situation has occurred because of inadequate provider pay rates, the lack of reimbursement for travel, and a lack of local funding to supplement provider pay.

[4] Senate Bill 40 funds represent local funds generated through property taxes and governed by a local board of directors. Funds are to be used for the care and employment of developmentally delayed persons.

As required by state law,[5] SPOE contracts contain a clause making it the responsibility of the SPOE to ensure services are available to all eligible children in the SPOE's region. Federal program guidance[6] also requires states receiving program funds have a plan which "ensures that appropriate early intervention services are available to all infants and toddlers with disabilities and their families."

Some children go without needed services or receive reduced services

According to service authorization data, DESE recorded 676 no provider available (NPA) authorizations for the program during fiscal year 2006. This number represents 676 services which had been authorized by a child's IFSP team that had not been immediately provided because no providers had been available to provide the service.[7] See Table 3.1 for SPOE region breakdown of NPA authorizations.

Table 3.1: SPOE Breakdown of NPA Authorizations

SPOE Region	NPA Authorizations	Total Authorizations	NPAs as a Percentage of Total
Greater St. Louis	6	4,418	0.1
St. Louis County	2	5,697	0.0
Northeast	69	1,556	4.4
Northwest	42	2,033	2.1
Kansas City	93	5,003	1.9
Central	76	2,721	2.8
Southwest	107	2,240	4.8
South Central	113	5,518	2.0
East Central	99	4,248	2.3
Southeast	69	1,649	4.2
Total	676	35,083	1.9

Source: DESE authorization data for fiscal year 2006.

Discussions with service coordinators disclosed there have been other instances where, due to the lack of provider availability, a child is receiving services at a lower frequency than agreed on by an IFSP team. In addition, other children have been required to forgo receiving some services in their natural environment, i.e., at home, as suggested in federal regulations, and travel to provider offices to receive services because of the non-availability of providers, according to the service coordinators.

[5] Section 160.915, RSMo.

[6] Section 635(a)(2), of the Individuals With Disabilities Education Act, Part C.

[7] Services may have been obtained at a later date.

Low provider pay, inadequate travel reimbursement, and lack of local funding has contributed to provider shortage

Discussions with service providers disclosed a shortage of providers has existed, in part, because of inadequate provider pay rates. For example, one physical therapist provider told us after considering time spent driving, assisting the child, writing progress notes and billing for the service, the estimated compensation came to $17 per hour, less gas expense. In comparison, the same physical therapist stated she had reduced her First Steps caseload in order to work for a school district special education program at a rate of $55 per hour.

The First Steps provider pay rate is linked to the Medicaid service rate, which pays most service providers a base rate of $10 per 15-minute unit for most services, plus a $2.50 per 15-minute unit for providing the service in the child's natural environment. Billable hours include time spent with the child, but has not included time spent writing progress notes or traveling to and from the child's home. According to DESE officials, the rate has not increased since the inception of the program in 1994, and decreased by $.50 per unit when the state decreased its Medicaid rate in 2003.

Travel time and expense are not adequately reimbursed

DESE's current travel reimbursement policy is to provide a $45 travel allowance in the event a provider travels a minimum of 60 miles one-way. However, based on DESE's August 2006 travel survey of providers, 8 percent of providers have been eligible to claim this reimbursement. The travel survey also showed 51 percent of providers travel more than 400 miles per month, with 16 percent traveling more than 1,000 miles per month. The August 2006 survey also showed the following:

- 43 percent of respondents live in a mid-sized city or town, a small town, or rural area.
- 77 percent believed reimbursement for mileage and time spent would be a fair travel reimbursement policy.
- 93 percent would prefer to be reimbursed on a per mile basis.
- Approximately 90 percent indicated the lack of mileage reimbursement to be a deterrent in expanding the area they served.

DESE summarized some of the comments made by respondents. For example, DESE cited the following as a typical comment made. "This should not be the only travel reimbursement. We should be reimbursed for our mileage regardless of how far we are driving. Other program/companies do not expect their employees to drive well over 100 miles each day with their personal vehicle without some sort of reimbursement. I have seriously considered quitting my job recently. Gas/other car repair are costing me about a large chunk of my monthly income."

DESE contracted with a consultant firm as part of its redesign efforts in 2000 and 2001, and included a review of the First Steps pay rate structure. The consultant recommended DESE increase the ongoing service reimbursement from the current $12.50 per unit rate ($50 per hour) to $21.27 per unit ($85.08 per hour). The increase in the per unit reimbursement rate was meant to recognize and include travel time and costs.

According to a DESE official, the provider pay rate has not been increased due to budgetary concerns. However, the official stated DESE began considering changes to the travel reimbursement policy as of October 31, 2006.

DESE anticipated local funding would supplement provider pay

According to DESE officials, DESE anticipated SPOEs would obtain local funding to supplement any funding shortfalls if SPOES needed to employ or contract for provider services. However, DESE did not include local funding as a requirement in its request for proposals for SPOE contracts. As discussed on page 15, the Springfield SPOE has used local funding to contract for provider evaluation services. However, discussions with other SPOE officials disclosed those SPOEs have not had success obtaining local funding.

Employing providers could ensure the availability of services

Because of the independent service provider model in place, the only way SPOEs could ensure the availability of services would be to employ or contract with providers, according to SPOE administrators. However, while SPOE contracts allow SPOEs to employ service providers, DESE has limited the reimbursement SPOEs can receive to the per-service rate paid to independent providers.

According to SPOE administrators, it is not financially in the best interest of SPOEs to employ providers because the per-service rate SPOEs are paid for providers would not be sufficient to cover the salaries needed to attract such providers. In addition, one SPOE administrator stated in the event SPOEs employed providers and received a per-service fee for providers, it would constitute a significant conflict of interest because the SPOEs would then be motivated to provide as many services as possible and not what services were necessary. A DESE official recognized that a potential conflict would exist in this situation, but did not consider the potential significant.

Other states have ensured coverage and solved conflict of interest problem

State officials with the Oklahoma and Texas early intervention programs told us they have implemented a provider model which ensures coverage of all eligible children in the state. For example, according to an Oklahoma official, 90 percent of the providers are state employed which allows them to ensure coverage to all eligible children. Texas set up its early intervention

program similar to Missouri's and contracts with outside entities on a regional basis to administer the program. However, Texas requires the contract holders also employ or contract with service providers to ensure full coverage of regions and pays providers a fixed rate for services provided. The fixed rate is beneficial because it does away with any conflict of interest issues associated with a per-service structure and it results in more consistent costs, according to a Texas official.

Coordinators Have Difficulty Servicing Cases Adequately

Discussions with service coordinators during our review of five SPOE regions disclosed coordinators had difficulty in adequately servicing cases. This situation occurred because (1) DESE underestimated coordinator workload, (2) the lack of providers created inefficiencies, and (3) the existence of data system issues.

DESE underestimated workload

Service coordinators told us they could not devote adequate time to most clients and service to clients suffered because of heavy caseloads. According to coordinators, because of the time needed to accomplish case intake work, and because of the requirement to complete intake work within the 45-day timeline, ongoing cases did not always receive their full attention.

According to National Early Childhood Technical Assistance Center guidance, states using a dedicated service coordination model, (like Missouri), have average caseloads of 33 to 37 to one. The study also recommends caseloads be low enough to allow a service coordinator to build a relationship with families in order to understand their concerns and priorities.

High caseloads resulted from underestimating workload

Our analysis of caseloads[8] at the five SPOEs reviewed disclosed coordinators had a combined (intake and ongoing) caseload of 42 to 1, slightly higher than DESE's target caseload of 40 to 1 in its request for proposals. However, after consideration of the time necessary to process intake cases, we found the SPOES had an average ongoing caseload of 58 to 1, with 3 SPOEs having ongoing caseload ratios over 60 to 1 at the time of our visit.[9] At this caseload level, service coordinators at four of the five SPOEs reported having to work over 50 hours per week on caseloads.

Our review of DESE's request for proposals disclosed the department underestimated service coordinator workloads because DESE did not take

[8] Our caseload analysis assumed SPOEs were fully staffed as specified in SPOE contracts.

[9] We conducted site visits from June through August 2006.

into consideration additional time needed to accomplish intake duties and differences in regional service coordination needs. Instead, DESE applied a 40 to 1 caseload ratio to all SPOE regions when calculating the necessary number of service coordinators. In discussing this issue on December 5, 2006, a DESE official stated DESE based the 40 to 1 ratio on information obtained from the National Early Childhood Technical Assistance Center.

Workloads at the SPOEs visited also disclosed SPOE regions that are mainly rural require additional travel time to service the children in those regions. For example, coordinators in the Northeast region, which covers 22 counties, reported spending from 10 to 20 hours per week traveling to and from children's homes. However, coordinators in the Greater St. Louis SPOE did not report any significant concerns regarding travel time. In addition, while our caseload analysis showed the Northeast region averaged a lower overall caseload than the Greater St. Louis SPOE, Northeast service coordinators reported working longer hours than the Greater St. Louis coordinators.

DESE's request for proposals also did not provide SPOEs additional funding to hire additional service coordinators until SPOEs observed an overall caseload of 60 to 1. SPOE directors stated the 60 to 1 ratio was too high and additional staff would be necessary well before the overall ratio reached that point.

Turnover exacerbates workload issues

According to SPOE directors and service coordinators, workload issues and low pay have lead to turnover at SPOEs. For example, the Kansas City SPOE has a total of 12 service coordinator positions and has had 6 coordinators leave since the new SPOE contract became effective in February 2006, with workload related issues cited as the primary cause. High turnover has resulted in understaffing of SPOEs until positions can be filled, and exacerbated existing workload issues, according to SPOE administrators. According to one SPOE administrator, service coordinator turnover has significantly impacted productivity because of the high learning curve associated with the position.

SPOEs expressed concerns over lack of staff

A group of SPOE officials discussed the possibility of increasing SPOE staffing at a meeting with DESE officials on June 30, 2006. Several SPOE officials highlighted topics of that meeting in a July 7, 2006 follow-up letter to DESE describing, among other things, how SPOE officials believed the SPOE contract did not provide for sufficient staffing. At the June meeting, SPOE officials suggested a caseload of 12 children represented a full caseload for each intake coordinator, and did not include children requiring ongoing services. They concluded the current staffing, allowed in DESE's last request for proposals provided to contractors, did not allow service

coordinators enough time to adequately complete the work of intake and ongoing services under the terms of the current contract. The June meeting also included a discussion of additional job duties involving the time intensive work of the WebSPOE (see page 22 for discussion on WebSPOE) and family cost participation requirements.

In response to the June meeting, a DESE official told the SPOE officials the time taken to accomplish the intake process would be investigated and that service coordinators would be "shadowed" to determine some of the time challenges of the work. As of mid-September 2006, a DESE official had shadowed SPOE personnel at four SPOEs. The official told us the four locations had been visited to talk with service coordinators, gain information on time taken to enter information in the WebSPOE, go over day-to-day schedules of service coordinator, discuss provider shortages, and WebSPOE challenges faced by coordinators. As of October 31, 2006, no action had been taken to address workload issues.

Lack of providers caused inefficiencies in service coordination

As part of the intake coordination process, an intake service coordinator must locate service providers to serve the children coming into the program. A service coordinator must first locate a provider to conduct a developmental evaluation and often must locate multiple types of providers for the same child. Once it is determined a child requires ongoing services, the service coordinator must locate a provider able to see the child on an ongoing basis. Service coordinators told us this process becomes much more time intensive when a lack of providers exists. The additional time spent finding providers added to service coordinator workload issues and intake delays.

One SPOE benefits from increased efficiency

Discussions with Springfield SPOE personnel disclosed access to an evaluation and assessment team significantly improved management of caseloads. (See page 14 for additional comments.) Service coordinators in Springfield stated the time saved in having to search for providers to perform evaluations could be applied to other areas, including ongoing caseloads. Based on service coordinator interviews, the Springfield SPOE had the only coordinators working a 40-hour week. This is significant considering the Springfield SPOE had the highest overall (intake and ongoing) caseload (48 to 1) of the 5 SPOEs visited. As previously stated, coordinators at the other 4 SPOEs visited worked 50 hours or more per week. According to the Springfield SPOE director, no turnover has occurred since the new SPOE contract took effect in place in February 2006.

In discussing a draft of this report on December 5, 2006, a DESE official recognized the benefits of SPOEs having access to evaluation and assessment teams, stating that evaluation and assessment teams are critical to increasing SPOE efficiency. The official also stated SPOEs not having

access to evaluation and assessment teams have had workload and turnover issues.

Data system problems impact workload

Discussions with service coordinators at all SPOEs visited disclosed the data system in place, WebSPOE, has added to workload issues facing service coordinators. Coordinators stated the system is too rigid, and does not allow them to correct known mistakes such as misspellings, service authorization corrections and incorrect dates. Duplicate records must be created in order to correct these mistakes. According to service coordinators, they may spend up to 5 to 6 hours per week dealing with data system issues. In addition, coordinators stated the WebSPOE, which is a web-based system, has no off-line function, so all data entry must be done when connected to the internet. According to coordinators interviewed, this is inefficient and leads to additional duplication of data entry. SPOE personnel stated these issues have been communicated to DESE.

DESE officials said these data system issues have been noted and are in the process of being addressed and some minor corrections have been implemented. However, other data system issues associated with the implementation of the family cost participation have taken priority over other major system issues.

Delays, Potential Overbilling, and Documentation Issues Addressed

With DESE's implementation of new SPOE contracts and resulting changes made in the delivery of services by intake and service coordinators, client intake delays have been reduced through redistribution of the intake workload. In addition, SPOEs have been required to employ service coordinators and are responsible for supervising them which has eliminated potential overbilling and resulted in improved documentation of cases.

Federal regulations,[10] require each child to receive an evaluation and, if determined eligible, an IFSP meeting within 45 days of referral. Federal regulations[11] also require each child be assigned a service coordinator to serve as the single point of contact in helping parents to obtain the services and assistance they need.

Client intake delays have been reduced

Since DESE implemented the final seven new SPOE contracts in February 2006, SPOEs have processed 96 percent of cases going to IFSP within the 45-day window required by federal regulations. In fiscal year 2005, prior to the new contracts being in place, an average of 85 percent of cases going to IFSP met the 45-day timeline. However, some SPOEs experienced

[10] 34 CFR Section 303.321(e)(2).
[11] 34 CFR Section 303.23(a)(2).

additional delays in meeting the 45-day requirement and therefore, families experienced delays in having children evaluated for services, receiving an IFSP, and obtaining initial services. For example, for cases referred from July 2005 through January 2006, the Kansas City and Springfield SPOEs met the 45-day timeline only 68 percent and 76 percent of the time, respectively.

Discussions with SPOE personnel and review of 101 case files at 5 SPOEs disclosed the delays occurred because DESE did not ensure SPOEs had been adequately staffed with intake coordinators and administrative staff prior to DESE's realignment and issuance of new contracts in February 2006. Service coordinators told us they considered an intake caseload of 20 children to be a full-time workload. However, intake coordinators in the Kansas City SPOE reported intake caseloads of 40 to 50 children prior to the February 2006 changes. Service coordinators reported similar conditions at the Springfield SPOE.

DESE provided additional help with intake duties

With the realignment of SPOE regions and the issuance of new SPOE contracts, DESE made changes in the handling of intake cases. For example, having the SPOEs employ the independent service coordinators to perform intake duties has allowed the SPOEs to spread the intake caseload among all coordinators and has reduced intake delays.

Potential overbilling and documentation issues addressed

Changes made by DESE required SPOEs to employ service coordinators, and therefore, assume supervisory oversight of coordinators. As employees of the SPOE, service coordinators can no longer bill DESE for services. Review efforts at five SPOEs disclosed DESE had not adequately supervised independent service coordinators or reviewed case files, exposing the program to potential overbilling by service coordinators.

DESE assumed services provided

Prior to February 2006, service coordinators acted as non-salaried independent contractors and DESE paid them $66 per case on a monthly basis. DESE based its compensation on the assumption that some services had been provided to the child on a monthly basis. However, DESE limited its supervision of independent service coordinators to monitoring a sample of case files for selected coordinators periodically. In addition, DESE did not adequately monitor the number of cases managed by service coordinators. DESE's approach to compensating service coordinators resulted in more compensation for service coordinators with higher caseloads. For example, one independent service coordinator in the Kansas City region averaged an ongoing caseload of 94 children and billed DESE for almost $94,000 in calendar year 2005. An ongoing caseload of 40 children is considered a full-time caseload, according to discussions with the Kansas City SPOE director.

Potential overbilling eliminated and documentation improved

DESE's decision to require SPOEs to directly employ service coordinators at a fixed salary, eliminating the fee-per-case setup, eliminated the potential for overbilling by service coordinators. According to SPOE directors contacted, employing service coordinators has increased the level of support for the coordinators and has increased their accountability. Our review of 101 cases at 5 SPOEs disclosed case file documentation and the consistency of services has improved since service coordinators have become SPOE employees.

We also found service coordinators had not always adequately documented all case activity and therefore, we could not always determine what, if anything, independent service coordinators had done for their clients. While monthly contact with families had not been specifically required by DESE, independent service coordinators had been directed to document all phone calls, including messages received and left, as well as any information regarding service providers, according to service coordination training documents. We found documentation of case activity improved after service coordinators became employees of the SPOE.

Conclusions

Improvements are needed in the management of the program. DESE could improve the intake evaluation process by providing incentives to providers encouraging them to participate in the multidisciplinary team approach to evaluations. The benefits of the multidisciplinary evaluation team approach include increased efficiency in service coordination, service delivery and evaluations, as well as increased continuity and quality of care. The independent provider model and the use of a pay-per-service pay structure restricts the SPOEs' ability to implement such a team approach. Direct employment or fixed-rate contracting of providers, as other states have done, would eliminate the existing conflict of interest concerns, encourage the implementation of a team approach and, therefore, lead to more efficient, effective and consistent services and costs. It would also allow SPOEs to ensure coverage to all eligible children in their region.

The program also suffers from a lack of providers and, as a result, some children have not received all services or have received reduced services. In the existing pay-per-service structure, the reimbursement for evaluation and ongoing services has not been consistent with the time and cost necessary to provide these services. These issues could be addressed by either increasing pay rates and establishing mileage reimbursement, or determining the feasibility of employing service providers as evaluators and/or providers, or a combination of both options. DESE had anticipated SPOEs would utilize local funding if SPOEs needed to contract with or employ service providers. However, DESE did not include this as a requirement in its request for

proposals for SPOE contracts. As a result, local funds have not been obtained to secure those services.

Servicing of cases has been adversely impacted by workloads caused by high caseloads, the lack of providers, and data system problems. DESE underestimated the workload some SPOEs would have and did not provide adequate flexibility to adjust staffing needs. As a result, some SPOEs have not had an adequate number of coordinators to manage cases. Analyzing workload and staffing issues of all SPOEs on a regional basis, and tailoring requests for proposals to regions could potentially correct this problem. Coordinators have also had problems acquiring the services of providers, which has contributed to inefficiency and increased workload issues. This issue could be addressed, as discussed above. DESE's data system has caused coordinators extra work because it has not had an edit feature to allow corrections to case data. As a result, coordinators have had to duplicate case information when they re-entered corrected case data. DESE should implement planned system changes which would address system edits and other issues identified by coordinators. The Springfield SPOE reduced some workload issues when it eliminated inefficiencies by contracting for providers to perform evaluation functions. The effect of the inefficiencies discussed above should be considered when evaluating the need for additional service coordinators.

DESE resolved part of SPOE workload issues when it realigned the SPOEs and issued new contracts. By distributing the intake workload among all coordinators at the SPOEs, DESE has improved the timeliness of the intake process. DESE also addressed the issue of service coordinators potentially overbilling for services by making the service coordinators employees of the SPOEs. Service coordinators are now supervised by SPOE personnel, which has also improved documentation of actions taken by coordinators.

Recommendations

We recommend the Commissioner, Department of Elementary and Secondary Education:

3.1 Ensure the successful implementation of the team approach to the intake process, and the availability of providers, by increasing pay rates and establishing mileage reimbursement, and/or determining the feasibility of employing service providers as evaluators and/or providers.

3.2 Improve the servicing of cases by:

- Taking action to reduce service coordinator workload by ensuring evaluation and assessment teams are in place to increase efficiency of service coordination and analyzing workload and the staffing

levels necessary to achieve desired service coordinator workloads. This analysis should ensure differences in rural and non-rural SPOEs are recognized and considered. Findings should be reflected in future SPOE contracts.

- Taking action to assist SPOEs in obtaining local funding and requiring SPOEs to secure local funding as part of the next request for proposals for SPOE contracts.

- Implementing planned changes to the data system to address system edits and other issues that would assist in reducing coordinator workloads.

Agency Comments

3.1 The Department concurs with this recommendation and is currently in discussions concerning the issues raised in the audit regarding provider rates, travel reimbursement and recruitment.

3.2 The Department will include consideration of the issues presented in this recommendation during the current discussions related to regional operations.

Opportunities Exist to Reduce Program Cost and Improve Financial Reporting

DESE may be incurring unnecessary program costs because it has contracted for oversight and technical assistance services instead of employing personnel to provide these services. DESE also has not reported all costs associated with the First Steps program. This situation has occurred because DESE has not known what costs the Department of Mental Health has incurred related to the program.

Consultant Contract Not Cost-Effective

DESE contracts out for its four regional "consultant" positions, which provide guidance and technical assistance to the SPOEs. In 2004, DESE entered into a 3-year, $1.21 million contract for these services. Based on our analysis of contract costs, if the consultants had been employed by DESE, instead of contracted out to a third party, these services would have cost DESE approximately $860,000 over the same time period—a 3-year savings of $350,000.[12]

Consultant duties include:

- Providing technical assistance to SPOE staff.
- Developing and providing training to SPOE staff, as necessary.
- Providing guidance to SPOEs related to business practices and general operations.
- Developing written technical assistance documents.
- Helping DESE's compliance staff during monitoring visits.
- Working with the SPOEs to implement the statewide child find plan.
- Conducting an ongoing assessment of the provider recruitment needs and initiating activities necessary to assist in the enrollment of providers.

Working as a DESE employee could be beneficial

Being employed by a contractor has not helped with job duties, according to a consultant. However, being employed by DESE would be beneficial because it would provide the consultants with more authority to provide guidance to the SPOEs and allow consultants to answer directly to DESE officials, according to the consultants.

A DESE official recognized the benefit of having the consultants answer directly to the agency, but stated the department contracted out the positions because officials had been advised by DESE administration to reduce personnel positions and DESE did not have enough personnel positions in the budget to employ the consultants directly.

[12] Assumes all travel and other operational costs of the contract would be incurred by DESE and assumes the consultant's current salary at the state fringe benefit rate.

Total Funding Not Known

Our review of expenditures for the program showed DESE spent $23 million on the program for fiscal year 2006. However, this amount does not include what the Department of Mental Health spent on the program.

According to Mental Health personnel, they have not tracked program expenditures because it is not required by the current memorandum of understanding with DESE. Upon our request Mental Health officials analyzed First Steps costs and estimated expenditures of approximately $1 million during fiscal year 2006 on the program.

Conclusions

DESE has incurred unnecessary costs by contracting with a third party for oversight and technical assistance services. By employing personnel to carry out consultant duties, DESE could reduce costs of the program and potentially increase the effectiveness of the consultant position. Performing a cost-benefit analysis would allow DESE to define the financial benefits to bringing these services in-house at DESE.

DESE's portion of program revenues and expenditures are adequately tracked and reported, however, without an accurate picture of Mental Health expenditures made for the purposes of the program, DESE and legislators have no way of knowing the total cost of the program. This information is critical to policymakers in evaluating the value of the program.

Recommendations

We recommend the Commissioner, Department of Elementary and Secondary Education:

4.1 Perform a cost-benefit analysis to determine the feasibility of employing personnel to provide oversight and technical assistance services to regional SPOEs.

4.2 Coordinate with the Department of Mental Health to make necessary revisions to the current memorandum of understanding to require the reporting of First Steps expenditures to DESE.

Agency Comments

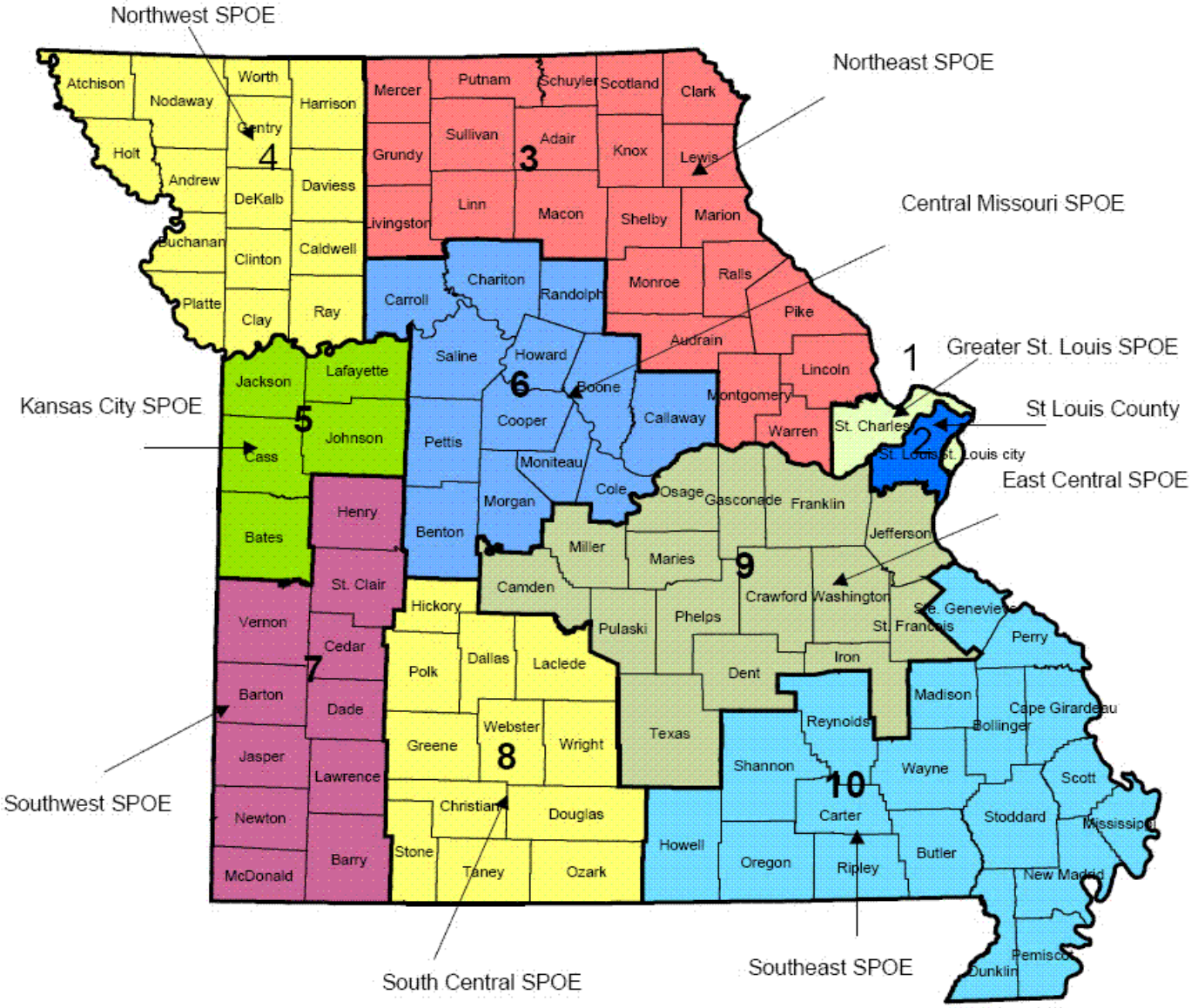
4.1 The Department will take this analysis under advisement.

4.2 The Department concurs with this recommendation and will implement a financial tracking system with the Department of Mental Health within the current fiscal year.

SPOE Regional Map

Figure I.1 shows the boundaries and location of each SPOE region. Region 1 services both St. Charles County as well as the City of St. Louis, while Region 2 services St. Louis County.

Figure I.1: SPOE Regional Map



Source: DESE

Program Revenue and Expenditures

Table II.1 outlines the detailed program revenue sources and expenditures for fiscal years 2002 through 2006.

Table II.1: Revenues and Expenditures - Fiscal Years 2002 through 2006

	2002	2003	2004	2005	2006
Revenues					
Federal					
Part C[1]	$ 7,060,407	7,753,391	8,239,101	7,931,596	8,296,053
Medicaid	2,700,000	4,500,000	1,718,866	3,460,122	2,509,754
Total Federal	$ 9,760,407	12,253,391	9,957,967	11,391,718	10,805,807
State					
General Revenue Fund	$ 9,807,481	8,468,992	10,290,496	10,169,590	12,659,182
Early Childhood Fund[2]	0	0	5,286,042	5,286,042	578,644
First Steps Fund	0	0	0	0	671,270
Total State	$ 9,807,481	8,468,992	15,576,538	15,455,632	13,909,096
Total Revenues	$ 19,567,888	20,722,383	25,534,505	26,847,350	24,714,903
Expenditures					
Direct Services	$ 17,062,873	18,217,387	20,448,758	20,333,894	16,953,558
Administration[3]	2,124,138	3,028,525	3,570,061	5,187,487	5,920,728
Total Expenditures	$ 19,187,011	21,245,912	24,018,819	25,521,381	22,874,285

[1] Part C of the Individuals with Disabilities Education Act.

[2] Early Childhood Development Education and Care Fund. These funds represent gaming funds that are required to be used for early childhood education purposes. A reduced level of funding was available to DESE in this fund in fiscal year 2006.

[3] The costs of SPOEs directly employing service coordinators have resulted in the increase of Administration expenditures. The cost of independent service coordinators is included in Direct Services in 2002 through 2004 and partially in 2005.

Source: DESE financial records.